HEGEMONY
AND
FREE TRADE POLICY:

Britain 1846-1914
and
U.S.A. 1944-1990

Geoffrey Allen Pigman
St. John's College
Trinity Term 1992

Thesis submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy in International Relations in the Faculty of Social Studies at the University of Oxford (*circa* 100,000 words).

ABSTRACT

Hegemony and Free Trade Policy: Britain 1846-1914 and U.S.A. 1944-1990

Geoffrey A. Pigman

St. John's College

D.Phil., Trinity Term 1992

The thesis examines the relationship between hegemony and trade liberalization, comparing the cases of nineteenth century Britain and the post-World War II United States. How have hegemonic powers that have promoted liberal international trading systems responded after the dynamic of trade liberalization begins to break down and their hegemonic position comes under challenge? Why, specifically, did British trade policy between 1870 and 1914 fail to prevent the decline of liberal international trade, and how is the course of American trade policy since 1971 comparable?

A theoretical investigation of hegemony finds that a hegemon possesses a unique arsenal of types of power that its government may use to influence the international economy. Whilst a hegemon, a state can choose commercial policies that further or retard trade liberalization.

The case of Britain is considered, first reviewing Britain's post-Congress of Vienna liberalization of its own tariffs. After repeal of the Corn Laws, a hegemonic Britain promoted trade liberalization abroad, first unilaterally, through proselytisation and from 1860 proactively, by negotiating commercial treaties based on mutual tariff reductions and most-favoured-nation treatment. After 1870, however, when British economic dominance was challenged, British governments generally returned to a policy of unilateral trade liberalization. An extensive survey of British commercial policy 1870-1914, followed by four case studies of specific trade negotiations (two sets of multilateral sugar negotiations, Anglo-American talks on a commercial treaty for the West Indies, and Anglo-Japanese commercial treaty negotiations), finds that British trade policy was inconsistent and unsuccessful. Unilateral trade liberalization policy failed to prevent the decline of liberal trade, whereas the few counterexamples of a more negotiated approach achieved much greater success.

After World War II, a hegemonic United States also promoted trade liberalization, but from the outset on a multilateral basis. From the early 1970s, when U.S. economic dominance was challenged, U.S. trade policy was also inconsistent. As in Britain, unilateralism was resurgent. However, American unilateralists have either sought to obtain unrequited trade concessions from other states in negotiations or else to use domestic U.S. legislation to penalize other states not conforming to U.S. trade policy objectives. A briefer survey of the generally well-known U.S. trade policy record since 1971, followed by three specific commercial policy case studies (civil aircraft negotiations in the GATT Tokyo Round, the U.S.-Japan Market-Oriented, Sector-Specific [MOSS] negotiations and the U.S. 'Super 301' cases against India) finds that both countries' trade policies were inconsistent, and that American unilateralism has been generally as flawed a policy as British unilateralism had been.

The thesis concludes that whereas much of the literature on hegemony assumes that hegemonic power and its use are coextensive, the explanation of why hegemons fail to use the power at their disposal requires examination of the policy choices of the hegemon's policymakers, the reasons for those choices and their effect on both the hegemonic state and the international system within which it must operate.

ACKNOWLEDGEMENTS

I wish first to thank my two academic supervisors, Patrick O'Brien and Andrew Walter, for all their expert guidance and assistance. For academic and other related advice I also thank Kendall Myers, Michael Hurst, James Kurth, Elliot Richardson, Carl Green, Stanley Marcuss and Bradley Larschan. For access to documents and other research materials I thank the Public Record Office, Kew, the Bodleian Library, Oxford, and the Library of Congress, Washington. I also thank Christopher Smith, Brenda Monroe and Rebecca Woodings. For financial support I thank H.M. Government, Swarthmore College, St. John's College and Takashi Yuasa, as well as my grandfather, the late Augustus Pigman, and the late Hayward C. Carleton. For assistance with layout and production design I thank Mark Bland, and for proofreading I thank Jeremy Goldring and Jonathan Ross. And for all her encouragement and support in every respect, I thank my mother, Nancy S. Pigman, without whom none of this would have been possible.

TABLE OF CONTENTS

I. Theoretical Foundations

A. Introduction, Overview and Methodology 1
B. The Problem of Hegemony
1. Hegemony and Power 10
2. Usage of Hegemony 18
C. Hegemony and Trade Negotiations 31

II. Free Trade Ascendant: Britain and the World Economy 1846-1870

A. Prelude: The Move to Free Trade 1815-1846 50
B. Building the Free Trade World Order 1846-1870
1. Preaching the Liberal Gospel 1846-1860 61
2. A Regime of Treaties 1860-1870 72

III. Hegemony and Free Trade Declining 1870-1914

A. Overview of the Changing World Economy 82
B. Britain Reacts: Commercial Strategy for New Challenges
1. Official Ideology and Institutional Response 93
2. Endogenous Influences on Policy 113
3. Exogenous Influences and Trade Negotiations 125
a. France 129
b. Germany 148
c. The United States 161
d. Russia 169
e. Portugal 171
f. Japan 174
g. Other Industrializing and Nonindustrialized States 176
h. Multilateral Negotiations 178
i. European Views of Britain 180

IV. Hegemony and Free Trade Declining 1870-1914: Britain Negotiates

A. Themes of the Negotiations 182
B. Britain and the Multilateral Sugar Negotiations 1862-1889 186
C. Britain, the West Indies and the United States 1884-1887 215
D. Britain and Japan 1888-1894 237
E. Britain and the International Sugar Convention 1898-1913 260

Table of Contents (continued)

V. A New Hegemon Reigns: The Post-World War II United States

A. U.S. Trade Policymaking and Interwar Origins of Hegemony
1. U.S. Trade Policymaking Institutions 275
2. Interwar Origins of U.S. Hegemony 279
B. The United States Rebuilds a Liberal World Economy 1944-1971
1. U.S. Hegemony and Postwar Reconstruction 281
2. Redistribution of Power 1958-1967 289
C. U.S. Hegemony Challenged 1971-1990
1. The Postwar System Transformed 294
2. Intermittent and Inconsistent Liberalization: the 1980s 302
3. The 1990s: Uncertain Course, Familiar Lessons 309

VI. Maintaining Hegemony? The United States Negotiates
A. Themes of the Negotiations 314
B. Civil Aircraft in the Tokyo Round 316
C. The MOSS Talks 329
D. The Super 301 Cases Against India 351

VII. Conclusions 370

Appendix 381

Bibliography 395

ABBREVIATIONS

AIF	Association de l'Industrie Française
ASP	American Selling Price
CEA	Council of Economic Advisers
CIA	Central Intelligence Agency
CO	Colonial Office
CRS	Congressional Research Service
CVD	Countervailing Duty
E.E.C.	European Economic Community
E.C.	European Community
EFTA	European Free Trade Area
FDR	Franklin Delano Roosevelt
FO	Foreign Office
GATT	General Agreement on Tariffs and Trade
GAO	General Accounting Office
GDP	Gross Domestic Product
GNP	Gross National Product
G.P.O.	Government Printing Office
GSP	Generalized System of Preferences
JAMA	Japan Automobile Manufacturers Association
LDC	Less Developed Country
IBRD	International Bank for Reconstruction and Development ('World Bank')
IMF	International Monetary Fund
ITC	U.S. International Trade Commission
ITO	International Trade Organisation
LTA	Long-Term Textile Arrangement
MFA	Multifibre Arrangement
MFN	Most Favoured Nation
MITI	Ministry of International Trade and Industry
MOSS	Market-Oriented, Sector-Specific
MPT	Ministry of Posts and Telecommunications
NATO	North Atlantic Treaty Organisation
NTB	Non-tariff Barrier
OECD	Organisation for Economic Cooperation and Development
OMA	Orderly Marketing Arrangement
OTA	Office of Technology Assessment
RTAA	Reciprocal Trade Agreements Act
SAF	Société des Agriculteurs de France
SII	Structural Impediments Initiative
STR	Special Trade Representative
TAA	Trade Adjustment Assistance
TRIM	Trade-Related Investment Measures
USCFTA	U.S.-Canada Free Trade Agreement
USSR	Union of Soviet Socialist Republics
USTR	(Office of the) United States Trade Representative
VER	Voluntary Export Restraint

I. Theoretical Foundations

> We have never pretended to France that we were going to inflict injury upon ourselves. We have offered France our best aid in breaking down her own vicious prohibitory system. In doing so we may have given a greater benefit to France than to ourselves. I shall not attempt to measure it on one side or the other. What we have done is good -- nay, doubly good -- good for ourselves if France had done nothing at all, doubly good because France has done a great deal.
>
> --W.E. Gladstone, 1860[1]

> I had come to negotiate, not to impose.
>
> --Henry Kissinger, 1979[2]

A. *Introduction, Overview and Methodology*

In the past two decades, political scientists, economists and historians have debated the nature of hegemony in the international system and the relationship between hegemony and the provision of goods such as liberal trade and monetary regimes and a stable security order to the other members of the system. The debate has focused on basic questions: What is hegemony? Which countries have qualified as hegemons and for which periods? Have hegemonic powers sought to provide goods like 'liberal' trade to the international system? If so, did they succeed and was it in their interest to do so? And do liberal international economies presided over by hegemons (if such have existed) decline, and if so why, and what is the role of the hegemon in preventing or furthering that decline?

---

[1]Gladstone (1916) pp. 283-284.
[2]Kissinger (1979) p. 960.

This thesis examines the relationship between hegemons and liberal international trading systems.[3] A 'liberal' international trading system or economic order is one characterized by 'low' tariffs and 'few' trade prohibitions and other non-tariff barriers to trade, the requisite implementing policies in the major trading powers and an accompanying lack of 'beggar-thy-neighbour' or predatory exchange rate policies. But the direction in which the trading system is moving, *i.e.*, towards greater liberalization or towards greater protection will be shown by the historical review that follows to be more important in some senses as how liberal absolutely the system is at any particular time, so 'liberalizing' might often be a more accurate descriptive term than 'liberal'. 'Open trade' or 'openness' of the international economy is often used in a manner similar to 'liberal' and unless noted will be used thus in this thesis.[4]

In the following review of the hegemony debate I shall argue that in the industrial era, two countries have established a hegemonic position in the world economy, Britain in the mid-nineteenth century and the United States in the decades following World War II. Whilst exercising that hegemony, each country shaped and directed the international economy in a liberal direction. But as the economies of their

---

[3]It can be analytically misleading to consider trade policies apart from other aspects of international monetary and financial policies. However, as historically both the setting of trade policy and the conduct of trade diplomacy has often been separated from other international economic policymaking, this sort of comparison can be justified. *See* Strange (1988) pp. 179-180.

[4]*See* Krasner (1976) pp. 322-324.

By contrast, 'free trade' refers to an ideological stance or political position in favour of a type of ideal (in the sense of classical theory) world economy and will be used thus in this thesis. True free trade, the complete absence of any barriers to trade, tariff, non-tariff or monetary, has never existed and would not be sought in its purest sense even by the most ardent 'free trader'. 'Free traders' refers to the political proponents of a liberal trading system within the historical context of their day.

trading partners grew, both states saw their hegemony decline. Concurrently with that decline, the liberal trade principles that each country's policymakers were promoting came under attack both domestically and throughout the liberal international economy. The causes of the challenge to liberal trade in the two periods and the decline in the hegemony of Britain and the United States are related. The purpose of this thesis is not to construct a predictive model relating hegemony to liberal trade. It rather seeks to understand and explain more fully, through detailed examination of the historical record, how hegemonic powers maintain (or fail to maintain) the dynamic of international trade liberalization after passing the apogee of their dominance of the international economy and when faced by growing external and domestic opposition to liberal trade.

A brief preliminary historical review outlines the oft-challenged but, as I shall argue, still valid case for the liberal trade hegemonies of nineteenth-century Britain and post-World War II United States. As the Conservative government of Sir Robert Peel repealed Britain's Corn Laws in 1846, the world economy entered a new era of growth and integration. As the sovereign rulers of the most industrialized economy in the world, the British Parliament had made the decision to adopt a policy of free trade, unilaterally, but in the expectation that Britain's principal trading partners might follow suit. Over the next twenty-five years, five major trading powers (France, Germany, Italy, Belgium and the Netherlands) and numerous smaller economies (*e.g.*, Sweden) liberalized trade significantly, and other major states liberalized trade to a discernible degree (Austria, Russia, and even the United States, for a time), thereby allowing for a considerable liberalization of trade between states. World economic growth

accelerated, and the market value of British exports alone increased 282 percent between 1842 and 1867.[5] Trade dependence of the major economies also increased significantly. The ratio of British exports and imports to national product, which had been ten percent in the 1830s, grew to 30 percent by the 1870s.[6] Under free trade, Britain's trade with Europe grew appreciably between 1850 and 1875, although trade with the United States declined slightly on account of the U.S. Civil War.[7] Carrying the reputation that Britain's great economic success bestowed, British statesmen disseminated free trade doctrines effectively in Europe as well as to less developed countries. By 1870 enough countries had liberalized trade that international economic relations looked genuinely different from the mercantilism that had emerged in the commercial revolution of the sixteenth century and dominated international commerce until the mid-nineteenth century.

One of the paradoxes of Britain's position in the mid-nineteenth century is that while the country may have functioned as a hegemonic power in the world economy during that period, most British leaders did not think in terms of 'hegemony' in the way that they thought in terms of 'empire' or even 'balance of power'. They had a foreign policy agenda, which placed affordable defense of Britain's empire (which included balancing power in Europe) paramount, and an economic ideology based around free trade, the gold standard and supplying credit to other economies. Ministers like Peel and Palmerston viewed commercial policy as an instrument of foreign policy and regarded foreign policy in terms of geopolitics and great power

---

[5]Imlah (1958) p. 16.
[6]Crouzet (1982) p. 342. Also *see* Appendix, Table 2a.
[7]*ibid.*, p. 355.

rivalry, much as their predecessors had done. When Britain's economic dominance in world trade began to be challenged after 1870 by her principal European and North American trading partners, Britain's political leaders did not organize a cohesive strategy for preserving the liberal trading system that Britain had initiated and diffused after the repeal of the Corn Laws, let alone for maintaining the momentum of liberalization. Supporters of free trade in Britain, after effectively marginalizing for the rest of the century their domestic opponents who still favoured agricultural protection, divided over the question of methods of propagating free trade abroad. While some favoured unilateral free trade (showing the rest of the world free trade's benefits by example), others favoured the spreading of free trade proactively through persuasion and negotiation, of liberalizing trade through a system of bilateral treaties. This ongoing dispute between unilateral and proactive free traders became significant after 1870 when the Franco-Prussian War, the Agricultural Depression and the effects of the rapid industrialization of Britain's trading partners all combined to shift the attitudes of many Europeans against liberal trade and rendered British government attempts to stem rising tariffs and other barriers to trade piecemeal and uncoordinated.

The overall dominance of unilateral free traders in the British government from 1870 obstructed any systematic attempt to maintain liberal trade throughout the international economy. Unilateral free traders, whilst not seeing the commercial challenge to British hegemony in the late nineteenth century, did perceive a growing military threat to Britain's empire, and the emphasis in foreign policy shifted increasingly from Cobdenite internationalism towards maintaining and preserving Britain's imperial holdings. Defense of British hegemony became a stark choice between the

Government's unilateral free trade position or imperial federation and tariff reform, which were supported by a growing faction that responded to the commercial challenge to British hegemony by turning away from free trade. As the century drew to a close, the web of commercial relations between states, underpinned by liberal trade, that internationalists like Cobden had hoped would prevent war progressively broke down amidst trade wars and retaliation. National and imperial rivalries that fuelled international tensions appeared with increasing frequency in colonial struggles and eventually erupted at Sarajevo into the First World War.

World War I left Britain's economy and financial system weakened and her prewar hegemony precarious. Relations between the major economic powers, Britain, France, the United States and Germany were unstable throughout the interwar period because of basic disagreements relating to German war reparations, the European security structure, the gold standard and exchange rates and the role of unconditional most-favoured-nation ('MFN') status in the world trading system. Economic and financial instability that occurred in the interregnum of the 1920s gave way to aggressive neo-mercantilism after 1928, of which Britain's formal abandonment of free trade and establishment of the Ottawa System, Roosevelt's New Deal in the United States, Germany's *Lebensraum* policy towards Central and Eastern Europe, Japan's 'Greater East Asian Co-prosperity Sphere' and a substantial drop in world trade are testimony. Only after World War II, when every major industrial economy (except the United States) was disabled or devastated, was an international economic system under a new hegemonic power, the United States, reestablished. Under American leadership, international institutions, such as the International Bank for Reconstruction and

Development, or World Bank ('IBRD'), the International Monetary Fund ('IMF') and the General Agreement on Tariffs and Trade ('GATT'), were created to regenerate a world economy based on liberal trade and monetary stability.

As Europe and Japan rebuilt their economies and caught up with the United States, and as new industrial powers have emerged from among the ranks of the developing countries, the United States since the 1970s finds itself in a position which can be perceived as analogous to Britain's position in the late nineteenth century. The mid-1960s, the period of the successes of the Kennedy Round of multilateral GATT negotiations, has been characterized as the apogee of postwar liberal trade[8]. Since then, nontariff barriers to trade by some measures have increased. The emergence of a system of floating exchange rates following the 1971 collapse of the Bretton Woods system, the rise in retaliatory trade actions and a gradual regionalization of trade in some areas have led many to argue that notwithstanding subsequent further GATT-sponsored tariff reductions, the international trading system is now moving in a less liberal direction. Within the United States, free trade opinion never vanquished protectionism for a significant length of time as it had in Britain, but as in Britain free traders have become factionalized. The few American analogues of British unilateral free traders are inclined to favour unilateral adherence to GATT principles. Contemporary proactive free traders, who dominate the U.S. trade policy establishment, favour reciprocity and bilateral negotiation as operative principles. A larger body of unilateralist sentiment than that favouring unilateral free trade supports enforcing U.S. trade policy of reciprocal trade liberalization unilaterally through domestic

[8]Scammell (1983) p. 171.

legislation embodying automatic retaliation. As in Britain in the 1880s and 1890s, there has been an upsurge of openly protectionist sentiment that is pressing for a limitation of access to U.S. markets for imports of foreign goods, services and now capital as well. The outcome of the struggle between U.S. trade policy factions is uncertain but vital. How policymakers continue to respond to the challenge to U.S. hegemony will not only determine future U.S. economic stability, but will profoundly affect the prospects for the survival of the liberal international trading system that the United States reestablished and propagated after the Second World War.

Through a detailed examination of Britain's political and economic responses to the breakdown of liberal international trade between 1870 and 1914, this thesis analyzes what Britain attempted to do to stem the growth of protectionism abroad and why those attempts failed, and then compares the British experience in that period with the American experience since 1971, when the collapse of the Bretton Woods international monetary system indicated a possible erosion of postwar U.S. hegemony. What is compared is the trade policy of two hegemonic states each seeking to perpetuate both its own hegemonic position in the international system and trade liberalization. The case of Britain and the incomplete case of the United States suggest that for a state that occupies a hegemonic position in the world economy, unilateralism in creating and propagating a liberal international trading system may be a successful, or at least viable, policy. Once that hegemony becomes eroded, however, either by external political events (*e.g.*, shifts in military power) or by the natural catching up of the hegemon's trading partners that occurs in a liberal world trading system, protectionist opposition to trade liberalization increases, both in other states

seeking to expand their power at the hegemon's expense and among those domestic interests in the hegemon that suffer under liberal trade (*e.g.*, 'sunset' industries, etc.). The former was more serious for Britain, whereas the latter has been a greater problem for the United States, but domestic and external opposition to trade liberalization have both plagued each hegemon. Policymakers in the hegemonic state must adopt a more proactive negotiating approach towards their trading partners in order to maintain the liberal trading system against the increased power of protectionist forces and to maintain their own hegemonic power over growing rivals.

The thesis is divided into seven chapters. In the remaining sections of this chapter, the application of the concept of hegemony and the role of the theory of hegemonic stability theory for this analysis and the application of theory to trade negotiations between states are discussed. Britain's adoption of free trade and establishment of a liberal international trading system are outlined briefly in chapter two. In the third chapter, Britain's responses to the decline of the system between 1870 and 1914 are analyzed, through a general survey of British commercial relations, including tariff treaties and other significant bilateral and multilateral trade negotiations. The survey is extensive because the body of secondary literature covering British commercial history and diplomacy is scattered and not well-organized. Chapter four examines in detail several specific cases of British trade negotiations of varying types and with varying strengths of adversary, which are illustrative of the relative success and failure of different policy applications. This chapter relies on British Foreign and Colonial Office and Treasury papers (including letters, Parliamentary documents, reports, negotiating instructions, etc.) that document Britain's negotiating approaches

and ways of reacting to the actions of her adversaries. The fifth chapter compares Britain's response to challenges to hegemony and liberal trade between 1870 and 1914 with that of the United States after 1971, first reviewing briefly the interwar interregnum between hegemonic systems and the American establishment and development of the postwar liberal economic order, and then examining the fate of that order since 1971. This chapter draws on the much more copious body of secondary historical, economic and international relations literature that exists for the United States. My intent is not to retell the history to the extent required for Britain in chapter three, but to highlight the strands of policy development that are related to the maintenance of trade liberalization as liberal trade was challenged. In chapter six, specific and illustrative cases of American trade negotiating approaches after the early 1970s are examined, using testimony from Congressional hearings and U.S. government documents available to the public.[9] The seventh, concluding chapter reassesses the utility of the comparison of the British and American cases generally and how they illuminate the relationship between hegemony and trade liberalization.

B. *The Problem of Hegemony*

1. Hegemony and Power

I shall argue that both Britain and the United States have been hegemonic powers engaged in promoting a liberal international trading system, in the nineteenth

---

[9]In the contemporary United States, how trade policy is made is open to public scrutiny through the Congressional oversight process in a way that trade policy in Britain was not. Hence to examine U.S. policymaking one is not dependent upon the release of private documents comparable to those used in the British case studies in chapter three.

and twentieth centuries respectively, and that in both cases their hegemony was challenged. In order to do this, a viable and useful understanding of hegemony must first be gleaned from the writings that have employed the idea of hegemony for various purposes. The first part of this section seeks a basic understanding of hegemony by examining its place in international relations literature and its close relationship to the exercise of power. Next, different uses of the idea of hegemony and their effect upon the idea are considered. It then will be possible to articulate the way in which hegemony will be used in the rest of the thesis. The next section considers the relationship of hegemony to trade bargaining, including the use of game theory to analyze and predict outcomes of trade negotiations.

Hegemony, according to Gilpin, consists in the exercise of power by a state over the international system in a way that combines elements of coercion of other system member states by the hegemon and voluntary participation in the hegemonic order by other system members in their own (perceived) self-interest. This distinguishes it from empire, another form of domination of the international system by a single state, because empire involves the union of the system under imperial rule by force.[10] Gilpin shares the orthodox 'realist' view of international relations theory that state-level units remain the most important actors in international systems, despite the rise of other actors, such as supranational and multilateral institutions, multinational corporations and other transnational actors.[11] Order is maintained in hegemonic systems by a hierarchy of prestige among the system's members, which obviates the

[10]Gilpin (1981) pp. 144-145.
[11]Keohane and Nye (1971) pp. 371-398.

use of force in maintaining order. Prestige, which is accrued from military and, increasingly, economic power, is described by Gilpin as 'the everyday currency of international relations....'[12] According to Gilpin, the discrepancy that can develop between prestige and power causes a disequilibrium that can result in the use of force to reorder the hierarchy of prestige.[13] Gilpin's idea of prestige as a surrogate for other types of power is an explanation for the 'lags' that have been observed between shifts in the distribution of power between system members and change in the structure itself, *e.g.*, the decline in British power in the late nineteenth century was followed only after World War I by Britain's loss of her hegemonic position.[14]

Gilpin characterizes the international system as a continuing cycle of hegemony or empire, followed by disequilibrium and change through power-redistributive hegemonic war.[15] Other writers have regarded benevolent hegemonic rule without coercion as possible, instead regarding a hegemon as a type of benevolent system leader or manager that promotes cooperation among system members.[16] Cooperation, whether asymmetric or between equals, is facilitated by international institutions and regimes, and the need for cooperation to make a hegemonic system function underscores the importance of such institutions and regimes. A hegemonic power, Keohane argues, must be able to defend the 'international economic order' against external

---

[12]Gilpin (1981) p. 29.

[13]*ibid.*

[14]*See* also Webb and Krasner (1989) p. 195.

[15]Paul Kennedy's theory of the rise and fall of great powers, in which differential technological or other economic advances propel a country to economic dominance and military expansion that may then leave the great power militarily overextended and vulnerable to predation after it has lost its economic advantage relative to its rivals is a more historically-based variant of Gilpin's theory. *See* Kennedy (1987) pp. xv-xvi.

[16]Snidal (1985) pp. 587-588; Calleo (1987) pp. 14-15; Keohane (1984) pp. 49-64.

military threat, but it need not have military dominance over the world. Indeed, military force is not generally an option for the hegemon in resolving disputes with its allies in circumstances of 'complex interdependence'.[17]

Even a preliminary attempt to define hegemony indicates its dependence on how one understands state power. Strange characterizes the traditional realist conception of power as relational power, one actor's ability to get another actor to do something that the other actor would not otherwise do. Strange argues that recent changes in international relations, including the decline in the emphasis on military security and the replacement of territory by market shares as the primary objective of international competition, have caused relational power to decline in importance relative to structural power. Structural power, according to Strange, 'is the power to choose and to shape the structures of the global political economy within which other states, their political institutions, their economic enterprises, and (not least) their professional people have to operate.'[18] Strange argues that post-World War II United States hegemony is based on possession of requisite structural power, whereas nineteenth-century Britain did not possess a key structural power component, security dominance. I argue that British naval power that kept open the sea lanes for expanding international commerce, together with diplomacy intended to minimize

---

[17]Keohane (1984) p. 39.

[18]Strange (1987) p. 565. Strange divides structural power into four interlocking component parts, consisting of control of:

[1] other actors' security from violence;

[2] the production of goods and services;

[3] the structure of finance and credit so that one can create more purchasing power for oneself; and

[4] knowledge and information. *Ibid.*, p. 566.

conflict in Europe and elsewhere, while different from the U.S. nuclear umbrella for its allies, is nonetheless analogous in terms of security provision for its time.

Nye distinguishes between tangible and intangible power resources. Intangible resources include bargaining skills, asymmetric relationships and the vulnerabilities that they entail and power conversion skills, the ability to convert power resources into desired results.[19] The importance of intangibles, which tend to be economic rather than military resources, has increased, Nye argues, as the costs of using military force have increased. Nye expands Strange's concept of structural power, which he redubs 'indirect or cooptive power', so as also to include use of noneconomic power in international relations to structure situations and set agendas: to convince other states 'to want what you want' instead of, more conventionally, to force them 'to do what you want'.[20]

The importance of structural or indirect power for a hegemonic state originates in the writings of Gramsci and writers in his tradition, such as Cox and Gill. Gramsci developed an idea of hegemony to explain how elites in social and economic systems use culture to maintain the system's popularity.[21] Successful hegemony, according to Gramsci, is dependent on the consent of the non-hegemonic subjects.

> Undoubtedly the fact of hegemony presupposes that account be taken of the interests and tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed--in other words, that the leading group should make sacrifices of an economic-corporate kind. But there is also no doubt that such sacrifices and such a compromise cannot touch the essential; for though hegemony is ethical-political, it must also be economic, must necessarily be based

---

[19]Nye (1990) pp. 27-31.
[20]*ibid.*, p. 31.
[21]Joll (1977) p. 8.

> on the decisive function exercised by the leading group in the decisive nucleus of economic activity.[22]

Cox distinguishes hegemony from mere domination by a large power in that hegemony refers to:

> dominance of a particular kind where the dominant states creates an order based ideologically on a broad measure of consent, functioning according to general principles that in fact ensure the continuing supremacy of the leading state or states and leading social classes but a the same time offer some measure or prospect of satisfaction to the less powerful.[23]

For Gramsci, this type of dominance fuses the idea of state coercion with that of consensual rule.[24] According to Russett and Gill, the United States used its hegemonic power as Gramsci and Cox described to promote liberal democracy as a political model after the Second World War, making United States-style liberal democracy the cultural norm in the world and filling the gap left by the fall of fascism.[25]

Wallerstein also linked the power of elites in a hegemonic power to the international system. Wallerstein described the system that has existed since the sixteenth century as a capitalist 'world-economy' of different polities in which elites in core states manage economic and political relations between states in such a way as to maintain their position relative to semiperipheral and peripheral areas of the system. In this way they also maintain their dominance over underclasses in their own state.[26] The alternative to a 'world-economy' that Wallerstein proposes is a 'world-

---

[22]Gramsci (1971) p. 161.
[23]Cox (1987) p. 7.
[24]Gill (1990) p. 43.
[25]Russett (1985) pp. 230-231; Gill (1990) p. 53.
[26]Wallerstein (1974) pp. 347-355.

empire', which would consist of a single political system incorporating much of the world, probably to large degree by force.[27] While such an entity has not existed in the time period that Wallerstein discusses, his distinction is important for a useful understanding of hegemony. In order to distinguish hegemony from empire, it must be seen as primarily noncoercive. Thus to operate as a hegemon in a system not requiring military force or other coercion, a hegemon must have a combination of resources, military, economic and cultural, as well as other elements of structural power, such as the willingness to lead the international economy (by providing liberal trade, a key currency, etc.).[28]

James and Lake have developed a taxonomy of power used by hegemonic states that effectively synthesizes traditional realist ideas of power resources with structural or indirect power and the Gramscian idea of hegemonic power as the ability of elite groups to propagate their values and ideology to other domestic groups and to foreign elites. According to James and Lake, hegemonic power has three faces. In the first face is grouped traditional military and geopolitical resources, as well as economic power in the sense of production capacity, capital formation, control of trade routes, etc. The second and least studied face of hegemonic power is market power: the ability to alter the outcomes of domestic political debates in other countries (on trade and monetary issues, for example) through regulating those states' access to the hegemon's domestic markets. The third face, which Lake and James observe is the most difficult to measure analytically, is the ability of elites in the hegemon to

---

[27]*ibid.*, p. 348.

[28]This need not entail a consciousness of hegemony or agreement on the nature of hegemony by the elites in the hegemon.

propagate their ideology and values to elites in other states.[29] A state's power may vary by type and across different issue areas, as Baldwin observes, so identification of which types of power prevail in which situations becomes important[30]. In this thesis, I refer to James and Lake's taxonomy of hegemonic power in assessing the trade policies of Britain and the United States as hegemons. Both states possessed all three types of power during the peak periods of their respective hegemonies. How each hegemon then chose to use the power resources at its disposal played a determining role in the fate of its hegemonic status.

The measurement of hegemonic power, given its variety of types, is problematic. Absolute and relative economic and military power resources can be assessed straightforwardly, if imperfectly, through statistical data, a selection of which appears in a statistical appendix to the thesis. Arguments regarding each hegemon's use of that type of power rely on such data, which is of varying quality.[31] The hegemon's market power over other states can be assessed empirically by examining such data as bilateral trade flows and relative trade dependence. But to assess its use requires close examination of the diplomatic and political history of the hegemon's relationship with other states at key policy junctures. Measuring the propagation of ideology is even more difficult because it relies entirely on historical narrative and detailed understanding of history and society in the subordinate state. Most often direct references to the hegemon's values or ideology by legislators in other states is the best available

[29]James and Lake (1989) pp. 1-29. Note the dependence on Lukes (1974).
[30]Baldwin (1980) pp. 495.
[31]Platt (1990) discusses difficulties in assessing the reliability of historical statistics.

documentation of this type of power.[32] This thesis primarily uses close examination of diplomatic and political history of hegemonic trade relationships and historical narrative, supported by empirical data in the case of market power, to document how each hegemon exercised (or failed to exercise) the latter two types of power.

2. Usage of Hegemony

The investigation of what hegemony is in terms of power leads to the question of how the idea of hegemony has been used by theorists. The following review of the debate over the theory of hegemonic stability is intended to suggest a usage of hegemony that avoids some of the methodological pitfalls of the past debate. Most often writers have used the idea of hegemony to theorize about change in the international system, the best example of which has been the long-running debate surrounding the theory of hegemonic stability. In 1973 Kindleberger articulated the view that a stable international system requires a leader to internationalize rules and guarantee the stability of the international system by assuming disproportionate burdens.[33] Realists like Krasner and Gilpin held that a hegemonic power provides public goods to the international system, such as peace, defense, and prosperity, from which it also benefits, and in the process creates a stable order in the system.[34] Other members of the system choose to participate because they benefit as 'free riders' from the collective goods supplied by the hegemon, such as a defensive alliance, without having to pay their share of the cost of providing such goods because the hegemon will

---

[32]To assess cultural power is the most difficult because the process of transmission of culture is often unselfconscious, and hence undocumented.

[33]Such burdens include purchasing the system's surplus commodities, supplying investment capital and discounting paper. *See* Kindleberger (1973) p. 30.

[34]Gilpin (1981) pp. 144-145.

provide the good in any case. According to Krasner, one of the collective goods supplied by the hegemon is an open trading system based on free trade[35], because trade openness boosts the hegemon's aggregate national income and economic growth rate (while the hegemon is in its ascendancy) and its political power.[36] The second part of the theory holds that in line with Gilpin's general model of state behaviour in the international system, the hegemon must eventually decline as its ability to maintain stability is outstripped by the increasing costs of avoiding instability[37]. With the hegemon's decline so also declines the stability of the order that the hegemon has built up through its regimes and institutions, such as a liberal international trading system.

A common criticism of that original version of the theory accepts the hegemonic production of collective goods but rejects the inevitability of decline of the hegemon's international system. According to Keohane, the possibility of post-hegemonic cooperation makes it not inevitable that a hegemon's regimes and institutions must decline as the hegemon declines.[38] Winham argues that the relative success of the Tokyo Round of GATT multilateral trade negotiations, coming even as the United States declined as a hegemon, supports Keohane's belief in post-hegemonic cooperation.[39] Keohane found that the correlation of the original theory, which relies only on the power capacities of states, to historical breakdowns in international cooperation was weak. The theory did not explain, for example, an increase in certain types of international economic cooperation between 1900 and 1913, even as British

---

[35]Krasner (1976) p. 318.
[36]*ibid.*, p. 322.
[37]Gilpin (1981) pp. 10-11.
[38]Keohane (1984) p. 31.
[39]Winham (1986) pp. 385-387.

hegemony was declining.[40] But a more descriptive version of the theory, which would consider not only power capacities but the nature of state decisions, taking into account such factors as a hegemon's willingness to lead, becomes entirely analytic and altogether unable to predict outcomes because it must introduce nonsystemic, *i.e.*, domestic, variables into the model to account for the indeterminacy of state decisions.[41] Snidal attributes Keohane's difficulties with the original theory to sloppy application, arguing that the theory can have predictive power only when certain preconditions are properly specified. Among these conditions are that the goods provided must be public, that the hegemon has the interest, as well as the capability, to provide public goods, and that the hegemon must be large enough relative to the other members and the remaining power in the system be distributed in such a way that collective action by the other members in the system is impossible. The number and size distribution of the states in the system will also play an important part in

---

[40]Keohane (1984) pp. 32-35. Krasner, using a similar methodology, found a similar lack of historical correlation between decline in hegemonic power and decline in the openness of the international trading system for the 1900-1913 period. Krasner (1976) pp. 336-340. Webb and Krasner also found that measures of openness of world trade after 1970 did not decline in accordance with findings of U.S. hegemonic decline during the 1950s and 1960s. *See* Webb and Krasner (1989) pp. 183-184. Baldwin notes that it was the failure of the United States to adopt consistently protectionist policies as its hegemony was perceived to decline in the 1970s that necessitated revision of the original theory. *See* Baldwin (1988) pp. 246-247.

[41]Keohane (1984) pp. 32-39. This prediction problem is a methodological dilemma (that this thesis does not address) for political scientists who, in seeking to produce theories that predict future events, invariably get caught upon the twin horns of either producing a theory abstracted so much through limitation of variables that it becomes both overly deterministic and not accurate enough or producing a theory rich enough to describe historical events accurately but with so many variables that it has no predictive power at all.

determining the prospects for post-hegemonic cooperation.[42]

The Keohane-Snidal debate concerned the efficacy of the theory for prediction of outcomes. Strange, by contrast, values the theory not as a predictor, but rather as an analytical tool to influence policy, an approach that this thesis follows. In light of persisting U.S. structural power, Strange attributes the recent decline in international regimes to U.S. domestic political causes. She argues that the domestic elements that act to produce U.S. policy, by believing predictions that U.S. hegemony will decline and with it international regimes and institutions, will make the predictions self-fulfilling.[43] Strange calls on the United States self-consciously to exercise leadership of the international institutions and regimes that it created, as a way of forestalling the decline in those institutions.[44]

Another significant criticism of the theory of hegemonic stability is that many goods that a hegemon provides are in fact private because they do not meet the necessary conditions for a public good of 'nonrivalness' and 'nonexclusiveness'. If a good is nonrival, it can be shared without depleting the supply left for others. If a good is nonexclusive, the provider of the good does not have the power to exclude others from enjoying it. Regarding two commonly considered public goods that a hegemon provides, defense and stable peace, Russett observes that defense is not nonexclusive, because for a hegemon to defend one area strongly may deprive another area of the same level of defense. Likewise stable peace is not nonrival, because one

---

[42]Snidal (1985) pp. 579-614.
[43]Strange (1987) pp. 551-574.
[44]*ibid.*

can exclude a particular state from stable peace by attacking it.[45] Conybeare argues that free trade is not a public good because it is not nonexclusive. A hegemon can easily reject public norms that make a liberal trading system work, such as unconditional MFN treatment, if free riders abuse them and leave the hegemon no incentive to maintain the system.[46] This telling criticism suggests that insofar as a hegemon is willing to provide such goods such as liberal international trade and monetary systems and a stable military security regime, it is acting out of a conception of its own interest, rather than out of some conception of benevolent or disinterested hegemonic duty.

Other, more radical, challenges to the use of hegemonic stability theory in explaining liberal international trading systems have subsequently arisen. Stein argues that the rise and fall of open trading systems may not coincide with the hegemony of nineteenth century Britain or the post-World War II United States. According to Stein, hegemony stability theory does not offer an explanation of the creation, maintenance and demise of liberal trading systems. The goal of the hegemon, Stein argues, is to maximize its absolute power over time while at the same time maximizing its power relative to other states at any given point. The hegemon's dilemma is that while maximizing absolute power over time involves maintaining open trade for the world economy, maximizing short-term relative power often requires the opposite approach. Hegemons need followers for their liberal trading systems, and they use their economic

---

[45]Russett (1985) p. 224.

[46]According to Conybeare, once unconditional MFN is removed, trade relations are returned to bilateralism, a negotiating situation in which the hegemon's incentive is to best each negotiating partner individually rather than providing public goods unilaterally. *See* Conybeare (1987) pp. 61-62.

power to persuade other states to participate. Britain and the United States, for example, made repeated non-liberal trade concessions in trade liberalization negotiations with their trading partners.[47] Baldwin concurs, observing that post-World War II U.S. tariff concessions did not at first increase U.S. exports significantly. Notwithstanding the U.S. insistence upon reciprocity, Washington granted greater tariff concessions than it received in return, in part because other states often maintained exchange restrictions.

> In effect, the United States redistributed to other countries part of the economic surplus reaped from its unusually favourable export opportunities to enable those countries to support the establishment of an open trading regime.[48]

Stein's criticism of the theory of hegemonic stability for not explaining the life cycles of liberal international trading systems is valid, as is the point that hegemons must make concessions to their trading partners to achieve their trade liberalization objectives. However, the hegemon's making of what appear to be nonliberal concessions need not indicate either hegemonic weakness or that the hegemon's interest is not to liberalize trade.

A further fault in the theory of hegemonic stability, Nye observes, is that the theory does not articulate the causal link between military power, economic power and hegemony.[49] Several attempts have been made, but they are far from comprehensive. For example, Stein, citing World War I, claims that major wars, not hegemonic decline, bring down open trading systems.[50] Webb and Krasner suggest that a

---

[47]Stein (1984) pp. 355-386.
[48]Baldwin (1988) p. 25.
[49]Nye (1990) pp. 42-43.
[50]Stein (1984) p. 385.

military alliance makes a hegemon less concerned about the gains of its allies relative to itself than it would be otherwise, thereby facilitating the whole alliance's reaping of absolute gains from liberal trade.[51] Gowa links trade policy to security policy by arguing that a state is more likely to liberalize trade with a military ally than with another state.[52] This thesis, through its historical surveys and case studies, explores the relationship between trade policy and security and draws conclusions about hegemonic power in both areas based on the historical experience of the two hegemons, Britain and the United States.

Given the controversy that has surrounded the theory of hegemonic stability, why did it become such a popular way to use the idea of hegemony? Calleo, examining the use of the theory in the United States, argues that it is accepted and believed by 'the hegemon' because it is in the hegemon's interest to have all the members of the international system believe that the basic choice lies between hegemonic order and pluralist instability.[53] Adherents of the theory, Calleo asserts, found their support for it on a particular interpretation of history that credits periods of economic growth and stability with hegemonic control and blames instability on the pluralism that follows a hegemon's decline.[54] Calleo presents an alternative view, less popular in the United States, that a balance of power system, wherein powers check one another's growth and work together to enforce system norms, is inherently most stable. British hegemony in the nineteenth century, by contrast, destabilized this

---

[51]Webb and Krasner (1989) p. 196.
[52]Gowa (1989) pp. 1245-1256.
[53]Calleo (1987) pp. 129-149. Strange concurs in this view. *See* Strange (1987).
[54]Calleo (1987) pp. 129-149.

balance first by its rapid growth and then by its decline. Britain's expanding empire encouraged imitation and challengers, such as Germany, the United States and Russia.[55] Like Kindleberger, Calleo blames the instability between the two world wars on the political and economic irresponsibility of the declining and rising hegemons, Britain and the United States, and sees recent economic instability as a result of U.S. inability or unwillingness to fulfil its hegemonic responsibilities. Generalizing from the British and American cases, Calleo accepts the second half of the hegemonic stability theory, that hegemonic systems must decline and with them international stability, while rejecting the first part, that hegemonic systems are the most stable.[56] When a hegemon then resists that relative decline, according to Calleo, it ends up using its hegemony to maintain its national strength, the process of which leads to a breakdown of the world political economy.[57] Winham agrees with Calleo on the greater stability of bipolar and multipolar systems, but he attributes this to politics rather than economic aspects of interstate relations. The implication for Winham is that stability is best promoted by leadership, correct policies and acquiescence of the leaders of subordinate states.[58]

Another problem that emerges regarding the use of the theory of hegemonic stability either as an analytic or a predictive tool is the theory's unresolved relationship between endogenous (domestic level) and exogenous (system level) factors in determining events in the international system. While most theorists agree that domestic

---

[55]*ibid.*, p. 137.
[56]*ibid.*, p. 143.
[57]*ibid.*
[58]Winham (1986) pp. 388-390.

factors play an important role in explaining a hegemon's behaviour, their analyses disagree on the ways in which those factors behave. Many theorists regard a state's domestic political structure, and particularly its domestic interest groups, as a major determinant of its international behaviour. According to Cox, the structure of the state (which he regards as a set of persistent social practices) influences relations of production, which contain power relationships that are transformed into other types of power in the international system. Only the liberal state structure of early nineteenth century Britain, for example, could have allowed for liberal capitalism to replace the mercantilist regime that preceded it.[59] Strange attributes the decline of international institutions despite the lack of decline in U.S. structural power to the structure of the U.S. domestic political system, which is characterized by a high level of interest group power resulting from the Constitutional separation of powers. She attributes the number of policy shifts that distinguish U.S. politics to the lack of a permanent senior American bureaucracy.[60] Olson concurs that the structure of interest groups in a country is a determining factor in its economic development.[61] Stein also views domestic political interests, mobilized by the more rapid growth of a hegemon's trading partners, as playing a role in hegemonic decline.[62] Domestic rent-seeking behaviour, Conybeare observes, is a significant factor that can intervene to prevent a state from acting in society's economic interest, in particular by making a state

[59]Cox (1987) pp. 4-5.
[60]Strange (1987) pp. 572-573.
[61]Olson (1982) pp. 75-114.
[62]Stein (1984) pp. 359, 368-369.

generally less willing to cooperate with another state in resolving a trade dispute.[63]

McKeown reverses this domestic politics-hegemony relationship by arguing that international economic cycles and trends influence domestic politics, which in turn determine a hegemon's behaviour. According to McKeown, in periods of economic growth, tariff revenue to governments is high even when tariff levels are low, so liberal trade policies are reinforced. But when the world economy is in recession, tariff revenues fall and governments raise tariff levels to boost revenues.[64] Furthermore, during periods of slow growth even if a government is institutionally predisposed towards liberal trade, it can only fend off pressure from protectionist lobbies when its own popularity is high.[65] McKeown posits an alternative theory of hegemonic behaviour in which the key variables are the cyclical position of the world economy and the popularity of the hegemon's domestic government.[66]

Other writers adopt more of a middle position that concentrates on the mix of endogenous and exogenous factors that establish the environment in which the hegemon's policymaking apparatus must make decisions. According to Nau, a state's foreign economic policy is produced through a process in which a 'cocoon of nongovernmental organizations' that surrounds the government reaches a consensus that affects the policymaking process through elections and pressure groups. In this

---

[63]Rent-seeking behaviour occurs when interest groups use domestic political power to shift the domestic income distribution towards a privileged social group. *See* Conybeare (1987) pp. 8, 53, 274-276.

[64]This argument is more applicable to the nineteenth century, when tariffs were a more widely used method of revenue collection, than the twentieth century, in which governments have increased their reliance on direct taxation.

[65]McKeown (1983) pp. 73-93.

[66]*ibid.*, p. 90.

way, which Nau characterizes as a 'voluntarist' rather than a 'structuralist' explanation of policymaking, ideas and policies are not inevitable products of class or other international economic structures.[67] The state's goal or national purpose that its policymakers seek to further is a better political community. Its foreign economic policies towards this end are performance-tested by the existing international structure, which those policies can change in the state's favour or disfavour.[68] 'A country chooses the content of (its foreign economic) policies and thereby creates, maintains or destroys the constraints of economic interdependence, rather than merely adjusting to these constraints.'[69] Nau finds this a more powerful explanation of the circular relationship between state and structure in the international system than those based on power, institutions, markets or social forces.[70] Lake, by contrast, argues that the 'constraints and opportunities' of the international economic structure interact with purely domestic political factors to produce each state's trade policy. Lake divides all states into seven structural categories according to world trade share and labour productivity, of which hegemony is one and of which each category will affect domestic political interests differently. Lake's approach is intended to address inadequacies in both purely endogenous explanations, which do not succeed in aligning tariff shifts with political party shifts, and hegemony stability theory, which neglects the nonhegemonic aspects of the international economic structure.[71] An approach such as Nau's, which makes the distinction between the circumstances in which

---

[67]Nau (1990) pp. 6-7.
[68]*ibid.*, pp. 50-56.
[69]*ibid.*, p. 18.
[70]*ibid.*, pp. 54-55.
[71]Lake (1988) pp. 1-15.

choices are made and the results of the choices themselves, maximizes analysis and explanation while avoiding the problem of prediction in the theory of hegemonic stability.

The debate over the theory of hegemonic stability has been illuminating, if ultimately unsatisfying, because it has shown, among other things, the lack of utility in fashioning a predictive theory of the behaviour of hegemons and hegemonic systems. The theory itself has not been refined to a point at which even a reasonable majority of scholars can agree upon its utility. Theorists have not used the idea of hegemony in a consistent and clear way. Yet the theory and the debate have been important because they have established that there are points of comparison worthy of study both in the position of hegemons within the international system and in the policy decisions that they make. How can the idea of hegemony be most effectively used for evaluating policy decisions and their results? First, the term 'hegemon' can only refer to a state that has amassed a sufficient quantity of the three types of power resources enumerated in the last section to allow it to affect the other states in the system and the structure of the system itself in a qualitatively different way from what other states, strong or weak, can do.[72] In economic terms, a hegemon's power must be both absolute (in relevant measures of resources, wealth and output) and relative, in the sense of possessing particular advantages over the other significant economies in the system, such as level of industrial development or export market share.[73] Second, hegemony must be distinguished from empire in that whereas an imperial

[72]Webb and Krasner (1989) p. 185.
[73]Stein (1984) pp. 360, 384.

power's primary means of dominating its empire is the threat or use of force over weaker areas, a hegemon's primary means of maintaining its position is benevolent, noncoercive, structural or indirect power over countries of varying (and not all inconsiderable) strengths. By virtue of its unusual power within the international system, a hegemon, although acting in its own national interest, also leads the international system in the sense of transmitting its values to the system and making other system members contribute to the provision of goods that the system needs, such as security, economic growth, liberal trade and stable money. Such leadership includes the ability and willingness to defend the system, militarily if necessary, against external challenges.[74] A state ceases to be a hegemon when its power over the system declines in at least one major area. This development is difficult to assess because it cannot be measured solely in terms of the hegemon's resources: it also must be assessed in terms of the hegemon's interactions with other states in the system.[75] As there has been only one unambiguous case of hegemonic decline, Britain in the early 20th century, there is not a lot of case history to provide examples. But hegemonic decline is most likely to occur when the hegemon's more traditional

---

[74]This definition of hegemony excludes, for example: the United States in the two decades before World War I because, despite having become the largest economic power by some measures, the United States chose not to exercise leadership over the world economy; the Soviet Union from the 1960s to the 1980s, because despite having become a military rival of the United States as a global 'superpower', was unable to account for more than four percent of world trade by 1988 (*see* Nye (1990) p. 122); and Japan since the 1970's, which despite having achieved economic dominance in some industries, has been unwilling to assume a major leadership role in the international economic system and has to date been unable (both constitutionally and politically) to assume any military role in defense of the system.

[75]Webb and Krasner (1989) p. 185.

military and economic power resources collectively decline below a certain threshold, as happened to Britain according to various measures around the turn of the century. The difficulty in measuring hegemonic decline does not conceal the fact, however, that a state's policy choices over time can mitigate the decline in its power resources, be it conventional military and economic power, market power or ideology, and to that extent a state can affect the fate of its own hegemony.

C. *Hegemony and Trade Negotiations*

Having developed an understanding of hegemony by examining the concept theoretically, I now articulate the relationship between hegemony and trade policy-making that applies to the two hegemons, Britain and the United States. Clarification of that relationship makes possible the comparison of British and American trade policy that follows. This requires answers to the following general questions:

(1) on what grounds do states in general, and hegemons in particular, choose their trade policies?

(2) which trade policies do hegemons choose in which situations?

(3) why do hegemons choose the particular trade policies that they do?

To answer the first question one can criticize the 'rational actor' view that a state's policymaking bodies choose trade policy by assessing the state's national interest and acting in it. When any state makes foreign economic policy through its institutions and policymaking apparatus, it will not consciously act in a way contrary to its national interest as that interest has been perceived by the state's policymakers and institutions. 'National interest' is not equivalent to rational action, however,

because each state's trade policy is the product of its domestic policymaking apparatus, which in turn reacts both to domestic and external stimuli.[76] An external observer may be able to observe a state's trade policy decision and the results following therefrom and then may claim that the state has not acted rationally. However, rational people disagree on how a state's national interest is to be defined. According to Conybeare, the most prevalent national interest is income maximization. Other national objectives, such as government revenue maximization, balance of trade improvement and industrial organization improvement (infant industry protection, etc.), he terms nonefficiency objectives.[77] According to Lake, a state's rational national interest is to seek absolute and relative gains from trade.[78] But for Nau, a state's national interest, or 'national purpose', as he terms it, is not wealth, power or technological advancement but instead the type of shared political community that a state creates domestically and projects onto the international system through its foreign policy.[79]

Disagreement over what states' national interests are exposes a certain confusion surrounding the meaning of the term. Taking the rational actor approach, one can define a state's national interest as the results of its foreign policy decisions. The difficulty with this approach is that not only can the domestic policy process not be effectively linked to foreign policy actions and results, but also that potentially inconsistent policy actions in the realms of trade, monetary and security policy cannot

---

[76]Huntington (1991) p. 15.
[77]Conybeare (1987) pp. 28-30.
[78]Lake (1988) pp. 21-23.
[79]Nau (1990) pp. 26-29.

be explained effectively. The alternative is to accept the expressed goals of the elites in the state (both in the government and in the policy-influencing organizations that surround it) as forming, collectively, the state's national interest and then assess whether the policies adopted by the government's policymaking apparatus and their results actually further those interests. This approach permits trade and monetary policy interests, as well as security interests, to be considered as parts of a whole that may or may not all be consistent with one another. It also allows for consideration of the ways in which policy decisions might be better made. For example, one will be able to conclude that a state's policymakers will be able to make better policy when provided with more and better information. In one such case, British trade policy-makers around 1870 mistakenly interpreted the failure of Anglo-Austrian commercial treaty negotiations in the late 1860s as a confirmation of unilateral free trade ideology, which obscured for them the relatively more successful record of negotiated trade liberalization of the 1860s than the unilateral trade liberalization in the 1850s.[80] In his detailed study of British foreign and economic policy between 1895 and 1905, Friedberg used a similar methodology, examining both how statesmen think about the changing relative power of their own state and others, and how states adapt to such changes. Friedberg criticized the adequacy of both the realist calculative model of decisionmaking, which assumes quantitative, rational actors pursuing the goal of accurately assessing the power of other states, and the perceptual model, in which perceptions of power change slowly and often require crises to bring about change in

[80]*See* below, chapters II and III.

perceptions.[81]

Hegemons differ from other states in the making of trade and other foreign economic policy for two principal reasons. First, a hegemon's size in the international economy means that its policy choices will affect the system as a whole, both in terms of its economic structure and its security relationships, in a way quantitatively and qualitatively different from the choices of other states. And second, because of the amount and range of types of power that a hegemon has at its disposal, a hegemon has a greater range of policy choices open to it than other states do; but by the same token the consequences for the system of a hegemon's choices are correspondingly more serious. As Nau has observed, a hegemon's policies, whether unilateral or negotiated with other states, affect the structure of the international system more than the structure of the system constrains hegemonic policies.[82]

This raises the key question of the awareness of policymakers in a hegemonic state of their state's position in the international system.[83] Consciousness of hegemony is a specific case of the awareness of any state's policymakers of that particular state's position relative to other states in an international system, but, because of the power of hegemons, relatively more important.[84] Consciousness of hegemony can be seen as a historical development based upon three continua:

(1) as the international economy developed in the nineteenth century, British

---

[81]Friedberg (1988) pp. 3-20.

[82]Nau (1990) pp. 5-38. Another significant difference is that the hegemon is much more likely than other states to pursue 'milieu goals' through trade liberalization. The United States, for example, sought Soviet containment through trade liberalization. *See* Krasner (1987) pp. 330-331.

[83]Lukes (1974) pp. 52-53.

[84]Baldwin (1980) p. 495.

policymakers became increasingly aware of its emergence and its relationship to security issues;

(2) the number of British policymakers who viewed Britain as having a leading role in the international economy and who inferred policy implications from that view grew from a minority position to a more dominant one by the beginning of the twentieth century[85]; and

(3) in the early 1970s, the study of 'hegemony' as an idea within the discipline of international relations emerged. Whereas empires and their implications had long been studied, hegemony as such had not.

The existence of an evolving consciousness of hegemony first among British and later among American policymakers does not imply any agreement upon or correlation of policy choices, either in trade and monetary policy or in security matters. In fact, the history of British and American trade policies as recounted in this thesis illustrate that the differences between policymakers' consciousness of hegemony mark one of the major differences between the two hegemons' policies and resulting outcomes. The historical record indicates that consciousness of hegemony in some way approximating the way in which it is defined in this thesis may have existed in mid-nineteenth century Britain among a few elites. It grew slowly over time and then more rapidly around the turn of the century as awareness of British decline emerged and was debated. However, British consciousness of hegemony was never comparable to that of the post-World War II United States. American awareness of hegemony after the Second World War also evolved from the dominating view of the immediate

[85]*See* chapters II, III.

postwar period that containment of Soviet expansion was the primary goal and liberal trade and monetary policy only a means to that end[86] into a view of global responsibility for a liberal international economy irrespective of Soviet power. The number of Americans conscious of hegemony also grew from a core of Hullite internationalists at the beginning of World War II into a broader consensus across the political spectrum by the 1960s, although even up to the present never without an opposition that sought consciously to adopt policies that denied American hegemony. The British and American case studies that follow in chapters IV and VI examine, among other things, whether increased consciousness of hegemony led to the making of policy decisions more likely to preserve hegemony.

The answer to the second general question, which trade policies do hegemons choose in which situations, has been problematic. Several theorists have sought, using game theory, to generalize about the outcomes of trade negotiations based on variables such as the size of the respective states. The Prisoners' Dilemma, the best-known game theory model of conflict and resolution, indicates that self-interested actors have a greater incentive to defect rather than cooperate when their contribution to a collective good is small relative to their expected gain. Iteration, or multiple plays of the game, however, lessens the incentive to defect because the opponent can retaliate on subsequent plays of the game. Despite defects in the assumptions of game theory, Keohane argues, the incentive to cooperate in an iterated Prisoners' Dilemma (with equal-sized players) encourages the formation of regimes that institutionalize coopera-

[86]Nau (1990) pp. 61-62; Baldwin (1988) pp. 22-23.

tion in areas of shared interest, such as the GATT and Bretton Woods.[87] For a domestic interest group, according to Pincus, a protective tariff may be a collective good the provision of which depends on how concentrated are the benefits and how dispersed the costs. A tariff's cost to a consumer is generally less than its benefit to the producer of the dutiable item. Those who value a tariff most highly apply more pressure for its realization, while those with low valuations will exploit those with higher valuations. When the value of the tariff becomes so low for some that they cease their lobbying efforts, a point has been reached at which the large size of the group or the equal distribution of the tariff's benefits causes the aggregate contribution to realizing the tariff to begin to decline. Yet a single individual who values the tariff highly enough may contribute all that is required for its realization irrespective of free riding.[88]

Conybeare, beginning with the proposition that large income-maximizing countries gain from setting an optimal tariff, while small countries always benefit from free trade because prices for their exports are set domestically in their large trading partners,[89] uses the Prisoners' Dilemma to make predictions about the outcomes of bilateral trade wars. His predictions are: (1) two large countries warring will each defect initially but will eventually cooperate as the effect of iteration is felt; (2) two small countries warring will find that the best option for each would be mutual cooperation and the worst for each mutual defection, so such wars should either not occur or else be of low intensity and short duration; and (3) in a trade war between

---

[87]Keohane (1984) pp. 77-84.
[88]Pincus (1977) pp. 105-114.
[89]Conybeare (1987) pp. 22-27.

a large country and a small country, the large country will defect, while the small country will continue to cooperate, since it is in the large country's interest to exploit the small country irrespective of retaliation (and thus the cooperation-inducing effect of iteration).[90] The cases Conybeare examines happen to be generally supportive of his theory and make a reasonable argument for the theory's use as a predictor of future outcomes of trade disputes, at least in situations analogous to his cases. However, the biggest problem with Conybeare's argument, setting aside the economic justifications for the optimal tariff and terms of trade arguments, is that his theory cannot explain satisfactorily why Britain and the United States as hegemons behaved contrary to what he argues was their economic interest as large income-maximizing powers, the setting of optimal tariffs against smaller countries. Conybeare is compelled to turn to other types of explanations, such as exporters' rent-seeking activities and linkage to other political issues, to overcome this major theoretical defect.[91]

The difficulties that Conybeare encounters illustrate that while game theory may be useful for generalizing about trade conflicts between countries of similar or differing size, power, etc., it cannot be used to paint a picture of a country's trade policy as a whole, which is seamlessly interwoven with its monetary policy, security policy and other foreign and domestic issues. What game theory particularly overlooks, notwithstanding Conybeare's attempt to define 'hegemon' as a large, income-maximizing state, are the particular qualities that make hegemons different from other states and behave differently from other states. Game theory's narrow

---

[90]*ibid.*, pp. 44-45.
[91]*ibid.*, pp. 272-276.

analytical focus results in further shortcomings. By focusing on conflict, game theory does not distinguish effectively between types of cooperation, which might explain more about international systems.[92] Game theory also is unable to explain how states' goals and purposes change, and thus how the system's structure and its institutions are changed.[93] Despite its limitations, game theory can still be used for analysing the behaviour of states in the specific situations when conflict does occur. On occasions involving a trade conflict between a hegemon and a nonhegemonic state, game theory will probably be of more use in studying the behaviour of the non-hegemonic state, as a nonhegemonic state's behaviour is more likely than a hegemon's to conform to the expectations of the theory.

The broader purpose that game theory has served is to focus attention on the external factors that confront trade policymakers in hegemonic states (as well as others) as they take decisions. The structure of the international system and the state's place in that structure is the first consideration: is the hegemon surrounded by a series of small or relatively weak states, as Britain was in the mid-nineteenth century and as the United States was immediately after World War II? Or does the hegemon face one or two powers that are larger or reasonably powerful, as Britain encountered in the United States and Germany at the turn of the century and as the United States has faced in the E.C. and Japan in the 1970s and 1980s? Is the greatest military power and economic power amongst the nonhegemonic states concentrated in the same countries, as it was in Germany and the United States prior to World War I, or is it

---

[92]Nau (1990) p. 30.
[93]*ibid.*, p. 65.

divided, as it has been between the Soviet Union and the United States' western allies since the 1960s? What mediating institutions or regimes affect the behaviour of states in the system, *e.g.*, the nineteenth century 'Concert of Europe' and the Bretton Woods institutions, the GATT, the E.C., NATO and the Warsaw Pact after World War II?

After the structure, policymakers must consider the relative power of the other state or states in the particular situation, be it one resulting in a type of cooperation or conflict. The calculus of relative power in a specific situation differs from the overall assessment of a state's power discussed in the last section because the use of power in any given case is necessarily contingent upon a host of factors pertaining only to that situation. Various measures of relative size are frequently seen as proxies for states' relative power. Lake's matrix for predicting states' inclinations to liberalize trade, for example, is based on the variables of share of world trade and relative labour productivity. Each state (including hegemons) has an ordering of preferences ranging between protection and trade liberalization that is determined not only by its share of world trade and relative labour productivity, but also by the relative power of the other states in the system. The usual order of preferences for a hegemon (which Lake defines as a state controlling greater than 15 percent of world trade and with greater than the world average labour productivity) will be for itself and its trading partners to maintain free trade (FT/FT), even if its trading partners become protectionist (FT/P), with less desirable alternatives being P/FT and P/P. If, however, a hegemon faces only small trading partners against whom it can protect its industries without fear of retaliation, its preference orderings shift to P/FT > FT/FT > P/P > FT/P (because Lake

accepts the optimal tariff argument).[94]

Lake's theory, despite its structural component, falls victim to the same difficulties as game theory. Lake is forced to introduce endogenous variables such as domestic market size in order to explain outcomes that his theory would not expect. Any realistic assessment of another state's relative power in a specific situation cannot survive the degree of abstraction of a theory such as Lake's. A critical factor in such an assessment that almost always differs from case to case is each state's trade dependence, both generally and with respect to specific trading partners and concerning particular goods. Britain in the nineteenth century, for example, was much more dependent upon trade than the United States; hence Britain's leverage over the United States in trade negotiations, notwithstanding her overall power resources, was circumscribed.[95] The United States in the 1980s has more leverage over Japan than Japan's wealth and highly productive export sector would lead one to expect, at least in part because Japan is much more dependent upon trade than is the United States. Consequently, Japan has more to fear from closure of the U.S. market than the United States has to fear from closure of the Japanese market. Conversely, in particular sectors such as supercomputers, Japan's power over the United States is greater than in others because it is a major world consumer of the product, and the United States is dependent upon Japan's purchases to sustain the high costs of maintaining the industry (although linkage across issues dilutes such power).[96]

Another inescapable factor that a hegemon's policymakers must take into

---

[94]Lake (1988) pp. 30, 45-49.
[95]*See* below, chapter IV.C.
[96]U.S. Congress (1991) pp. 253-264.

account in their assessment of the relative power of the other state or states in a trade negotiating situation is the security relationship of the other states to the hegemon. Security considerations are at least as significant as trade dependence in the accurate assessments of state power. Britain's power over the United States was circumscribed by the potential military threat that the United States posed to Canada, whose land border with the United States Britain would have been unable to defend effectively. The American power relationship with Japan was conditioned, both positively and negatively, by the U.S. defense umbrella shielding Japan from Soviet and Chinese aggression. Japan's trade policy options were constrained by such security dependence upon the United States; but the United States was also arguably constrained by concern for keeping Japan within its anti-Communist alliance from retaliating against Japanese trade practices that Washington found objectionable.[97] Gowa observes that within security alliances, a hegemon has an incentive to maintain liberal trade because it is dependent in part for its own welfare upon the welfare of its allies as well; hence, for example, a hegemon would be disinclined to impose an optimal tariff on members of its alliance. Moreover, trade pacts concluded between allies in a bipolar international security regime are more stable than those in a multipolar regime, because allies have less incentive to quit an alliance under bipolarity than under multipolarity.[98] Gowa's argument explains post-World War II U.S. trade policy behaviour well from a security perspective. Her explanation is less successful when applied to the other major period of trade liberalization, the mid-nineteenth century, when, notwithstanding British

[97]Webb and Krasner (1989) p. 196.
[98]Gowa(1989) pp. 1245-1256.

hegemony, most writers describe the prevailing security regime as multipolar or 'balance of power'.[99]

Policymakers must finally choose, based on the country or countries that the hegemon faces, which type of power to apply to achieve their particular trade objectives most effectively. After 1870, for example, British policymakers usually made the choice to exercise only moral suasion and ideological pressure to promote trade liberalization in Europe and the United States, despite its declining efficacy as those economies grew and competed more effectively against Britain. At the same time, however, Britain continued to apply direct economic and, in some cases, military pressure upon developing countries in Latin America, the Middle East and Asia with continuing success. Since World War II, the United States has provided large scale economic aid to many of its largest trading partners and has also kept them under its defense umbrella. It has also openly used its market power, or the threat to cut off access to its markets, to force trade liberalization, most recently in the Super 301 cases against Japan, India and Brazil. Which type of power a hegemon selects to apply is also conditioned by which types of power its policymakers are aware that it has, raising again the issue of consciousness of hegemony. The historical record raises questions as to how aware British policymakers were of all the various types of British power at their disposal, market power in particular, and of all the ways in which it could be used.[100]

The third question, why do hegemons choose the particular trade policies that

---

[99]*See* Calleo (1987).

[100]James and Lake (1989). *See* below, chapters III, IV.

they do, addresses the situations in which the hegemon's policymakers make choices that diverge from the national interest as assessed by the stated goals of elites both inside and outside of the hegemon's government. Government officials and policymaking organs in both Britain and the United States have maintained allegiance to policies supporting trade liberalization, but British and American trade policies have in practice contained certain exceptions that have tended to be pointed out with particular satisfaction by their negotiating adversaries. Moreover, on many occasions policymakers in each country have made policy decisions that have not furthered trade liberalization; in a number of cases they have done quite the reverse.

To what can these divergences be attributed? The identifiable types of influencing factors can be divided into the endogenous and the instrumental. Among the endogenous explanations are the effect of rent-seeking interest groups, conservatism, the size of the hegemon's domestic market, its dependence upon exports of major industries and the structure of its policymaking apparatus. Pincus and Lake, in their studies of the United States, have both found the rent-seeking activities of domestic interest groups to affect trade policy, usually in the direction of protection. The U.S. textile industry, for example, was able to secure protection even in the early 1960s, when the United States was pressing hardest for sweeping tariff cuts in the Kennedy Round.[101] In Britain, certain old industries such as that of sugar refining were able to convince the government to deviate from its customary trade policies to aid the sugar industry's interests.[102] But rent-seeking can cut both ways, as the

[101]*See* below, chapter V.A.
[102]*See* below, chapter IV.B and IV.C.

lobbying successes of Manchester industrialists in tilting Britain towards Corn Law repeal indicate. Lavergne's analysis of twentieth century U.S. tariffs, by contrast, found the strongest explanation for tariff levels to be what he dubbed conservatism. Conservatism includes historical continuity, the fact that tariff levels are most closely conditioned by what preceding levels were, and the comparative disadvantage of particular industries. Statistically, the strongest explanation Lavergne found for the structure in 1979 is the structure in 1930, with specific duties having fallen the most since then because resistance to changing the status quo was least. Conservatism as an explanation Lavergne regards as encompassing legislative privileges, bureaucratic inertia and political pandering to a conservative electorate.[103]

Two other endogenous factors identified by Lake are the size of the domestic market and the structure of the policymaking apparatus. According to Lake, the larger a state's domestic market is, the more likely it is to be more protectionist than its position in the international system would suggest.[104] This explanation would help to account for the continuing sectoral demands for protection in the post-World War II United States, but would be less useful in accounting for the decline and later revival of demands for protection in free trade Britain between 1846 and 1914. Decentralization of the trade policymaking apparatus also makes a state more protectionist than it would otherwise be, Lake contends. Division of trade policymaking authority in the United States between the Executive and Congress can plausibly be seen as permitting demands for protection to receive greater institutional support than

[103]Lavergne (1983) pp. 186-187.
[104]Lake (1988) pp. 224-232.

they would under a parliamentary system of government, and the shift of a considerable measure of trade policymaking authority from Congress to the Executive in the Reciprocal Trade Agreements Act of 1934 did permit significant trade liberalization that under the old arrangements would have been exceptionally difficult. Britain serves as a reasonable counterexample, in that its more centralized policymaking apparatus permitted the government to maintain its free trade policy, once adopted, for several decades before having to take seriously any popular demands for protection. That said, however, it must be noted that the infrequent divergences from official free trade ideology that did occur, such as Britain's permitting the U.S.-Canada Reciprocity Treaty of 1854 to be signed, negotiating with the United States over a U.S.-West Indies treaty of exclusive advantage and accepting the penal clause in the 1902 Brussels Sugar Convention, were in part the result of disagreement between the staunchly free trade Foreign Office and the Colonial Office, whose primary agenda was to defend the economic health of the colonies.

Instrumental factors affecting trade policy decisions can generally be grouped into the categories of conflicting goals or mixed motives and ideology. Conflicting goals or mixed motives is a common source of policy confusion and ambiguity. Britain, for example, sought to maintain her empire inexpensively, and to that end she promoted the political and economic development of the dominions, such as the Canadian, Australian and South African provinces. This entailed the granting of ever greater degrees of political and economic autonomy, while maintaining a foreign policy and defense umbrella over them. Inevitably Britain had to face the difficult question of how to react when the dominions chose trade policies for their own economic

development that diverged, usually in a significantly more protectionist direction, from Britain. In order for the United Sates to secure Western Europe and Japan against Communism, it had to permit Europe and Japan to diverge substantially for over a decade after World War II from the liberal economic regime Washington had established for exactly that purpose. Then after 1958 the United States was forced to contend with an E.E.C. and Japan who, now strengthened, had enough power to challenge aspects of U.S. trade policy with which they disagreed. These examples illustrate the more general point that while it is essential for trade policy, monetary policy and security policy to be coordinated in order for any of them to be effective, in practice even if all the policy areas are carefully coordinated (which does not often happen) it is almost inevitable that the respective policies will clash in places and undercut one another. This can only result in policy confusion and inconsistency.

The effect of ideology, the other instrumental factor, is related. The attempt to apply an ideology consistently at the policy level can in some circumstances retard rather than advance the goals of the ideology. This is more evident in the case of Britain than in that of the United States. As unilateral free trade was maintained after 1870, notwithstanding the changing economic positions of Britain's principal trading partners, the policy increasingly harmed rather than furthered trade liberalization, its stated objective. Much of the historical examination that follows focuses on the discontinuity between each hegemon's goals of trade liberalization and maintenance of hegemony (insofar as it was understood), or at least its economic position, and the trade policies that it actually adopted.

* * *

The historical chapters that follow, by asking a series of basic questions about general policies and specific negotiating situations, seek to make use of the analytical tools of this chapter. The answers to the following questions provide a structure for comparison and assessment.

(1) What were the hegemon's stated and apparent goals? What was at risk?

(2) Who and how many were the hegemon's adversaries, and how much and of what type was their power relative to the hegemon?

(3) How did the hegemon act, and which domestic factors contributed to its government's decisions?

(4) How did linkage to security, monetary policy and other political issues affect the hegemon's behaviour and the behaviour of its adversaries?

(5) Did the hegemon achieve its goal or goals, and why did the hegemon's course of action succeed or fail?

(6) How was the distribution of power changed within the system structure, or how was the structure itself changed by the outcome of the negotiations?

Each of these questions is important, because a hegemon's policymakers at any given time have a series of options that will in part determine the hegemon's future absolute and relative power, such as whether: to promote and defend liberal trade, or not; if so, to adopt a proactive or unilateralist approach towards maintaining liberal trade; if adopting an interventionist policy, to undertake bilateral or multilateral negotiations; if adopting a unilateralist policy, to maintain ideologically-based non-defensive free trade or to retaliate unilaterally against adversaries without negotiation. The following chapters will illustrate how and why Britain and the United States affected their own

hegemonic positions through choosing the options they selected.

For Britain and the United States respectively, a general survey tracing each country's commercial policy during its hegemonic period, which is intended to respond to the abovementioned questions in a general sense, will be followed by a set of examinations of specific trade policy cases that occurred during the period in which each hegemon's dominance began to be challenged, *i.e.*, Britain 1870-1914 and the United States 1971-1990. The case studies are meant to depict each hegemon's commercial policy as it varied across several dimensions:

(a) different points in the relevant time period;

(b) different relative strengths of adversary;

(c) different position in the structure of the international system (*e.g.*, for Britain, European vs. non-European powers);

(d) different numbers of participants, *i.e.*, unilateral, bilateral, multilateral;

(e) different types of product involved.

This approach does not claim to be a scientific study in the positivist sense, but rather seeks to provide a better understanding of the process by which each hegemony was eroded by a series of decisions by trade policymakers in a variety of situations over a period of time in which not only their own country's power was changing, but the world was changing around them as well.

II. Free Trade Ascendant: Britain and the World Economy 1846-1870

A. *Prelude: The Move to Free Trade 1815-1846*

This chapter briefly outlines Britain's process of trade liberalization. It describes how British governments first reduced tariffs domestically in response primarily to domestic pressures and then used various types of power at Britain's disposal to bring about trade liberalization in other countries. The limited success of negotiated trade liberalization prior to the repeal of the Corn Laws, and the subsequent emergence of the peculiar logic of unilateral free trade, are described in this section. In the next section, the successes and eventual limitations of unilateral free trade are traced, followed by Britain's return to negotiated trade liberalization through the Cobden-Chevalier Treaty. This triggered the emergence of an MFN-treaty-based process of trade liberalization that transformed the international economy. But minor negotiating difficulties with Austria soon thereafter returned Britain's unilateral free traders to policymaking dominance. The narrative is intended to highlight the similarities and differences between Britain and the United States as hegemons as they liberalized trade and to provide the background for the discussion of Britain's responses to the decline of liberal international trade in chapters III and IV.

At the end of the Napoleonic Wars Britain was in a unique position as a world power. Economically, she already dominated even before the wars. In 1800, Britain produced 40 percent of the world's output of manufactured goods, and in the heavy industries of the day, Britain produced 85 percent of the world's coal, 50 percent of

pig iron and almost 50 percent of world cotton output.[1] The dominance of British shipping also focused trade services in London.[2] Following the defeat of France British naval power dominated world sea lanes, and Britain could use her fleets for political purposes in parts of Europe, the Mediterranean and elsewhere.[3] On the continent, Britain's principal rivals France and Russia lay seriously weakened, leaving the British Government free to prevent the emergence of a dominant land power by balancing power of states against one another, and also to maintain economic dominance unhindered.[4]

> The United Kingdom was the only truly global power, the only superpower, whose intervention or abstention was decisive for the balance of power, not only in Europe but in the world.[5]

Outside of Europe, Britain's influence was also now unequalled by any other European power, and her formal colonies did not face immediate military threat. Nonetheless India, by providing the City of London with a trade surplus, a source of sterling liquidity and gold, was Britain's primary security concern.[6] But the colonies over which Britain exercised formal political and military control did not set Britain apart from other European powers, many of which also held overseas possessions: France, Holland, Spain and Portugal, for example. What was unique was Britain's 'informal' empire of trading and business relations in Latin America, Asia and elsewhere that did not require direct military or political control and the growth of which was facilitated

---

[1]Ingham (1984) pp. 98-99.
[2]*ibid.*
[3]Kennedy (1987) p. 154.
[4]Cox (1987) p. 148.
[5]Crouzet (1982) p. 1.
[6]Ingham (1984) pp. 122-123.

by the downfall of French naval power.[7] This exercise of structural power, which included the establishment of friendly, stable governments in target areas, the signing of commercial treaties with those states and the provision of diplomatic and military assistance to those governments,[8] is a distinguishing feature of hegemony also practised by the United States after World War II.

However, after 1815 Britain faced a conjunction of domestic and international socioeconomic changes that required new policies from Britain that in turn, at least for some decades, accelerated and increased British hegemony over the international system. Britain's policy shift towards trade liberalization was not a radical break with the mercantilism that had dominated eighteenth century trade relations or a self-conscious adoption of an internationalism somehow accompanying the arrival of hegemony. Rather, not unlike the United States after World War II, Britain began to liberalize trade pragmatically, as official perceptions of the national interest changed in response to changing domestic economic and social conditions. The economic policies of the liberal Tory governments in the post-Congress of Vienna period was based on providing sufficient food and stable employment for what had become a rapidly growing population. The government's realization by the early 1820s that domestic grain supplies would be inadequate for the task forced them to contemplate increasing imports of grain.[9] The incentive to lower raw materials duties came at least in part from the need to increase exports of manufactures in order to obtain

---

[7]Cain and Hopkins (1986) pp. 501-525.

[8]Gallagher and Robinson (1982) pp. 1-18.

[9]Hilton (1977) p. 303. The contribution of industry to employment exceeded that of agriculture from 1820. *See* Crouzet (1982) p. 147.

foreign exchange with which to buy foreign grain.[10] Canning and Huskisson, the president of the Board of Trade, also shared exporters' fears that British duties on imports (raised to high levels during the Napoleonic Wars principally to pay for war expenses) would cause Britain's trading partners to retaliate against increasing British exports.[11]

The popular perception of the national interest also was changing. Although industrialization had already changed the demography of Britain substantially by the 1820s, it took time to bring about corresponding reforms of British politics and commercial policy. The Reform Bill of 1832, by enfranchising the industrial, urban bourgeoisie, expanded the political base of support for trade liberalization. The agricultural gentry too turned increasingly towards free trade as they diversified their business interests so as to benefit from an increasingly industrial and commercial Britain, and also because they feared class unrest.[12]

Once trade liberalization was accepted by the government as necessary to achieve its social and economic goals, the task became one of commercial diplomacy. The effectiveness of British trade diplomacy between the Congress of Vienna and the repeal of the Corn Laws is uneven at best.[13] In 1823, Canning and Huskisson abandoned Britain's longstanding mercantilist policy of seeking treaties of exclusive advantage in export markets in favour of seeking bilateral reciprocity treaties. Whereas treaties of exclusive advantage required privileges exchanged to be given only

---

[10]Hilton (1977), p. 304.
[11]Mathias (1983) p. 271.
[12]Semmel (1970) p. 139.
[13]McKeown (1983) pp. 80-82.

to the treaty partner, reciprocity treaties (which typically involve the exchange of equality of treatment in port duties and shipping and the exchange of most favoured nation ('MFN') treatment) had no such restriction and hence were trade liberalizing.[14] Between 1823 and 1827 Britain signed reciprocity treaties with France, Prussia, Austria, Sweden, the Hanseatic League, Denmark and the United States.[15] However, the usefulness of reciprocity treaties for trade liberalization was limited because they did not change basic tariff rates, did not end imperial preferences or remove Navigation Act prohibitions against trade between Britain and other countries in third country ships.[16] Over the same period Britain attempted unsuccessfully to negotiate reciprocity treaties with Spain, Portugal, Naples and other countries.[17]

The limited success of the reciprocity treaties led the Foreign Office in the 1830s to negotiate with both European and non-European states for a more comprehensive type of commercial treaty that would establish reciprocity in relation to all import duties (rather than on selected items) and full MFN treatment for commerce, shipping and, in some cases, the rights of aliens.[18] This approach met with limited success in Europe. An attempt to negotiate an Anglo-French commercial treaty between 1838 and 1843 failed because neither side offered concessions on significant products and because of Anglo-French disagreement over Muhammad Ali Pasha's Levantine

---

[14]A country granting another country MFN status assures the other country that its imports will receive the most favourable duty and other trade treatment that the granting country offers to any trading partner. *See* Iliasu (1971) p. 69.

[15]Iliasu (1971) p. 69.

[16]Brown (1958) pp. 117-118.

[17]Iliasu (1971) pp. 69-70.

[18]*ibid.*, p. 69.

dominions.[19] Britain negotiated several commercial treaties with various German states as part of an unsuccessful strategy to prevent the absorption of all the German states into a Prussian-led *Zollverein*, because the Foreign Office feared that an all-German customs union would inevitably lead to higher duties on British goods.[20] Britain and the *Zollverein* eventually signed a limited commercial treaty not containing tariff reductions in 1841. This was less than the Foreign Office wanted, but the *Zollverein* was unwilling to make major concessions until Britain repealed the Corn Laws.[21]

The Foreign Office had greater success in using its new policy of signing reciprocity treaties to expand its 'informal empire' or hegemony over weaker states in Latin America, the Middle East and Asia.[22] Britain signed reciprocity treaties with many of the newly independent Latin American republics between 1824 and 1827, the principal effects of which were to formalize trading relationships that had persisted since the colonial period and to discourage attempts by other European powers to encroach upon British trading interests in the republics.[23] Britain's 1838 commercial treaty with Turkey was also pivotal both for liberalizing trade with the Porte's extensive domains and for furthering Britain's geopolitical objectives in the Middle East: checking Russian expansion into the Eastern Mediterranean and towards Britain's Levantine route to India, and preventing other European rivals, such as France and

---

[19]Dunham (1930) pp. 12-13.
[20]Henderson (1959) pp. 97-99.
[21]Brown (1958) pp. 103-115; Henderson (1959) pp. 132-136.
[22]Gallagher and Robinson (1982) pp. 1-18.
[23]Platt (1972) pp. 23-64.

Austria, from profiting from a sudden collapse of the Ottoman Empire.[24] A similar conjunction of trade and geopolitical objectives shaped British policy towards China: to gain access to a potentially vast Chinese market for British manufactured goods and to ensure that other powers did not establish zones of exclusive influence in China. The Chinese Government, not reliant as the Ottoman Sultan was upon Britain for protection against others, was not cooperative. An Anglo-Chinese dispute over opium trading was the ostensible cause of the 1839-42 Opium War, but the real reason Britain moved militarily against the Chinese was to force them to agree to a proposed commercial treaty intended to establish bilateral relations under Western liberal principles. In the Treaty of Nanking (29 August 1842), China agreed to establish diplomatic relations with Britain on an equal footing, open five ports to British trade and allow the establishment of British consulates in each port, pay a war indemnity to Britain, set moderate transit duties on British goods being transshipped, establish a standard tariff and cede sovereignty over Hong Kong to Britain for use as a secure trading post. Compelling China to adhere to the terms of the treaty proved problematic for Britain for two decades, however.[25]

During the 1830s, free trade began to move from being only an economic theory to becoming a domestic political movement and eventually ending up as an international ideology. As the primary part of its postwar economic policy, the government reestablished gold convertibility in 1821, which stabilized sterling to the

---

[24]Wallerstein (1989) pp. 176-177; V.J. Puryear (1935) pp. 1-145. Britain also signed commercial treaties with Greece, Persia and Afghanistan further to parry Russian expansion. *See* Puryear (1935) pp. 60-69, 117, 227.

[25]Costin (1968) pp. 1-114.

benefit of commercial capitalists, the merchants, bankers and financiers of the City and over the objections of industrialists, who regarded the gold standard as deflationary and stifling of industrial growth.[26] But food security, not free trade ideology, was the initial driving force behind the trade liberalization policy that accompanied the governments' gold-based economic policy. Huskisson, although a supporter of free trade himself, used free trade ideology to justify policy reforms, not to initiate them.[27] Moreover, until the formation of the Anti-Corn Law League in the 1830s, the growing manufacturing class still feared foreign competition without protective tariffs. The vehicle for changing from within the government's perceptions of the national interest in response to external and domestic economic change became the increasingly influential Board of Trade. Under Huskisson the Board was heavily influenced by the free trade views of classical political economists such as Ricardo and tended to lead public opinion rather than follow it. Outside the government, the earliest supporters of trade liberalization and backers of the Board of Trade's new trade stance were London merchants and their allies in the City.[28] But by the 1830s, support for free trade became focused in the Manchester School of Economics, a growing coalition of political economists, philosophic and middle class radicals, pacifists and manufacturers.[29] In March 1839, members of the Manchester School formed the national Anti-Corn Law League, to be led by Cobden and whose goal was to raise public support and pressure Parliament to repeal the Corn Laws.[30]

---

[26]Ingham (1984) p. 101.
[27]Hilton (1977) p. 304.
[28]Ingham (1984) pp. 114-115.
[29]Grampp (1960) pp. 5-15.
[30]Edsall (1986) pp. 63-74.

Against the backdrop of broader socioeconomic change, there were numerous more proximate causes of the trade liberalization of the 1840s. Despite the return to the gold standard and Huskisson's trade reforms of the 1820s, economic performance was uneven and not solving social problems. The growth of the cotton and iron industries, the mainstays of Britain's early industrialization, was strong but not sufficient in providing employment to keep up with population growth.[31] While British trade was growing at an average of 5.6 percent *per annum* over the period 1826-1856[32], the value of British exports was languishing because prices of manufactured exports fell sharply.[33] A recession that began with a poor harvest in 1837 boosted grain imports and prices while other imports and prices tumbled.[34] Amidst this economic distress, British commercial negotiations with France, Belgium and Prussia did not succeed in lowering tariffs reciprocally, leading more members of the Board of Trade to support Corn Law repeal.[35] The recession-induced government revenue shortfall forced the Whig government of Lord Melbourne to raise some tariffs, which provoked a dispute over correct tariff levels for revenue maximization, which in turn brought down the government.[36] The sources of government revenue were key to both trade liberalization and mounting social unrest in the 1840s. Peel, whose government succeeded that of Melbourne, first attempted to raise revenue by rationalizing and reducing tariffs on 769 products, principally raw materials. He also

---

[31]Crouzet (1982) p. 143.
[32]*ibid.*, p. 124.
[33]*ibid.*, p. 116.
[34]Imlah (1958) pp. 126, 137.
[35]Brown (1958) pp. 104-133; Bowring (1877) p. 207.
[36]Edsall (1986) pp. 84-101.

imposed a temporary income tax, the first since the Napoleonic Wars, to cover the short-term budget deficit.[37] Only the subsequent permanent reinstatement of the income tax, by liberating the government from dependence on duty revenues, made unilateral trade liberalization fiscally possible.[38]

Peel probably decided as early as 1842 to adopt free trade, but by increments. In order to reap maximum concessions from tariff reduction, Peel's government sought commercial treaties with France, Russia, Portugal and Brazil before committing Britain to the unilateral policy of free trade sought by orthodox free traders that would preclude further bilaterally negotiated reductions. All negotiations (except those with Russia) came to nought, which fuelled the opposition of Cobden, the Anti-Corn Law League and other orthodox free traders to negotiated trade liberalization.[39] Peel proceeded with incremental tariff cuts, which he complemented with major bank reform. The Banking Act of 1844, which codified the gold standard in the institutional structure of the Bank of England, facilitated liberal trade by limiting currency instability and state intervention in the economy.[40] By this point the Anti-Corn Law League had supplanted the working-class Chartists as the leading radical group lobbying for economic reforms.[41] Rising Parliamentary support for free trade and the failure of the 1845 Irish potato crop combined to force Peel's hand. After a Tory split over free trade brought Peel's government down in December 1845, Peel formed a new government of free trade Tories also supported by Whig free traders. The new Peel

---

[37]Woodward (1962) pp. 109 *et seq.*
[38]Stein (1984) p. 363.
[39]Iliasu (1971) p. 70.
[40]Ingham (1984) pp. 111-112.
[41]Edsall (1986) pp. 93-94, 138-141.

government moved Corn Law repeal through Parliament to passage on 25 June 1846, only to fall itself the same day at the hand of protectionists in both parties over Irish coercion.[42] Over the next few years, the remaining vestiges of mercantilism were swept away: the Navigation Acts were suspended in 1846 and repealed in 1849; in 1846 the requirement that British colonies give British goods tariff preferences was ended; and in 1854 the coasting trade was opened to foreign vessels.

Britain's adoption of free trade in the 1840s and subsequent promotion of it as an international ideology was in a sense the identification of its own national interests with those of other states. By the 1840s, increasingly influential interest groups, such as the Manchester School, Cobden and the pacifists and other representatives of the more urban, industrial character of British society had ceased to identify Britain's economic and military security with mercantilism and imperialism, but rather with liberal international commerce and peace. In this respect they were reaching a position that the City of London had held and begun to implement since soon after the Congress of Vienna.[43] Even by the 1820s, Britain had little real reason to regard economic growth of other states as a threat to her security. In 1825 the Tory government began to liberalize British controls on the export of capital and technology, thus facilitating industrial development in some of Britain's future rival trading partners.[44] Foreign governments responded increasingly negatively to Britain's commercial overtures because of her still high tariffs, and British export performance suffered because of falling prices of manufactures. But the main thrust for trade

---

[42]Woodward (1962) pp. 109 *et seq.*
[43]Ingham (1984) pp. 96-97.
[44]Semmel (1970) pp. 181-184.

liberalization came from within Britain and was linked as much to general social change (*e.g.*, political emancipation of the growing urban bourgeoisie) and particular proximate events (*e.g.*, the Irish potato famine) as to specific economic factors (*e.g.*, the 1837 Depression or the fall in customs revenue). Britain's adoption of free trade in 1846 prefigured a similar choice to be made a century later by the United States. Whereas Britain initially chose to adopt free trade unilaterally and proselytise it abroad, the United States from the start promoted trade liberalisation through a multilateral mechanism. But both countries intended trade liberalisation to benefit the larger international economy, not only themselves. Both choices resulted in structural changes in the international system that only the hegemonic power had the capacity to make.

B. *Building the Free Trade World Order 1846-1870*

1. Preaching the Liberal Gospel 1846-1860

Once the British Government had repealed the Corn Laws, free traders acted quickly to institutionalize trade liberalization in Britain and spread it to Europe. They seized upon the dual logics of unilateral free trade and proselytization of free trade ideology as the mechanism to transform the international trading system. Only by liberalizing trade unilaterally can a state demonstrate to other states that it is acting in its own interest, they argued, without attempting in negotiations to fool other states into sacrificing their interests in favour of those of the liberalizing state.[45] The

[45]Iliasu (1971) p. 71. This was intended to rebut the claims of Listian economic nationalists that free trade was in Britain's interest alone. *See* List (1977) pp. 35-36, 107-115.

accompanying argument that British free traders used as they fanned out across Europe to spread the free trade gospel was that what was good for Britain was good for everyone else and good for the system as a whole. They could point to an impressive record of economic and trade growth that accompanied Britain's post-Congress of Vienna period of trade liberalization, whether causally linked thereto or not. Britain's share of world manufacturing output, which barely exceeded that of France, Germany and Austria in 1800 (and was actually exceeded by that of Russia) was already nearly double that of each of the other powers by 1830 and more than doubled each by 1860.[46] While Britain's per capita level of industrialization quadrupled between 1800 and 1860, in France, Germany and the United States it barely doubled and in Russia and Austria it much less than doubled.[47] Britain's foreign trade also grew over 50 percent by value between 1820 and 1846.[48]

Since liberal international trade between nation-states was new in the nineteenth century (as even 'nation-states' were new), nobody could be certain whether it would succeed or whether it would serve some countries' interest better than others'. In the 1840s and '50s, whether a country liberalized or not depended upon whether enough political interests within became convinced by the arguments to implement the policy. Although only some free traders were aware of the extent of Britain's hegemonic power, their arguments presupposed that Britain was powerful enough, both in economic and military resources and in market and ideological power, to influence other states by her unilateral actions and to convince them through lobbying to act.

---

[46]*See* Appendix, Table 1a.
[47]Kennedy (1987) p. 249.
[48]*See* Appendix, Table 3a.

Trade liberalization arguments did not all originate in Britain. Yet they were developed, debated and implemented domestically and then promoted and popularized abroad by the Manchester School, the Cobdenites and the British Government generally.[49] While British efforts and effects are more easily and directly documented regarding some countries than others, the spread of mid-century trade liberalization can reasonably be attributed to British ideological power. This section surveys those successes (although space does not permit a comprehensive cataloguing of the effects of British free trade proselytization upon other states).

Britain's free trade apostles, particularly Cobden, preached trade liberalization in Europe not only for the economic gains it would bring to the European powers but for the security advantages it would generate. Cobden, who envisioned free trade as the moral principle around which international relations could be recast, imagined weaving a web of commercial relations between nations that would create a level of political harmony rendering large military forces and empires obsolete.[50] Between August 1846 and October 1847 Cobden visited France, Spain, Italy, Austria, Saxony, Prussia, Russia and the Hanseatic cities to propagate free trade, during which journey he met with the French King Louis Philippe and the Russian Tsar Nicholas I. Less concerned about the form of European governments than their policies, Cobden expressed approval for enlightened (*viz.* pro-free trade) autocratic governments, praising Prussia for supporting freer trade in the *Zollverein* against the protectionist stances of Wurttemberg, Baden and Bavaria, as well as Belgium. The growth of

[49]Kindleberger (1975) p. 51.
[50]Edsall (1986) pp. 174-188.

nationalism concerned Cobden greatly, because he saw in the simmering Continental nationalist movements a threat both to free trade and peace. The 1848 liberal revolutions in Europe for Cobden were a mixed blessing because in many cases they were inspired by nationalist movements, but they did give a boost to popular support for the international peace movement, upon which Cobden then tried to capitalize.[51] Cobden's 1846 speaking tour of France boosted the long struggle by small bands of French free traders that ultimately was to bear fruit in the Cobden-Chevalier Anglo-French Commercial Treaty of 1860. On that visit Cobden began his friendship with Michel Chevalier, the free trade future French foreign minister. The free trade landowner Frederic Bastiat (who himself did much to incline French opinion towards free trade) translated Cobden's speeches and free trade pamphlets into French.[52]

British free traders also found fertile ground for commercial evangelism in Prussia. John Prince Smith, a British merchant who lived in Prussia and spoke fluent German, found a welcoming audience for free trade ideas among the Junkers, the Prussian landed aristocracy, who stood to gain from the increased grain sales to Britain that Corn Law repeal brought. A small band of German free trade intellectuals opposed Listian economic nationalism, and Prince Smith translated into English the writings of one free trade political economist, Carl Heinrich Hagen, a professor at the University of Königsberg and a Prussian Counsellor of Government, because he saw Hagen's views as an extension of the ideas of Adam Smith. In his *System of Political Economy*, Hagen echoed the Ricardian law of comparative advantage in observing that

---

[51]*ibid.*

[52]Dunham (1930) pp. 15-16; McKeown (1983) p. 83.

all participants gain from liberal international trade through increased specialization of production.[53] Prince Smith himself wrote pamphlets in German in support of free trade. As early as 1843, Prince Smith had tried to convince the Germans of the benefits of unilateral free trade over reciprocity as a principle for trade negotiating. He argued that when trade occurs between a more developed country and a less developed country, the less developed country gains more. He also wrote that commercial interests of countries do not conflict, and that those holding the view that they do conflict promote hostility and threaten peace and freedom.[54]

Yet even as British free traders exported the ideology of free trade and international peace, Britain's Government retained widespread public support for its own longstanding policy of limited military intervention to safeguard British interests in Europe and around the globe. Following the 'Don Pacifico' British intervention in Greece in 1850, Cobden and the other pacifists found themselves with little public support, reaching the nadir of their popularity during the Crimean War and not beginning to recover some of their popularity until the 1857 Indian Mutiny and the 1858 lorcha *Arrow* incident in China led more people to question Palmerstonian interventionism.[55] But although the pacifists saw British military interventions to defend open trade as inconsistent, such interventions can be seen as not undermining the liberal international trading system that hegemonic Britain was promoting, but rather

---

[53]Hagen (1844) p. 85.

[54]Prince Smith's 1843 pamphlet, which he cites in his translation of Hagen, was entitled '*John Prince Smith Über Handelsfeindseligkeit*'. *ibid.*, pp. 85-86.

[55]Edsall (1986) pp. 228-290.

defending it militarily in as minimal a way as possible. Britain's lack of interest in territorial expansion during this period reaffirms this perspective.[56]

Following Britain's trade liberalization and proseylitizing on the Continent, trade liberalization was on the agenda in European states. The ideology took root most deeply in the smaller European powers.[57] Free traders in Holland advocated unilateral free trade unsuccessfully but persuaded the Dutch government to repeal its Corn Laws in 1847 and it navigation laws in 1850 and 1851. Holland signed a commercial treaty with Belgium in 1846 and a commercial and navigation treaty with Prussia in 1851.[58] Belgium repealed her Corn Laws in 1850, raised other protective duties shortly thereafter, but then moved to free trade by 1860. Switzerland phased out protective duties between 1851 and 1855 to revenue levels only. Cavour, a supporter of free trade, reduced protective duties and prohibitions in Piedmont/Sardinia in the 1850s. Spain, Portugal, Norway and Sweden also lowered duties during the same period.[59]

That several countries did reduce tariffs and trade barriers unilaterally through domestic legislation, even if they also made some reductions bilaterally by treaty, indicates the influence not only of free trade ideology spread by British free traders in Europe but of the peculiarly British logic of unilateral free trade. The states that liberalized most readily were all small states compared to Britain, all traded actively with Britain, had little other economic or military power relative to Britain and were

---

[56]Ingham (1984) p. 117.

[57]This accords with Conybeare's explanation of the natural interest of small states. *See* Conybeare (1987) p. 26.

[58]Henderson (1959) pp. 168-170.

[59]Kindleberger (1975).

all less industrialized than Britain, albeit to varying degrees.[60] However, Britain faced a more complicated situation regarding her more powerful trading partners, France, the *Zollverein*, Austria, Russia and the United States. Those states also liberalized, but not to the degree that British free traders sought.

France at mid-century remained Britain's most significant European adversary and her second largest European trading partner. Bilateral, unsuccessful trade negotiations occurred intermittently since the two countries had signed their limited navigation treaty in 1826, but France only negotiated with Britain when her trade relations with Belgium were troubled. France's nascent free trade movement collapsed in the 1848 revolution, when political economists joined with protectionist conservatives in opposition to the socialist Second Republic. During the more liberal 1852 Second Empire, some free traders sat on the restored *Conseil Supérieur du Commerce.* The *Conseil* in 1853 convinced the government to reduce and regularize coal, iron and steel duties, thereby allowing the entry of much-needed British bar iron for railway building. Napoleon III's government lowered numerous other duties, over heavy protectionist legislative opposition, in the tariff acts of 26 July 1856 and 18 April 1857.[61]

The *Zollverein* was Britain's largest European trading partner in the years following British trade liberalization, and of particular importance as a grain supplier, although its political importance to Britain was still eclipsed by France as it was not yet a single political entity. From the late 1840s Prussia and the other *Zollverein*

---

[60]*See* Appendix, Tables 1a, 2a, 4a for measures of relative size, economic development and trade with Britain.

[61]Dunham (1930) pp. 10-15.

members were embroiled in a developing debate with Austria over commercial and political unification of the German-speaking polities. Between 1847 and 1853 Britain lobbied Prussia, which already contained the largest concentration of free traders, and the *Zollverein* generally, to reduce tariffs unilaterally against the wishes of more protectionist Austria. Despite the signing of an Austro-*Zollverein* commercial treaty in 1853, British lobbying efforts were moderately successful. The *Zollverein* ended its grain duties the same year, and the resulting economic boom gave strong support to the further liberalization efforts of the German free trade lobby.[62] Even Austria itself substituted a reformed tariff for prohibitive duties in 1852 and followed that with further tariff cuts in 1856.[63]

Russia, like the United States, was a large country that was not heavily trade dependent. Anglo-Russian trade was only two thirds the size of Anglo-French trade and less than two thirds the size of Anglo-German trade.[64] Russia at mid-century was the least industrialized and most protectionist of all the European states. Yet Russian merchants in the 1840s, aware of the British free trade movement, began to agitate for trade liberalization, particularly an end to export duties. Count Orlov, president of the State Council, quoted British free traders in trade policy debates. The British Government pressed Tsar Nicholas to reciprocate by liberalizing Russian trade laws for the advantages granted Russian grain exports by British Corn Law repeal.[65] Tsar Nicholas in 1846 lowered some duties, such as those on chinaware, as a gesture

---

[62]Henderson (1959) pp. 170-174, 188-237.
[63]*ibid.*, p. 230.
[64]*See* Appendix, Table 4a.
[65]Pintner (1967) p. 239.

in response. Advised by his Polish, free trade economic adviser Tengoborskii, the tsar in 1850 unified the Russian and Polish tariffs as a way of drawing Poland closer to Russia and eradicating Polish nationalism. Tengoborskii's tariff liberalized and simplified the Russian tariff so as to conform to that of Poland, removed several import prohibitions and lowered duties below prohibitive levels so as to raise revenue. Although Russian tariffs and prohibitions remained highly restrictive, further liberalization did occur with additional tariff revisions in 1857.[66]

The United States was Britain's largest trading partner in the 1850s: in 1855 Anglo-American trade, valued at £43.7 million, was nearly half as large again as Britain's trade with France or Germany.[67] Yet as the U.S. economy was much less trade dependent than those of the European states, the influence of British economic ideology might be expected to be relatively weak (despite Anglo-Saxon ties).[68] But British market power in the United States was significant. British Corn Law repeal in 1846 opened markets for farmers in the Western United States, prompting them to join with Southern U.S. planters to pass the Walker tariff, which reduced the number of tariff schedules to only nine, repealed duties on tea and coffee and reduced other duties on raw materials, manufactured goods and spirits.[69] The British-aided West-South coalition persisted, permitting President Buchanan's administration further to

---

[66]*ibid.*, pp. 239-249.

[67]*See* Appendix, Table 4a.

[68]*See* Appendix, Table 5a.

[69]James and Lake (1989) pp. 12-27. Average duties on dutiable goods fell from 33.3 percent in 1846 to 28.0 percent in 1847 (and to 18.8 percent at their nadir in 1861). *See* Census (1975) p. 888.

reduce tariffs in 1857 to their lowest point in the nineteenth century, freeing drugs, silk, tin and wood imports of duty.[70]

Britain's influence over the United States was constrained, however, in that Britain did not have the military resources to defend Canada against U.S. encroachment. This in part explains Britain's only significant (and rather extreme) deviation from mid-century unilateral free trade. Britain by the 1850s permitted Canada, like other dominions, to conduct its own foreign economic relations. When in 1854 Canada, facing economic difficulties, concluded a commercial reciprocity treaty of exclusive advantage (respecting certain products) with the United States, the Foreign Office did not object. When other British trading partners demanded equal access to Canada's markets two years later, the Foreign Office reversed itself and granted other states access to the preferential U.S. tariff band, setting off a conflict between the Foreign Office and Canadian provincial governments that was not resolved until the U.S.-Canada treaty expired in 1859.[71]

The policy exception towards other industrializing states remained the rule for British trade policy towards non-industrialized regions. After 1846 Britain maintained her traditional reliance on commercial treaties, sometimes with concurrent defense accords, to promote trade liberalization with less developed non-European states. The British Government did not hesitate to use force, although as sparingly as possible, to enforce such agreements, which in some cases were not desired by the weaker power.

---

[70]Pincus (1977) p. 11.

[71]*Parliamentary Papers* (1884-1885) Correspondence respecting the Negotiation of a Treaty Regulating Trade between the British West India Colonies and the United States. *See* below, chapter IV.C.

China and Japan are examples of the relatively infrequent cases in which Britain, by threatening or using force to compel weaker powers to liberalize trade, acted more as an imperial power than as a hegemon. China continued to resist enforcement of the 1842 Treaty of Nanking, despite increasing British diplomatic pressure. The lorcha *Arrow* incident in 1857, a maritime dispute involving the incarceration of British sailors by the Chinese, became the pretext that Palmerston used to intervene militarily in China to force stalled trade negotiations to a satisfactory conclusion. A British fleet under Lord Elgin, with the cooperation of France, Russia and the United States, moved on Peking and in 1858 forced the Chinese to sign the Treaty of Tientsin and a companion trade treaty at Shanghai, which together liberalized trade significantly and normalized diplomatic relations in the way that Britain had desired.[72] Lord Elgin negotiated a similar treaty with Japan, the Edo Treaty of 1858, that gave Britain treaty ports, extraterritorial rights in Japan and MFN status. Many Japanese opposed the Edo Treaty's unequal character and lobbied to have the extraterritoriality provision in particular reversed.[73] But usually Britain offered things that weak, less developed states actively sought, ranging from markets for primary product exports to military protection against rivals, thus allowing for mutually desirable treaties. For example, the 1855 commercial treaty with Siam negotiated by Sir John Bowring, which first opened Siam to trade with the West, was well regarded by both countries.[74]

---

[72]Costin (1968) pp. 115-346.
[73]Nish (1966) p. 10.
[74]Bowring (1877) introductory essay.

2. A Regime of Treaties 1860-1870

By the latter half of the 1850s, the fruits of British trade liberalization were already apparent. Trade between Britain and her major trading partners grew between five- and sevenfold in the decade 1845-1855.[75] Britain was becoming more important to her larger trading partners, such as France, Germany and the United States, because their exports to Britain were growing faster than their imports of British goods.[76] Yet because of their relative power, those larger countries, each of which had strong domestic support for protection as well as free trade, were the least likely to be convinced by Britain to liberalize trade unilaterally. British governing elites, firmly entrenched unilateral free traders, only barely took this point on board, even as the fruitfulness of unilateral free trade reached its natural limits after 1855.

Their conversion to a new policy of negotiated trade liberalization that began with the Cobden-Chevalier Anglo-French commercial treaty of 1860 was brought about more by security concerns than by a sentiment that unilateral free trade had exhausted its possibilities. Cobden, although he had been discussing French trade liberalization with Chevalier since 1846, decided to support a bilateral commercial treaty to promote peace because he became alarmed about French reconstruction of her navy with metal-plated ships following the Crimean War. Cobden also feared the British public's overreaction to that perceived threat. Gladstone, who as Chancellor of the Exchequer was seeking ways to curb government spending, thought that a cut in revenue duties would be an ideal way to reduce revenues. Gladstone also envisaged the treaty's

---

[75]*See* Appendix, Table 4a.

[76]Mitchell and Deane (1975) pp. 313-327.

commitment of France to trade liberalization as an example that should convince other countries that had not yet lowered protective tariffs to follow suit. Palmerston was concerned about curbing the expansionist tendencies of Napoleon III towards Italy, but given that the new Italian state faced at least much ongoing danger from Austria as from France, he favoured cooperating with France in Italy to exclude Austria. Napoleon III did not hold a strong ideological position on trade liberalization but did covet Nice and Savoy, and he saw a commercial treaty with Britain as a vehicle to secure British acquiescence in a future annexation.[77] Napoleon faced strong domestic protectionist opposition to an accord with Britain and almost yielded to pressure from his Council of Ministers and the legislature to abandon the treaty.[78]

For Britain, the Cobden-Chevalier treaty and those that followed were different from the earlier generation of commercial treaties in that Britain granted unilaterally the concessions granted to France to all other states as well.[79] In contrast, France, by not making the same unilateral concessions to third powers, did not liberalize trade to the same degree as Britain.[80] The treaty was also of a new type in that it combined the exchange of unconditional MFN status with specified bilateral tariff reductions, which through the locomotive effect of MFN treatment and British unilateral extension of benefits to third powers generalized the tariff reductions to most European states.[81] By 1865, Britain, France, Prussia and Italy all had signed MFN-

---

[77]Iliasu (1971) p. 71-81, 91-92.

[78]Edsall (1986) pp. 325-354.

[79]Iliasu (1971) p. 71.

[80]Stein (1984) p. 366. France did sign 11 commercial treaties by 1867, however.

[81]The treaty called for France to lower maximum duties to 30 percent *ad valorem* within two years and 25 percent within five years, with the important duties on coal and coke to fall by one-half and one-third respectively on 1 June 1860, pig and bar

based commercial treaties with one another, and the process spread quickly to the smaller European states as well.[82] The multilateral nature of the tariff reductions stimulated growth in the British and European economies through internationalization of markets.[83] The geopolitical ramifications of the Cobden-Chevalier Treaty were more ambiguous, however. Cobden, while hoping that Anglo-French commercial negotiations would be a prelude to arms reduction negotiations, had been unwilling to accede to French requests to link the commercial treaties to a political agreement on the Italian question, lest France move to abandon the commercial accord and work only for a political pact. Cobden's judgment on this point was as wise as his disappointment with Napoleon was great when, less than three months after the signing of the commercial treaty, Napoleon annexed Nice and Savoy.[84] Despite subsequent Parliamentary criticism, Westminster ratified the treaty.[85]

Yet rapidly the new treaty set off a series of geopolitical shifts in Europe that allowed for the new regime later to be undermined. Prussia immediately sought access to French markets equal to that of Britain, and the resulting 1862 Franco-Prussian commercial treaty ended the existing *Zollverein* tariff preferences for Austrian goods. Prussian free traders, strengthened by the success of the Cobden-Chevalier treaty,

---

iron and steel to go down on 1 October and machines and tools on 31 December. Britain, in return, would cut duties on French wine by 1 April to 1 shilling per gallon for wines up to 15 percent alcohol and 2 shillings per gallon on wines between 15 and 40 percent, and would lower duties on spirits to 40 percent *ad valorem*. *See* Dunham (1930) pp. 98-100.

[82]Kindleberger (1975) p. 40.

[83]Dunham (1930) p. 142. The United States was excluded from this period of liberal economic growth, because the outbreak of the U.S. Civil War necessitated the raising of Federal tariffs substantially for revenue.

[84]Iliasu (1971) pp. 95-96.

[85]Dunham (1930) pp. 115-116.

overcame protectionist objections of south German *Zollverein* members and forced non-member German states to join the *Zollverein* by threatening them with exclusion from the rapidly growing treaty-based free trade area. Prussia also negotiated a new commercial treaty with Austria based on exchange of MFN status instead of tariff preferences and signed commercial treaties with Belgium and Italy in 1865.[86] In effect, trade liberalization contributed substantially to Prussia's achieving dominance over the other German states and facilitated German unification under Prussian leadership by 1870.

In Britain, the policy of negotiated trade liberalization did not have as secure a position as the treaty successes that followed from the Cobden-Chevalier treaty might presuppose. Support for unilateral free trade had not vanished. Many British manufacturers, who became unilateralists in the 1850s as they watched British industrial growth surge under free trade, attributed Britain's political stability during the 1848 revolutions in Europe to her sound trade policy. They saw the 1850s as a victory for 'influence through example rather than persuasion'[87] and resented Palmerston's use of trade policy for geopolitical ends because of the harmful instability such activity brought to business transactions.[88] Britain's commercial negotiations with Austria, which began in 1860 and lasted throughout the decade, resulted in the government's return to unilateral free trade. The talks were substantially unsuccessful and engendered the perception by Gladstone and others that commercial negotiations had returned to the haggling that preceded unilateral trade liberalization two decades

---

[86]Henderson (1959) pp. 274-303.
[87]Iliasu (1971) p. 72.
[88]Helleiner (1973) p. 15.

earlier.[89] Anglo-Austrian negotiations began because Palmerston became interested in improving relations with Austria to counterbalance Napoleon's annexation of Nice and Savoy, and Austria's Minister of Foreign Affairs, Count Rechberg, who was aware of the benefits that had already accrued to Austria from Britain's reduction in wine duties under the Cobden-Chevalier treaty, asked Britain to begin negotiations on a commercial treaty. Negotiations conducted intermittently over four years were unsuccessful because while Austria demanded specific concessions from Britain in return for MFN status and tariff reductions, the British Government believed that it had already liberalized trade unilaterally and through extension of Cobden-Chevalier benefits and consequently had nothing further to offer.[90] In 1865 a mission of British businessmen led by Somerset Beaumont M.P. went to Austria to preach the virtues of free trade to the Austrian business community, but it received mixed reports from the Austrian press and ultimately failed to bring about the needed shift in public opinion. Later Beaumont tried unsuccessfully to coerce Austria into committing to a commercial treaty by making the granting of a much-needed loan to Austria that he was negotiating for the Baring and Glyn banks conditional upon Austrian commitment to a treaty.[91]

The two governments finally agreed to a treaty, signed on 16 December 1865, in which Britain did agree to lower duties on Austrian wine and timber and formally to grant Austria MFN status, in return for Austria's lowering her upper tariff limits to

---

[89]*ibid.*, pp. 3-7, 132-133.
[90]Helleiner (1973) pp. 8-36.
[91]*ibid.*, pp. 37-68.

25 percent *ad valorem* from 1 January 1867 and 20 percent from 1 January 1870.[92] But Austria delayed steps necessary for the treaty's implementation because their government wished first to conclude a new trade agreement with the *Zollverein*, which itself was being delayed by Franco-Prussian commercial negotiations. In effect, the chain reaction of multiplying MFN treaties that had occurred after the Cobden-Chevalier treaty was now working in reverse. Each country did not want to make tariff concessions in a bilateral negotiation before its partner had already reduced its tariffs in negotiations with third countries, because the last country to sign a bilateral accord with accompanying exchange of MFN status would gain the most from its partner for the concessions it was willing to make. Following yet additional disputes, the Anglo-Austrian treaty was signed on 30 December 1869 and ratifications exchanged on 23 February 1870.[93]

A problem of some irony that Britain faced in Austria and increasingly elsewhere in Europe as well was that the democratization unleashed by the liberalization of the 1840s began to result in domestic interest groups, particularly manufacturers and the bourgeoisie, pressuring their elected officials to implement protectionist trade policies that served their particular interests.[94] A similar phenomenon beset Napoleon III's France in the late 1860s, where protectionism had never lost favour. Political pressure forced Napoleon both to surrender his unilateral treatymaking power and to grant more direct parliamentary suffrage, and through the new legislature the veteran protectionist Thiers conducted a campaign to renounce or revise the terms of

---

[92]*ibid.*, pp. 69-81.
[93]Helleiner (1973) pp. 82-133.
[94]Kindleberger (1975).

the Cobden-Chevalier treaty upon its expiry in 1870.[95] Although the Austrian and French situations had turned Gladstone back to unilateral free trade in Britain, they spurred other free traders in Britain to seek a new solution to the impasse that negotiated trade liberalization had reached. Sir Louis Mallet, an ardent Cobdenite who became the head of the Board of Trade's Commercial Department, in 1867 proposed to Lord Clarendon that Britain and her European trading partners hold multilateral tariff negotiations for a multilateral free trade agreement. Mallet recognized the brewing threat to European peace caused by the 1866 Austro-Prussian War and hoped in its aftermath to promote a sturdier European peace through closer commercial relations. Yet despite support from free traders Charles Kennedy (another Foreign Office staff member) and Sir Stafford Northcote, Mallet's proposal was not taken up.[96]

The crises of the Austrian and French treaties came at the point that most writers agree was the apogee of British hegemony. Between 1860 and 1880 Britain's share of world manufacturing output,[97] per capita levels of industrialization and per capita GNP exceeded those of its nearest rivals by the greatest margins, compared both to the earlier half of the century and to what followed.[98] And despite having minimal land-based military resources compared to those of her continental rivals, Britain played the pivotal role in preventing the emergence of another dominant continental power and won the (however unpopular) Crimean War, the only European land war

---

[95]Dunham (1930) pp. 294-298.
[96]Gaston (1987) p. 65.
[97]*See* Appendix, Table 1a.
[98]Kennedy (1987) pp. 149, 171.

in which it fought between 1815 and 1914.[99] The hugely dominant British navy kept open the seas for international commerce, expanding British political control in the process as little as possible but backing up failed diplomacy on rare occasions, as in China in 1858.[100] Nineteenth century Britain, like the post-World War II United States, also used trade liberalization to further its security interests. Leaders in both hegemons were well aware of their own military capabilities and those of their rivals. In fact, only security considerations seemed compelling enough to convince British unilateral free traders of the necessity for negotiated trade liberalization in the 1860s. Britain differed from the United States in that Britain liberalized trade with middle-sized powers (*e.g.*, France, Germany) to minimize their military threat to Britain, whereas the United States liberalized trade with middle-sized powers to defend them against an external (Soviet) military threat.[101]

Between 1846 and 1870, Britain's transformation of the international economy through trade liberalization depended primarily upon ideological and market power. Britain's unilateral removal of trade barriers and subsequent convincing of numerous other states to do likewise was a successful exercise of ideological power. But without the prestige, economic and military resources that Britain possessed, British free trade ideology would not have been accorded much influence. Foreign leaders would not have been as inclined to listen to Cobden had he been a Montenegrin. Britain then

---

[99]*ibid.*, pp. 152-153.

[100]*ibid.*, pp. 154-155.

[101]That trade liberalization occurred despite the multipolarity of the nineteenth century security structure weakens Gowa's argument linking trade liberalization to security alliances. *See* Gowa (1989) pp. 1245-1256.

utilized her market power to liberalize trade bilaterally through treaties that formed a network enshrining the new liberal trade regime.

The economic growth resulting from trade liberalization benefited not only Britain's stated national interests but those of the system as a whole. Internationalists like Cobden, while acting in their own national interests, were conscious and pleased that national and system interests were at that point congruent: economic growth, peace, stability.[102] Other government officials backed the decisions to liberalize trade for purely domestic reasons, such as cheap grain to stimulate manufacturing. Overall, some British officials were aware of Britain's economic lead, and those numbers increased over time. However, British unilateral free traders showed little awareness of Britain's market power or inclination to use it to further their objectives. But officials' awareness of state power did not equate to a policy-steering consciousness of hegemony that was able to prevent the choosing of trade policies that eroded British power and undercut its hegemony. Britain's free trade ideology was bound to be challenged as other states grew relative to Britain under the liberal trade regime, and divergent interests therein were able to assess their particular gains and losses from liberal trade. The only way for British ideological power to have met that challenge was for trade liberalization to have continued to expand and succeed. This would have required increasing use of British market power through negotiations involving mutual liberalizing concessions. Yet just as political and economic change in Europe began to challenge Britain's dominance, the majority of British free traders returned to unilateral free trade and generally dominated British trade policy for the

[102]Cobden's later American analogue was Cordell Hull.

next three decades. A minority did continue to advance negotiated and multilateral free trade. The infrequent occasions in which their policies prevailed illuminate a history of British hegemony that might have been quite different.

III. Hegemony and Free Trade Declining 1870-1914

A. *Overview of the Changing World Economy*

This chapter examines how changes in the world economy between 1870 and the First World War, most importantly the catching up of Britain's trading rivals, challenged Britain's hegemony in the world economy and how Britain responded to that challenge over the course of the period. The narrative begins with a brief overview of international economic change and Britain's place therein. Then follows a general survey of the commercial policy that was Britain's response to the challenges she was facing from her trading partners, taking account of the dominating role of free trade ideology in the governmental institutions charged with managing trade policy, other endogenous influences on policy and the exogenous influences that were exerted by Britain's trading partners both through autonomous policies and trade negotiations with Britain. The next chapter contains four case studies that illustrate the ways in which Britain's commercial policy contributed to the decline of British hegemony over the course of the period.

The half-century beginning around 1870 brought great change to both the British economy and the world economy.[1] The two major events that set the period off from the preceding mid-Victorian economic boom were the Franco-Prussian War

---

[1]The nature and even the important dates of the economic changes of the late nineteenth century have been subjects of extensive disagreement among scholars. *See* Crouzet (1982) pp. 44-65. *See* also Saul (1985) pp. 53-55. As it is not the purpose of this study to enter into those debates, the least controversial and most generally agreed upon information should provide an adequate overview of the relevant changes. Knowledge that was available during the period may be of greater use in assessing the antecedents of policy than later scholarly work, because state goals and strategy and the perceptions of absolute and relative economic and political power that helped to form those goals and strategy were more directly influenced by then available economic information than by underlying and yet unperceived real changes.

of 1870 and the agricultural depression. Although it did not have a major immediate negative impact on the international economy, the Franco-Prussian War (in which Britain played a minimal role) was a key turning point for Europe. Expectations of future peace and stability declined as the strengthening of Germany redistributed the European balance of power away from other continental states.[2] In game theory, such increased political instability may lead players of an iterated Prisoners' Dilemma game to become more likely to defect, *e.g.*, raise tariffs, as the value they place on expected future returns through cooperation declines relative to their short-term gain from defection. Thus the replacement of the 1860s regime of increasing trade liberalization through an expanding network of commercial treaties by a mood of uncertainty over the impact of a powerful Germany in Europe at least set the stage for the retreat from liberal trade that was to follow. The presumption of peace and prosperity was now lost. In Thornton's words:

> Commerce and peace, which the mid-Victorian Free Trader had taken to be aspects of a selfsame condition of society, now began to look like natural enemies: as in the eighteenth century, war and trade were being wielded by acquisitive nations into a double-headed instrument of policy.[3]

The agricultural depression that then began in 1873 and lasted generally until 1896 caused world commodity prices to fall by about one third, interest rates to fall and the world money supply to contract.[4] Crouzet argues that the onset of the depression was the principal economic turning point for Britain in the nineteenth century. Major statistical studies, Crouzet found, generally agreed that between 1815 and 1873,

---

[2]Kennedy (1987) pp. 187-189.
[3]Thornton (1959) p. 18.
[4]Landes (1969) p. 231.

British GNP grew at an average 2.5 percent *per annum*, and *per capita* GNP growth exceeded one percent *per annum*, while between 1873 and 1914, annual average GNP growth declined to two percent and annual average *per capita* GNP growth fell below one percent.[5]

The 'depression' was caused in part by a reduction in transport costs that allowed a surge of American grain and cotton into British and European markets in the 1870s, depressing agricultural prices.[6] Although U.S. agricultural exports peaked in 1880, enormous growth in Russian, Austro-Hungarian and Roumanian grain production from 1871 more than made up for the slack.[7] At the repeal of the Corn Laws, British landowners and farmers had feared a significant decline in British agriculture, which now belatedly began to occur. Agricultural production hardly grew after 1870, and agricultural labour, which had peaked in 1860 at 2.1 million, declined to 1.6 million by 1911.[8] Prices of manufactured goods also declined, in part because of technological advances and economies of scale that comprised the so-called second industrial revolution, *i.e.*, chemicals, electricity, motors, assembly-line production, etc.[9]

The depression affected the composition and growth of Britain's trade. As agricultural production declined and manufacturing grew and became more specialized, manufacturing exports increased as a percentage of total manufacturing.[10] The volume of British trade, which had grown at an average 11 percent *per annum* between

---

[5]Crouzet (1982) p. 53.
[6]Pollard (1981) p. 254.
[7]*ibid.*, p. 265.
[8]Crouzet (1982) pp. 66-7.
[9]de Cecco (1983) pp. 22-23.
[10]*ibid.*, pp. 25-26.

1842 and 1873, grew at only 2.5 percent *per annum* between 1872 and 1898. The value of British exports, which had grown 14 percent *per annum* between 1842 and 1873, actually declined between 1873 and 1898.[11] Yet Britain's terms of trade, according to Crouzet, while remaining generally flat until the mid-1880s, then improved until 1913.[12] If Crouzet's claim is correct, it then does not appear to be worsening terms of trade that hastened Britain's hegemonic decline.

British economic growth after 1896 is difficult to characterize. Prices from 1896 began to rise, in part because of the gold discoveries in South Africa and the Klondike and the takeoff of the second industrial revolution.[13] Industrial growth, which according to Crouzet had been slowest between 1873 and 1889, had improved somewhat in the 1890s but then declined again from 1900 to 1.4 percent *per annum*, only half the rate of what Crouzet found to be the peak years, 1838-1875. Yet the volume of British trade grew at an average 5 percent *per annum* between 1898 and 1914, and the value of exports rose once again at 8 percent *per annum.*[14] Domestically, despite rising prices, GNP and industrial production did not resume their growth, profit margins did not recover, and labour and other factor productivity were stagnant. Real wages, in contrast to the preceding period, declined slightly.[15] Relative to other states, Britain's position continued to slide. The United States surpassed Britain in relative average labour productivity in 1898.[16] U.S. industrial productivity passed

---

[11]Imlah (1958) pp. 163-165.
[12]Crouzet (1982) p. 60.
[13]Landes (1969) pp. 231-240.
[14]Crouzet (1982) pp. 50-52.
[15]*ibid.*, p. 62.
[16]Lake (1988) pp. 120-121.

Britain after 1900, and German GNP (but not *per capita* GNP) passed Britain in 1905.[17]

The effects of economic change on British trade patterns and competition were substantial. Britain's share of world manufacturing output declined after 1880, principally at the expense of Germany and the United States.[18] As more European states reached similar levels of industrialization, intra-industry trade increased at the expense of traditional inter-industry trade, with specialization shifting from whole products to different qualities and finishes of product.[19] The relative decline in Britain's manufacturing dominance, coupled with the rise of intra-industry trade, resulted in a serious rise in competition for British manufactures, at home in Britain, in Europe and the United States, and also in third markets in the undeveloped world, which included even the British Empire. By the 1870s, some European manufacturers were purchasing British raw materials and then selling the resulting manufactures in other European markets or even back to Britain more cheaply than similar British manufactures.[20] Britain herself was by then buying more industrial goods from her European and American competitors and selling more industrial goods to lesser developed countries, thereby easing the trade deficits that her trade rivals held with those less developed countries.[21] The British merchandise trade deficit increased substantially during the period, as the demand for imports, both raw materials and manufactures, continued to grow. While Britain remained an export-driven economy,

---

[17]Crouzet (1982) p. 9.
[18]*See* Appendix, Table 1a.
[19]Pollard (1981) p. 270.
[20]Hoffman (1983) p. 16.
[21]Hobsbawm (1987) p. 48.

with the ratio of the value of trade to national output levelling at around 50 percent in the 1880s[22], exports grew more slowly after 1870 than before. Price falls limited *per annum* export growth to only 0.8 percent by value during the depression years.[23] Britain offset her trade deficit increasingly through returns on British capital overseas and returns on shipping and services sold abroad. Between 1870 and 1913, Britain lent 5.2 percent of her national income overseas,[24] and between 1850 and 1913 overseas assets grew from 10 percent to 30 percent of Britain's national wealth.[25]

As Britain's European and American trading partners industrialized, there was a general increase in what Hobsbawm called the 'strange schizophrenia of the capitalist world economy,' protectionism.[26] The extent and seriousness of the move to protectionism during the period has been debated widely, and some analysts have sought to deny the phenomenon in part or whole. Stein, for example, argues that the post-1873 period was not more protectionist than the 1860s.[27] It is true that depending on the trade policies of particular governments and on specific economic circumstances, tariffs went up and back down and up again, in many cases, in Europe and the United States. But while European governments generally did not return to the early nineteenth century policies of trade prohibitions, tariffs outside Britain were generally higher than

---

[22]*See* Appendix, Table 5a.

[23]Crouzet (1982) pp. 117-118. Export growth by volume fell to 1 percent *per annum* by the 1890's. *Ibid.*, p. 346.

[24]Edelstein (1982) p. 3.

[25]*ibid.*, pp. 20-25.

[26]Hobsbawm (1987) p. 40.

[27]Stein (1984) pp. 367-368.

they had been in the 1860s.[28] Average duties on manufactures between 1875 and 1895 doubled.[29]

In trade negotiations between European countries during the period, the progressive liberalization of the 1860s was replaced gradually during the 1870s by agreements based on reciprocity and retaliation, and MFN clauses were devalued as countries raised minimum tariff rates and in some cases removed upper limits in 'max/min' or 'two column' tariff structures altogether.[30] Retaliation employed in the negotiating process more often led to tariff wars, which, although generally not of long duration, could not but have a disruptive effect on trade and friendly relations. Some of the most notable tariff wars in the period were between France and Italy (1886-1898), France and Switzerland (1892-1895), Germany and Russia (1892-1894) and Germany and Canada (1897-1910).[31] Imlah attributes to protection the decline in the

---

[28]Foreman-Peck (1983) pp. 118-119.

[29]By 1914, according to Pollard, average industrial tariffs in Europe were:

United Kingdom	0%
Holland	4
Switzerland	9
Belgium	9
Germany	13
Denmark	14
Austria-Hungary	18
Italy	18
France	20
Sweden	20
Russia	38
Spain	41

See Pollard (1981) p. 259.

[30]A 'max/min' or 'two-column' tariff structure is one in which a country fixes unilaterally its lowest tariffs, which it will then offer to other countries in return for negotiating concessions, and a higher band (second column) of tariffs to be applied to those countries with which no agreement is reached. *See* Pollard (1981) p. 259.

[31]*See* Conybeare (1987) for extensive discussion of the first three of these wars.

return on British investment overseas, which in the period 1891-1905 had fallen slightly below the level that it had held for much of the nineteenth century, five percent.[32] According to Pollard, in most countries the conversion of agricultural interests to protection tipped the political scales in favour of protectionist policies, and in each case domestic political horse trading tended to push tariffs up, not down. The resulting tariff wars, Pollard argues, were a product of the dominance of political over economic rationality.[33]

Reasons advanced to explain the rise of protectionism after 1870 include the desire of industrializing countries to allow new industries to establish themselves behind tariff barriers, *i.e.*, the infant industry argument (List)[34]; the increased level of competition in the world market brought about by a larger number of industrialized countries and cheaper transport for food and other raw materials (Pollard); overcapacity of industry worldwide, as demand growth failed to keep pace with supply growth (Strange); the more apprehensive international environment after the Franco-Prussian war (Kennedy, Thornton); and also to a competitive search for new markets and areas for colonial expansion.[35] Each of these factors contributed to varying degrees in each particular country to the overall rise of protectionism. But while it is necessary to understand the causes of protectionism in that protectionism worsened the conditions under which British hegemony and the liberal international trading system

---

[32]Imlah (1958) pp. 196-197. Rates of return on both domestic and overseas investment declined secularly between 1870 and 1913. *See* Edelstein (1982) p. 144.

[33]Pollard (1981) pp. 260-261.

[34]List (1977) pp. 308-315.

[35]These arguments are discussed in greater detail elsewhere and would be repetitive here.

would have to be maintained, it was the direct effects of European and American protectionism on British trade flows that British trade policymakers had to face.

This chapter's focus is on these effects and Britain's responses thereto. British trade patterns changed notably. British exports, which had been concentrated more on Europe between 1850 and 1875, began to shift towards less developed markets in Africa, Asia and Australasia, while imports from Europe continued to grow. British trade with the Empire increasingly took the form of imports of raw materials, such as food from Canada and Australasia, and exports of manufactures. Exports to the Empire grew from 25-30 percent of overall British exports before 1850 to 35 percent between 1909 and 1913. However, imports from the Empire declined, so overall trade with the Empire remained at approximately 25 percent of British trade during the period 1815-1913. According to Crouzet, the Empire's importance to trade was exaggerated by proponents of imperial free trade.[36] British exports to Europe, by contrast, were comprised increasingly of raw materials such as coal, as other British products, such as textiles, steel and chemicals, found themselves closed out of European markets by tariff barriers, import substitution and technological superiority.[37]

Britain's political and economic relations with her Empire underwent significant change in this period, partially in response to the general changes in world trading patterns that were occurring, but also as a result of the Empire's own economic development. The white dominions, as well as the South African colonies, had been

---

[36]Crouzet (1982) pp. 356-357.
[37]*ibid.*, pp. 210, 224, 243, 266.

given the freedom to set their own trade policies, and as they industrialized, their trade policies diverged, with several of the dominions opting for various sorts of agricultural and industrial protection. Canada and parts of Australia would lead the movement in the 1890s for an imperial preferential trading bloc. The view of the Empire held by the British Government and public also changed. Cobdenite internationalists favoured decolonization as an instrument of *laissez-faire* economic policy and argued that the costs of the Empire to British taxpayers were not worth the benefits.[38] However, that view came to be rivalled by a more interventionist view that saw the dominions and colonies as political and economic assets that increased Britain's strength in an increasingly competitive world. According to Thornton, imperial enthusiasm became a substitute for increasingly undermined commercial success.

> The fall of foreign investment in the 1870s, the intermittent depression of the 1880s, the passing of industrial leadership to the United States and Germany, had made Englishmen conscious -- as Macaulay's generation had been conscious -- that their lead was after all not secure, that a glorious destiny must be worked for, not simply awaited.[39]

This view, embraced by Joseph Chamberlain, manifested itself through the imperial federation movement of the 1890s and the highly significant but initially unsuccessful Tariff Reform Campaign of 1903-1906[40], and its supporters began to score victories when Salisbury's government granted certain limited tariff preferences to Canada in 1897. This important ideological break with the Cobdenite policy of free trade and nondiscrimination began a slow *volte-face* in British trade policy that concluded with

---

[38]O'Brien (1988) pp. 163-200.
[39]Thornton (1959) p. 67.
[40]Friedberg (1988) pp. 21-88.

the establishment of a full system of imperial preferences at the Ottawa Conference in 1933.

On the eve of the First World War, then, British speculation about the nature and severity of her relative economic decline continued to develop. Economic signals from the turn of the century had been decidedly mixed. Exports had revived after 1900 along with primary product prices, and British agriculture staged a mild recovery, in labour productivity if not in yield per acre.[41] Yet GNP and industrial productivity growth, real wages and profit margins did not recover, so the outlook was uncertain. Free trade orthodoxy, which had dominated British trade policy since 1860, had been eroded by the Tariff Reform debate, but there was no coherent idea of what would replace it. Geopolitically, Britain also felt more vulnerable than she had for many years, with home rule inevitable for an unstable Ireland, the Boer War having raised doubts at home and abroad about the purpose and effectiveness of British military power overseas, the first rumblings of nationalist unrest in India beginning and Britain's admission in the Anglo-Japanese Alliance of 1902 that she could no longer maintain her naval sphere of influence in the Pacific unilaterally. Financially, in the summer of 1914 London was rocked by the collapse of the gold- and sterling-based international monetary system even before war broke out, in part because the financial stability that accompanied expectations of geopolitical stability had been undercut by the Boer War ten years earlier.[42] By 1914 there was enough evidence to permit some Britons, as well as many Europeans and Americans, to conclude that British hegemony had declined substantially over the previous decades. It is to those decades that I now turn in detail in order better to explain why that was so.

---

[41]Crouzet (1982) pp. 173, 349.
[42]de Cecco (1983) pp. 127-170.

B. *Britain Reacts: Commercial Strategy for New Challenges*

1. Official Ideology and Institutional Response

The British Government's trade policy reaction to the economic changes that were altering Britain's hegemonic position relative to her trading partners, I argue, was generally governed by endogenous influences: domestic interest groups that were, in many cases, institutionally and ideologically close to the Government and with which it often exchanged personnel. Free trade ideology played a dominant role in filtering government trade policymakers' perceptions of Britain's changing economic position: up until the 1880s, the only real policy debate was between unilateral and proactive free traders. When ideology was overridden, it was generally for geopolitical reasons, as in Salisbury's 1885 Treaty of Tientsin with France. Exogenous influences did sometimes affect British trade policy directly, usually in cases where the Government used commercial treaties to further a geopolitical interest. Britain's unequal treaties with weak states (*e.g.*, Latin America) are examples. A change in Britain's hegemonic position, in the form of economic change relative to other states, was relegated to influencing British trade policy more indirectly, by the formation of domestic interest groups of those adversely affected by change, which then had to lobby the Government and accumulate enough influence to affect the outcome. This process was very difficult, and although interests favouring first retaliation and reciprocity and later outright protection germinated at the end of the 1860s, it was not until the eve of World War I that a real move away from free trade became a political possibility. Ideology did not reign universally, however: certain economic groups, such as colonial sugar planters and domestic sugar producers retained close links to government and

were able to get the Foreign Office to diverge considerably (but not entirely) from general policy in their behalf. This cumbersome process by which policy was changed allowed for the ground to continue shifting under Britain's feet, so that each successive time that Britain chose to negotiate or not to negotiate a trade issue, the Government's negotiating position was progressively weakened. Each new iteration of the game saw the relative power of both players changed, and over time the structure of state power relationships within which the game was played also changed.

In the 1860s, Britain's trade policy was the promotion of free trade by whatever means possible, and when possible through commercial treaties. The Cobden-Chevalier treaty was regarded as the ideal model because it combined the exchange of unconditional MFN status with tariff provisions that committed both countries to reduce import duties by specific amounts. Sir Louis Mallet, in describing the Cobden-Chevalier treaty, characterized the principles of this type of treaty as

> the international regulation of international trade, and the simultaneous removal of international restrictions, not for the purpose of exclusive privileges and tariff bargains, but with a view to the equalisation and generalisation of tariffs--and the destruction of the differential system.[43]

Notwithstanding the ascendancy in the government of free traders opposed to the commercial treaty policy from the late 1860s, treaties negotiated in that decade structured Britain's trade relations for many decades to come. The principal change to occur after 1870 was in the type of treaty that the British Government made and in the ability of those treaties to curb protection. In addition to the Cobden-Chevalier treaty, Britain had made MFN-plus-tariff treaties with Belgium in 1862, Prussia and the *Zollverein* in 1865 and Austria in 1865 (as well as numerous other MFN-only

[43]Mallet (1905) p. 58.

treaties). Like the Cobden-Chevalier treaty, the Anglo-Austrian treaty contained a bilateral tariff reduction schedule, whereas the Belgian and Prussian treaties merely granted to Britain MFN status and the tariff reductions that they had granted to France in their respective commercial treaties with that state, in return for Britain's already granted liberal, nondiscriminatory access to her markets.[44]

The two other types of treaties that Britain was making were MFN-only treaties, which simply exchanged MFN status, usually extended to navigation as well as to commerce and tariffs, and open-door or unequal treaties with less developed independent states. In such treaties Britain exchanged MFN status with the other country and often committed the other country to liberalize or open certain aspects of its trade to all other countries without Britain making any specific concessions in return, and often Britain obliged the other country to accept extraterritorial rights for foreign traders to reside in that country. Open door treaties have been accused of being unfair to less developed countries because they limited such countries' ability to set tariffs to maximize economic growth.[45] Britain had signed an MFN-only treaty with Italy in 1863 and signed open-door treaties with China in 1857, Japan in 1858, Nicaragua in 1860, Turkey (including Serbia, Bulgaria, Roumania and Egypt) in 1861, San Salvador in 1862 and Colombia in 1866.[46]

During the period of trade liberalization in the 1860s, all three types of treaties had the same general effect (given that they were part of a growing interlocking network of treaties stretching throughout Europe and to many of the less developed states) of liberalizing trade worldwide. Mallet calculated that after the Cobden-Chevalier treaty, between 50 and 60 treaties were concluded in Europe that between

---

[44]Fuchs (1905) pp. 30-31.
[45]Platt (1968) p. 90.
[46]*ibid.*, p. 33.

them reduced European tariffs by 50 percent.[47] It was only when many countries began to raise tariffs that they started to function differently. Whereas an MFN-plus-tariff treaty maintained bilateral tariff rates, at low levels, for the duration of the treaty, MFN-only treaties did nothing to stop countries from raising their tariffs on goods of all states equally. Unequal treaties often bound their governments to low tariffs and to nondiscrimination, but as the less developed countries began to industrialize, it became less in their interest to renew such treaties, as Britain would encounter in her commercial treaty negotiations with Japan in the 1880s and '90s.[48]

The boom in commercial treaties set off by Britain in her drive to bring France to free trade in 1860 gave the treaty negotiating process an institutional life of its own, and insofar as the momentum was towards greater trade liberalization, British free trade interests were well served. However, once that process shifted in the direction of higher tariffs after 1870, the bargaining inherent in trade treaty negotiation came back to haunt Britain. The British Government believed that by lowering or eliminating most of their import duties unilaterally, they had made all possible concessions to their negotiating interlocutors in advance of any negotiations. When other countries asked for concessions anyway, on items such as revenue duties, British officials were annoyed. Gladstone, who had always loathed the haggling and horse trading involved in treaty negotiations, in 1869 abandoned his conditional support for treaties for that reason: 'that pretended balancing of concessions which was the usual and most grave vice of tariff negotiations.'[49] Britain, according to Gladstone, was

---

[47]Mallet (1905) p. 60.

[48]*See* below, chapter IV.D.

[49]Memorandum by Gladstone, October 9, 1871, cited in Gaston (1975) p. 46.

strong enough commercially not to need to demean her dignity through such horse trading, which could only be damaging to Britain's free trade credibility.[50]

It is difficult to date exactly the point at which opposition to commercial treaties became dominant in the Government, but the difficulties in agreeing on a bilateral tariff reduction schedule with Austria between 1865 and 1868 began the downturn in the popularity of treaties. Robert Lowe, a leading exponent of the unilateral free trade opposition to commercial treaties, made a speech against treaties on March 17, 1865, which Fuchs identifies as the beginning of the unilateralist movement.[51] Lowe, according to Sir Bernard Mallet, Sir Louis Mallet's son and biographer, misidentified Cobden-type MFN-plus-tariff commercial treaties with the sins of the pre-free trade generation of commercial treaties that were based on discrimination and required trade to be balanced bilaterally between signatories.[52] When Lowe became Gladstone's Chancellor of the Exchequer in 1868, he started working against the extension of the treaty system. John Bright in 1869 proposed using revenue duties as bargaining chips in treaty negotiations, but Lowe took pains to oppose this idea.[53] Mallet and his allies Lord Odo Russell and Sir Charles Dilke, who had hoped that the Liberals would be more favourable to commercial treaties than the Tories had been and were disappointed by Gladstone's turn against commercial treaties, held Lowe and Granville most responsible for derailing the commercial treaty policy after the death of Clarendon.[54] In any event, the Franco-Prussian War turned attitudes in Europe

---

[50]*ibid.*, p. 47.
[51]Fuchs (1905) pp. 34-35.
[52]Mallet (1905) p. 62.
[53]Gaston (1982) p. 323.
[54]Gaston (1975) pp. 64-65.

against trade liberalization, and it also steered attitudes in the British Government towards unilateralism.

> ...the prospect of returning to the positive policy urged by Mallet and the Cobdenites vanished with the Protectionist reaction in Europe which followed the Franco-Prussian War.[55]

One of the most important other factors contributing to the opposition of British trade policy in 1870 to negotiating commercial treaties was that Parliament and the Civil Service were populated by a caste that was culturally averse to commerce and commercial negotiations.

> Noblemen, bored, dispirited, and inexperienced in matters of commerce and finance, found in laissez-faire exactly the rationalization they were looking for; they could avoid a distasteful contact with the persons and problems of traders and financiers, merely by referring, in good faith, to the traditions of non-intervention, Free Trade, and open competition. And it was true that *haute politique*, at their level and in the society with which they mixed, *was* far more interesting.[56]

This characterization was well applied to the Foreign Office and the Treasury, if not the Board of Trade.

The role of the Treasury remained key to trade policymaking throughout the 1870s because Treasury policy determined in large part the arena of options open to trade policymakers. The Treasury, as noted above, had control over revenue duties, and at least at the beginning of the decade under Lowe was unwilling to put those duties on the bargaining table. In April 1870, Clarendon broke off negotiations with Portugal, which was willing to sign a free trade commercial treaty with Britain in return for British modification of her alcohol-based tariff classification system for wine, which the Portuguese argued discriminated in favour of lighter, less alcoholic French and German wines and against stronger Portuguese, Spanish and colonial

---

[55]Platt (1968) p. 374.
[56]*ibid.*, p. xxv.

wines.[57] Gladstone, who as Prime Minister retained the keenest interest in the budget, had as a budget priority in his first ministry the abolition of the income tax. He recognized that without the income tax, revenue duties that would need to be retained to fund the government should not be bargained away.[58] Exactly when Gladstone turned away from his lukewarm support for commercial treaties to unilateralism is open to debate. Fuchs placed it at the death of Cobden[59], whereas Gaston saw Gladstone's interest in abolishing the income tax as leading him to support Lowe's anti-treaty views.[60] According to Matthew, Gladstone realized in 1870 that the Cobden-Chevalier treaty had failed to achieve his political goal of stabilizing the French Second Empire.[61] In any event, Gladstone's opposition to treaties during the remainder of his first ministry, which was for the most part continued by the subsequent Conservative (Disraeli) ministry, was to leave a most lasting mark on British trade negotiations throughout the 1870s. Unlike Gladstone, Disraeli was not well informed about commercial policy. He left commercial matters in the hands of his chancellor, Northcote, the only member of his cabinet familiar with commercial issues, and commercial policy was rarely discussed in the Disraeli cabinet.[62]

The other major administrative decision that had a significant impact on trade policy in the 1870s was the 1872 reorganization of trade policymaking functions carried out by the Foreign Office and the Board of Trade. The Board of Trade, an exception to the prevailing institutional bias against commercial matters, had been pivotal in the trade liberalization of the 1840s but had subsequently lost influence

---

[57]Fuchs (1905) p. 36.
[58]*ibid.*
[59]*ibid.*, p. 35.
[60]Gaston (1982) p. 324.
[61]Matthew (1986) p. 182.
[62]Gaston (1975) pp. 94-95.

when tariff matters became revenue questions and were shifted to the Treasury. The Select Commission on Trade with Foreign Nations had recommended in 1865, however, that trade policymaking be consolidated in the Board of Trade, a suggestion applauded by the Chambers of Commerce, and in the ensuing reform the Board was given a cabinet seat. However, the reform was incomplete because a commercial department was established in the Foreign Office as well, leaving trade policymaking as divided as before.[63] The Foreign Office Commercial Department was to be subject to continuing pressure from unilateralist superiors, to the great disappointment of one of its long-serving proponents of commercial treaties, Charles Kennedy, who as Senior Clerk from 1872 effectively ran the department.[64] Kennedy lobbied the government unsuccessfully between 1875 and 1880 to renegotiate expiring commercial treaties on the best terms possible.[65]

The reform move started in 1870, when Lowe, interested in ending the pro-treaty influence of the Board of Trade in making trade policy, proposed that the advisory role of the Board of Trade's Commercial Treaty Department be ended, a proposal that Sir Louis Mallet reluctantly supported because of the Board's impotence in advancing its policy viewpoint.[66] Mallet and his pro-treaty colleague Sir Robert Morier, frustrated at the impasse over making commercial policy, proposed a plan under which all the trade policy advisory functions of the Board of Trade were to be merged into a new, expanded Commercial Department of the Foreign Office.[67] Lord Granville created the new department in February 1872, but then spurned offers of

---

[63]Platt (1968) pp. 371-373.
[64]Gaston (1982) p. 327.
[65]*ibid.*
[66]*ibid.*, p. 325.
[67]Platt (1968) p. 374.

assistance from the Board of Trade in staffing it and specifically excluded Mallet from heading the new office.[68] According to Kennedy, the prime motivation for the reform was the desire of Farrer, then permanent under-secretary at the Board of Trade, to remove Mallet from the Board of Trade by hiving him and his department off to the Foreign Office.[69] Instead Mallet was appointed to the Council of the Secretary of State for India, in part to remove him from the treaty policy debate and because the Indian Government desired his services in placating commercial interests on the subcontinent.[70] Mallet was recalled, however, in 1875 to advise Northcote on the treaty policy and again in 1877 to conduct the Anglo-French commercial treaty renegotiation that year. Like Mallet, Morier too was passed over for an important trade policy promotion because Derby came to fear Morier's earnestness and radical reform proposals. Morier was bitterly disappointed when Tenterden was appointed to the post in 1873 over the heads of his more seasoned competitors.[71] The post of Commercial Department head was given to Thomas Villiers Lister, an aristocrat who disdained and knew little about commercial diplomacy, but fortunately for supporters of treaties he left the running of the office to his able subordinate and friend of Mallet, Charles Kennedy.[72] Tenterden had favoured making Kennedy head of the Commercial Department, but Granville viewed Kennedy with dislike as a commercialist and an 'expert'.[73]

The 1872 trade policy reorganization, without Mallet at the helm of the new Foreign Office Commercial Department, effectively cut off those making trade policy

---

[68]Gaston (1982) pp. 325-326.
[69]Jones (1971) p. 88.
[70]Mallet (1905) p. 103.
[71]Jones (1971) p. 67.
[72]Gaston (1982) p. 327-329.
[73]Gaston (1975) p. 69.

from the research and information of the Board of Trade without having the desired effect of elevating the importance of commercial diplomacy within the Foreign Office. Gradually Foreign Office staff were forced to turn back to the Board of Trade, informally, through the 1870s until in 1882 the reorganization was formally reversed, restoring to the Board of Trade its advisory role in commercial diplomacy.[74] The 1882 reforms also brought the Commercial Department under the direction of the parliamentary undersecretary. Dilke, who had been appointed to the post in 1880, had not wanted to take on commercial responsibilities because he wanted to concentrate on 'large affairs of policy,' but parliamentary pressure convinced him to accept the task, and he earned Kennedy's gratitude through the attention he paid to the Commercial Department.[75]

The British Government continued to make trade policy at the beginning of the 1880s much as they had in the 1870s. Although the decade witnessed a steady growth in pressure from domestic interest groups suffering the continuing effects of the agricultural depression, the Foreign Office in 1880 was still divided into the same opposing free trade camps. Kennedy favoured a return to pre-1872 commercial diplomacy, but Tenterden (who died in 1882) would not consider allowing Britain to initiate new commercial treaty negotiations on her own.[76] It was other exogenous and endogenous influences, not institutional factors, that led the 1880 Gladstone ministry to consider negotiating new commercial treaties in spite of Gladstone's personal dislike of them.[77] The meagre successes of the new set of commercial treaty negotiations, due largely to Treasury inflexibility on lowering wine duties, led Gladstone in 1883 again

---

[74]Platt (1968) p. 374.
[75]Jones (1971) pp. 75, 91-92.
[76]Gaston (1982) p. 330.
[77]Gladstone's acceptance of commercial treaties was pragmatic, not principled.

again to renounce treatymaking formally, with Granville's approval but over Dilke's opposition.[78]

Commercial interests in Parliament, dissatisfied with Foreign Office management of commercial diplomacy and in particular with the 1872 reforms, began in the 1870s to call for the creation of a Ministry of Commerce. In 1879 a bill expressing support for moving agricultural and commercial functions to a new department headed by a principal secretary of state and cabinet member passed over the opposition of the Government. Northcote subsequently agreed to discuss with Salisbury the facilitation of agricultural and commercial questions, but the ministry was nearly at its end.[79] Lord Russell, then ambassador to Berlin, in 1879 convinced Salisbury to post a small number of commercial attachés to assist consuls in commercial matters in British embassies and consulates abroad. Villiers Lister, who opposed the posts, contrived to get them ranked below the low rank of third secretary.[80] Commercial attachés were assigned an impossibly large range of duties over huge land areas, often without adequate funding, and many British diplomats of the period were educationally unsuited to this work.[81]

Following the Foreign Office's 1882 reforms, new tensions between the Foreign Office and the Board of Trade emerged. The 1881-82 reorganization of the Board of Trade gave the Board's Statistical Department back its lost commercial functions, and the reconstituted Board of Trade Commercial Department took an active interest in commercial issues, to the concern of some Foreign Office officials. When in 1889 the Board of Trade asked the Foreign Office to review again its 1872 reforms, Under-

---

[78]Gaston (1975) pp. 306-307.
[79]Jones (1971) p. 91.
[80]Gaston (1975) pp. 306-307.
[81]Platt (1968) p. 388.

secretary Fergusson, not wanting to become involved in further turf wars, agreed readily to consult the Board of Trade on commercial questions as a matter of course.[82] Such institutional struggles appear perhaps to have affected British commercial policy at the margins, yet throughout the period they did not bring about a serious policy reorientation.

Despite the institutional changes, the Foreign Office's view of commercial diplomacy had not been altered. Although the practice of diplomatic promotion of commercial interests had become widespread in Europe in the 1880s, especially among German diplomats, the Foreign Office would not permit British consuls to act as representatives for particular British firms, with the exceptions of the Post Office, Lloyds and mail-carrying shippers.[83] The government also proved reluctant to provide agents and lawyers to British business abroad or assist British businesses in recovering bad foreign debts, unless those debts involved treaty infringements. Even the gathering, reporting and dissemination of commercial intelligence by British consular staff overseas was retarded by a lack of time, money and interest.[84] Nonetheless, despite the *haute politique* tradition of the Foreign Office, creeping concessions to necessity occurred as the decade progressed. In 1885, for example, Salisbury authorized British consular staff in Tokyo to counter the use of German diplomatic influence to promote German commercial interests in securing Japanese contracts.[85]

Salisbury viewed the economic crisis brought on by the agricultural depression more seriously than Gladstone had. Both the Prime Minister and his nephew Balfour

---

[82]Jones (1971) p. 92.
[83]Platt (1968) p. 132.
[84]*ibid.*, p. 124.
[85]Hoffman (1983) p. 52.

had doubts about the free trade gospel, which 'seemed to them vulgar and excessively materialistic' and did not oppose a policy of retaliation. Neither was prepared to abandon the existing policy, however, because their ministries depended upon the support of the free-trade Liberal Unionists.[86] Taking office in 1885 in the midst of a recession, Salisbury appointed the Royal Commission on the Depression of Trade and Industry to investigate the situation. In 1886 The Commission issued majority and minority reports. The majority report was largely laissez-faire and free trade in tone, whereas the minority report was pro-fair trade, supporting countervailing duties ('CVDs') on bounty-paid sugar imports, for example. The report's appearance boosted the fair trade cause, because in the past, unilateral free traders had claimed credit for Britain's economic successes, and now they were having to face up to the reality of a major depression.[87]

In the same year James Bryce, Undersecretary of State for Foreign Affairs, assessed the two main complaints against the diplomatic and consular assistance to British foreign trade, *i.e.*, that they snubbed British traders and that commercial intelligence was inadequate. Bryce recommended a series of measures to boost trade promotion through better commercial intelligence and expanded consular powers and resources.[88] Among his specific recommendations, Bryce proposed increasing the interest of consular staff in trade through special training programs and promotion advantages, and the creation of roving commercial attachés to report on subjects of

---

[86]Friedberg (1988) p. 42.

[87]Fuchs (1905) pp. 195-201.

[88]Extract from a Memorandum by Mr. James Bryce (Undersecretary of State for Foreign Affairs) respecting the question of Diplomatic and Consular Assistance to British Trade Abroad, Foreign Office, 17 July 1886, reprinted as Appendix V in Platt (1968) pp. 404-406.

interest to British traders.[89] Bryce found that British trade was losing ground to its rivals because of insufficient technical training of artisans and a lack of commercial education, but he thought that increasing public awareness of the problem would be sufficient to correct it without significant government intervention. Bryce trusted the Foreign Office to safeguard British commercial interests.

> Manufacturing industry at home and commerce abroad are, and seem likely long to remain, the chief sources of our prosperity; the chief means by which our little country holds her splendid place in the world and has become the most potent of its civilizing forces.[90]

It is clear that Bryce could see that there was a problem and that he tried to address the issues. Yet his view appears entirely bounded by the confines of the Foreign Office mode of thought and he seems still unaware that British economic hegemony was eroding in the face of a serious challenge. Another investigative commission, the Ridley Commission, in 1889 found the division of powers between the Board of Trade and Foreign Office to be basically sound. The Ridley report displeased the business community, which continued to lobby for the creation of a European-style Ministry of Commerce.[91]

The Foreign Office, while forced to address trade issues more in the 1880s than previously, remained largely absorbed in its traditional political, diplomatic sphere and had its attention increasingly diverted to imperial expansion. According to Hobsbawm, trade and imperial expansion were causally linked in that imperialism was a response to and logical extension of European protectionism. Hobsbawm traces the origin of both phenomena to the increasingly equal rivalry of Britain and the various European

---

[89]*ibid.*, p. 413.
[90]*ibid.*, p. 415.
[91]Platt (1968) pp. 374-378.

industrial powers.[92] Platt also saw British imperial expansion in the 1880s as a partial result of a free trade policy that did not permit retaliation against protectionism.[93]

The years between 1892 and World War I saw the fabric of unilateral free trade British trade policy gradually perforated to the extent that after the war it was not able to be restored in the face of pervasive mercantilism abroad and protectionist sentiment at home. However, the ideological core of unilateral free trade in the 1890s did remain intact. In 1890, Gladstone still believed that free trade truths, which it was Britain's divinely ordained moral duty to spread, would become clear to Europeans eventually. He and other unilateral free traders ignored alternative explanations for Britain's export boom in the 1860s, such as railway construction, being advanced by those questioning free trade ideology.[94] Politically, the Cobdenite noninterventionism that still prevailed in the 1890s was indistinguishable from a broad view of Britain's overall foreign policy of 'splendid isolation,' despite the growth of the Empire.[95] In his Midlothian campaign of 1879 and 1880, Gladstone argued that empire was a national irrevocable liability, and while he accepted the existing empire, he promoted as Liberal policy that Britain should not overextend or expand her dominion over non-Anglo-Saxon peoples.[96] Rosebery in 1895 saw British commercial interests worldwide as preventing British involvement in conflicts that were not vital to British interests.[97] Salisbury maintained the longstanding policy of avoiding alliances that

---

[92]Hobsbawm (1987) p. 67.
[93]Platt (1968) p. 147.
[94]Gaston (1975) pp. 34-37.
[95]Howard (1967) pp. 41-55.
[96]Thornton, *op. cit.*, pp. 43-45.
[97]Howard (1967) pp. 41-55.

restricted Britain's autonomy of manoeuvre, but Lansdowne's Anglo-Japanese Alliance of 1902 conceded that to maintain a dominating military presence in East Asia had become too costly.[98]

Imperial policy came increasingly to dominate British foreign policy in the 1890s, if more by necessity than by design. Imperialists viewed trade imperially, rather than seeing the Empire commercially, and consequently they did not believe that protectionism was an inevitable consequence of empire. 'Economic unity, to Chamberlain and Amery and their school, was only a first essential step towards unity of defense.'[99] According to Grenville, Salisbury's and Lansdowne's motivations for their conservative imperial policy were situational and strategic, not commercial.[100] Platt, however, regards imperial policy as geared more towards maintaining Britain's position in the world economy.

> A close connection existed in British foreign policy between national security and the maintenance of British trade, more particularly in and after the last quarter of the nineteenth century.[101]

Thornton observes that imperialists, opposed to Europe exporting nationalism from behind high tariff walls, were willing to sacrifice the *laissez-faire* state to protect otherwise doomed British commercial dominance.[102] In practice, imperial and broader commercial interests competed in government policymaking fora, resulting in inconsistencies in imperial policy that mirrored those in commercial policy.

---

[98]*ibid.*, pp. 87-95.

[99]Thornton (1959) p. 105.

[100]Grenville (1964) pp. 436-437.

[101]Platt (1968) p. 354.

[102]Thornton (1959) pp. 48-49. Hobsbawm, maintaining a Marxist interpretation of imperial policy, goes beyond Platt and argues that the search for new markets is still a valid interpretation for colonial expansion. *See* Hobsbawm (1987) p. 67.

Britain increasingly came to find her power over her nonwhite dominions limited, both by native hostility to European rule and by her own rivalry with the other great powers.[103] In the 1890s even more than in the 1880s, Britain unmistakably employed imperial policy to block the spread of European protectionism by ensuring that additional lands were not colonized by protectionist powers.[104] For example, Britain's Open Door policy of seeking to open China to free trade without seeking commercial advantages with respect to other powers there came increasingly under challenge from France, Germany and Russia, each of which sought to establish exclusive economic zones within China. British policy had begun to change from June 1885, when the Franco-Chinese Treaty of Tientsin granted to France certain exclusive rights, in violation of the open door principle, and Salisbury ordered British diplomats to match the steps taken by Britain's rivals to maintain her share of the China trade.[105] By the 1890s, Salisbury was negotiating with Germany and Russia to check their expansion in China. An Anglo-Russian agreement signed in 1899 actually divided part of China into British and Russian spheres of influence.[106] In 1900 after the Boxer Rebellion, Salisbury agreed reluctantly to sign an Anglo-German declaration to maintain the open door, so as to avoid the partitioning of China.[107] British public support for imperialism, particularly of the military variety, began to decline after the Boer War, which was seen as an expensive and lengthy way to defeat a small opponent. Britain's ability to fight a European opponent was questioned, and although the Tariff Reform Campaign, imperialists' greatest battle, was yet to be fought, the

---

[103]Cain and Hopkins (1987) p. 12.
[104]Platt (1968) p. 364.
[105]*ibid.*, p. 271.
[106]Grenville (1964) p. 129.
[107]*ibid.*, p. 291-318.

constituency favouring an older, peaceful and businesslike empire already began to revive.[108] Lansdowne's 1902 and 1905 treaties with Japan and Grey's 1907 Asian treaty with Russia, which moved Britain geopolitically from splendid isolation to Bismarckianism, were in part a reaction to uncertainty over British military strength.[109]

In contrast to the closeness between trade and security policy towards the colonies and the less developed parts of the world, British foreign policy remained well separated from trade policy with respect to Europe, North America and the white dominions. Foreign policy remained based principally on political considerations, and policymakers still did not view trade as a foreign policy instrument in those regions.[110] Trade did begin to receive more attention from the British Government than it had. Salisbury acknowledged in 1891 that the traditional British weapon against protectionism, the diplomatic protest, was no longer useful.[111] The Government set up a Trade and Treaties Committee in 1891 under the Board of Trade's president, Mundella, to monitor the trend that had emerged of high protection and the expected new commercial treaties that would replace those expiring in 1892.[112] The committee published reports on tariffs and trade with other countries but had no policymaking power.[113] The trend begun in the late '80s of gradual easing of government opposition to the use of diplomats for trade promotion overseas also continued.[114] A series of reforms were implemented to upgrade the trade services of consular staff. Upon an 1897 Board of Trade departmental committee recom-

---

[108]Thornton (1959) p. 106.
[109]*ibid.*, pp. 114-115.
[110]Platt (1968) p. 151.
[111]Fuchs (1959) p. 70.
[112]*ibid.*, pp. 75-76.
[113]Platt (1968) p. 374.
[114]Hoffman (1983) pp. 61-62.

mendation, a commercial intelligence branch in the Foreign Office was created.[115] In 1899 the post of commercial agent was created experimentally to fill the gap between the broad responsibilities of commercial attachés and the daily duties of consuls. The less useful post of commercial secretary was created in 1900 for young general diplomats to spend a few years studying the commerce of their region. Most young diplomats found the post uninteresting and undesirable, however.[116] A 1903 reform organized consuls, previously divided by region, into a single, salaried Consular Service.[117] The 1903 Walrond Committee made further significant reforms for consuls, establishing competitive examinations, a prescribed training program and rationalized salaries, among other things. These reforms were well received in the commercial community, and additional steps were taken in 1912 to make the Consular Service more attractive to young men.[118]

Despite the progress they represented, the Foreign Office commercial reforms appear a woefully slow response to the more competitive environment that had been evolving since the 1870s. The Government remained unwilling to give any direct aid to business, particularly manufacturing. The Patent Act of 1907, a Lloyd George measure to require foreign holders of British patents to work them or lose them, was perceived as the only real aid provided to manufacturing. Germany's strong opposition to it suggests that it hit home for them.[119]

Whilst the Foreign Office was reforming its provision of services to British business, the Government was for the most part not reforming its unilateral free trade

---

[115]Platt (1968) p. 378.
[116]*ibid.*, p. 382.
[117]*ibid.*, p. 384.
[118]*ibid.*, p. 386.
[119]*ibid.*, pp. 97-101.

policy with respect to Europe and North America. The principal exception to Britain's continuing opposition to new commercial treaties with reciprocal concessions remained sugar. In 1902 under Salisbury Britain signed a new international sugar convention with an enforcement mechanism, thereby committing Britain to retaliate against noncompliants with the convention.[120] The convention was supported with the greatest reluctance by Liberals like Asquith, who said that retaliation was a pointless offensive weapon that brought more trouble to its users than benefits. The Campbell-Bannerman Government withdrew Britain from the agreement's mandatory retaliation clause in 1907, and as prime minister in 1913 Asquith withdrew Britain from the convention altogether amidst acrimonious haggling over the terms of its renewal.[121] Like his mentor Gladstone, Asquith was a unilateral free trader, but unlike Gladstone he was willing to surrender free trade in order to finance more morally pressing social reform demands (although this was not asked of him before the First World War).[122] Asquith probably valued unilateralism even more than free trade itself. The ground-breaking international agreement on sugar emerged from a multilateral negotiating process that had clearly developed its own momentum over several decades and was motivated as much by political as economic interests of the participating powers. In the event, the process did not spread to other commodities or to a more general international agreement on trade at the time, something that the British Government surely would have treated with the greatest wariness.

The period thus ended with the Foreign Office having changed its approach to trade policy somewhat in the face of steady but unsuccessful proactive free trade challenges from within the Government to the prevailing unilateral free trade ideology,

---

[120]*See* below, chapter IV.E.
[121]Platt (1968) p. 146.
[122]Koss (1985) pp. 101-103.

as well as an emerging political challenge not only to isolationism but to free trade itself. Overall, however, policy change and institutional reform was slow and inadequate to respond to the change in Britain's position relative to other players in the world economy. The prewar Liberal Government if anything reinforced the position of unilateral free traders in the Foreign Office. Despite noble efforts by the likes of Mallet, Kennedy, Morier and other proactive free traders to turn the Foreign Office in a different direction, Britain's institutional response to the changed international economic conditions from the Franco-Prussian War to the First World War failed to maintain the trade liberalization dynamic that Britain had begun.

2. Endogenous Influences on Policy

The changing economic circumstances in which Britain found herself from 1870 gave rise to growing domestic responses from adversely affected economic interest groups that gradually translated into political pressure on the Government. Only towards the end of the period did that political pressure begin substantively to change policy. This section argues that the Government at least at first was largely insulated institutionally and ideologically from domestic political pressure, which tended to wax and wane with Britain's momentary economic fortune, but by the eve of World War I the imperial federation and Tariff Reform movements had paved the way for the dethroning of unilateral free trade ideology.

In the 1870s the shift towards protection in Europe combined with the effects of the agricultural depression to cause reactions in industry and agriculture in favour of trade reciprocity and retaliation against foreign protection, the movement that eventually took on the title of 'fair trade.' Fair trade was taken to mean the equalization of home and foreign producers with respect to artificial conditions of

production, such as bounties, duties and indirect taxes.[123] The first calls for reciprocity and retaliation came in 1868, when a group calling itself the Revivers (of Trade) Association was formed in Manchester, ironically, and cited Adam Smith's support for retaliation.[124] Dying down during the subsequent economic boom, calls for reciprocity revived during the 1874-1879 slowdown and focused in particular on the need for countervailing duties against export bounties paid on foreign sugar. The reciprocity and retaliation movements combined in May 1881 into the National Fair Trade League, led by parliamentary reciprocity campaigner David MacIver with the backing of Bradford silk mill king S.C. Lister and other industrialists. The League issued a manifesto in August 1881, which called for restoration of Britain's tariff policy autonomy through non-renewal of all commercial treaties except those terminable at one year's notice; duty free imports of raw materials; moderate tariffs on manufactures, suspendible reciprocally; and moderate duties on non-imperial food imports, with duties to be extended to dominions not reciprocally accepting British manufactures at preferential duties.[125]

After failing to make progress on sugar countervailing duties, the League lobbied successfully against Dilke's efforts to negotiate a new Anglo-French commercial treaty in 1881, arguing that France had benefited much more than Britain from the old treaty and had not in fact moved to free trade.[126] British industry wanted lower *ad valorem* duties and no conversion to specific duties, which France wanted but which British industry said would hurt exports of inexpensive British goods even more

---

[123]Fuchs (1905) p. 191.
[124]*ibid.*, p. 189.
[125]Zebel (1940) pp. 168-169.
[126]*ibid.*

than *ad valorem* duties.[127] The fair trade movement, strongly opposed by Gladstone's government of the early 1880s, was tarred by their free trade opponents as protectionist in the pre-Corn Law repeal sense of the term, which in fact was not accurate.[128] Rather, the movement was more a reaction to the failures of British trade policy in the 1870s further to liberalize trade or even to keep trade as liberal as it had become. It was also an implicit reaction against the unwillingness of unilateral free traders to negotiate trade liberalization with Europe by demanding in effect that negotiations be conducted more forcefully even than those contemplated by the proactive free traders in the government, to wit, by using the stick as well as the carrot. Most fair traders genuinely supported free trade in principle, but they had learned the negotiating tactics that European states had been practising since the first round of post-Cobden-Chevalier commercial treaties had been launched. Fair traders believed that in order to maintain the freest trade possible in a protectionist time, Britain would have to join in and play that game as well.

An economic revival from 1881 dampened the fortunes of the fair trade movement.[129] But British public concern grew over how Britain was losing ground economically relative to European powers, particularly Germany. Lord Dunraven introduced a fair trade motion in the House of Lords in 1884 and numerous similar motions were introduced in the Commons.[130] Such efforts did not sway the antagonism of the government or the opposition towards the type of interventionism for which the fair traders called. Salisbury, Lord Randolph Churchill and even Northcote were more tolerant than the Liberals of the fair trade position. In June 1885

---

[127]Fuchs (1905) pp. 190-193.
[128]Mallet (1905) p. 84.
[129]Zebel (1940) p. 170.
[130]Hoffman (1983) pp. 42-43.

Salisbury appointed the Royal Commission, chaired by Northcote, to investigate the effects of the depression. The National Fair Trade League campaigned for fair trade in the autumn 1885 election, but they failed to gain solid support from the Conservatives. Liberals and especially the Cobden Club campaigned against the League, accusing it of promoting dear food.[131] After the Liberals won that election and Gladstone's Irish Home Rule Bill then forced another election in 1886, the Tories were able to return to power only by seeking the support of Liberal Unionists. Although the election saw a considerable number of fair traders enter Parliament, the Liberal Unionists kept their influence in the Government in check. For example, the Government did not find time in its busy schedule to open parliamentary debate on the findings of the Royal Commission, despite strongly pro-fair trade findings in the minority report.[132]

A dispute erupted in the later 1880s, which the League tried to stifle, between agricultural interests, which began to call for more protection of food, and industrialists, who wanted to maintain duty-free food imports. In 1887, several Tory trade associations endorsed fair trade, and even trade unions began to give their support to government use of remedies against foreign export bounties. Salisbury himself partially endorsed fair trade in response to a Conservative party associations conference motion on tariff reform, but his hedging satisfied neither fair traders nor the Liberal Unionists, who, led by Bright, pressed Salisbury to repudiate clearly any allegiance to fair trade.[133] Goschen, Salisbury's chancellor, had acknowledged the need to review fiscal policy in early 1887, but when Salisbury declared his willingness to adopt retaliatory duties, Goschen pressed that free traders would not accept that

---

[131]Zebel (1940) p. 170.
[132]*ibid.*, p. 175.
[133]*ibid.*, pp. 177-179.

policy. Salisbury's public flirtation with fair trade ended on December 19, 1887, when he repudiated it in a speech at Derby.[134] The following year, an economic recovery began and again cooled support for fair trade. Ironically, the recovery was brought on in part by a £20 million government grant for new shipbuilding, an interventionist divergence from *laissez-faire* free trade that was evidently economically indirect enough to escape the brunt of free trade criticism. Government subsidies to shipping lines and to West Indian sugar planters would occur again in the late 1880s and '90s.[135]

Some people in the 1880s focused their concern about Britain's deteriorating relative economic position on perceived unfair trade practices of Britain's trading partners, such as dumping, health and sanitary standards and bogus marks of origin on imports.[136] For Britons then, as for Americans today, it was easier to look for the reasons for declining competitiveness in the behaviour of one's trading partners than in one's own policies. Britain's principal concern was that foreign manufacturers would stamp their products with British trademarks so as to make purchasers believe they were buying British goods, thereby stealing markets from real British goods and in some cases cheapening the reputation of British goods. Britain acted first on trademark safeguards in 1862, and in 1883 the first international intellectual property convention was signed, the Convention of the Industrial Property Union.[137] To Britain's disappointment, however, neither the United States nor Germany joined the convention at that time. British agitation against German use of false British trademarks grew, and in 1886 the international convention was strengthened to ban

---

[134]Zebel (1940) p. 180.
[135]*ibid.*, p. 181.
[136]Hoffman (1983) p. 44.
[137]*ibid.*, p. 46.

altogether the use of false marks of origin. Still Germany had not joined, and finally in 1887 Parliament, responding to popular pressure, passed the Merchandise Marks Act, which required all manufactures to be marked with their place of origin. The act's success was qualified: one ironic side effect was to inform the British public of the quality of certain German goods and thereby boost sales of those goods.[138] The act was strengthened further in 1891.[139] Foreign sugar export bounties were another 'unfair' trade practice that further eroded the dominance of unilateral free trade. Pressure by sugar planters and British sugar refiners for sugar CVDs that continued through the 1880s did lead to an international sugar agreement in 1888 that contained an enforcement mechanism against noncompliants, to which British negotiators did agree. Although strong opposition to the convention led by the Cobden Club resulted in the Government's withdrawal of the implementing bill in 1889, the precedent was significant.

Another domestic surrogate for protection emerged in the mid-1880s, bimetallism. Bimetallism, which strengthened in the early 1890s, was first supported by agricultural interests, who needed to boost agricultural prices and wanted protection but saw bimetallism as a more politically palatable substitute. Bimetallism was also something on which agriculture and industry could agree, thereby avoiding the struggle of agricultural vs. industrial protection. The bimetallist movement peaked in the mid-1890s, with a crisis in the Indian currency pitting financial interests in the City against industrial interests and bimetallists in Britain and abroad lobbying for an international bimetallic currency agreement. The 1896 gold strikes in the Klondike and South Africa and the resulting price rises largely made bimetallism moot.[140]

---

[138]*ibid.*

[139]Fuchs (1905) p. 107.

[140]Green (1988) pp. 588-611.

The continued failure of British trade policy to mitigate Britain's economic decline relative to her major trading partners by the 1890s unleashed a series of domestic reactions, several of which would eventually succeed in unseating the bases on which Britain's trade policy had rested, but not before Britain's hegemony had been definitively lost. The imperial federation movement, antithesis of Cobdenite internationalism, was the first of these reactions to become a major force in the 1890s. From the 1880s, Britain began to give the dominions the right not to adhere to British commercial treaties with other powers, but that was as far towards an autonomous colonial foreign policy that Westminster was then willing to concede.[141] Imperialists in Britain looked towards political federation of the Empire as a counter to the growing autonomy of the dominions, with the resultant move to protectionism in some of them, and the relative economic decline of Britain.[142]

The imperial federation movement began as Britons and colonists began to complain about a situation in which the dominions had no official voice in imperial foreign policy while metropolitan Britain had to pay all the costs of imperial defense. The Imperial Federation League, which was founded at a conference in 1884, advocated a constitutional imperial political federation without an accompanying commercial federation, in which the dominions would pay for their own defense.[143] Some members of the National Fair Trade League, which died out at the end of the 1880s, joined the Imperial Federation League, and in 1891 several fair trade leaders formed the United Empire Trade League, an avowedly non-protectionist organization to lobby for creation of an imperial *Zollverein*. Fair traders such as Lord Dunraven, who indeed had signed the Royal Commission's minority report, still were steadfastly

---

[141]Fuchs (1905) pp. 331-335.
[142]Beloff (1970) p. 15.
[143]Fuchs (1905) pp. 331-337.

denying that they were protectionists.[144] Dunraven, however, in 1891 proposed imperial integration and retaliation against protectionism in the House of Lords, but Salisbury rejected the plan.[145] Sir Louis Mallet, then at the end of his life, remained true to his Cobdenite principles in opposing imperial federation and fearing a return to colonial preferences that free traders had fought so hard to abandon in Britain's original move to free trade. In imperial federation Mallet saw a return to the philosophy that free trade had replaced. Mallet regretted that Britain had not stipulated that the dominions maintain free trade as a condition of their economic autonomy.[146]

The Liberal victory in the 1892 elections, Gladstone's last hurrah, cooled the imperial federation movement somewhat. However, interest in restructuring the empire was perpetuated by growing awareness in Britain that imperial markets were being penetrated increasingly by foreign competition. Joseph Chamberlain, once a dedicated free trader and former president of the Board of Trade, became concerned about this phenomenon and in 1895 sent out a circular to survey how extensive was the displacement of British goods in colonial markets. The replies to Chamberlain's circular blamed foreign inroads in the Empire on poor British marketing, not foreign commercial superiority.[147] Chamberlain became Salisbury's Colonial Secretary and in 1896 and 1897 advocated imperial commercial union as a response to the crisis of trade competition from Germany and the United States. Facing strong opposition, he turned his emphasis to imperial political and military integration for five years before launching the Tariff Reform Campaign for imperial commercial union.[148]

---

[144]Zebel (1940) p. 181.
[145]Fuchs (1905) p. 356.
[146]Mallet (1905) pp. 174-176.
[147]Platt (1968) p. 107.
[148]Friedberg (1988) pp. 42-55.

Chamberlain had a different view of Britain's foreign policy from the traditional governing elite, believing that 'Britain's commerce and power were so closely interlinked that commercial considerations should dominate diplomacy.'[149] Chamberlain's view was that the principal foreign threats to Britain were commercial, not military. In his 'Long Spoon' speech in Birmingham in May 1898 Chamberlain called for Britain to make geopolitical alliances with those countries whose economic interests were closest to Britain.[150] Chamberlain in 1898 proposed to Germany an Anglo-German alliance, calling for the abandonment of Salisbury's policy of splendid isolation without the knowledge of Salisbury or Balfour. Despite Chamberlain's strong lobbying, neither the Germans nor Salisbury were agreeable to the idea. The 1902 Colonial Conference did not support an imperial federation, and Balfour at the time doubted the willingness of all the dominions to lower their tariffs fully to British goods under such an arrangement.[151] Canadians, for example, opposed imperial federation with a common tariff at the conference because they did not want to surrender their tariff autonomy, although Prime Minister Laurier was tactful not to offend Britain in the articulation of this view.[152] In contrast to Chamberlain's view, free traders in the 1890s still stood by what they viewed as a half century of free trade success that Britain was powerful enough to maintain: doubled working class prosperity, halved commodity prices and the less aggressive international relations brought on by greater food interdependence.[153] Their view of Britain's economic position in the world was far from Chamberlain's, and even the Tariff Reform Campaign did not produce

[149]Grenville (1964) p. 156.
[150]*ibid.*, p. 169.
[151]Beloff (1970) p. 95.
[152]Thornton (1959) p. 255.
[153]*ibid.*, p. 104.

anything approaching a consensus on a revised view of the British position. The Liberal victory in the 1906 election was seen at the time as a defeat for imperialism and imperial union.[154]

The Tariff Reform Campaign, in one sense just a logical extension of the imperial federation movement, became in a broader sense the point of recognition by a growing portion of the British public that Britain's position in the world economy had changed to such a degree, and British trade policy for averting that change was ineffective to such a degree, that the time had come to challenge free trade itself. On October 21, 1902, Chamberlain proposed that imperial grain be excluded from the new Hicks-Beach revenue duty on grain to finance the Boer War. Chamberlain's proposal drew instant fire from Chancellor Ritchie, who would lead the orthodox free traders against the Tariff Reform Campaign, and his supporters, who prevailed upon Balfour, who had succeeded Salisbury as Prime Minister, not to accept the Chamberlain plan.[155] Balfour attempted to contain the controversy by submitting the tariff reform question to a committee of inquiry in summer 1903, but the battle lines were drawn and the contest begun. Chamberlain founded the Tariff Reform League to press for imperial preferences, if necessary funded by a tax on imported grain, and Hicks-Beach and Goschen founded the Unionist Free Food League to oppose both imperial preferences and the grain duty.[156]

Balfour himself faced an exceptionally difficult task of holding the warring factions of the government together, and his task was not helped by the fact that he personally was committed neither to orthodox free trade nor imperial preferences. On August 13,1903, Balfour proposed in a paper titled 'Economic Notes on Insular Free

---

[154]*ibid.*, p. 109.
[155]Egremont (1980) p. 176.
[156]*ibid.*, pp. 177-180.

Trade' abandoning unilateral free trade for a policy of retaliation against foreign tariff barriers.[157] This was a radical departure for a leader of the British Government, essentially adopting a proactive view of the best means to preserve open trade. Balfour's view was the intellectual heir to that held by supporters of commercial treaties and then by the Fair Trade movement. Yet it was more akin to the Fair Trade view that retaliation, rather than incentives, was the best tack to getting Britain's trading partners to the negotiating table.

> Balfour... regarded tariff reform largely as a means of giving Britain bargaining power in commercial negotiations with foreign countries.[158]

Balfour was aware of the threat to Britain's economy from high foreign tariffs and dumping, which was at that time a particular problem with Germany, and Balfour's own economic advisers had warned him that while Chamberlain's statistical claims regarding the country's economic difficulties were exaggerated, the situation was indeed serious.[159]

Balfour succeeded in purging extremists of both factions, including Chamberlain, from his cabinet by autumn 1903, but the polarization between the two groups kept him from gaining support for his middle position.[160] The debate continued until the 1906 election, with extensive use of various economic data in support of the rival positions, but overall few people changed their minds.[161] According to Friedberg, the British political leadership did not understand what national economic power really was or how to measure it, debating relative wealth versus absolute growth with insufficient data. Hence 'their efforts to understand and respond to changes in

---

[157]*ibid.*, p. 180.
[158]Beloff (1970) p. 94.
[159]Friedberg (1988) pp. 55-70.
[160]Egremont (1980) p. 186.
[161]Friedberg (1988) p. 70.

Britain's position in the world were confused, inconclusive and ultimately inadequate.'[162]

Balfour campaigned for his policy of retaliation until the government fell in December 1905, proposing that the Conservatives stand without a position on trade and refer the issue to a colonial conference to follow.[163] But in the 1906 election the Conservatives were defeated severely. In the campaign, the Liberals made the cost of protection seem not worth the benefits, stirring up popular fears of higher food costs and thus retaining the support of working people as well as the financial community for free trade.[164] The struggle continued, with a 1908 recession energizing tariff reformers and an International Free Trade Congress held during the same year. Balfour, remaining party leader after the Conservatives' defeat, proposed to hold a referendum on tariff reform if his party won the second election of 1910. His party was defeated again, more this time over the constitutional crisis precipitated by the Conservative-dominated House of Lords' veto of the 1909 Liberal budget, which proposed a very progressive income tax in lieu of new tariffs.[165] Under Balfour's Tariff Reformer successor, Bonar Law, the Conservatives adopted tariff reform officially in November 1912, but a by-election loss shortly thereafter drove them back to the stance that a referendum would have to precede new food taxes.[166] The Liberals, however, in order to form a government, were forced to take Irish nationalists, who favoured tariff reform, into their coalition government, therein paving the way for both Irish home rule and tariff reform after World War I.

---

[162]*ibid.*, p. 79.
[163]Egremont (1980) p. 189.
[164]Friedberg (1980) p. 77.
[165]Lake (1988) pp. 150-151.
[166]Hirst (1925) pp. 59-60.

A certain consciousness of national economic identity and its relationship to foreign policy did begin to emerge during the period in other ways as well. For example, the London School of Economics was founded in 1895 by W.A.S. Hewins, a supporter of imperial federation, to assist Britain in recapturing her economic leadership. Hewins subsequently resigned in 1903 to advise the tariff reformers.[167] Greater attention was focused on the relationship of economic security and national security by the years preceding World War I. Even Liberals by 1913 were backing away from Cobdenism and drifting towards support for imperial preferences for security reasons.[168] In 1914, the British Government attempted to take advantage of the outbreak of the war to regain trade previously lost to Germany.[169] The period thus closed with substantial segments of the British public having moved from supporting free trade to supporting retaliation and reciprocity (fair trade) to supporting by the later prewar years various types of new protectionism, such as imperial federation and tariff reform. This shift in views affected both the parties, which also were changing, and the government itself, which had to take account of public opinion in one way or another. The stage was set for a return in the interwar years to political clashes between free trade and protection not seen in Britain since the repeal of the Corn Laws.

3. Exogenous Influences and Trade Negotiations

Britain's trade policy in the late nineteenth century, as in other periods, was best revealed in actual commercial policy initiatives or lack thereof towards other states. Ironically, perhaps, one of the things that set this period off from other times

---

[167]Beloff (1970) p. 93.
[168]*ibid.*, pp. 121-137.
[169]Hoffman (1983) pp. 325-329.

was the extent to which the processes and outcomes of commercial negotiations failed to influence the course of trade policy. The evolution of British trade policy in the decades between the Franco-Prussian and First World Wars is marked in its slowness, despite a succession of unfavourable negotiating outcomes that militated in favour of the adoption of at least proactive free trade, if not reciprocity, retaliation, imperial free trade and Tariff Reform. From 1870 the instances of Britain's unwillingness to negotiate become as important to the assessment of British trade policy as the cases in which negotiations did occur. Among negotiations, bilateral talks remained the norm, but their effect on the international trading system as a whole was magnified by the new prevalence of unconditional MFN clauses. Multilateral negotiations, a new phenomenon in the late nineteenth century, still occurred relatively infrequently, and those that did occur tend to illustrate how Britain's ability to set policy was further eroded as the period progressed. This section discusses what could have been a key multilateral initiative that did not get underway because of bilateral negotiating failure, the Anglo-French Multilateral Tariff Union proposal. The next chapter considers multilateral negotiations over sugar, the earlier of which failed because of Britain's negotiating position and the latter of which succeeded in spite of Britain's own policy preferences. Multilateral talks also played a role in the revision of commercial ties between the industrialized countries and Japan, but, I argue, not a decisive one.

As at mid-century, Britain's trading partners from 1870 can be divided into three categories in terms of relative economic power, but the changes in the categories themselves are an indication of the shift that occurred in economic power relative to Britain. The extent of a state's economic development relative to Britain serves as a

broad indicator of its success in advancing its trade policy goals with respect to Britain, but what those goals were in each case depended on numerous other factors, such as relative economic size, openness of the economy, form of government, cultural background and the status of the state's political relationship with Britain. In the first category, the largest industrial states, France, Germany and the United States, had the greatest relative economic power with respect to Britain in terms of shares of world trade amongst industrial states after Britain. They were also Britain's largest industrial trading partners.[170] These states also had the greatest geopolitical power relative to Britain, which strengthened their commercial negotiating power.[171] Each of these countries was able to use leverage in their negotiations with Britain to advance the trade policies that they had chosen, irrespective of whether those policies contravened Britain's world trade liberalization objective. The next economic category, second tier European industrializers, initially included most other European states, such as Austria-Hungary, Italy, Spain, Portugal, Switzerland, Russia, the Scandinavian and Balkan states. As these countries industrialized further, they successively graduated from a position of negotiating inferiority to the first tier powers to a position in which they could at least challenge Britain's free trade policy, even if they could not successfully

---

[170]*See* Appendix, tables 1a, 2a, 4a.

[171]In terms of economic development, this category also includes the Netherlands and Denmark, small states that remained committed to free trade even as other European powers moved towards protection. Both participated in the internationalization of the economy effectively through niche specialization, the Netherlands in trade and financial services, Denmark in certain agricultural products. Belgium, another of Britain's earliest industrial rivals, was less consistently committed to trade liberalization. Despite her small size, Belgium could and did cause commercial problems for Britain, as the case of the multilateral sugar negotiations illustrates. *See* below, chapters IV.B and IV.E.

advance their own trade policy agendas against the more protectionist first tier powers France, Germany and the United States.[172] Second tier industrializing countries that were involved in areas of geopolitical interest to Britain, such as Portugal (southern and western Africa) and Russia (the Black Sea, Central Asia and the Far East) found their power with respect to Britain increased. In this category can also be placed Canada, Australia, New Zealand and the South African colonies, which, having received economic autonomy from Westminster, had trade objectives similar to the newly industrializing European powers. Their political relationship with metropolitan Britain altered their negotiating calculus considerably, however. The third category comprises less developed states with which Britain had previously made Open Door or unequal treaties, such as Japan, China, Siam, Turkey, Egypt and much of Latin America. With many of these states Britain's trade relationship did not change appreciably over the period. However, some, such as Japan, industrialized to the point where they moved into the second category in terms of their negotiations with the major trade powers. Japan is also of particular interest because its geopolitical importance to Britain in the Far East gave it greater leverage over Britain in trade negotiations than any other state at its level of industrialization and world trade share.

This section surveys British trade policy with key trading partners France, Germany and the United States at length. Of the second tier powers, British negotiations with Russia and Portugal are included because both states possessed power disproportionate to their level of industrialization and trade importance. Of the

---

[172]*See* Conybeare (1987) pp. 181-201, for an interesting discussion of this phenomenon with respect to French-Italian, French-Swiss and German-Russian tariff wars in the late nineteenth century.

least industrialized states, Japan is included because of its rapid growth and geopolitical importance for Britain. Significant events in British commercial relations with other states are also surveyed, as is the brief history of multilateral negotiations and the changing view of Britain engendered by four decades of unilateral free trade. The narrative is intended to illustrate how Britain's power declined respective to her negotiating partners, how that progressive shift failed to redirect sufficiently the course of British trade policy, and how in the process the perception of Britain's hegemonic position by her trade adversaries was altered.

a. France

Britain's bilateral trade relations with France retained their central position in British trade policy at the beginning of the 1870s that they had held in the 1860s, in large part because of the two countries' political relationship. Although Napoleon III had been ousted and France bested by Germany in the Franco-Prussian War, France remained the nearest major military power to Britain, and the Cobdenite view that the best way to preclude military conflict with France was through commercial intercourse persisted. France remained Britain's second largest trading partner in the 1870s, conducting over twice as much trade with Britain as with any other power.[173] The British view in the 1860s that liberalizing trade in France was the key to perpetuating European trade liberalization continued into the 1880s, notwithstanding ever increasing difficulties in negotiating with France. A gradual shift in the delicate balance of French domestic political power between free traders and protectionists in industry and agriculture was brought on by democratization, the deteriorating world economy and

[173]*See* Appendix, table 4a.

changing international competitive conditions. Moreover, the damaging effects of German war reparations on the French budget and the French public's demand for a government based on popular sovereignty that swept away Napoleon III without agreement on the future form of the French state also conspired to weaken by the early 1880s and end by 1892 the tenuous dominance of free traders in the French Government that had been brought about in 1860 with the assistance and influence of Britain. Britain felt this change first in the course of tariff negotiations to renew the Cobden-Chevalier Treaty, which occupied a position of peculiar importance to Britain in that through its MFN clause Britain benefited from all of the enumerated tariff reductions that France had negotiated in commercial treaties with other European states, especially the 1863 Franco-*Zollverein* treaty.[174]

After the fall of Napoleon III, Thiers, the new French leader, sought to impose a tax on imported raw materials to pay off the German war indemnity, despite opposition from industry and other leading protectionists.[175] Knowing that the Cobden-Chevalier Treaty still had one year to run, he nonetheless asked Britain to negotiate revisions in the treaty. Although neither Britain, Belgium nor Switzerland then wanted any revisions to their French commercial treaties, Gladstone reluctantly agreed to negotiate because of concerns about losing MFN status were France to denounce the Cobden-Chevalier Treaty the following year.[176] In 1871 the French assembly restored the *surtaxes de pavillion et d'entrepôt* affecting foreign shipping that had been lifted in 1866, reimposed harbour dues and asked Britain to accept the

---

[174]Smith (1980) pp. 35-39.
[175]*ibid.*, p. 37.
[176]Dunham (1930) pp. 299-304.

changes, along with Thiers' duty on raw materials. However, in the interest of industry, they made the effectiveness of the raw materials duty contingent upon conclusion of new commercial treaties, so that compensatory duties could be fixed on imported manufactures competing with domestic manufactures made from raw materials to be taxed.[177] To coerce Britain to negotiate, Thiers in August 1871 threatened to denounce the Cobden-Chevalier Treaty the following year.[178] The proposed new French duties, 20 percent *ad valorem* on raw materials and less on imports of manufactures, with duty drawbacks to be paid for manufactures exported, would not be higher than allowed maximums under the Cobden-Chevalier Treaty.[179] Yet although Britain was not opposed to moderate upward revision in the French tariff, Gladstone's government rejected Thiers' proposed raw materials duty as a differential duty against British goods.[180] As he had threatened, Thiers denounced both the Cobden-Chevalier Treaty and the 1861 Franco-Belgian treaty in March 1872, and on July 26th he raised French textile duties.[181] Faced with a *fait accompli*, the British Government negotiated a new commercial convention with France that accepted the duty revisions and retained MFN status for Britain. The new convention, signed November 5, 1872, also created the first Anglo-French Mixed Commission to negotiate particular tariff revisions and compensatory duties on raw materials. The commission met for the first time in December 1872 and January 1873.[182] Yet Thiers' trade

---

[177]Smith (1980) pp. 37-39.
[178]Dunham (1930) p. 310.
[179]*ibid.*, p. 308.
[180]Fuchs (1905) p. 39.
[181]*ibid.*, p. 40.
[182]*ibid.*, pp. 41-42.

policy had angered industry, much of which sought protection on manufactures but not raw materials, as well as the generally free trade interests of commerce, finance and transport. The French Assembly refused to ratify Thiers' new treaties with Britain and Belgium and decided instead to maintain the earlier conventional (treaty) tariffs with both countries until new negotiations could take place.[183] Thiers' government fell in May 1873, and the Assembly subsequently repealed the restored *surtaxes de pavillion et d'entrepôt* and in July made agreements with Britain and Belgium that extended France's commercial treaties with both countries until 1877, when the other bilateral commercial treaties were due to expire and a new general tariff could be promulgated.[184]

In Marshal MacMahon's government, which succeeded that of Thiers, manufacturers, who opposed duties on raw materials, joined forces with trading, banking, transport interests and other liberals, who favoured a continuation of the treaty system of low tariffs, against other manufacturers who favoured protection.[185] MacMahon depended on Paris commercial and financial elites, of whom Léon Say was a leader, to restore France to financial health after the debilitating war, so it was inevitable that their internationalist outlook should prevail in the government.[186] Many Second Empire officials who supported liberal trade joined MacMahon's government, such as the Duc Decazes, who served as foreign minister from 1873 to

---

[183]Smith (1980) pp. 38-39.

[184]*ibid.* Britain and France also signed a supplementary convention on January 24, 1874 that permitted each country to introduce a compensatory duty on imports of any goods on which domestic excise taxes were imposed. *See* Fuchs (1905) p. 44.

[185]Golob (1968) p. 51.

[186]Smith (1980) p. 43.

1877 and Say, who served as, among other things, finance minister from 1875 to 1879. Two of MacMahon's premiers between 1873 and 1877, the Duc de Broglie and Jules Simon, were also free traders.[187] Political economists, who as in Britain supported free trade, organized to assist the government in repelling the protectionist challenge, launching in 1873 the weekly *L'économiste français*, patterned after Britain's *The Economist*, to defend the commercial treaty system.[188] Free traders in the government sought to liberalize further the general tariff (the duties applied to countries not having a commercial treaty with France) when France's commercial treaties expired in 1877 and then negotiate new treaties that would lower tariffs bilaterally to or below the levels of existing conventional tariffs. They were canny as to the pitfalls that such a process faced, and so they proceeded gradually, so as not to provoke a groundswell of protectionist opposition.[189] The government's efforts initially were assisted in that the French economy did recover rapidly from the Franco-Prussian War, which helped to restrain protectionist sentiments. France's free trade officials displayed their willingness to negotiate over outstanding commercial issues, conferring between 1873 and 1876 with Britain and other powers over sugar export bounties and with Britain over a multilateral tariff union that, if successful, might have led to an international institutionalization of liberal trade. However, both sets of negotiations foundered on the volatile balance even in this period between French free traders and protectionists, and the British Government, by both its ideological stance and negotiating tactics, became increasingly less able and willing to influence that balance.

---

[187]*ibid.*, pp. 40-42.
[188]*ibid.*
[189]*ibid.*, pp. 44-45.

The French Government adopted a careful consultative process towards preparation of the new general tariff in order to preserve the liberal trade coalition. In 1875 the Commerce Minister, Comte de Meaux, found that the majority of France's chambers of commerce favoured making the old conventional tariffs into a new general tariff and extending of commercial treaties by a common ten-year period. They did, however, favour conversion of *ad valorem* duties to specific duties, which in a period of falling prices would increase the effective rate of protection.[190] But in contrast to their otherwise general endorsement of the liberal commercial treaty system, the chambers opposed the continuation of MFN treaty provisions, believing that MFN, by internationalizing all commercial treaties, limited France's ability to make tariff revisions unilaterally when necessary.[191] This, of course, was exactly the reason why commercial treaty proponents in Britain favoured MFN as the cornerstone of the treaty system. Interestingly, British unilateral free traders also opposed MFN as part of their objection to the restrictions that treaties place on a country's ability to adjust its own commercial policy in its own interest. Unilateral free traders shared with unilateral protectionists a reluctance to cede through treaties any power to adjust tariffs when circumstances demanded it, whereas proactive free traders and protectionists both saw an advantage, whether ideological or pragmatic, in locking in particular tariff regimes for fixed time periods.

After studying the French tariff system at Meaux's request in 1876, the French *Conseil Supérieur du Commerce* recommended to the *Chambre des Deputés* a series

---

[190]Smith (1980) pp. 44-45.
[191]Dunham (1930) p. 331.

of reforms that in most cases would set as the new general tariff the old conventional tariff, making a few concessions to protectionists with whom Thiers had diluted the previously strongly free trade *Conseil*, but setting some new general duties, such as that on steel rails, even lower than the old conventional tariff.[192] Before the *Chambre* acted on the government's tariff bill, the French Government in March 1877 opened treaty negotiations with Britain and Italy. Lord Lyons, the British ambassador at Paris, urged the Foreign Office, which was taking a cautious approach, to negotiate while moderates Meaux and Say were in office. The Foreign Office was shaken into action by Austria's and Italy's denunciation of their commercial treaties with Britain, so the importance of Anglo-French commercial relations for the European trade system was once again emphasized.[193]

In the initial phase of the Anglo-French negotiations, the principal issues of contention were the French insistence on specific over *ad valorem* tariffs, France's demand that Britain reduce her revenue duties on French wines and a French wish that Britain guarantee not to restore abolished duties or raise existing duties during the term of the treaty. Britain requested reductions in French duties on iron, coal, steel, machinery, metal manufactures and textiles.[194] Both the treaty negotiations and the *Chambre's* consideration of the general tariff bill were delayed by other political issues and the Seize Mai constitutional crisis in the spring of 1877. Thereafter protectionists realized how liberalizing the government's tariff bill would be and mobilized. Moreover, the effects of the agricultural depression, which had been postponed in

---

[192]Smith (1980) pp. 44-46.
[193]Dunham (1930) pp. 333-335.
[194]*ibid.*, pp. 335-339.

France because of the strength of her postwar recovery, were beginning to be felt in the form of falling prices, profits and wages. Many Frenchmen, like other Europeans, perceived this to be in part the result of a surge of British exports to Europe caused by declining demand for British goods elsewhere and cheaper, better transport into European markets. The consequent price falls stimulated French interest in new protection.[195]

Anglo-French negotiations were now threatened, in part because the secretive negotiating style of the Broglie government, which had replaced the more open approach of the preceding government of Jules Simon, alienated leading French industrialists. They reacted negatively when Broglie signed a commercial treaty with Italy that would have allowed Italy to raise duties on French textiles. In June 1878 the *Chambre* rejected the Franco-Italian treaty, which touched off a Franco-Italian tariff war. Following rumours that an impending Anglo-French treaty would cut duties on British cotton goods by 20 percent and iron by 50 percent, industrial lobbying forced Broglie to suspend talks with Britain in September 1877.[196] In elections that October, a *Chambre* was returned with a more protectionist majority. The leadership of the *Chambre's* Tariff Commission, which was considering the government's proposed legislation, was assumed by the protectionist Jules Ferry.[197] Protectionists also lobbied the public more aggressively from 1877, as the protectionist *Association de l'industrie française* ('AIF') that year began publication of the periodical

---

[195]Smith (1980) pp. 47-52.
[196]*ibid.*, pp. 50-53.
[197]*ibid.*, pp. 54-55.

L'industrie française to counter what it perceived as the dominance since 1860 of pro-British trade theory.[198]

Chastened by the political current, Teisserenc de Bort, a liberal who had replaced Meaux as Commerce Minister, introduced in January 1878 a revised general tariff bill that would raise tariffs 24 percent above the proposed general tariff of the previous year and would convert France from *ad valorem* to specific tariffs. In March 1878 protectionists and free traders agreed to begin a 1-year *enquête* on trade, in which the two factions agreed on specific duties but divided over protection, equal tariff treatment for agriculture and industry, and the advisability of new commercial treaties.[199] Realizing that they probably did not have enough strength to force the government to abandon the commercial treaty system, protectionists attempted to push general tariff levels as high as possible above the Government's proposal. In December 1879 the *Chambre* Tariff Commission issued its own tariff proposal to the full *Chambre*. The Government, to avoid a floor fight in the *Chambre*, offered protectionists as a compromise their requested major increases in cotton duties in return for acceptance of most of the Government's proposed tariff rates on other goods, but their offer was rejected.[200]

The French general tariff debate was complicated by the timetable for denunciation and renewal of the commercial treaties. As already planned and also as a device to force the legislature to promulgate the new general tariff promptly, the Government denounced the British and other commercial treaties on December 31,

---

[198]Smith (1980) p. 60.
[199]*ibid.*, pp. 153-154.
[200]*ibid.*, pp. 156-160.

1878, thereby setting their expiry at January 1, 1880. When it became apparent that the new tariff would not be ready, the Government moved a bill to prorogue the Anglo-French treaty for six months, which protectionists unsuccessfully attempted to block in their own application of pressure to complete the tariff. The treaty was subsequently prorogued further until the general tariff was finally promulgated and negotiations completed.[201] The British Government for its part was not averse to postponement of the negotiations until the general tariff was complete. As the recession deepened there too, the strengthening Fair Trade movement demanded reciprocity in trade negotiations and lobbied Westminster not to sign a disadvantageous treaty with Paris.

The *Chambre* began debating the Government's general tariff bill in January 1880, and by June most of the Government's liberal tariff bill passed, thanks to parliamentary procedural manoeuvres supported by the free trade president of the *Chambre*, Gambetta.[202] As protectionists prepared to counterattack in the *Sénat*, the Government hastily sent Say as temporary ambassador to London to negotiate secretly a treaty with Britain based on the new *Chambre* tariff. According to one account, Say became frustrated that Gladstone refused to bargain away wine duties and so resigned his post.[203] Another has it that while in London, Say incautiously dropped hints about the liberality of the new treaty in progress. Negative reaction in the *Sénat* then forced the French Government to withdraw him and suspend negotiations until the new tariff had passed that house also, but in the event talks were again suspended. The

---

[201]*ibid.*
[202]*ibid.*, pp. 170-180.
[203]Gwynn and Tuckwell (1917) pp. 350-351.

general tariff finally promulgated on May 8, 1881, was basically the Government's proposal of a 24 percent increase over the old conventional tariff for manufactured goods. To the increasingly protectionist agriculturalists the Government conceded livestock duties and an important commitment not to lower agricultural duties by treaty, but for the most part the 1881 general tariff was seen as a victory (if temporary) for free trade in France.[204]

After promulgating the new general tariff, negotiating a treaty with Britain was the first priority for the free traders, like Commerce Minister Tirard, who still dominated the French Government, despite the accession of Ferry to the premiership.

> Tirard and his associates gave priority to a treaty with Great Britain because it remained France's chief trading partner in 1881 and was particularly vital to members of the free trade party as a source of imports and a market for exports. Moreover, the treaty with England was the oldest of the commercial conventions and was rightly considered to be the crucial link in the chain of commercial alliances.[205]

British and French goals were far apart, however. Knowing that a treaty would have to pass the legislature, Tirard did not wish to offer Britain too much. The *Conseil Supérieur* had also directed that duties not be lowered below Cobden-Chevalier treaty levels. Britain, by contrast, was seeking duty reductions of up to 50 percent on some goods, such as wool yarn and cloth. Tirard sought wine duty reductions from Britain and was willing to yield to Britain on metals and machinery duties but not on textiles. While some French free traders criticized Tirard for being too cautious on account of a possible protectionist backlash, some British free traders were arguing that unless Britain could obtain duty reductions below Cobden-Chevalier levels, Britain's interest

---

[204]Smith (1980) pp. 178-181.
[205]*ibid.*, p. 184.

would be best served by an MFN-only treaty. In that way Britain would benefit as a 'free rider' from French duty reductions concluded in treaties with other states without herself conceding anything new to France.[206]

In part because of Say's strong criticism of Gladstone's inflexibility on British wine duty reductions in mid-1880, Gladstone agreed to include in his budget proposal a wine duty cut that could be reciprocally negotiated.[207] Despite Gladstone's concession, Dilke, whom Gladstone permitted to orchestrate his commercial diplomacy, was pessimistic about prospects for a treaty because British unilateral free traders were not going to accept a treaty that did not liberalize trade beyond Cobden-Chevalier duty levels, while increasingly protectionist French public opinion was unlikely to permit the French Government again to accept such a treaty. Dilke believed that before the general tariff was promulgated, British negotiating pressure on France could make the French tariff more liberal. After its promulgation he saw the real possibility for a treaty with the Ferry government. By July 1881, however, the treaty that was emerging would have damaged British cotton and wool exports to France without gaining compensating advantages for Britain. Dilke, sure that such a treaty would not be ratified by Parliament, secured Joseph Chamberlain's support for delaying treaty negotiations until the advent of a French Government headed by Gambetta, which was anticipated in the autumn.[208]

In a significant departure from Gladstone's customary unilateral free trade policy, Dilke, again backed by Chamberlain, secured Gladstone's permission to threaten France with retaliation in a last attempt to secure a favourable treaty.[209] On

---

[206]*ibid.*, pp. 185-188.
[207]Gwynn and Tuckwell (1917) p. 351.
[208]*ibid.*, pp. 394-395.
[209]*ibid.*, pp. 394-395.

August 5, 1881, Dilke threatened the French ambassador that if a commercial agreement were not reached, Britain would lower wine duties on strong wines, to the benefit of Portugal, Spain and Italy, and raise duties on light wines, to the detriment of France. In Dilke's own words:

> I have always been a reciprocitarian to this extent, and was always backed in using such arguments by Mr. Chamberlain, who held the same view in a still stronger form. Mr. Gladstone and Lord Granville always prevented any public reference to such matters, but they allowed me to put them in despatches, although not to lay them before Parliament.[210]

Dilke's threat was not carried out, as an apparent delay in the expected arrival of the Gambetta government beyond the window of treaty renewal made Dilke think better of negotiating a tariff treaty at all. In a private meeting later in August, Dilke suggested to his friend Gambetta that Britain would benefit the most and France concede the least if the Anglo-French treaty were dropped, and if Gambetta's future government instead negotiated a tariff treaty with a smaller power and then granted Britain MFN status through legislation, thereby entitling Britain to the tariff reductions she had sought from France without Britain making any concessions for them. Gambetta agreed, as a British treaty was becoming a red flag for French protectionists, and France's commercial treaties with Belgium and Switzerland were up for renewal.[211]

When negotiations began again with Gambetta's short-lived government Gladstone wanted to offer Gambetta to hold British light wine duties low in return for MFN status from France. Dilke, preferring the stick to the carrot at this stage, wanted to renew his earlier threat to cut duties on strong wines, but this did not occur. By the end of 1881 negotiations with Gambetta's government were at an impasse. To

---

[210]Quote from Dilke's diary in Gwynn and Tuckwell (1917) p. 395.
[211]Gwynn and Tuckwell (1917) pp. 396-398.

conclude an early MFN agreement with the de Freycinet government that followed Gambetta's, Gladstone again wanted to make a pledge to hold wine duties low, but Dilke convinced Gladstone that Britain could retain MFN treatment without making any concessions to France at all.[212] Dilke also still believed that Britain could obtain the tariff reductions she sought from France through French treaties with other powers, which she did, as the French legislature granted Britain MFN status for 10 years in March 1882.

> That we obtained most-favoured-nation treatment without giving way upon our wine duties and sacrificing revenue was a triumph, as we got all the reductions (which on yarns were very large) which we had obtained in the course of the negotiations. These had, after being won by us, been given to the Swiss and Belgians--who were 'behind' us, and signed treaties. The result was that there was an increase, not a falling off, in our trade with France.[213]

Not all commentators have viewed the conclusion of the Anglo-French negotiations as so much of a success for British interests as Dilke did. According to Smith, for example, negotiations reached a stalemate because Britain did not perceive any political or economic dependence on a new treaty, so her negotiators took an all-or-nothing stance.[214] Yet clearly Dilke and Gladstone viewed the negotiating outcome as a win, in that they gave away nothing and received most of the tariff reductions they had sought through negotiations. France between October 1881 and February 1882 signed seven 10-year commercial treaties with other powers, including an agreement with Belgium to lower duties on a wide range of goods, including industrial goods also imported by France from Britain and Germany.[215] For the short term, then, Britain's hegemonic position was reaffirmed in that she achieved most of

---

[212]Gwynn and Tuckwell (1917) pp. 399-400.
[213]Quote from Dilke's diary in Gwynn and Tuckwell (1917) p. 400.
[214]Smith (1980) pp. 185-188.
[215]*ibid.*, pp. 188-192.

her negotiating aims and also perpetuated the commercial treaty system that institutionalized liberal trade. This rare occasion in which a proactive approach to maintaining free trade was used after 1870 suggests that such a policy was more likely to yield results than an isolationist hostility to commercial treaties. Yet Dilke appears to have undervalued the importance for free trade of locking in tariff reductions with France directly. Loopholes in the new French general tariff, such as the exclusion of agricultural goods from tariff binding in treaties, allowed the French legislature to raise some tariffs during the 1880s as protectionists gained strength, and subsequent French tariff wars and denunciations of treaties with other states led to tariffs on some British goods rising also.[216] Had Dilke exploited Gladstone's willingness to lower wine duties to secure a treaty, Anglo-French tariffs might have continued their leading role in holding tariffs down throughout Europe, and the French free trade community would have been strengthened at their time of greatest need. In the event, the opportunity was lost, and the 1880s was to be the decade of protectionist ascendancy in France.

> The next decade was to witness the growing indifference of England and the continued rise of protectionism in France, as in the other countries of continental Europe, until in 1892, (the) Méline (tariff)...was able to destroy the whole network of continental treaties.[217]

The continuing effects of imported wheat, phylloxera and silkworm disease in France further depressed agricultural production and prices in the 1880s, completing the conversion of agriculture to protectionism. Thenceforth large agricultural producers and big business shared a greater interest in cooperating for protection, in part because since over half of French GNP was from agriculture, French consumer

---

[216]Italy denounced her commercial treaty with France (which included enumerated tariff cuts as well as MFN) in 1886, setting off a tariff war that damaged the free trade cause in France. *See* Smith (1980) p. 197.

[217]Dunham (1930) p. 350.

buying power was curtailed and French industry bore the brunt of that cut.[218] The leading associations of industrial and agricultural producers, the *Société des Agriculteurs de France* ('SAF') and the *Association pour la Défense du Travail National*, became key lobbies for new protection, and both sought to convince workers, who benefited from cheap food imports and cheap manufactures, to oppose free trade.[219] The Government, concerned to contain growing worker radicalization as the economy worsened, liberalized the law governing formation of associations in 1884. This allowed French workers and farmers to organize effectively for lobbying purposes for the first time, an opportunity of which they rapidly availed themselves.[220] Jules Méline, who had secured livestock duties for agricultural interests in the 1881 tariff fight in the *Chambre*, obtained tariff increases from the legislature on sugar and sugar beets in 1884, cattle in 1885 and wheat in 1887. Industrialists, on whose products tariffs were fixed by treaties until 1892, were powerless for the moment to share in the fruits of new agricultural protection.[221] The growing protectionist coalition did succeed in bringing French Algeria in 1884 and Indochina in 1887 within the French tariff perimeter, which led to increased sales of French industrial goods to the colonies.[222]

Agriculture and industry by the late 1880s both awaited the expiry of commercial treaties in 1892 to obtain greater protection for each. By this time prices were rising again, but so was social unrest, and conservatives were concerned about the development of labour as a modern political force that could threaten the stability

---

[218]Lebovics (1988) pp. 52, 55.
[219]*ibid.*, pp. 55-64.
[220]*ibid.*, p. 71.
[221]*ibid.*, pp. 85-86.
[222]Smith (1980) pp. 200-201.

of the republic. It seemed easy to blame economic dislocation on foreign competition.[223] In the 1889 elections (which followed Boulanger's failed attempt to restore the monarchy) many protectionists were elected in the republican sweep, although the election did not turn on the trade issue.[224] However, the support of the SAF was behind the election of many candidates. The SAF adopted an electoral platform calling for no further commercial treaties, equal *ad valorem* protection for agriculture and industry, and moderate upward revision in the general tariff.[225] Méline sought to use the emerging consensus of agriculture and industry on higher levels of tariff protection to entrench and stabilize the conservative republic against the rise of socialism, pacifying industrial workers by offering them job security. As the *Chambre* debated the new tariff bill, Méline linked Socialist violence on May Day 1891 to free trade, which the Socialists had embraced actively.[226]

The Méline Tariff, which took effect in 1892 when France's commercial treaties expired, was a maximum-minimum ('max-min') tariff, a type of tariff structure with two tariff bands, the lower of which was accorded to states with MFN status or commercial treaties and the higher of which, like a general tariff, was imposed on other states. By some accounts the Méline Tariff raised tariff revenues 80 percent over 1889 revenues.[227] Although considerably more protectionist than the tariff it replaced, the Méline Tariff was a compromise between trade moderates and protectionists, who had sought much higher duties on cotton yarn and other industrial raw materials.[228] The max-min tariff was also intended to enable France to extend

---

[223]Lebovics (1988) pp. 87-88.
[224]*ibid.*, pp. 87-88.
[225]Golob (1968) p. 157.
[226]Lebovics (1988) pp. 91-93.
[227]Golob (1968) p. 202.
[228]Smith (1980) p. 205.

to other states MFN status and access to the minimum tariff band through domestic legislation in return for reciprocal treatment, as she had with Britain since 1882. Protectionists did fail to get included in the tariff bill a measure expressly prohibiting the negotiation of treaty tariffs below the set minimum tariff. This loophole allowed the Government to negotiate new tariff reduction and MFN treaties, which it did with Russia in 1893, Switzerland in 1895 and 1905 and Italy in 1898. MFN provisions in other commercial treaties made the newly negotiated tariffs in effect the new conventional tariff, so the inflexible max-min structure was mitigated and protectionists did not achieve the extent of protection that they had sought.[229] In terms of trade policy, Méline viewed the new tariff as a defensive measure against German-led protectionism in Europe and generally high tariffs in the United States.[230] Even he was willing to compromise as the situation demanded, however. After championing the max-min tariff structure, Méline still endorsed the tariff cuts below the minimum tariff that the Government negotiated with Switzerland in 1893.[231]

Notable by her absence from the French trade policy debate in this round was Britain. The trade policies of the two countries had now diverged too far for there to be a chance of a new commercial treaty containing enumerated tariff reductions. For France, maintaining social peace domestically and protecting her home market from German and American goods (and her colonial market from British goods) had become more important than expanding the British market for French wines, so British leverage over France was diminished. Méline adopted the view of the nationalist economists of the mid-nineteenth century that Britain's free trade stance was merely a position of economic self-interest and used that view to help justify the Méline Tariff

---

[229]Smith (1980) pp. 209-210.
[230]Golob (1968) pp. 181-182.
[231]Smith (1980) p. 212.

as in France's economic self-interest.[232] By the time geopolitical power might have again given Britain leverage over French trade policy, as the two countries began drawing closer in the face of the German military threat after 1900, Britain's project of propagating free trade worldwide had collapsed to the extent that free trade was under attack domestically in Britain itself. When the Tariff Reform Campaign began in Britain, France feared that passage of tariff reform could undermine peace between Britain and Germany.[233] After 1892 Britain did retain MFN status with France. However, French protection continued to rise for some goods in 1894, 1898 and 1903. In 1902, France's elaborate direct and indirect sugar subsidies did have to give way when France signed the Brussels international sugar convention.[234] But the following year, duties and duty drawbacks were introduced on flax and hemp, wine and alcohol duties were raised and silk subsidies were extended.[235] When the overall tariff came up for revision in 1910, the same debates that had preceded its introduction in the 1889-1892 period were rehashed, but major changes were not made.[236]

Anglo-French trade relations between 1870 and 1914 highlight some of the key failings of British commercial policy in the period. So much of the policy of the whole period was determined by Gladstone, who, for all his commitment to unilateral free trade, deviated pragmatically from this approach not only in the early 1860s but again in the 1880s. Yet even when he relented, Gladstone's dithering over wine duty reductions, something that the French and other Europeans really wanted from Britain in the 1870s and early 1880s, prevented proactive free traders like Dilke from making

---

[232]Golob (1968) p. 181.
[233]Hoffman (1983) p. 292.
[234]Golob (1968) p. 233.
[235]*ibid.*
[236]*ibid.*, p. 216.

commercial treaties for Britain that would have maintained Britain in a different position structurally relative to the other trading powers. France also had a sizeable free trade constituency that had drawn upon Britain as a model intellectually and organizationally for decades up to the 1880s, but despite Gladstone's continuing free trade rhetoric, that relationship withered after the failure of negotiations to produce a new Anglo-French commercial treaty. French protectionists were able to refocus the French agricultural and industrial economy from an internationalist to a domestic and colonial orientation. This long decline in French liberal trade was detrimental to both Britain and France. Britain's trade with France between 1870 and 1914 grew more slowly than British trade with any of her other major trading partners, despite a rapid rise in French trade dependence over the period. France's trade with Britain grew more slowly (in money terms) than that with her other three largest trading partners, Germany, Belgium and the United States. And France's own share of trade amongst major industrial countries declined by over a third between 1870 and World War I.[237]

b. Germany

British trade policy towards the newly unified and rapidly growing Germany was important particularly for what it did not accomplish: a long-term institutionalization of the liberal trade regime that was established between them in the 1860s. British trade with Germany had been liberalized by the 1865 MFN treaty with Prussia and the *Zollverein*, which gave Britain all the benefits of the 1862 Franco-Prussian tariff treaty and the 1868 Austro-*Zollverein* tariff treaty, and it had become one of the most thriving relationships in the world at that time. Between 1860 and

[237]*See* Appendix, tables 1a, 2a, 4a, 5a.

1880, Britain and her Empire was Germany's largest export market, and Germany competed with France and India to be Britain's second largest export market (following the United States).[238] Prussian farmers were exporting grain, mostly to Britain, and the Junker class supported free trade for the most part, reading the works of John Prince Smith and rejecting Listian nationalist economics.[239] Bismarck, not extensively involved in commercial policy at the time, accepted for a time the free trade economic policy of the German Liberals as a means of appeasing them after rejecting their political system for the new Germany.[240] After 1870, German free traders, including Prussian agricultural interests, sought a commercial treaty with Britain to maintain free trade in advance of the expiry of the Austrian treaty in 1877, as Austria had been consistently more subject to protectionist sentiment. In return for a commercial treaty, Germany asked for a reduction in Britain's 5d compensatory duty on spirits imports, which German agriculture and industry regarded as protective. Bismarck, whose main interest at the time was not tariff reciprocity but leverage with which to reform the German tariff in the face of domestic opposition, sent his free trade Undersecretary of Commerce, Michaelis, to Britain in summer 1871 to say that Bismarck wished to begin commercial treaty negotiations if Britain were so inclined. Mallet regretfully told Michaelis that Lowe was opposed to new commercial treaties and negotiating away revenue duties, so the project had no hope of fruition.[241] The loss of this opportunity to tie Germany to free trade for a 10 to 20-year period was felt

[238]Kennedy (1980) pp. 45-46.
[239]Gerschenkron (1966) p. 42.
[240]Ashley (1920) p. 41.
[241]Mallet (1905) p. 90.

keenly not only by Mallet and other British interventionist free traders but by German free trade leaders, such as Julius Faucher and Prince Smith.[242]

As with trade relations with France and other European states, British trade relations with Germany in the 1870s hinged in significant part on the British Government's willingness to use revenue duties as negotiating counters. Free trade supporters in both countries urged Britain at least to equalize duties on domestic and foreign spirits to facilitate a commercial treaty. (Revenue duties on foreign spirits were in fact set higher than those on domestic spirits in order to compensate for other government regulations that allegedly discriminated against domestic producers.)[243] The German Government through much of the decade remained sympathetic to free trade. Amongst the major accomplishments of Delbrück, Bismarck's free trade president of the Imperial Chancellery, were lowering duties on iron in 1873 and removing them altogether in 1877.[244] To counterbalance the protectionist backlash of opposition to the proposed Anglo-French commercial treaty in 1872 that the treaty proposal had created in Germany and to silence Prussian industrialists, Delbrück urged Lord Russell, London's ambassador to Berlin, to persuade Lord Granville to equalize spirit duties in order to restart a sequence of Anglo-German trade concessions that would lead to a treaty. In January 1873 Granville made a general rejection of commercial treaties, but in May 1873 Bismarck made another overture to Russell on spirit duties that did not move London. Delbrück in November of that year cited to

[242]Mallet (1905) p. 93.
[243]Gaston (1975) pp. 87-88.
[244]Ashley (1920) p. 41.

Britain without effect his reduction of iron duties as a gesture of good will.[245] Lord Russell was anxious for political as well as economic reasons to cooperate with the free trade wing of the German Government to secure a commercial treaty, but his treaty proposals of both 1874 and 1880 were also rejected by London.[246]

The agricultural depression that began to be felt in Germany from 1875 stimulated German protectionism. British officials in Germany such as Russell and J.A. Crowe, Britain's consul at Danzig, urged the Foreign Office to act to head off the new upsurge in protectionist sentiments. As occurred in France, Britain was accused in Germany of dumping manufactured goods following the 1873 crash in prices, which was said to fan protectionism further.[247] Another German representation to Britain on spirit duties was rejected in 1876, this time by the Inland Revenue Department.[248] Finally in 1877 the 1865 Anglo-German MFN treaty was extended, although its benefits to Britain began to decline as Germany's tariff treaties with other states expired and were renegotiated, usually to accommodate higher tariffs.[249] In 1878 Crowe pressed on Salisbury the importance of a more extensive commercial treaty, urging him to threaten retaliation if Germany would not agree to negotiate a new treaty, and he carried his proactive approach to negotiations even farther by suggesting to Russell that Britain play Germany and France off against one another to secure tariff concessions from both. Another Crowe suggestion was for Britain to raise duties on bottled wines in advance of negotiations so to be able to bargain them away. Such

---

[245]Gaston (1975) pp. 190-193.
[246]*ibid.*, pp. 87-88.
[247]Ashley (1920) p. 42.
[248]Gaston (1975) pp. 194-195.
[249]Fuchs (1905) p. 48.

tactics were finding no quarter in the Disraeli-Salisbury Foreign Office of the late 1870s, however.[250]

Having supported free trade for pragmatic and nationalistic rather than ideological reasons in the 1850s and 60s, Bismarck undertook his 1879 tariff reform again principally for domestic political reasons. He needed to reform Germany's tax structure in the late 1870s to generate more income for the Imperial Government and increase revenue power over the thitherto largely autonomous states. Bismarck's plan was to reduce direct taxation, which was generally administered by the states, and increase indirect taxation, primarily tariffs, thereby not raising aggregate taxation but shifting the tax burden from landowners' rates to the mass public (in the form of tariff-induced price increases).[251] According to Hobson, the 1879 Bismarck tariff did not result from pressure by economic interest groups, such as protectionist agriculturalists or industry, which would not feel the full brunt of the depression until the 1880s, but rather from the fiscal policy requirements of his own political objectives.[252] The tariff, which increased tariffs on imports of manufactures but more so on agricultural imports, was moderately protective but did not discriminate against Britain because of the Anglo-German MFN treaty.[253] However, the higher tariff rates adversely affected major British exports to Germany, such as worsteds and woollen cloth.[254]

---

[250]Gaston (1975) pp. 197-199.

[251]Hobson (1990) pp. 6-18.

[252]*ibid.*, pp. 21-22. Pollard, by contrast, argues that Junkers and industrialists coalesced behind protection rapidly between 1876 and 1879 and convinced small farmers to join with them notwithstanding that small farmers would be ill-served by protection. *See* Pollard (1970) p. 258.

[253]Fuchs (1905) p. 48.

[254]Gaston (1975) p. 198.

In 1880 Gladstone, forming a new government, again suspended his opposition to commercial treaty negotiations, at least in part because of the effects of the depression on the British economy. While not agreeing to raise wine duties in advance of negotiations, he agreed to a Foreign Office proposal that Britain cut her duty on spirits if Germany would reduce her alcohol export tax. But yet again the Treasury objected to such a duty reduction, and the plan was derailed. According to Gaston, this failure forced elements of German agriculture to give up hope of export growth through free trade and join with industry in pressing for protection.[255] Through the 1880s, Bismarck adhered to a trade policy of higher tariffs with reciprocal concessions granted to trading partners through negotiations, while maintaining the domestic balance between the tariff needs of industry and agriculture that permitted the perpetuation of their often unstable coalition. This process did not affect Anglo-German trade relations directly, as Britain had nothing that she was willing to offer and Germany saw nothing to gain through negotiation with Britain.

> German commercial diplomacy was obviously far more engaged in measures against other protectionist states than against free-trading Britain, which tolerated all her wares and remained her best customer; and even the British found more to complain about the tariffs of *third* powers, which were usually far higher than those of Germany.[256]

Germany from the 1880s engaged in trade wars with other European states in the course of tariff negotiations, which tended to procure for Germany lowered tariff barriers to her goods abroad and resultant increases in export sales.[257] This shifting of trading patterns encouraged more direct trade links between Germany and other

---

[255] *ibid.*, pp. 200-201.
[256] Kennedy (1980) p. 57.
[257] *ibid.*, pp. 56-57.

European states and a decline in transshipment of German goods through Britain.[258] Britain still benefited to some extent through MFN from German reciprocal tariff reductions embodied in treaties with third powers.

German exports boomed under the Bismarck tariff of 1879, and while British exports to Germany declined after 1880, by 1885 German goods were beginning to outsell British goods in numerous third markets, such as Holland and Sweden.[259] These phenomena, combined with the continuing effects of the agricultural depression in Britain, led to both self-examination and public criticism of certain German commercial practices, such as shipping subsidies.[260] Certain British actions also provoked speculation about indirect protectionism. For example, some Germans (and some Britons, too) were quite concerned that Britain was reintroducing protection for cattle breeders indirectly when Britain imposed strict limits or prohibitions on imports of live cattle in the 1880s for health reasons.[261] The main stage of the Anglo-German politico-economic rivalry, however, tended to shift in the 1880s to colonial regions, whether one ascribes the competition for new colonies as the result or the cause of the search for new markets. The Berlin colonial conference of 1884-85 that was held to resolve jurisdiction over and tariff policy of the Congo, as well as other related issues, legitimized German colonial aspirations in Africa, to the concern of many Britons. Chambers of commerce feared the consequences of protectionism spreading in colonial markets at a time when increasing European and American protectionism was heightening the importance of such markets to Britain.[262] British

---

[258]*ibid.*, pp. 56-57.
[259]Hoffman (1983) p. 77.
[260]*ibid.*
[261]Fuchs (1905) pp. 104-105.
[262]Kennedy (1980) p. 183.

free trade Liberals, such as Morier and Dilke, became imperialists in the 1880s because they viewed Britain's world position as challenged, primarily by Germany. Yet that very imperialism, according to Kennedy, brought under attack not only Cobdenite internationalism but also eventually free trade itself.[263] Bismarck, for his part, sought in the 1880s to illustrate to the German people through his colonial policy that Gladstonian Liberalism, in all its manifestations, was ruining Britain as a Great Power.[264] Needing ever more revenue in the 1880s, Bismarck pleased his agricultural constituents by raising grain duties from 10 marks/ton to 30 marks/ton in 1885 and to 50 marks/ton in 1887.[265] The two powers already were on divergent political and economic courses. Salisbury rejected a final Bismarck appeal for a political alliance in 1889.[266]

High German agricultural tariffs, exacerbated by a crop failure in 1891, began to undercut German industrial growth and lead to the emergence of an anti-protectionist, pro-export sentiment in German industry.[267] The 'solidarity bloc' of protectionist agricultural and industrial interests collapsed in the 1890 German elections because of industrial fears of new European protectionism upon the 1892 expiry of most existing commercial treaties. Thereafter Bismarck's successor Caprivi launched a new generation of European commercial treaties designed to boost German industrial exports, in which other states were asked to lower tariffs on German industrial goods in return for lower German tariffs on agricultural imports.[268] Between 1891 and 1894 Germany signed 10- or 12-year commercial treaties that reduced tariffs bilaterally

---

[263]*ibid.*, pp. 150-151.
[264]*ibid.*, pp. 157-158.
[265]Hobson (1990) pp. 21-22.
[266]Kennedy (1980) pp. 190-192.
[267]Hobson (1990) pp. 21-22.
[268]Gerschenkron (1966) pp. 47-50.

with Austria-Hungary, Italy, Belgium Switzerland, Spain, Roumania, Serbia and (following a tariff war) Russia.[269] Britain benefited from these treaties through the still-running Anglo-German MFN treaty to the extent that by 1895, British as well as German exports had risen appreciably.[270] Germany did not wish for the new system of treaties to benefit Britain, despite Anglo-German MFN, since Britain would not negotiate with Germany. Berlin tried unsuccessfully to institutionalize the system as a Central European customs union akin to Napoleon's 'continental system', which would have fed German manufactures throughout Europe and excluded British goods.[271] Russia tested Germany's new system, touching off a tariff war with Germany by introducing a new high tariff in 1893, and a series of retaliatory tariff rises brought each country's tariffs on the other's goods to the prohibitive level by August 1893.[272] Serious negotiations resulted in a February 1894 ten-year Russo-German commercial treaty that lowered tariffs on some goods substantially, including 50 percent reductions on the duty on hops and 65 percent on the duties on coal and coke. Russia wanted some tariffs even lower, but the German Government did not want to reduce tariffs so low that Britain would benefit unduly through MFN.[273]

Caprivi's pro-industry, pro-export, pro-trade, pro-commercial treaty policy provoked a strong reaction from German agriculture and the volatile political balance of the Wilhelmine state predictably tilted against him. Despite victories by agriculturalists in the 1893 elections, he succeeded in overcoming Junker opposition to passage of his remaining new commercial treaties in the Reichstag. The Russo-

---

[269]Pollard (1981) p. 259.
[270]Hoffman (1983) p.104.
[271]*ibid.*
[272]Conybeare (1987) pp. 191-194.
[273]Williams (1896) pp. 13-14.

German treaty of 1894, the most difficult to be approved, subsequently led to entirely unexpected levels of German industrial export growth to Russia.[274] But agricultural protectionists in Caprivi's own cabinet joined with Prussian civil servants to unseat him in 1894, and his successor Hohenlohe chose to pursue a version of Caprivi's course less antagonistic to agriculture.[275]

British concern about Germany's overtaking of the British economy in many areas intensified in the 1890s.[276] The British press in 1894 criticized imports of goods manufactured in German prisons, and public opinion forced Salisbury to seek an international agreement to prohibit exports of such goods. An agreement was not reached, and Salisbury agreed to a British unilateral prohibition on prison-made imports in 1897.[277] A key turning point in Anglo-German trade relations was reached in 1897 when Britain, forced to make a choice between Germany and the Empire, chose the Empire. In 1897, Canada decided to grant Britain tariff preferences. When Germany objected that such preferences violated the Anglo-German commercial treaty of 1865, Salisbury denounced that treaty and the similarly worded Anglo-Belgian commercial treaty of 1862.[278] Both treaties disallowed British colonies from granting trade preferences to Britain, which both Belgium and Germany much appreciated because they had up until then been Britain's strongest competitors in Britain's colonies.[279] Germany feared loss of access to the British market, and German nationalists viewed as particularly hostile a cutoff of British colonial markets to German industrial exports. Realizing that Salisbury would not offer Germany a new

---

[274]Gerschenkron (1966) pp. 51-56.
[275]*ibid.*, p. 56.
[276]Kennedy (1980) p. 229.
[277]Hoffman (1983) p. 230.
[278]Kennedy (1980) p. 298.
[279]Williams (1896) p. 15.

MFN treaty that covered Britain's colonies, the German *Bundesrat* granted Britain MFN status, renewable on an annual basis, after Britain's denunciation in an attempt to head off a British turn towards protection at home.[280] The conflict led to a trade war between Germany and Canada lasting until 1910, during which Germany imposed a surtax on Canadian imports.

As European tariffs rose again with the expiry between 1902 and 1906 of the Caprivi and Méline generation of tariffs, the dependence of German prosperity on the British market increased. There was fear in Germany in 1902 about possible increases in British revenue duties on wine and new duties on sugar beets.[281] As her foreign policy had been changing, so too German tariff policy was set to change as Bülow, who replaced Hohenlohe in 1897, offered added protection to obtain the political backing from agriculture and the Junkers that he needed in order to build up German military might.[282] In the climate of heightened Anglo-German political and economic tension in the Boer War year of 1900, British sentiment against German tariff levels had strengthened to the point where proposed German tariff rises led to industrial unrest in Britain. Additional German tariff rises proposed for 1902 were a significant contributing factor to the first serious sally against free trade in Britain, Chamberlain's Tariff Reform Campaign.[283] The German Tariff Act of 1902 raised duties on livestock, beef and butter and doubled most grain tariffs to a new minimum for countries with which Germany had commercial treaties and set even higher maximum tariffs for other states.[284] (Britain, through MFN, still received treaty

---

[280]Kennedy (1980) p. 232.
[281]*ibid.*, p. 297.
[282]*ibid.*, p. 228.
[283]*ibid.*, p. 297.
[284]Gerschenkron (1966) pp. 62-63.

tariffs and was relatively unaffected by rises in German agricultural duties.) In 1902, German steelmakers were also found to be dumping steel in Britain, a situation which did not ease the tension.[285] Germans were alarmed by the Tariff Reform Campaign, which confirmed their fears of building protectionist sentiment in Britain. British imperialists viewed the ongoing German-Canadian tariff war as an attempt by Germany to thwart British imperial federation. In April 1903 Richtofen threatened that Germany would treat other British colonies that granted Britain tariff preferences like Canada and might end MFN status for Britain as well. Lansdowne said in response to Richtofen that if Germany took such steps Britain would be forced to retaliate.[286] This added interference in British domestic politics to the arsenal of the tariff reformers' criticisms of Germany.[287]

In Germany, the prospect of British Tariff Reform and retaliation led agricultural nationalists to press for even higher tariffs, pan-Germans to call for a German-dominated European economic union and navalists to demand a bigger navy. Bülow, however, depended on the political support of industry as well as agriculture, and he recognized industry's position that additional German protection would not only harm German industrial exports but would fuel the flames of Chamberlain's Tariff Reform Campaign and germanophobe imperial federation movement. While not in a position to liberalize German tariff policy, Bülow chose not to escalate the tariff war with Canada, and German industrialists published statistics intended to indicate that the new tariff of 1902 would not harm British exports to Germany.[288] The improvement in the British economy from 1903 and defeat of the tariff reformers by the

---

[285]Kennedy (1980) p. 301.
[286]*ibid.*, p. 262.
[287]*ibid.*
[288]*ibid.*, p. 264.

Liberals in 1906 defused the immediate tension. Berlin expected, in the event vainly, a return of Cobdenite commercial policy and foreign policy as well, and industry was optimistic for export prospects.[289] German industry protested strongly to the German Government over the passage in Britain of the Patent Act of 1907. Industrialists asked the Berlin government either to demand that Britain delay implementation of the act or sign a patent reciprocity treaty with Germany, or else to retaliate against Britain. The German Government did not accede to these requests.[290]

Berlin was still worried about the British market and unsuccessfully sought an agreement with Britain in 1909 that would guarantee market access for Germany.[291] In 1910 Germany and Canada informally resolved their tariff dispute, ending the German surtax on Canadian goods and granting Canada some conventional tariffs.[292] But despite German efforts to ease Anglo-German trade tensions in the decade preceding the War, British trade from 1906 turned even more to parts of the Empire and away from Europe.[293] Meanwhile, within Germany social tension in the years immediately preceding the War was rising, as the rye-dependent Prussian agricultural economy became progressively less efficient under high protection while at the same time increasing its political power. Additional tariff increases were planned just prior to the outbreak of war.[294]

---

[289]*ibid.*, p. 282.

[290]Hoffman (1983) p. 101.

[291]*ibid.*, pp. 279-292.

[292]Ashley (1920) p. 115.

[293]For example, British trade with India grew by 50 percent between 1905 and 1913, while British trade with France, Germany, Belgium, Holland and Russia collectively grew only 24 percent in the same period. *See* Appendix, Table 4a.

[294]Gerschenkron (1966) pp. 86-88.

According to Kennedy, the changing world economic power balance between the two states underlay the other aspects of Anglo-German antagonism in the decades preceding the First World War.

> The colonial quarrels, naval rivalry and disagreement over the European balance of power which drove Britain and Germany apart, were in effect the strategical and geopolitical manifestations of the relative shift in economic power of these two countries between 1860 and 1914.[295]

Between 1880 and 1913, Germany was able to increase her share of trade among major industrial countries by nearly half, even as Britain's share declined. After 1905 the United States overtook Britain as Germany's largest trading partner, and Russia nearly did as well. Whilst Germany alone was not able to challenge Britain for hegemony, economic or geopolitical, it is evident that German economic and geopolitical growth was a major contributor towards Britain's hegemonic decline. The German Government often used commercial policy effectively to promote her geopolitical objectives *vis-à-vis* Britain, even if not well serving her own long-term economic growth potential. And as in the case of France, the occasions when the British Government did decide to negotiate proactively with Germany yielded greater fruits commercially for Britain, thereby mitigating Britain's decline, than the more frequent occasions in which London did not negotiate at all.

c. The United States

The United States, relatively inactive in world trade during its Civil War in the 1860s, rebounded subsequently as rapid industrialization, a boom in agricultural production and the decline in transport costs stimulated American exports in the 1870s. Britain's trade relations with the United States had been governed since 1815 by a treaty of friendship, commerce and navigation that exchanged MFN status between the

---

[295]Kennedy (1980) p. 410.

two powers but otherwise did not promote trade liberalization. The United States had become Britain's largest trading partner shortly after the repeal of the Corn Laws and remained so for the rest of the pre-World War I period.[296] Yet commercial negotiations between the two countries were rare, the most significant exception being the controversial negotiations concerning the Canadian-American commercial treaty of 1854. Following its most liberal 1857 tariff, Washington retained moderate protection after the Civil War at the behest of U.S. industry, which had received a big boost during the war from high spending, taxes and protection.[297] America's lack of dependence upon international trade limited British power over the United States, despite the fact that Britain was the United States' largest trading partner over the period.[298]

The only power resource that Britain was willing to use over the American government was free trade ideological pressure, which had minimal effect in Washington. British Tories in the 1870s, who were generally critical of U.S. legislation, castigated tariff increases in particular. Lowe, one of the leading critics, in 1877 argued that protectionism was one of three principal reasons why the United States was not as well governed as Britain.[299] During the 1880 Liberal government Gladstone resumed his pre-Cobden-Chevalier tack of making speeches for free trade, this time directed at the United States. Their lack of results reminds one why Gladstone originally set aside rhetoric in favour of commercial treaties. When President Arthur, who replaced the assassinated President Garfield in 1881, ousted

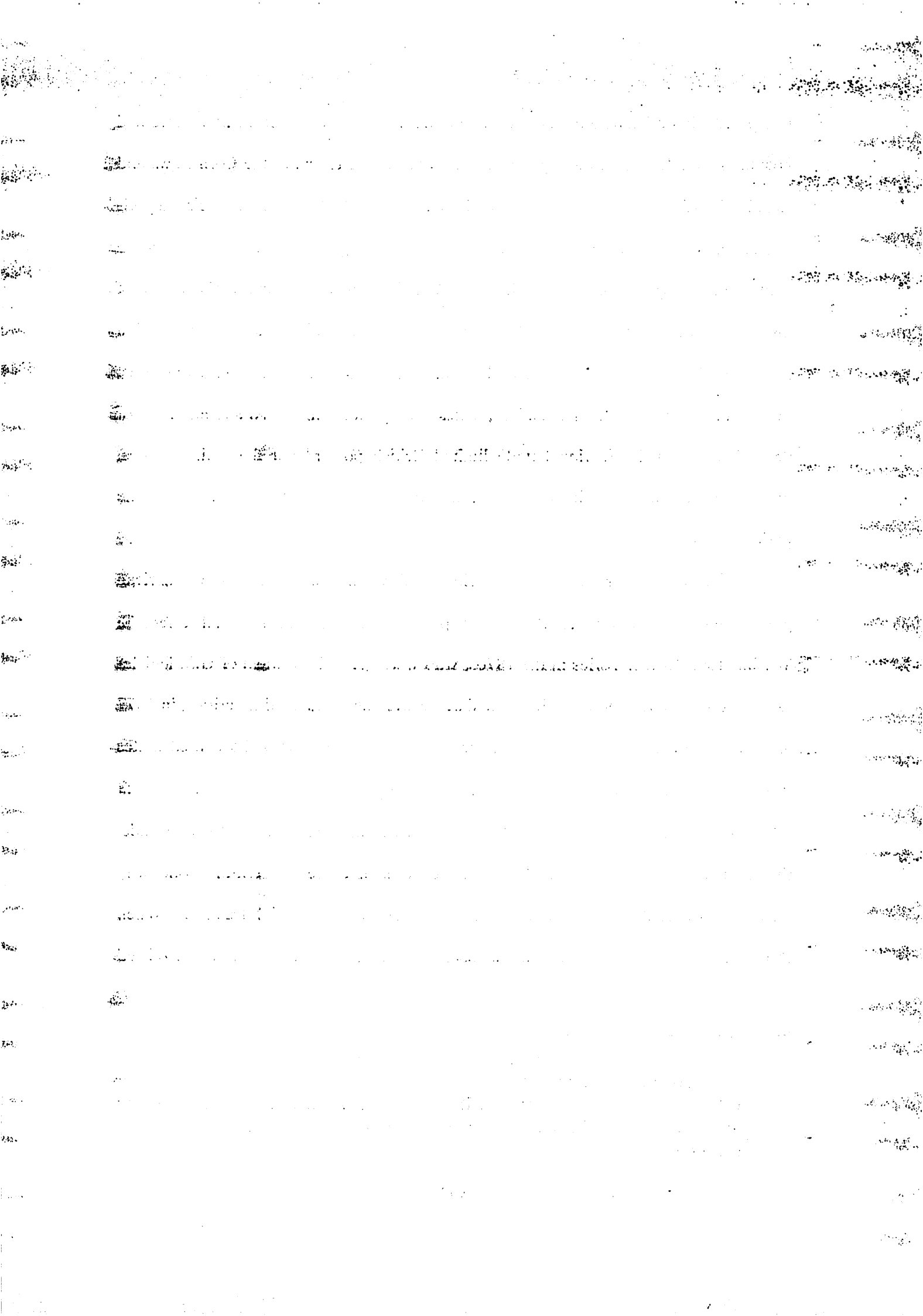
---

[296]Kennedy (1980) pp. 45-46. *See* Appendix, Table 4a.

[297]Rabbeno (1895) pp. 221-224.

[298]U.S. Bureau of the Census (1975). Overall U.S. trade dependence actually declined between the 1840s and World War I. *See* Appendix, Table 5a.

[299]Pelling (1956) pp. 15, 35.



Garfield's protectionist and anti-British secretary of state James G. Blaine and attempted to lower U.S. tariffs, Congress refused and passed the so-called 'Mongrel Tariff,' a protective tariff that fuelled the fires of the Fair Trade movement in Britain and worried British Liberals.[300]

Gladstone spoke out publicly against U.S. protectionism in Leeds in October 1881, arguing that the U.S. share of world shipping had fallen from 15 percent to 6 percent between 1850 and 1880 on account of protection.[301] Other Liberal leaders also pointed out the disadvantages of U.S. protectionism to U.S. competitiveness in the world economy. Sir Lyon Playfair argued in 1882 that the U.S. economy's only strengths were cheap land, raw materials and minerals, and that U.S. protectionism helped Britain sell in third markets by keeping the price of U.S. labour unnaturally high. In 1885, Joseph Chamberlain observed that protectionism in the United States was hurting the United States and helping Britain.[302] The case that British Liberals had to make to Americans was that U.S. economic growth was not due to protection. Liberals such as Playfair and T.H. Farrer, who served as secretary of the Board of Trade from 1865 to 1886, also lobbied American politicians to end U.S. protectionism as a way of improving Anglo-American political relations. Gladstone engaged James Blaine in a journalistic *contretemps* on the issue of protection. At Dundee in October 1890, Gladstone lectured that the United States, having a comparative advantage in every respect, including inventiveness, over Britain, and did not need to depend on protection. He also pointed out that the U.S. economy had been strengthened by British free trade, and he returned to his early argument that protectionism is morally

---

[300]Gerlach (1982) p. 113.
[301]*ibid.*, p. 114.
[302]*ibid.*, pp. 114-116.

bad.[303] U.S. free traders, a political minority in this period, do not appear to have been assisted or energized by Gladstone's oratory. Despite Gladstone's renewed aversion to commercial treaties and oratorical campaign for free trade, Britain did depart significantly from that policy by negotiating with the United States beginning in 1884 on admission of West Indian sugar to the United States at reduced duty rates. The ultimately unsuccessful negotiations showed that Britain's unwillingness to threaten or use retaliation and the United States' relative economic self-sufficiency would continue to curb Britain's ability to influence U.S. policy so long as both remained the case.[304]

The principal trade policy debate in the United States was over the best way to promote exports whilst protecting home markets.[305] President Cleveland lost his reelection bid in 1888 on a platform of trade liberalization, and in 1890 Congress passed the McKinley Tariff Act, named after William McKinley, Secretary of Commerce under Cleveland's successor, Benjamin Harrison.[306] The McKinley Tariff was intended to raise duties on goods that the United States could produce domestically, while cutting them on goods where U.S. production was unable to fill domestic demand. While tariffs on dutiable imports rose from 45.1 percent *ad valorem* to 48.4 percent, the list of duty free imports was expanded, reducing the average duty on all imports from 29.9 percent to 23.7 percent. Duty drawbacks paid on exports of manufactures were increased from 90 percent to 99 percent of duty paid, and a reciprocity provision allowed for imports of sugar, molasses, coffee, tea and raw hides to enter duty free, as long as the President did not find that the exporting state imposed

---

[303]*ibid.*, pp. 242-252.
[304]*See* below, chapter IV.C.
[305]Lake (1988) pp. 91-92.
[306]*ibid.*, pp. 98-99.

reciprocally unjust duties.[307] The U.S. Government used the threat of such a presidential finding to encourage several countries to sign bilateral reciprocity treaties, wherein U.S. agricultural and infrastructural products were admitted at lower duty rates in return for duty free admission to the United States of the abovementioned goods. Britain signed such a treaty, for the West Indies, in 1891. Spain (for Cuba and Puerto Rico), Brazil, El Salvador, Nicaragua, Honduras and Guatemala followed thereafter.[308]

According to Lake, the United States, which in the 1880s sent half its exports (by value) to Britain, was consciously free riding on British free trade hegemony, in the certainty, at least up to the late 1890s, that Britain would not retaliate. In the United States, as in France and Germany, it was believed that protection at home and free trade abroad was the ideal combination of policies for a large economy that was not a hegemon.[309] Because of British free trade policies, the United States did not fear threats of retaliation from European powers, as Germany did when the United States reimposed sugar duties (at 40 percent *ad valorem*) under the 1894 Wilson-Gorman Tariff Act in apparent violation of the McKinley Tariff reciprocity treaties.[310]

Tariff and currency instability in the United States in 1893 and 1894 worsened Anglo-American trade relations by temporarily almost eliminating U.S. demand for British wool and woollens.[311] In 1894 the Wilson-Gorman Tariff Act, pushed through a protectionist Senate by the returned President Cleveland, ended the

---

[307]Lake (1988) pp. 100-101.
[308]*ibid.*, pp. 101-102.
[309]*ibid.*, pp. 93-94.
[310]*ibid.*, p. 96.
[311]Clapham (1968) p. 14.

McKinley Tariff's reciprocity provision but moved the United States towards duty free imports of raw materials, including wool, which was one of Britain's principal exports to the United States. Tariffs on dutiable goods fell from 48.4 percent to 41.2 percent, and the average duty on all imports fell from 23.7 percent to 20.5 percent.[312] The 1897 Dingley Tariff, under McKinley's presidency, raised tariffs again, from an average 41.2 percent to 47.6 percent on dutiable imports, and slimmed the free list, with average tariffs on all imports rising from 20.5 percent to 26.2 percent (higher than the McKinley Tariff).[313] However, in light of the prospect of increasing retaliation in Europe, brought on in part by the revival of protectionist sentiments in Britain, the Dingley Tariff restored and expanded the McKinley Tariff's reciprocity provision. Aimed particularly at Britain and European powers, this provision granted to the President the authority to suspend duties on argols (crude tartar in wine casks), brandy, wine, champagne and artwork in return for equivalent concessions.[314] Another reciprocity clause allowed the President, with Congressional approval, to reduce tariffs on numerous goods reciprocally up to 20 percent. Several treaties were negotiated under this provision, including one with France in 1899, but they never reached the House or Senate floor because of protectionist opposition.[315]

Overall Anglo-American relations improved after the resolution of the Venezuela dispute in 1895. The two countries signed a general arbitration treaty in 1897, although it went unratified by the U.S. Senate.[316] A further improvement in relations following the Spanish-American War in 1898 opened the way for resolving

---

[312]Lake (1988) pp. 106-107, 114-115.
[313]*ibid.*, pp. 124-125.
[314]*ibid.*, p. 126.
[315]*ibid.*, pp. 126-131.
[316]Campbell (1957) pp. 1-11.

a number of outstanding Anglo-American disputes, some of which affected trade. Britain feared that as the United States expanded her empire and sphere of influence, the application of U.S. trade and navigation laws would threaten liberal trade in those areas, and in particular British shipping trade to Hawaii, the Philippines and new U.S. acquisitions like Cuba. But despite the better Anglo-American diplomatic climate, British diplomatic efforts to curb the extension of U.S. navigation laws failed, and Britain and Canada both lost trade to the United States.[317]

Britain, which still conducted Canada's foreign policy notwithstanding Canada's protective tariffs and trade preferences, was faced with a serious trade problem resulting from a Canadian-American dispute over the Alaska-Yukon border, which was aggravated by the big Klondike gold strikes. Canadians did not want to pay U.S. import or transit duties on shipments of gold from the Klondike to the Pacific coast, and they feared that U.S. customs officials were diverting traffic to U.S. shippers. In March 1898, British diplomacy did prevail and the U.S. Government exempted transit goods from duties and coastal levies, but by the time that the issue was resolved, much of the trade had already been diverted to U.S. operators.[318] The issue arose in the context of the broader question of the nature of Canadian-American commercial relations and their impact on Britain. Many Canadians, particularly Liberals, had favoured Canadian-American tariff reciprocity. Most Americans opposed this idea, lest a weak Canadian economy require the United States to annex Canada. After 1896, however, the Canadian economy revived, in part because of the gold strikes, and Liberals and other Canadians revised their view of a U.S. treaty. In 1897, instead, they granted Britain a 25 percent tariff preference, which increased to 33-1/3 percent

---

[317]*ibid.*, pp. 58-62.
[318]*ibid.*, p. 71.

in 1900.[319] By 1910, when Britain still would not grant Canada tariff preferences, Canada did sign a reciprocity treaty with the United States, which led some Britons then to fear that the United States really would annex Canada.[320]

In 1907, the United States and Britain signed a commercial agreement under the Dingley Tariff's reciprocity provision, which reduced the American duty on British artwork to the minimum tariff rate, 15 percent *ad valorem*, in return for duty free admission to Britain of American product samples of dutiable goods. The treaty explicitly did not prejudice any interpretations of the MFN clause of the 1815 Anglo-American commercial treaty.[321] The two countries concluded the agreement after the United States and Germany signed a slightly broader pact and both France and Austria-Hungary were seeking similar accords with the United States. Although the scope of the pact was minuscule, it is interesting that Campbell-Bannerman's Liberal Government, despite its unilateral free trade leaning, sought such an arrangement after learning that Britain's European trading partners were taking such steps. The new agreement was soon made void, to the concern of the British Government, by U.S. passage of a new tariff bill. However, the Payne-Aldrich Tariff Act of 1909 was the most liberal since the Civil War, reducing tariffs on dutiable imports from 47.6 percent to 41 percent, expanding the free list and cutting average duties on all imports from 26.2 percent to 20 percent. The tariff abandoned reciprocity treaties for a nondiscriminatory max-min tariff, wherein the President (with the help of a tariff board), not Congress, would grant countries not discriminating against the United States the minimum tariff, which was 20 percent lower than the maximum tariff.

---

[319]Campbell (1957) p. 77.

[320]Beloff (1970) pp. 121-137.

[321]Commercial Agreement with Great Britain, November 19, 1907, in U.S. Congress (1910) pp. 577-579.

Payne-Aldrich was intended to liberalize trade with European states that were ever more likely to retaliate.[322] Payne-Aldrich also created a U.S.-Philippines free trade area, which raised British fears that British exports to the Philippines would suffer.[323] Britain took no action in that case, however.

By the eve of World War I, the United States and Britain remained each other's largest trading partners. Britain had preserved her security interests in Canada and the West Indies against any U.S. expansion but had lost markets there and in the Pacific that might have been retained with a more proactive trade policy. Britain had failed to convince the United States to liberalize trade. Although the U.S. share of world manufacturing output had more than doubled over the period, U.S. trade dependence declined slightly and the U.S. share of trade among industrial countries remained roughly static.[324]

d. Russia

Russia, although a large country and agricultural producer, was more akin to a small state economically in that it was less engaged in and dependent upon trade than other economies of its size. Up to World War I, Russia accounted for less than 5 percent of trade amongst industrial states.[325] Britain's trade with Russia never topped half of Anglo-German or Anglo-American trade.[326] Britain's ability to influence Russia through trade was thus limited. Anglo-Russian geopolitical relations remained complicated, however, by Britain's ongoing efforts to contain Russian expansion in the Black Sea region, towards India in central Asia and into China. As

---

[322]Lake (1988) pp. 131-134.

[323]Report from James Bryce on the U.S. Tariff Bill of August 5, 1909, in Foreign Office (1909).

[324]*See* Appendix, tables 1a, 2a, 5a.

[325]Conybeare (1987) pp. 194. Also *see* Appendix, table 2a.

[326]*See* Appendix, table 4a.

the Russian economy and foreign trade grew, the Russian Government began to emulate practices used by other governments to promote exports and further protect domestic industries. The Russian Government joined other continental powers in offering export bounties to develop her sugar industry,[327] and tariffs were raised repeatedly. The 1877 tariff raised duties on manufactures by one third, with further increases coming in 1881 and 1882. Tariff revenue as a proportion of import value increased from 12.8 percent between 1869 and 1876 to 28.3 percent between 1885 and 1890.[328] Sir Robert Morier, made ambassador to St. Petersburg in 1884, might have been expected to campaign aggressively for free trade there as he had in Portugal and Spain. In fact Morier did not negotiate any commercial treaties during his term in Russia. He did, however, attempt to expand British trade with the Russian Far East by seeking concessions for British commercial concerns from the Russian Government.[329] Despite the opposition of Tsar Alexander III's Muscovite, anti-foreign and anti-concession government, Morier won over Finance Minister Vyshnegradski through a private understanding. In his role as commercial representative for British firms seeking maritime trade with Siberia (a very atypical role for a British diplomat), Morier failed on account of the divergent interests of the entrepreneurs, financiers and government officials.

> The gap between the diplomatic and commercial circles in St. Petersburg was not to be bridged even by a Morier....The chief cause of failure was that Morier had tried to do much that was beyond his power as an ambassador to do. He could not be a successful company promotor (sic) and commercial traveller and ambassador too.[330]

---

[327]*See* below, chapter IV.E.
[328]Falkus (1972) p. 57.
[329]Ramm (1973) pp. 320-324.
[330]*ibid.*, p. 328.

Count Witte's strategy of intensive industrialization in the 1890s depended on high Russian tariffs and taxes, stable money and finance reforms, as well as incentives for foreign investment, which poured in, particularly from France. The high tariff imposed by Vyshnegradski in 1891 remained the basis for Russian tariffs until 1914 and drove up domestic prices of industrial goods even as they fell elsewhere in the world.[331] Over the period, most of Britain's dealings with Russia concerned political, not commercial issues. The vulnerabilities of British imperial interests to Russia did not give Britain leverage over Russian commercial policy, even if the Foreign Office had been inclined to use it. What modest influence that British free trade ideology had in Russia at mid-century declined after 1870. Behind high tariff barriers, Russia's share of world manufacturing and trade remained stagnant.[332] British trade policy even lost Britain part of her share in Russia's trade. Russia's trade with Britain grew only half as fast as Russo-French and Russo-German trade, the latter in part because Germany in an 1893 tariff war forced upon Russia an MFN-plus-tariff treaty requiring substantial Russian tariff cuts.[333]

e. Portugal

British trade relations with Portugal offer an example of how a rare change in British opposition to making concessions on revenue duties could improve bilateral commercial ties. Ongoing Anglo-Portuguese trade negotiations broke down in 1866, in the face of a Portuguese demand that Britain restructure her revenue duties on wine. When Lord Clarendon suspended the negotiations in 1870, Lowe, so concerned was he with the need for revenue duties, refused to allow negotiations to resume.[334]

---

[331]Falkus (1972) pp. 61-70.
[332]*See* Appendix, tables 1a, 2a.
[333]Conybeare (1987) pp. 191-197.
[334]Mallet (1905) p. 84.

Northcote in 1876 reversed this policy, however, unilaterally modifying the wine duty as Portugal had requested. Portugal then granted Britain the low tariff of the 1866 Franco-Portuguese tariff treaty. Britain's policy change improved the negotiating climate, paving the way for the eventual signing of an MFN treaty in 1882.[335] From 1877 Mallet envisioned new commercial treaties with Portugal, Spain and Italy, based on British concessions to those states' demands for lower British revenue duties on strong wines, as a counter to declining British trade relations with France, Germany and Austria. Mallet's success at promoting his plan was limited by the reluctance of the Disraeli Government to lower wine duties further, however.[336]

Despite initially supporting a Portuguese commercial treaty, the MFN treaty negotiations in 1880 and 1881 still proved problematic for Gladstone's new Liberal government. Britain was unwilling to reduce wine duties to the level sought by Portugal, so Portugal in return was not willing to cut duties on cotton, steel, iron and wool products. Portugal had earlier imposed a one percent discriminatory supplemental duty on British imports, which the Portuguese Government doubled in 1880 to increase pressure on Britain.[337] An 1881 Franco-Portuguese MFN-plus-tariff treaty served as a further incentive for Britain to agree to reduce wine duties enough to obtain an MFN treaty from Portugal in 1882, so that Britain could benefit from the Franco-Portuguese tariff reductions.[338]

The Anglo-Portuguese geopolitical relationship continued to play an important role in their commercial relations, as it had (with greater or less importance) since the seventeenth century. Britain and Portugal had in the 1870s not only been negotiating

---

[335]Fuchs (1905) p. 56.
[336]Gaston (1975) pp. 268-271.
[337]Ramm (1973) p. 168.
[338]*ibid.*, pp. 169-170.

over wine duties for an MFN treaty, but had also been discussing various colonial problems, including a tariff union between Portuguese Goa and British India (concluded in 1878), trade liberalization in Mozambique and freedom of navigation for the mouth of the Congo River. From 1876 to 1881, when Morier was ambassador to Lisbon, he carried out the dual task of trying to win over the often instinctively protectionist Portuguese Government to colonial trade liberalization and convince the treaty-wary British Government that such treaties were in Britain's interest. Although a Cobdenite on trade, Morier was, and would become more of, an imperialist who accepted the civilizing mission of Europe in the developing world. 'He was inclined to equate civilization with trade and progress with railways, shipping lines, and banks.'[339] Morier was suspected during his career, both by such unilateral free trade opponents as Villiers Lister and Tenterden, and by such allies as Kennedy, of favouring overly the position of those among whom he lived, a view which undermined his effectiveness.[340]

A long-negotiated Anglo-Portuguese treaty to liberalize trade at Lourenço Marques, which Britain sought as part of a plan to link eastern South Africa to the Mozambican port by a railway, was ready for ratification in January 1881, but the Portuguese Cortes refused to ratify it in the controversy following the Boer insurrection in the Transvaal of that year.[341] Morier tried to link the Lourenço Marques treaty to a proposed commercial convention on the Congo that he envisioned as bringing free trade to all of Portuguese West Africa, but political instability in Portugal scuttled any linkage of the two treaties and delayed negotiations on the Congo convention. The mutual desire to limit French influence in the Congo finally brought about an Anglo-

---

[339]Ramm (1973) p. 14.
[340]*ibid.*, p. 38.
[341]*ibid.*, p. 104.

Portuguese treaty in February 1884 that called for low import duties in Portuguese West Africa, freedom of navigation on the Zambezi River (an item left from the unratified Lourenço Marques treaty), ending of the slave trade in Portuguese West Africa and MFN status for Britain. This treaty too was not ratified, this time because of the opposition from King Leopold of the Belgians, Italy, Spain and Bismarck (who in addition to colonial ambitions harboured personal loathing for Morier, who, ironically, had not negotiated this particular treaty).[342] Freedom of navigation of the Congo was then affirmed and its impact on the colonial and commercial interests of the European powers adjudicated multilaterally at the Berlin Congo Conference of 1885.[343]

By the end of the 1880s, protectionism was resurgent in Portugal and with it a disillusionment shared in many other European countries of the restriction of unilateral tariff-adjusting autonomy inherent in commercial treaties. In 1891 Portugal denounced all her commercial treaties and adopted a high, single tariff. The Portuguese Government announced that Portugal was no longer interested in making MFN treaties, but in the future would only seek to negotiate treaties based on exclusive advantages, in effect returning to the pre-free trade type of reciprocity treaty.[344]

f. Japan

Britain's need to contain Russian expansionism in the Far East in the last decades of the nineteenth century gave the industrializing but previously insular Japan considerably greater power than her size, industrial development or trade activity would otherwise have warranted. The Anglo-Japanese commercial treaty of 1894

---

[342]*ibid.*, pp. 110-111.
[343]Foreman-Peck (1983) p. 114.
[344]Fuchs (1905) p. 76.

confirmed Japan's new status.[345] The treaty revised the previous unequal treaty rights that Britain had acquired from Japan in the 1858 Edo Treaty, which had given Britain treaty ports, MFN status and rights of extraterritoriality. The 1894 treaty fixed 1899 as the date at which Britain's extraterritoriality rights would end and immediately introduced *ad valorem* tariffs on imports from the two countries.[346] The British Government agreed to negotiate this type of treaty because they feared that otherwise Japan would denounce the existing unequal treaty, about which her government was becoming restive, and because Britain needed Japan's help in limiting Russian expansion into Korea. The treaty was briefly viewed as a real turning point in Japan's quest for treatment as a political and commercial equal of the European powers, but then the Sino-Japanese War of 1895 transformed Japan's relationship with Europe well beyond that point. Britain was faced with the difficult task of convincing Japan not to extract a war indemnity on China so punitive that China would be forced to raise tariffs to cover it. The Foreign Office failed to convince Japan to accept trade concessions from China instead of indemnities guaranteed by Chinese customs receipts and even went to the extent of raising money in London with which China could pay the indemnities to Japan.[347] Japan had used its advantageous geopolitical position to transform its status in trade relations with Britain from that of a developing country to political and commercial rival, and Britain lost her substantial influence over Japanese commercial policy in a short space of time. The Anglo-Japanese defensive treaties of 1902 and 1905 subsequently confirmed Britain's new regional dependence upon Japan.[348]

---

[345]*See* below, chapter IV.D.
[346]Nish (1966) p. 10.
[347]*ibid.*, pp. 24-34.
[348]Nish (1966) pp. 204-228, 323-344.

g. Other Industrializing and Nonindustrialized States

In negotiations with the other second tier industrializers, as in the case of Portugal, the British Government found itself under pressure to make further concessions in return for treaty commitments to further liberalize trade or even merely maintain existing tariff levels. Austria-Hungary sought lower British duties on wine, which Foreign Office proactive free traders supported from the mid-1870s. Gladstone yielded in 1880 by permitting negotiations on that basis, but by then Vienna was more concerned about a satisfactory trade pact with Germany, so Britain obtained only an annually renewable one-year MFN treaty from Austria.[349] Spain also sought lower British wine duties in return for giving Britain MFN status. Talks between 1880 and 1883, again during Gladstone's brief return to negotiating, failed to reach agreement on levels of duty cuts, despite a rare Gladstone threat to reduce wine duties in such a way as to favour France and disfavour Spain. Eventually an Anglo-Spanish commercial treaty was signed in 1886 that exchanged MFN status in return for wine duty cuts over the opposition of growing Spanish protectionists and the once again unilateralist Gladstone.[350] The treaty benefited British industry more than Spanish viticulture, which strengthened Spanish protectionists. When the pact expired in 1892, Britain would not meet Spain's demands for further wine duty cuts in return for higher Spanish tariffs.[351] Italy sought to lower British wine duties as well, but given Britain's refusal to negotiate over wine, raised tariffs in 1878. Britain and Italy eventually signed an MFN-only treaty in 1883, which benefited some British exports indirectly through MFN-plus-tariff treaties between Italy and other states.[352]

---

[349]Gaston (1975) pp. 206-227; Fuchs (1905) pp. 45-46.
[350]Gaston (1975) pp. 297-298, 320-322.
[351]Fuchs (1905) pp. 77-79.
[352]Coppa (1970) pp. 742-769.

With the smaller and lesser developed states in the group, Britain continued to negotiate commercial treaties on favourable terms in the 1880s, an indication that Britain still remained relatively dominant economically and politically in those areas. With the states of southeastern Europe, Britain negotiated a series of ten-year MFN treaties: Serbia (1880), Roumania (1880), Montenegro (1882) and Greece (1886).[353] By the 1890s, however, Britain was having to make some concessions, albeit still minor, in order to obtain favourable new treaties. With Greece, Britain signed a second treaty in 1890 which she agreed to reduce her revenue duty on currants in return for Greek duty reductions on several items.[354] The British concession on currants suggests that under Salisbury the dominance of the unilateral free traders had declined somewhat, but the case of Roumania reminds one of the limitations on policy choices that remained. Roumania, finding her MFN treaty with Britain increasingly disadvantageous, denounced it upon its expiry in 1890. The Roumanian Government declared that they would only negotiate a new MFN treaty if Britain would bind her grain tariff against future rises during the treaty period. Salisbury refused because of the continuing Gladstonian unilateralist fiscal policy-based objections to limiting tariff policy freedom by treaty, and Roumanian duties on British imports went up in 1891.[355] In trade relations with the third category, nonindustrialized states, there was little change in British commercial policy. During the 1880s, Britain made several more or less unequal open-door or MFN treaties with Egypt, Ecuador, the Transvaal, Korea, Paraguay, the Congo Free State, Uruguay, San Salvador, Mexico and Zanzibar.[356]

---

[353]Fuchs (1905) pp. 61-63.
[354]*ibid.*
[355]*ibid.*, pp.77-79.
[356]*ibid.*, pp. 64-67.

h. Multilateral Negotiations

Despite growing protectionism in Europe and unilateral free trade in Britain, there was in the 1870s the chance, albeit slim, for a new, multilaterally-based liberal trading system to emerge. That neither the quadripartite sugar negotiations nor the Anglo-French multilateral tariff union talks succeeded can be attributed at least in part to the pattern of British trade policy and negotiating tactics described already in this section. In the sugar negotiations, the British Government's habit of giving away bargaining chips unilaterally in advance of negotiations combined with French political instability over trade liberalization and other more minor factors to thwart what was probably a genuine desire on the part of all four signatories to the 1864 Sugar Convention to end export bounties on sugar. The multilateral tariff union proposal, which was probably the most radical trade idea considered in the 1870s, had a similar fate. Mallet had proposed to Clarendon the conversion of the system of bilateral treaties to a multilateral tariff union as early as 1867 in the aftermath of the Austro-Prussian War.[357] Kennedy and Northcote shared Mallet's interest in the idea, and in 1875 Kennedy as head of the Foreign Office Commercial Department revived the idea to meet the threat of European governments raising tariffs as their commercial treaties expired in response to pressure from domestic industry. Yet again, British revenue duties entered the calculations, with Austria, Italy and France all lobbying for British wine duty reductions and British diplomats in Germany advocating reductions in British duties on spirits to head off growing German protectionist sentiment.[358]

Taking a strictly pragmatic line on preserving liberal trade, Kennedy envisioned a treaty arrangement under which Britain would lower revenue duties and European

---

[357]Gaston (1987) p. 65.
[358]*ibid.*, pp. 65-69.

states could raise their own under a treaty mechanism as an option preferable to existing treaties lapsing and foreign states unilaterally raising their tariffs. Northcote pursued the idea by proposing a European congress to negotiate a multilateral tariff union, an 'apotheosis of Cobdenism'[359] to negotiate a system of generally accepted tariff principles and classifications and a common tariff from which individual states would be permitted to deviate on grounds of need. While recognizing the difficulty of actually reaching such an accord, Northcote did see a strategic benefit for trade negotiations in such a congress. If proponents of protection were all brought together in one place, their arguments would undermine one another and the benefits of free trade would become apparent to the group, since the same people in each country who want to protect also want to export.[360]

Northcote asked Derby to direct British diplomats in Europe to propose such a tariff congress. Tenterden objected, regarding protectionist opposition in France, Italy and Austria and the political distraction of Russia and Turkey as dooming a tariff congress in advance and anticipating domestic opposition to British formal acquiescence to European tariff rises at a congress. 'Reason and the British example then constituted a surrogate diplomacy that would eventually bring the protectionist world to its senses.'[361] Gladstone, now in the opposition, maintained his opposition to haggling commercial negotiations as the preserve of protectionists and not free traders. Derby did not act on the proposal, and even Northcote, in his position as Chancellor, was reluctant for immediate budgetary reasons to encourage the idea that revenue duties could be bargained away. The idea revived, however, at the end of 1875 when

---

[359]Gaston (1987) p. 72.

[360]*ibid.* Northcote's vision of this type of confrontation was unfortunately about seventy years premature.

[361]*ibid.*, p. 74.

Léon Say became Finance Minister in France. Calling for negotiations with Britain on renewing the Cobden-Chevalier treaty, Say suggested its extension to other countries. Derby, upon the advice of Kennedy and Northcote, responded favourably to the idea. In March 1876 Northcote even briefed Parliament on the elements of the plan. However, by then the balance in France was tipping back towards protectionism. When the French Government failed to pursue the idea, Derby too let the plan lapse.[362] A greater British commitment to the multilateral tariff union idea might or might not have made a difference against the swings of French political mood; the indications are that a serious British willingness to negotiate reductions in revenue duties might have interested enough European states to get such a plan off the ground. As it happened, a unique opportunity for trade liberalization slipped away.

i. European Views of Britain

The course of British commercial policy over the half-century preceding World War I not only contributed to the decline in Britain's hegemony in the negotiating setting, but it also changed the general external perception of Britain's position. Europeans increasingly realized the value of access to the huge British market. Their great concern, which probably motivated their continued interest in maintaining at least MFN treaties with Britain, was that Britain would abandon free trade and impose differential duties, placing some countries at a disadvantage with respect to others.[363] Some European states also negotiated commercial treaties only for political objectives.[364] They did not understand in many cases why Britain had given away all her bargaining chips in advance. They also could not comprehend why she was unwilling to offer revenue duty reductions, her only major remaining bargaining chip, to advance

---

[362]*ibid.*

[363]Platt (1968) p. 147.

[364]Fuchs (1905) p. 29.

her trade liberalization goals. Some viewed British maintenance of revenue duties as just another form of protection. In 1877 British duty revenues amounted to £23 million, second only to the United States.[365] The effects of the government's unilateral free trade policy had begun to diffuse through the international system by the 1880s, and Britain was engaged in fewer commercial treaty negotiations than she had been in the 1860s and '70s. An increasing proportion of commercial treaties that Britain did negotiate in the 1880s were with countries that were not industrial competitors of Britain.[366] By the 1890s, high protection in Europe made the importance of duty-free access (or access under only revenue duties) to the British market and the British Empire seem all the more important to Europeans, even as Britain was shifting her trade ever more away from Europe and towards some parts of the Empire. In summary, Europeans continued to value the British market and feared that a British return to protectionism would rob Europeans of the benefits that they had been enjoying for several decades. Britain's market power over her major trading partners was greater than either her conventional industrial and military power or the influence of free trade ideology. By not using that market power effectively, British policymakers strengthened Britain's competitors rather than Britain, and in so doing undermined the ideological power which had been so effectively used to promote trade liberalization at mid-century.

[365]Mallet (1905) pp. 80-82.
[366]Fuchs (1905) p. 70.

IV. Hegemony and Free Trade Declining 1870-1914: Britain Negotiates

A. *Themes of the Negotiations*

This chapter examines in detail a sampling of negotiations that illustrate the ways in which Britain's policy choices shaped the fate of her hegemonic position. The following cases are infrequent examples of situations in which Britain did in fact elect to negotiate; the more common occasions in which Britain chose not to negotiate, and the results that followed therefrom, were surveyed in the last chapter. Because Britain did decide to negotiate in each of the following cases, Britain had a better chance of arresting her hegemonic decline than in those cases in which she would not even consider negotiating. However, these cases show both instances in which British negotiators adhered rigidly to unilateral free trade principles and instances in which they adopted a more proactive, compromising approach. The former, as in the early multilateral sugar talks, the late phase of the Brussels sugar convention and the Anglo-American negotiations, furthered or failed to arrest the decline in liberal trade, whereas the latter, as in the Anglo-Japanese talks and the first phase of the Brussels sugar convention, arrested or even reversed in some aspects the decline in liberal trade. The cases selected cover the entire period from the 1870s to the eve of World War I chronologically, because chronological arrangement best illustrates the effect of successive British trade policy choices upon her subsequent power and ability to advance her interests.

The chosen cases also illustrate both bilateral and multilateral negotiating situations. Industrialization and internationalization of the world economy in the mid-nineteenth century made multilateral trade negotiations possible and useful for the first time, introducing a thitherto unknown dynamic to negotiating situations. However, the

record of the negotiations also shows that as the period progressed, even bilateral negotiations took on an increasingly multilateral character, as negotiations between two parties became increasingly likely to affect other parties as well. Hence the original dichotomy between bilateral and multilateral talks tended to diminish. That notwithstanding, Snidal's observation that the size of and distribution of power among the nonhegemonic states is key to determining whether a hegemon can maintain a stable trading system appears to hold in the multilateral talks of the late nineteenth century. Britain became less able to engineer the shape of a sugar agreement as other states gained in economic power, but she remained indispensable to it because of the size of her sugar market. The rule that negotiations involving larger numbers of states can make cooperation more difficult also tends to be borne out by the length of time it took for Britain and the European powers to reach a multilateral sugar agreement and its unstable political existence once created. The bilateral negotiations between Britain and the United States and Britain and Japan show both successes for Britain, in the Japanese case, and failures, in the American case. The American case, however, suggests ways in which a different British policy might have yielded successes there as well.

The cases illustrate the ways in which Britain dealt with powers of varying strength: the European powers, the United States and Japan. It becomes evident from each case how the other states increased their power and negotiating leverage relative to Britain over the period. The significance of the differing places of the other states in the structure of the international system is illustrated as well. The cases also address both multiple commodity and single commodity negotiations. Britain's talks with the United States and Japan concerned general commercial agreements to contain tariff reductions on lists of products, which allowed many possibilities for tradeoffs

that could lead to a balance of concessions between the two sides. The other two cases involve several countries but focus on one commodity, sugar.[1]

Sugar's special role in the international economy accounts in part for its prominence in nineteenth century trade negotiations and relevance to the fate of British hegemony. Unlike most industries, sugar production is both agricultural and industrial, involving horticulture, mechanized industry, and chemical engineering.[2] Sugar developed peculiar importance as a commodity because of its addictiveness in consumer taste preferences, particularly in Britain. World sugar demand has grown steadily, and production has never fallen significantly for five centuries.[3]

Sugar has also played a unique role in the economic and cultural development of Britain. Sugar was the first mechanized industry to develop in the British Empire. British sugar plantations in the West Indies were the only 'industrial' enterprises of the seventeenth century, predating metropolitan Britain's industrial revolution in textiles and metals.[4] Sugar imports to Britain from her Caribbean colonies surpassed tobacco, the first tropical import, in volume in the late seventeenth century.[5] Sugar production shaped the development of the British West Indies, making them more like outlying farms of metropolitan Britain than separate economic units (as other colonies became). The sugar they produced was for consumption in or reexport from Britain, and they were supplied principally with British goods.[6] As sugar reached the British mass

---

[1]It is not coincidental that in the bilateral multiple commodity negotiations between Britain and the United States and Britain and Japan, sugar also figured prominently (particularly in the Anglo-American talks).

[2]Mintz (1985) pp. xxxii-xxxiv.

[3]*ibid.*, pp. xx-xxi, xxv.

[4]*ibid.*, pp. 48-49.

[5]*ibid.*, p. 36.

[6]Trade flows in fact were triangular, involving slave shipments from Africa, rather than direct between Britain and the West Indies. *ibid.*, pp. 42-43.

market in the mid-eighteenth century, Britain came to dominate sugar refining, shipping and reexports on the European side of the Atlantic.[7]

By the nineteenth century, according to Mintz, sugar consumption had become so important politically to the British public that sugar-using industrial capitalists chose to sacrifice the producer interests of their colonial planters for cheaper sugar domestically.[8] 'The English people came to view sugar as essential; supplying them with it became as much a political as an economic obligation.'[9] The demand for cheaper sugar formed a significant part of the crusade for free trade, as steady growth of consumption convinced free traders that demand was very elastic. Trade liberalization proved them right.[10] Rapid growth in world demand and production in the nineteenth century eventually allowed for a world market to set sugar prices.[11] By this point traditional cane sugar planters faced a major challenge from the development of beet sugar production in temperate zones. Whereas cane had been cultivated for over a millennium in the tropics, sugar beet production in Europe and other temperate regions developed in the mid-nineteenth century with the help of governmental assistance.[12] Most countries were involved in sugar production and consumption by the late nineteenth century, trading extensively in sugar and sugared products. Sugar became in a sense the most internationalized industry of its day. It is thus perhaps not surprising that sugar became the subject of the first intensive multilateral commercial negotiations

---

[7]*ibid.*, pp. 45-46.
[8]*ibid.*, p. 69.
[9]*ibid.*, p. 157.
[10]*ibid.*, pp. 160-161.
[11]*ibid.*, p. 185. World sugar production increased from 250,000 tons in 1800 to 3,800,000 tons in 1880 to 16 million tons in 1914. *ibid.*, p. 188.
[12]*ibid.*, p.19.

and the first significant multilateral trade agreement containing sanctions against noncompliants.

Britain's huge late nineteenth century market power in the sugar trade arose from being the largest sugar importer, although that position was challenged by the United States. Britain continued to import roughly ten times as much as the next largest European sugar importer, France.[13] Britain was also the largest European refiner of imported sugar[14] and was the largest market for major European beet sugar exporters.[15] The cases that follow illustrate how Britain both succeeded and failed to use that market power to liberalize the sugar trade and maintain its own market position.

B. *Britain and the Multilateral Sugar Negotiations 1862-1889*

Britain's participation in negotiations to establish and maintain a liberal multilateral trade regime for sugar from the 1860s through the 1880s is revealing for several reasons. Most significantly, Britain remained an active participant in the negotiating process, which had begun during the commercial treatymaking period of the early 1860s, through the 1870s and 1880s, despite otherwise turning away from commercial treaties. The quadrilateral sugar convention that Britain signed in 1864 was also the only significant multilateral trade agreement into which Britain had entered with her European trading partners, and as such its fate was indicative of the possibilities for further such trade pacts in Europe at the time. The course of the sugar negotiations offered a repeated lesson to the British Government, usually ignored, that

[13]*See* Appendix, Table 6a.
[14]*ibid.*
[15]*See* Appendix, Table 6c.

insofar as Britain was willing to make real concessions in the negotiating process, over levels of revenue duties, for example, Britain could exercise real negotiating leverage over other states. On the other hand, to bargain by making concessions unilaterally in advance and then calling for the adoption of her own view without being willing to offer anything further in return was by the mid-1870s proving to be fruitless. The negotiations also expose the efforts of the British colonial planters and domestic sugar refiners to make British trade policy address their needs.

In 1862, France's finance minister became concerned that the French government, by paying high export bounties through duty drawbacks to exporters of refined sugar from France, in order to be competitive with other European sugar producing countries, was keeping domestic sugar prices high and draining the French treasury needlessly.[16] Britain was particularly anxious to end sugar export bounties because of the threat they posed to British colonial sugar exports to metropolitan Britain under free trade. A 10-year convention was negotiated and signed in 1864 between France, Belgium, Holland and Britain to regulate duty drawbacks on sugar exports codified a regime under which raw sugar imports into the signatory countries would be charged a duty, which sugar refiners could then recover in the form of a drawback, equalling only the original duty paid, for whatever refined sugar they subsequently exported.[17] This type of sugar regime permitted countries to protect their newly developing domestic beet sugar production without weakening or inhibiting

[16]A drawback is the repayment of a duty paid by an importer of raw materials when the same goods are reexported after processing. When the drawback exceeds the initial duty paid, it becomes a form of export bounty or subsidy.

[17]W.H. Smith to Lord Tenterden, July 31, 1874, Parliamentary Papers (1874).

the export potential of their domestic sugar refining industry. Problems arose because refiners, particularly in France, found a way to collect an export bounty in spite of this policy by exploiting the dutiable quality assessment process for raw sugar imported and refined sugar to be reexported.[18] French domestic political instability prevented the promulgation of a new law to make the French tariff code conform to the terms of the 1864 Convention in such a way as to prevent such exploitations, but France promised reform by the end of 1869. To support the French Government against its worsening protectionist opposition the following year, Britain agreed that the new French law's introduction could be postponed until the end of 1871. Napoleon III's replacement (following France's defeat in the Franco-Prussian War) by the highly protectionist Thiers, whose government raised sugar import duty rates to a level that effectively doubled the export bounty paid to sugar refiners, dashed British hopes of early modification of the French law.[19]

Alarmed by the French situation, Gladstone's government called a new sugar conference in 1872. Whereas British import duties on sugar since the 1864 Convention was signed had declined by 50 percent, duties in France had risen by the same amount. Duties in Belgium and Holland had also increased during the same period.[20] Duty increases and the incomplete execution of the terms of the 1864 Convention by France and by Belgium together subjected British sugar refiners to stiff

---

[18]Sir Louis Mallet, August 1, 1872, Minutes of the International Sugar Conferences on Drawbacks of Refined Sugars established by the Convention of November 8, 1864, Parliamentary Papers (1873).

[19]Smith to Tenterden, *loc. cit.*

[20]Mallet, *ibid.*

competition in export markets.[21] Domestically, bounty-driven exports of rapidly-growing French loaf sugar were driving British refiners out of the loaf sugar market, and Britain's refiners feared similar competition in other refined sugar markets.[22] Pressed by refiners to act on the sugar question, Lord Granville, Gladstone's Foreign Secretary, appointed the highly able commercial treaty negotiator Sir Louis Mallet to lead the British delegation to the conferences.

Britain argued against the European powers throughout the 1870s that the only effective way to halt sugar export bounties was to insist that sugar be refined in bonded warehouses under supervision of customs officials. Thiers' government sought to escape the Napoleon III government's commitment to refining in bond as a way of bringing France into compliance with the 1864 Convention. The French *Conseil Supérieur du Commerce* preferred as an alternative to refining in bond a system of assessing sugar duties on delivery for consumption, wherein only sugar imports for domestic use in France would be taxed.[23] The Dutch government, while agreeing with the British that the increasing use of beet sugar was making payment of export bounties through drawbacks more of a problem, supported refining in bond only as a last resort. Belgium opposed refining in bond outright, arguing that the number of small sugar refineries in Belgium and their proximity to residential dwellings made bonding all such refineries prohibitively expensive and difficult.[24]

---

[21]Mallet, August 3, 1872, *ibid.*

[22]Imports of loaf sugar to Britain from France had increased from 12,000 tons in 1865 to 37,000 tons in 1871, capturing one third of British loaf sugar consumption. Minutes, August 6, 1872, *ibid.*

[23]M. Ozenne, August 1, 1872, Minutes, *ibid.*

[24]Minutes, August 1, 1872, *ibid.*

At the outset of the negotiations, Mallet rejected a proposal by Belgium, France and Holland to improve the operation of the 1864 Convention through technical changes (and extend it for two years), arguing that its success would depend on untried technology the workability of which was doubtful.[25] The other powers were very critical of Britain's unwillingness to bend from her insistence upon refining in bond. The Belgian negotiators forcefully articulated Belgium's commitment both to a multi-lateral system of administering the sugar trade and to free trade as a principle. The chief Belgian negotiator, Guillaume, responded to Mallet's concerns about the British sugar refining industry by observing that British refiners would be in a much worse competitive position if the 1864 Convention were not renewed. If the British government then decided to reduce further or eliminate its remaining low revenue duties on sugar imports in response to pressure from consumers and sugar refiners, Britain would be even more vulnerable to another country's decision to reinstitute official export bounties and under her free trade policy would be powerless to counteract such bounties. The Belgian argument was that the non-renewal of the 1864 Convention, which was likely to follow from Britain's rejection of the European proposal, would hurt British refiners more than the British government's yielding on the principle of refining in bond.[26] Fisco, the other Belgian negotiator, stated that Belgian adoption of refining in bond would violate Belgium's own commitment to free trade. The Belgian government regarded the level of state involvement in the sugar

[25]Mallet, August 8, 1872, Conference, *ibid.*

[26]Guillaume, *ibid.* Guillaume also expressed Belgium's interest in expanding the convention to include Austria-Hungary and the *Zollverein*, both of which were major sugar producers.

refining industry required to administer bonded refineries as incompatible with and threatening to a laissez-faire free trade economy. Acknowledging Britain's pivotal role in propagating free trade in Europe, Fisco appealed to Britain to yield her negotiating position on free trade grounds.

> England has already, for a long time past, adopted the principles of free trade, and has undertaken the honourable mission of propagating them in Europe. The conclusion of the Convention of November 8, 1864, marked a considerable advance in this path; for it introduced a new principle of association between the interests of the several countries. The non-renewal of the Convention will be a retrograde step towards protectionist ideas, and I am confident that the country of the Sir Robert Peels and Cobdens will not give to the world so discouraging a spectacle.[27]

Since neither Mallet nor the European delegates wished the 1864 Convention to lapse in 1875, the negotiators agreed to convene a new conference some months later. Mallet said that Britain would consider adopting refining in bond herself unilaterally, as a demonstration of its viability and as a way of adopting a uniform revenue duty on her own sugar refining process.[28] At the end of the first sugar conference of the 1870s, Mallet had not convinced the other states to adopt refining in bond, but neither did those states, despite their rhetoric, elect either to let the convention lapse or act on their own without Britain.

Prior to the new conference, several British wholesale grocers, sugar merchants and brokers in Manchester, Bristol, Glasgow, Greenock and Liverpool sent memorials to Gladstone in support of the sugar refiners' objections to the existing sugar regime and to France's proposed reforms to make French sugar duty assessments conform to

---

[27]Fisco, *ibid.*
[28]Mallet, August 10, 1872, *ibid.*

the 1864 Convention. This group of traders endorsed refining in bond.[29] The new conference was convened in Paris on April 19, 1873, with Holland and Belgium championing saccharometry, a group of competing new scientific methods of sugar quality classification. France was open either to refining in bond or to one of the scientific methods proposed by Belgium and Holland. Britain still deemed France to be the principal obstacle. British delegates produced the statistics that for each unit of sugar escaping taxation through drawbacks in Britain, 3 escaped in Belgium, 3 in Holland and 5 units escaped in France.[30] As Mallet had been appointed to the India Office, leadership of the British delegation was assumed by Charles Kennedy, head of the Commercial Department of the Foreign Office and a lone bastion of proactive free trade in that largely unilateralist body. Britain's delegates were convinced by technical testimony and demonstrations that there was no sufficiently successful method of saccharometry available, while the other three delegations continued to debate which was the best method. The British delegate, Ogilvie, presented new historical information on refining in bond, describing how the system had worked in Britain when the British government had earlier paid a drawback to British refiners for exports of British colonial sugar. Ogilvie then presented to the conference proposed regulations for the administration of bonded refining, and they were debated but no resolution reached.[31]

Eventually Britain's steadfast insistence on refining in bond began to pressure the European governments. Uytenhooven, the Dutch delegate, said that his

---

[29]Memorials of the Wholesale Grocers, Sugar Merchants and Brokers, March, 1873, *ibid.*

[30]April 19, 1873, *loc. cit.*

[31]April 24, 1873, *ibid.*

government would accept refining in bond if all other proposals were deemed a failure.[32] French sugar refiners were not unanimous in support of refining in bond, but the conference heard its endorsement by one faction.[33] However, the Dutch shift and French refiners' lobbying was insufficient to make the difference that the British negotiators had sought. The conference's final protocol indicated that the signatories agreed to disagree. The protocol reflected Britain's strong opposition to saccharometry and did not explicitly prohibit Britain from adopting refining in bond unilaterally. The protocol also indicated Belgium's strong opposition to refining in bond.[34] After the conference, Ogilvie and Kennedy reported back to Granville that France would have been willing to adopt refining in bond, but only if all four powers agreed to do so. Belgian opposition had doomed prospects for success. Their view was that the incremental improvements in duty assessment adopted by the European states would cause export bounties to decline but not to disappear.[35] British sugar refiners, predictably, were very disappointed by the outcome of the conference. When, during the conference, the British Sugar Refiners' Committee had learned that Belgium was the principal obstacle to multilateral adoption of refining in bond, they at once sent a memorial to the Foreign Office urging that Britain reach agreement with France and Holland on refining in bond and suggesting that Belgium be dropped from the convention. Their argument was that such a move was reasonable because Belgium's exports of sugar relative to the other countries were minimal.[36] The Foreign Office, however,

---

[32]Uytenhooven, April 29, 1872, *ibid.*
[33]April 30, 1873, *ibid.*
[34]May 1-3, 1873, *ibid.*
[35]Report of British delegates to Granville on the Spring 1873 Paris Conference, *ibid.*
[36]Memorial of the British Sugar Refiners' Committee, April 30, 1873, *ibid.*

decided to try a more bilateral approach to ending sugar export bounties by diplomatically engaging the principal culprit, France.

Granville referred some aspects of the Anglo-French sugar problem to the new Anglo-French Mixed Commission on bilateral trade disputes in February 1874.[37] Lord Lyons, the British ambassador to Paris, February 13th requested of the Duc Decazes, the French Finance Minister, that the new French Government of MacMahon enact legislation to adopt refining in bond unilaterally and then press Belgium and Holland to adopt the same policy.[38] Decazes, generally sympathetic to Britain's position, read aloud in the National Assembly part of Lyons' letter during a debate on a bill proposed by Pouyer-Quertier to introduce refining in bond as of May 1, 1874. The bill, opposed by the government because it could have put France into a struggle with Holland and particularly Belgium over unilateral introduction of bonded refining during the term of the 1864 Convention, was defeated, but the government approved a revised proposal, in which refining in bond would be introduced no later than the July 1, 1875, expiry date of the 1864 Convention. Desseilligny, the French Commerce Minister, saw this solution as a way not to antagonize Belgium and Holland, leaving open the route to a new four-power agreement, while pleasing Britain. After further amendment, the bill was referred back to a committee of the National Assembly.[39] The National Assembly March 12th passed the bill by a vote of 364-267. In the preceding debate, one prescient French legislator, Henri Villain, predicted that Britain would abolish her remaining revenue duties on sugar rather than go to the trouble and expense of establishing refining in bond in Britain.[40] The British Foreign Office and

---

[37]Lord Lyons to the Duc Decazes, February 13, 1874, Parliamentary Papers (1874).
[38]Lyons to the Earl of Derby, February 27, 1874, *ibid.*
[39]Lyons to Derby, February 28, 1874, *ibid.*
[40]Lyons to Derby, March 13, 1874, *ibid.*

Treasury were both very pleased with the turn of events in France, and Lord Derby exhorted the French government to implement refining in bond as soon as it was practicable.[41]

Britain and France, together for the moment, faced the problem of Belgian opposition to refining in bond. Lord Derby (who had replaced Granville as Foreign Minister) replied to queries from Decazes that whilst the British government viewed adoption of refining in bond without consent of all other signatories as incorrect, no other signatory should withhold consent, especially considering that refining in bond was being forced upon no power.[42] Britain, according to Derby, had also decided that if Belgium would not adopt refining in bond, then she should be obligated to end by other means all practices not conforming to the 1864 Convention.[43] The Anglo-French position began to make some headway in Belgium. Guillaume informed Decazes that Belgium provisionally would not oppose adoption of refining in bond by the other three powers and would make concessions herself on quality classification methods.[44] Yet Britain and France still differed on the approach to take with Holland and Belgium. Whereas the Foreign Office wanted to see France call for a new conference to extend the 1864 Convention in the hope that this might move the recalcitrant Belgians, the French government preferred the more low profile approach of negotiating informally with Belgium and Holland before calling for a new conference. The National Assembly, Decazes told Lyons, still did not want to implement refining in bond before negotiating with the other countries and before

---

[41]Derby to Lyons, March 30, 1874, *ibid.*
[42]Derby to Lyons, March 6, 1874,*ibid.*
[43]*ibid.*
[44]Lumley to Derby, March 9, 1874, *ibid.*

other countries adopting the system implemented it.[45] Desseilligny told Kennedy in Paris in April 1874 that the new regulations would be drafted in a month and that he wanted the new four-power conference to take place in July so that refining in bond could begin in September or October. Kennedy approved of this timetable.[46]

Desseilligny also expressed concern to Kennedy that if Britain intended to abolish her remaining sugar duties instead of adopting refining in bond, she might no longer wish to participate in a multilateral convention at all. He speculated that it would then be in Britain's interest simply to use her domestic law to impose sugar duties on only those countries that allowed bounty payments to continue.[47] Derby answered these points to Kennedy:

> With regard to the suggestion made to you that the system of giving bounties might be checked by the imposition of a duty on refined sugar imported into Great Britain from countries supposed to grant such bounties, I have to observe that apart from the general objection to the introduction into the British tariff of differential duties, Her Majesty's Government are under Treaty engagements, from which they have no wish to depart, to treat France and French produce on the most-favoured-nation footing.[48]

And although Chancellor Lowe had ended Britain's sugar revenue duties that year[49], Britain did wish to remain a member of the four-power agreement, in part because British sugar refining interests saw continued participation as the best way of making competition fairer and lobbied the government to continue negotiating with the other powers.

Later in the spring of 1874, Belgium expressed to Britain a willingness to implement strictly the terms of the 1864 Convention but without adopting refining in

---

[45]Lyons to Derby, March 31, 1874,*ibid.*
[46]Kennedy to Derby, April 14, 1874, *ibid.*
[47]Kennedy to Derby, April 21, 1874, *ibid.*
[48]Derby to Kennedy, June 10, 1874, *ibid.*
[49]Mallet (1905) p. 85.

bond.[50] The Belgian government was unwilling to introduce the required legislation, however, until France also strictly implemented the convention's terms, and negotiations to renew the convention had begun.[51] Belgium, like France and unlike Britain, evidently feared any unilateral liberalization because of the competitive disadvantage that might ensue. Derby meanwhile still hoped that Belgium could be persuaded to adopt refining in bond, and he was interested in expressions of support for it in the Belgian House of Representatives and in certain segments of the commercial sector, including some sugar refiners.[52] But according to a Belgian government trade official, the former was ephemeral and the latter was declining as refiners realized the logistical problems involved.[53]

By summer, the British government began to realize that refining in bond in France was still far from implementation, despite the passage of the Pouyer-Quertier bill. A promised commission to draft bonded refining regulations was never formally convened.[54] The Foreign Office returned to the ultimately vain hope that it might be easier to rectify the continuing harm to British sugar interests by convincing France first to pass domestic legislation conforming the French tariff to the 1864 Convention while they awaited eventual multilateral implementation of refining in bond. Derby was willing for France to meet her 1864 Convention obligations through effective domestic legislation even if the Convention expired.[55] The West India Committee, which represented British Caribbean colonial commercial interests in London, joined with British sugar refiners in lobbying the government to act against French sugar

---

[50]Derby to Lumley, May 23, 1874, Parliamentary Papers (1874).
[51]Lumley to Derby, May 27, 1874, *ibid.*
[52]Derby to Lumley, May 23, 1874, *ibid.*
[53]Lumley to Derby, May 27, 1874, *ibid.*
[54]Kennedy to Derby, June 2, 1874, *ibid.*
[55]Derby to Kennedy, June 10, 1874, *ibid.*

protection. West Indian colonial sugar planters, the committee argued, were being squeezed between other Caribbean producers that still used slave labour and protectionist European beet sugar producing countries. In 1873, France already held one tenth of the British sugar market. The committee urged the government to secure Belgian and Dutch agreement for France to implement refining in bond at once.[56] Amidst more empty official assurances that refining in bond would be implemented, Decazes told Lyons in September 1874 that the National Assembly would not entertain other legislation to execute fully the 1864 Convention.[57]

By mid-1874 the British Government were relatively indifferent as to how France stopped sugar bounties, but they were primarily concerned that it happen immediately, so as to stop the injury to British sugar refining. Despite France's prevarications since the signing of the 1864 Convention and especially over the previous two years, the British Government had, in the words of a Treasury official,

> never ceased to hope that France would in due time perceive that the interests of that country pointed to the adoption of a sound system, and one which would be just, not only to its foreign competitors, but to its own sugar growers, and its own sugar consumers, as well as to the tax payers, who are in effect called upon to pay the bounties to the refiners.[58]

The Treasury lords ideologically opposed imposition of any retaliatory countervailing duties ('CVDs'). Yet they were coming to the inefficacious belief that it would be beneath British dignity to continue attending conferences whilst the French continued their intransigence, and that instead the British government should publish its position

---

[56]West India Committee Memorandum respecting Bounty on Foreign Sugar, July 1874, *ibid.*

[57]Lyons to Derby, August 28, 1874, *ibid.*

[58]W.H. Smith to Lord Tenterden, July 31, 1874, *ibid.*

and formally call for all signatories to the 1864 Convention to adhere to all its conditions.[59]

In Holland as in Britain, the idea of ending sugar duties altogether came under discussion. However, the concern was articulated in January 1875 in the States General, the Dutch legislature, that if Holland eliminated sugar duties altogether before the other signatories to the 1864 Convention, especially France, did so, then the Dutch domestic market could be flooded with foreign sugar, as Britain's market had been.[60] That month, France proposed that the four powers extend the 1864 Convention for two years, postponing the implementation of refining in bond for that period, and that Belgium cease her export bounties by ending her sugar duties altogether.[61] Belgium and Holland were not interested in this plan, considering that France had not executed the 1864 Convention's terms anyway.[62] Belgian Commissioner Malou told Lumley that if France would not cooperate, Belgium would be willing to renew the 1864 Convention without France but with the intent of convincing Austria-Hungary and Germany to join.[63] A subcommission of the *Conseil Supérieur du Commerce* reported favourably on the proposed legislation to implement refining in bond, but only provided that the four powers were to implement it simultaneously. The subcommission also called for extension of the 1864 Convention to Austria-Hungary, Germany and Italy.[64] As the expiry of the 1864 Convention drew close, Belgium became particularly concerned about the consequences that might ensue, since her

---

[59]*ibid.*

[60]Report of Debate in the First Chamber of the States General, on the 13th January 1875, on the Sugar Question, Parliamentary Papers (1875) p. 371.

[61]Derby to Sir H. Barron, Jan. 28, 1875, *ibid.*

[62]Lumley to Derby, March 2, 1875, *ibid.*

[63]Lumley to Derby, January 31, 1875, *ibid.*

[64]Lytton to Derby, February 21, 1875, *ibid.*

1861 commercial treaty with France would prevent her from imposing a countervailing duty to compensate for French sugar bounties.[65]

A new French government in late March 1875 proposed a new conference on sugar, to include non-signatories to the 1864 Convention. Derby, unsure about the proposal, requested that British ambassadors in Europe poll their foreign governments for those governments' views on the French proposal, particularly the views of Germany, Austria-Hungary and Italy, so that Britain could take a position.[66] Lyons realized that a multilateral conference would be the only way to change French policy, since France would not consider executing the 1864 Convention fully during its closing months and would not implement refining in bond without assurance from the other treaty powers to do likewise.[67] Lord Odo Russell reported back to Derby that German interests would not allow Germany to accept an invitation to a sugar conference at that time,[68] but in fact neither Germany, Austria-Hungary or Italy ever received invitations from France to the proposed conference.

The West India Committee, convinced that France was attempting to postpone the ending of sugar bounties, in February 1875 asked the Chancellor, Sir Stafford Northcote, to impose a countervailing duty against French sugar and argued that the government should use the threat of more countervailing duties in negotiations with France and Belgium. Hill, the committee chairman, articulated clearly the general position of the proactive free traders.

> The Committee further submits that the imposition of a duty of this character would not be inconsistent with the commercial policy of this country. It could be justified upon true principles of political economy.

---

[65]Lumley to Derby, March 18, 1875, *ibid.*
[66]Tenterden to Lingen, March 25, 1875, *ibid.*
[67]Lyons to Derby, March 29, 1875, *ibid.*
[68]Lord Odo Russell to Derby, March 31, 1875, *ibid.*

> Free trade policy consists in removing all artificial restrictions from the operations of commerce, in allowing each industry to utilize to the utmost its natural advantages, and in maintaining a perfectly fair and healthy competition. The imposition, therefore, of such a duty would be essentially a free trade measure.[69]

British sugar refiners joined the West India Committee in objecting loudly to France's policies.[70]

France, after securing first Belgian and then Dutch agreement to participate in the new conference, formally requested that Britain also participate.[71] The Treasury opposed participation on account of France's repeated backpedalling on implementing refining in bond. However, the Treasury lords, with the agreement of the Customs Service, the British Sugar Refiners' Committee and the West India Committee, left the decision to Derby in light of Decazes' recent statement that France would not require Belgium to implement refining in bond for France to do so, provided that Belgium adopted an equally effective means of ending bounties.[72] Derby decided that Britain would participate in the conference, with Treasury concurrence.[73]

Customs officers F.G. Walpole and E.P. LeFeuvre, selected to serve as delegates because of their technical knowledge of tariff operations,[74] were instructed by the Foreign Office that Britain's primary interest was to convince France to adopt refining in bond. Once that was accomplished, Holland would be obliged, for revenue reasons, to abandon payment of bounties, and Belgium's sugar exports were small enough to be an insignificant threat to British sugar refiners. Allowing France to discuss other systems of ending bounties, however, would be a tactical error.

---

[69]T.D. Hill to Sir Stafford Northcote, March 2, 1875, *ibid.*
[70]Gadesden to Derby, April 7, 1875, *ibid.*
[71]Gavard (French ambassador to London) to Derby, April 26, 1875, *ibid.*
[72]Charles W. Strong, *pro sec.*, to Tenterden, April 22, 1875, *ibid.*
[73]Lister to Strong, April 30, 1875, *ibid.*
[74]Lister to Law, May 13, 1875, and Law to Tenterden, May 15, 1875, *ibid.*

> Should, however, the French government persist in discussing an alternative scheme for herself as well as the other Powers, it will be extremely difficult for the British Delegates, now that there are no sugar duties in this country, and we are no longer in the position to object to the regulations on the ground that they would not afford sufficient guarantees for the faithful collection of the revenue, and that they would embarrass trade, to decline to accept, however reluctantly, a system or systems which may be considered satisfactory by the other Powers, provided they ostensibly afford guarantees for the suppression of bounties.[75]

The delegates' objectives, then, were: that France and Holland commence refining in bond and an effective substitute system be adopted in Belgium; or, if that plan failed, then to press for the adoption of a system of saccharometry, demand MFN status for British sugar in France (not excepting even French colonial sugar) following the expiry of the 1864 Convention, and agree that Britain would adopt refining in bond or an equally effective guarantee against bounties should she ever readopt sugar duties.[76] The delegates were burdened with a negotiating disadvantage, however, in that the Treasury had already executed its contemplated plan to repeal Britain's remaining sugar revenue duties, unilaterally giving away that bargaining chip in advance.[77]

Unsurprisingly, the question arose early at the conference of the continuing appropriateness of British participation, given her repeal of sugar duties.[78] Walpole indicated that Britain's interest was in the continuing negative effect of bounties on Britain's sugar refining industry.

> Mr. Walpole states that England, which has abolished all advantages, should always find a place at a Conference, the object of which is to

---

[75]Memorandum of Instruction for British Delegates, May 15, 1875, *ibid.*

[76]*ibid.*

[77]*ibid.*

[78]Sir Louis Mallet had earlier criticized Lowe's unilateral ending of the sugar duties, which he had done without consulting either the president of the Board of Trade or the Foreign Secretary, as wasting an opportunity for securing further commercial treaty concessions, particularly from Germany. *See* B. Mallet (1905) p. 85.

> suppress bounties, which moreover, have had such a prejudicial effect on the refining industry.[79]

After considerable debate, the delegates signed a proposed convention on June 2, 1875, to run for ten years, that would permit Belgium to operate an alternative system to refining in bond and guarantee national treatment on sugar duties for each of the signatories.[80] The British delegates thought that they had obtained the best deal possible given their lack of negotiating leverage. Although they were not entirely pleased with the Belgian system, they recognized the importance of getting France and Holland to agree to it just so that France would start refining in bond.[81] They also were concerned that the national treatment provision precluded Britain from ever imposing a surtax on sugar from a recalcitrant signatory country.[82] The sugar industry representatives were grateful for the accomplishments of the negotiators. Since Britain no longer had a revenue interest in the negotiations, Walpole observed, British participation was 'purely in the interests of the trade.'[83]

The protocol still needed to be signed formally by governments and ratified by the legislatures of the signatory powers. Through the summer Britain pushed to resolve wrangling between Belgium and Holland over an additional Belgian duty reduction that Walpole and LeFeuvre had urged upon Belgium to appease the Dutch and to which Belgium eventually consented.[84] London protested against yet another French attempt to delay refining in bond, this time until the convention's scheduled entry into force with the first Belgian duty reductions, of 30 percent, as of March 1,

---

[79]Walpole, May 24, 1875, Minutes of the International Conferences Held at Brussels, May 1875, Parliamentary Papers (1875) p. 246.

[80]June 2, 1875, *ibid.*

[81]Walpole and LeFeuvre to Derby, May 29, 1875, *ibid.*

[82]Walpole and LeFeuvre to Derby, June 2, 1875, *ibid.*

[83]Walpole to Derby, Sept. 9, 1875, *ibid.*

[84]Report by Messrs. Walpole and LeFeuvre, June 10, 1875, *ibid.*

1876.[85] Predictably, this drew the ire not only of the British government, but of British sugar refiners, who flooded the Foreign Office with memorials on the subject. At Holland's request, a provision was added to the draft to allow other powers to accede to the convention, with the thought that Italy might be induced to accede later.[86]

As governments became concerned that their legislatures might adjourn before ratifying the convention in time for it to enter into force as scheduled, Lyons became convinced that the best that Britain could hope for was that the French National Assembly before adjourning would pass legislation implementing refining in bond as of March 1, 1876 (a date later than Britain sought), and that the French and Dutch governments should be encouraged to sign the convention as soon as possible.[87] This outraged the West India Committee, which urged Derby not to sign the draft convention at all,[88] and then suggested a countervailing duty or embargo against French sugar if France did not execute the new convention as agreed.[89] The British Sugar Refiners' Committee, seeing more to lose from having the convention not signed at all, took a more pragmatic line and urged Derby to sign the convention as soon as possible.[90] The French National Assembly on July 30, 1875, passed unanimously the implementing legislation with the March 1876 startup date.[91] In a flurry of last-minute negotiations amidst sudden panic amongst all powers that the convention would

[85]Tenterden to Martineau, July 17, 1875, *ibid.*
[86]Harris to Derby, July 16, 1875, *ibid.*
[87]Lyons to Derby, July 27, 1875, *ibid.*
[88]Lubbock to Derby, July 29, 1875, *ibid.*
[89]Lubbock to Derby, August 7, 1875, *ibid.*
[90]Martineau to Derby, August 6, 1875, *ibid.*
[91]Lyons to Derby, July 30, 1875, *ibid.*

not be signed, the four powers resolved their outstanding differences and signed it on August 11, 1875, leaving only ratification by the legislatures remaining.[92]

The newly signed convention soon foundered in the least likely country to reject it, Holland. The Dutch Sugar Refiners' Association announced their opposition to the convention in September 1875, fearing that France would not observe its terms and that Belgian beet sugar growers would retain unfair advantages.[93] The Second Chamber of the States General rejected the convention by a 55-17 vote on March 6, 1876. The Belgian legislature then postponed consideration of the convention and delayed its scheduled initial duty reductions under the convention until further negotiations had taken place.[94] The British Foreign Office reaction was the typical arms-length expression of regret at the benighted commercial policies of other powers. Derby's statement in the House of Lords was reported in the Dutch States General.

> If a Friendly Government chose to maintain the system of bounties, Her Majesty's Government could not easily interfere. They could only give advice as to the disadvantages that might result therefrom, and must trust to what Foreign Governments choose to do in confidence.[95]

Ironically, one of the reasons for the States General's rejection of the convention was a growing Dutch interest in following Britain's lead by eliminating sugar duties altogether. In the debate, the influence of Britain's repeal of sugar duties on free trade sentiments was apparent. M. Van Houten, a member of the Second Chamber, listed as one of the three key points of the sugar question for Holland:

---

[92]Tenterden to the Secretary of the Treasury, August 23, 1875, *ibid.*

[93]Harris to Derby, Sept. 17, 1875, *ibid.*

[94]Dispatches from Lumley and Saville to Derby, March 6-8, 1876, Parliamentary Papers (1876).

[95]Interpellation of Baron Mackay in the Dutch Second Chamber, and answer of the Minister of Foreign Affairs, respecting negotiations consequent on the rejection of the Sugar Convention, included in Harris to Derby, March 30, 1876, *ibid.*

> 2. The interests of our trade in relation to the absolute freedom which England enjoys through the abolition of the sugar duties. It gives her a great advantage over this country, whilst the maintenance of the type (classification) system is a hamper to our trade.[96]

In rejecting the convention, the deputies at first allegedly did not realize that the convention did permit them to repeal sugar duties unilaterally at a later date.[97] Having realized their error, legislators became eager to ratify the convention, with a clarifying clause.[98] Yet their initial rejection had set off a chain of events that could not be undone.

A new conference was convened at Paris on July 17, 1876. Holland, with Britain's support, proposed a convention similar to the one the States General had rejected. France objected, not wanting to be the only power implementing refining in bond if Holland were to end sugar duties altogether. Britain opposed France's proposal of a system based on saccharometry as having been debated and rejected by the powers in earlier years on account of its inaccuracy. Walpole, for the first and only time, obliquely threatened France:

> We stated that although Her Majesty's Government had held out no hope to the sugar industry in England that, under any circumstances, they would resort to compensatory duties, that, nevertheless, if a system were proposed which, in their opinion, would continue bounties, they might hesitate to accept an Article which would deprive them and future Governments of the power of giving relief to the sugar industry;...[99]

Derby was quick to rein in this excess of negotiating zeal by Walpole and LeFeuvre, reminding them of the immutable official position:

---

[96]Resumed Discussion in the Second Chamber on the consequences of the Rejection of the International Sugar Convention, April 7, 1876, in Harris to Derby, April 19, 1876, *ibid.*

[97]Lumley to Derby, April 9, 1876, *ibid.*

[98]Count Bylandt to Derby, April 14, 1876, *ibid.*

[99]Walpole and LeFeuvre to Derby, July 22, 1876, *ibid.*

> ...I have to point out to you the importance of your not using any language which could be construed into an intimation that Her Majesty's Government would under any circumstances contemplate a policy of retaliation by the imposition of countervailing duties upon foreign sugar.[100]

France, however, applauded and supported the idea of imposing countervailing duties against countries paying bounties. Walpole and LeFeuvre replied that even if Her Majesty's Government were to support such a position, it would have to be approved by the House of Commons as it would involve the possible raising of duties, so practically speaking it could not be included in the convention.[101] They also opposed a French plan to impose surtaxes on non-signatory countries paying bounties, pointing out that the convention was only to govern the sugar regime amongst its signatory countries. Walpole and LeFeuvre concluded from the negotiations that the other powers were more willing to risk losses to their treasuries from paying bounties than market shares of their export trade that a new system of control could cause.[102]

The conference reconvened in February 1877, again without additional participants, as it was not politically convenient for Austria at the time and not sufficiently advantageous for Germany and Italy to attend if Austria did not.[103] The delegates eventually approved a ten-year compromise convention that would establish a modified form of refining in bond for France and Holland. The new plan would allow Holland not to charge duties but would retain supervision for purposes of quality control, and in France duties would be paid on delivery for consumption, not export. Pressed by the other powers to agree to impose CVDs against countries paying

---

[100]Derby to Walpole and LeFeuvre, July 28, 1876, *ibid.*

[101]Walpole and LeFeuvre to Derby, July 22, 1876, *ibid.*

[102]Walpole and LeFeuvre to Derby, August 2, 1876, *ibid.*

[103]Minutes of the International Conferences on the Drawbacks on Sugar held at Paris in February and March 1877, February 5, 1877, Parliamentary Papers (1877).

bounties, Britain accepted that consultations amongst the signatories would occur, but the British government would not commit to any form of mandatory retaliation.[104] Supporting the new draft, Walpole and LeFeuvre wrote to Derby that negotiations were particularly difficult because the other powers were only willing to give up their protection for conditions of perfect competition.[105] The sugar refiners approved of the new draft convention.[106] France and Holland delayed their consideration of the new convention, and despite active British lobbying, the Dutch government in March 1878 decided not to support it because they viewed its planned system as still unfair and also at the time were in need of the revenue provided by sugar duties.[107]

Amidst the growing legacy of failure of the multilateral sugar talks, two important changes were coming about in British sugar policy. First, the Government and the sugar lobby was turning their attention more to the activities of sugar producing countries outside the four-power convention and their effect on the British sugar trade. In early 1876, a consular report to Parliament found Austria's sugar policies to be a threat to Britain. Austrian sugar was entering the British market only because of her drawback or bounty, the report found, and there was no chance for Britain to recapture part of the Austrian refined sugar market.[108] The West India Committee was concerned about the growth of Austrian and Russian sugar exports to Britain.[109] Derby requested that British consuls in Austria and Russia gather more information about those countries' sugar industries. Britain asked Austria in May 1877 to end bounties in light of the liberal sugar convention just approved, arguing that the

---

[104]Minutes, March 8, 1877, *ibid.*
[105]Walpole and LeFeuvre to Derby, March 17, 1877, Parliamentary Papers (1878).
[106]Gadesden to Derby, March 22, 1877, *ibid.*
[107]Memorandum from Count Bylandt, March 15, 1878, *ibid.*
[108]Reports on the Sugar Industry in Foreign Countries, Parliamentary Papers (1876).
[109]Hill to Derby, March 29, 1877, Parliamentary Papers (1878).

four countries had not taken restrictive steps against Austria in the new draft convention, but because of that the French National Assembly might not ratify it. Hence it would be in Austria's interest to remove bounties.[110] Austria did not end bounties, however.

The West India Committee reported that Russia's initiation of export bounties on sugar had caused the startup of Russian sugar exports to Britain, and, according to the British consul at St. Petersburg, payment of drawbacks had given a big boost to the Russian sugar industry.[111] An April 1878 West India Committee memorandum and memorial to the Foreign Office compared the various duty systems in other countries and protested the use by beet sugar-producing countries of bounties and protective duties to exclude British colonial sugar. Imports to Britain from bounty-paying countries, they found, went from 261,350 tons in 1875 to 320,529 tons in 1877. The committee called for countervailing duties against bounty-paying countries, arguing that bounties would drive British producers out of business, allowing foreign producers monopoly control and the resulting ability to raise British sugar prices to consumers indiscriminately.[112]

The second major change that occurred in British sugar policy was the transformation of the sugar lobby during the 1870s from a quiet pressure group into an outspoken critic of the government's policy of unilateral free trade and proposer of innovative policy alternatives. This change appears to have been led by the West India Committee, which made more radical statements than the British Sugar Refiners

---

[110]Sir A. Buchanan to Derby, May 17, 1877, *ibid.*

[111]Report by Mr. Michell on the Manufacture of Sugar in Russia, December 18, 1877, *ibid.*

[112]Memorial to the Secretary of State of the Colonies from the West India Committee, March 1878, *ibid.*

Association, and to have been accelerated by the depression in British colonial sugar prices during 1875 and 1876. Hill of the West India Committee asked prior to the 1876 conference that Britain threaten to retaliate if bounties could not be stopped. The committee endorsed a dramatic proposal sent by the Greenock Chamber of Commerce in a memorial to Derby calling for general international arrangements for commodities, embodied in multilateral commercial treaties. The four-power sugar conventions, the committee concluded, had not yielded results and had contributed to the growing advantages of non-signatory sugar producing countries.[113] Hill criticized Derby for undermining the government's negotiating stance by announcing in the House of Lords that Britain would impose no differential duties. Hill observed that Derby himself had noted in the Lords that prior abolition of remaining sugar duties had weakened Britain's negotiating leverage, and that the Dutch foreign minister had brought both of these points to the attention of the Second Chamber of the States General.[114] Comparing Britain's negotiating methods to those of France, Hill noted that when France had threatened unilateral duty increases, negotiations were rapidly jump-started.[115]

The West India Committee also praised the effectiveness of German trade policy, noting that Germany was using domestic legislation to counter bounties instead of participating in the international conferences.

> Your Lordship is aware that a bill has been before the German Parliament by the Government of that country, and advocated by Prince Bismarck, on free trade principles, to impose a countervailing duty upon articles imported into Germany that enjoy a bounty on export in the countries from whence they come. In the event of no international arrangement being made, this is, indeed, the only course which can be

---

[113]Hill to Derby, July 14, 1876, Parliamentary Papers (1877).
[114]Hill to Derby, July 22, 1876, *ibid.*
[115]*ibid.*

> taken by any country, the commercial or productive interest of which are at the mercy of the bounty-giving Powers.[116]

The committee argued that Britain already imposed a CVD on spirits in order to aid home distillers, and that sugar refiners suffered from much worse competition from bounties than distillers did.[117] While the Foreign Office continued to discuss and respond to the concerns of the sugar lobby, the lobby made no progress in budging the Government from its opposition to countervailing duties or any other form of retaliation or threat of retaliation. The sugar industry became one of many industries whose views on trade policy became ever more distanced from those of the Government in the late nineteenth century, and in 1876, this process had already begun.

In the 1880s the multilateral sugar debates continued along the course begun in the previous decade. An August 1880 parliamentary commission report accepted the arguments of the British sugar refiners and colonial growers of the threat of bounties, including the danger to British consumers that could result from foreign sugar producers driving British producers out of the market and then raising prices. The report endorsed refining in bond, accepted France's demand that CVDs be imposed on nonsignatory countries that paid bounties and called for alteration of MFN treaties with affected countries when they came up for renewal to allow for such retaliation.[118] Yet the Government's policy remained that foreign goods should be as inexpensive as possible for the consumer, even if they were bounty-subsidized. The British Government attempted to organize another multilateral sugar conference in 1880, but the plan failed because Belgium and Austria were not willing to attend and

---

[116]N. Lubbock, Deputy Chairman, to Derby, January 23, 1877, *ibid.*
[117]*ibid.*
[118]Mallet (1905) p. 86.

France would not attend without advance agreement in principle that CVDs would be imposed upon bounty-paying countries. British sugar refiners then demanded inclusion of the sugar question in the 1881-1882 Anglo-French commercial treaty negotiations, and they asked that CVDs be exempted from the MFN provision of the new treaty. Both the Board of Trade's president, Joseph Chamberlain (ironically, in light of his later stance on reciprocity), and its secretary, Sir Robert Giffen, came out in opposition to CVDs. The issue lapsed when the treaty negotiations broke down.[119]

In 1880 the sugar lobby stepped up its campaign for CVDs in light of eighteen years of failed negotiations, organizing a large rally of producers, merchants, manufacturers and workers at Mansion House on May 28th under the presidency of London's Lord Mayor. In September, a group of merchants, manufacturers and trade unionists formed the National Anti-Bounty League to advance free trade in national markets through ending bounties, if necessary by imposing CVDs. The League organized a series of rallies culminating in a pro-CVD demonstration of 4000 workers in London's East End on March 29, 1881. The next month a group of trade councils and unions vainly petitioned Gladstone to restart Anglo-French negotiations by ending British Government opposition to CVDs, and thereafter the pro-CVD movement died away.[120] By this point, according to Fuchs, the goals of the sugar lobby despite its free trade-fair trade rhetorical clothing really were protection from competing European beet sugar.

> (The sugar refiners) were successful in so far that they actually divided even the convinced free traders on the question. This brings out, in a very characteristic way, how hazy the great mass of the people were as to the essential nature of the idol they worshipped, and how each of

[119] *ibid.*, pp. 87-88.
[120] *ibid.*, p. 89.

> them, when it came to his own door, thought of what best suited his own interests.[121]

The spectrum of views on CVDs that thus emerged ranged from: orthodox unilateral free traders, including Gladstone, who opposed CVDs in principle; to CVD supporters, which included both those who favoured CVDs as a means of restoring conditions of free competition through negating other countries' interference with market forces, and those who favoured CVDs as protection against European beet sugar; to the Board of Trade's sort of consumer mercantilist position supporting foreign bounty payments on sugar only because they made sugar as cheap as possible for British consumers.[122]

Following its unsuccessful attempt in the early 1880s to address the threat posed to the West Indian sugar industry posed by revisions in U.S. tariff policy by negotiating a bilateral tariff convention with the United States, the Foreign Office again turned its attention to the European sugar problem. Whereas some countries had lowered their sugar export bounty payments, Russian bounties had become a problem and France in 1884 had begun paying bounties on 'moist' sugar. Variable beet sugar harvests had led to sugar price volatility in the early 1880s as well. The 1886 Royal Commission on the Depression in Trade and Industry minority report called for CVDs on raw and refined sugar, but the majority report did not mention sugar at all.[123] A new international sugar conference in 1887 at last brought the long-sought expansion of sugar talks to include many of the world's major sugar-trading countries, adding nine countries to the original four. The conference made important progress in the theory if not the practice of creating for one commodity an international trade regime with an enforcement mechanism. Seven of the participating countries, including

---

[121]Fuchs (1905) p. 90.
[122]*ibid.*, pp. 90-92, 100.
[123]Mallet (1905) pp. 93-95.

Britain, signed an agreement on August 30, 1888 that called for refining in bond, prohibitions against imports of bountied sugar, an international commission to monitor enforcement and a promise by Britain not to impose differential duties on sugar imports.[124] The conference had its share of problems: several countries placed stipulations on their participation, several did not sign the agreement or placed stipulations on their signing, and the lack of participation by the United States weakened the desired enforcement clause. The Cobden Club led free traders in Britain in opposing passage of the new convention because of the import prohibitions section, but many British workers supported it. Although the Government was forced to withdraw the convention's implementing bill in 1889, the process was underway that would lead in 1902 to a functioning international sugar agreement with an enforcement mechanism.[125]

The sugar negotiations of the 1870s and the events that followed in the 1880s provide a number of useful insights, the most sweeping of which is that Britain's unilateral free trade ideology undermined her negotiating position and leverage over her negotiating opponents, even in a venue in which the British government had chosen to engage in multilateral treaty negotiations. The states with which Britain was negotiating were clearly affected by Britain's free trade ideology and her economic power, by virtue of the size of her open sugar market, if nothing else. Yet France and Holland were also aware of the vulnerability inherent in British negotiating strategy and they exploited it. The negotiations offer yet another example of how the regular shifting of closely balanced opposing forces of French protectionism and trade liberalization determined the fate of Anglo-French trade relations because of Britain's

[124]*ibid.*, p. 5.
[125]*See* below, chapter IV.E.

ideological unwillingness to tip that balance through negotiating leverage, such as using the ending of sugar revenue duties as a bargaining chip or threatening to impose CVDs on bountied sugar. Britain's market power in sugar was evident to European governments. Nobody already selling subsidized sugar in the open British market wanted to stop. The market, the world's largest, was a gravy train for any country that could get into the business, as the later example of Russia showed. Yet while Britain may have succeeded in her unilateral free trade goal of opening the British sugar market fully to the cheapest imports for consumers, unilateral free trade policy prevented Britain from achieving her negotiating objectives of halting the foreign export subsidies that were hurting British colonial sugar producers and domestic British sugar refiners.[126] That policy weakened one sector of Britain's economy relative to its foreign rivals.

C. *Britain, the West Indies and the United States 1884-1887*

The Anglo-American negotiations of 1884-1885 are the only significant instance after Britain's move to free trade of British trade negotiations with the United States, which was in the 1880s the only major non-European trading power. U.S. trade was important to Britain: in 1880 British trade with the United States was worth over twice as much as that with France, Britain's second largest trading partner.[127] As the post-Civil War U.S. economy grew relative to the European economies in the 1870s, U.S. commercial policy became more important to all her trading partners. But after 1870

[126]While West Indian colonial sugar imports to Britain fell by two-thirds between 1870-74 and 1890-94, German sugar imports to Britain increased tenfold. *See* Appendix, Table 6b.

[127]*See* Appendix, Table 4a.

American commercial policy, which remained much less dependent upon trade than that of the European powers, continued to be determined by competing domestic forces with relatively little external influence.[128] This held true for the Anglo-American talks. The commercial negotiations over the West Indies negotiations is one of the few cases after 1870 in which the British Government did elect to enter trade negotiations. Nonetheless, Britain failed to achieve her objective of reducing U.S. duties on British West Indian sugar and other goods because lack of leverage left Britain unable to convince the Americans to adopt the British view on the disputed issues, and Britain was unwilling to concede to U.S. demands.

The Foreign Office departed from its customary antipathy to commercial treaties because the competitiveness of the sugar industry in the West Indies had deteriorated seriously. Cane sugar had been the leading tradeable commodity produced in the Islands since 1700.[129] The introduction of sugar beet production in Europe in the late 18th century, the banning of slave labour in British colonies in 1837 and the ecologically damaging effects of various cane growing practices all combined to cause a long-term decline in the competitiveness of West Indian cane sugar through the 19th century.[130] Jamaican cane sugar production, for example, fell from 100,000 tons in 1800 to 5000 tons by 1900.[131] The sugar lobby in Britain sought to make West Indian sugar more competitive in the huge British market by reducing European beet sugar subsidization and also hoped to open other markets further.[132] Surging

---

[128]Lake (1988) pp. 75-82. Also *see* Appendix, Table 5a.
[129]Rowling (1987) p. 51.
[130]*ibid.*, pp. 55-63.
[131]*ibid.*, p. 63.
[132]*See* Appendix, Table 6b and 6e.

U.S. sugar demand made its markets a prime candidate.[133] The sugar lobby included the West Indian sugar planters (who as 'gentlemanly capitalists' were part of the pre-industrial commercial elite[134]) and sugar refiners in Britain, who garnered the largest share of profits from sugar and antedated Lancashire cotton milling as Britain's first mechanized industry.[135] Together, these two powerful factions prevailed upon the Foreign Office to negotiate.

British sugar refiners and West Indian sugar planters became alarmed by a drive by President Arthur's government beginning in 1884 to secure for the United States commercial treaties of exclusive advantage, that is, commercial treaties whose benefits are restricted to the signatories only. The United States sought treaties of exclusive advantage with Hawaii, Mexico, Spain, Santo Domingo and various Central American republics. These treaties, particularly that contemplated with Spain, would grant those countries access to the U.S. sugar market at advantageous rates of duty and could drive West Indian sugar out of the U.S. market altogether.[136] The Anglo-American commercial treaty of 1815, which granted reciprocity and MFN status with respect to tariffs, navigation, port duties, cargo preference, duties and drawbacks, specifically excluded the West Indies.[137] Britain, in keeping with her free trade policy, had subsequently unilaterally granted the United States MFN status in the West Indies, as

---

[133]*See* Appendix, Table 6d.

[134]Cain and Hopkins (1986) pp. 501-525.

[135]Rowling (1987) p. 53.

[136]Lord Granville to L.S. Sackville-West, May 28, 1884, Parliamentary Papers (1884-1885).

[137]Excerpt from the 1815 Anglo-American Treaty, *ibid.*

Sackville-West, the British Ambassador to Washington, reminded the Americans in May 1884.[138]

Regarding Britain's interest in amending the 1815 MFN treaty to include the West Indies, Secretary of State Frelinghuysen responded that the United States was interested in a treaty with Britain, but on only the basis of newly-granted 'specific and exceptional advantages'. Other countries with which Washington was negotiating commercial agreements, in addition to granting particular exclusive advantages, also granted MFN status to U.S. imports. Frelinghuysen envisioned an Anglo-American treaty that would admit specified West Indian goods to the United States duty free in return for the removal of West Indian customs and export duties on specified goods traded with the United States, but without those duty benefits being extended to third countries.[139]

Anticipating Britain's objection to this type of treaty, Frelinghuysen cited the 1854 U.S.-Canada reciprocity treaty, the only case of Britain accepting a treaty incorporating differential duties since after adopting free trade, as proof that an Anglo-American treaty of exclusive advantage would not be inconsistent with past British trade policy.[140] In 1854 Washington agreed with Canada to admit some Canadian goods to the United States duty free, thus effectively creating differential Canadian duties in favour of the United States. Consistent with British policy granting the dominions economic autonomy, the Board of Trade initially recommended that the

---

[138]Granville to West, May 28, 1884, *ibid.*

[139]Frederick T. Frelinghuysen to West, July 16, 1884, enclosed in West to Granville, July 18, 1884, *ibid.*

[140]*ibid.*

American treaty be left to provincial jurisdiction, so long as it did not violate existing British commercial treaties. But when Newfoundland acceded to the treaty on January 1, 1856 and the Hanse Towns requested tariff treatment equal to the United States in Newfoundland, the Board found this treaty to be inconsistent with British trade policy. On July 15, 1856, Britain gave other countries tariff standing equal to the United States in Canada. The Canadian provinces rejected the home government's decision on fiscal grounds[141] and claimed that the violation of British MFN treaty commitments was immaterial because most of the goods involved were only traded between Canadian provinces and the United States by virtue of their sharing a common border. Canada had found a grey area in British policy, in that whereas the Canadian provinces were formally separated from one another economically and politically, in practice the British Government treated their relationship as analogous to that of England, Scotland and Wales. (The economic union of Canada was not formalized until the Canadian Customs Act of 1867.)[142] The provinces eventually prevailed, Newfoundland denied the request of the Hanse Towns and even imposed differential duties against British goods. The treaty lapsed on its expiry in 1859 because of U.S. dissatisfaction, but Canada later gave the United States reciprocal trade advantages through domestic legislation.[143]

The initial British offer in October 1884 was for duty free admission to the West Indies of a list of products, most of which were imported to the West Indies only

---

[141]Edward Wingfield to the Undersecretary of State, Foreign Office, January 21, 1885, Foreign Office Papers FO5/1917.

[142]Appendix 1, Precedents furnished by Legislation in North American Colonies, enclosed in Wingfield to Undersecy., January 21, 1885, *ibid.*

[143]Wingfield to Undersecy., January 21, 1885, *ibid.*

from the United States. They included foodstuffs, lumber and kerosene. In return the United States would be expected to halve its sugar duties but that would not involve differential treatment, and West Indian export duties on treaty products would not be bargained away.[144] The United States initially sought a broader treaty, under which sugar duties would be removed altogether and duties on various other West Indian products would be lowered, in return for duty free entry to the West Indies for a larger list of U.S. products, including coal, wood, machinery, lumber, some textile fabrics and other goods. But the duty reductions were to be confined to the United States and the West Indies only. Neville Lubbock, the chairman of the West India Committee sent by the Foreign Office to Washington to offer expert advice, urged West to accept these initial proposals as a starting point for the negotiations.[145] The Governments of the West India colonies, anxious to secure a treaty, had also indicated that they would absorb any losses of revenue arising from treaty concessions made to the United States.[146]

The detailed U.S. draft convention that followed offered duty free entry into the United States of a long list of West Indian primary products, including minerals, food products and textile fibres in addition to sugar and offered a 25 percent reduction of duties on a short list of goods that included aromatic bitters, cordials and fruit preserves. In return, Washington demanded that the West Indies admit duty free a long list of U.S. industrial products, finished manufactures, primary products, food

---

[144]Granville to West, October 25, 1884, and West to Frelinghuysen, November 7, 1884, enclosed in West to Granville, November 13, 1884, *ibid.*

[145]West to Granville, November 20, 1884, *ibid.*

[146]R.H. Meade to T.V. Lister, October 7, 1884, *ibid.*

products and heavy industrial goods, such as locomotives and construction materials. The United States also asked for a 50 percent reduction of duties on a short list of food products and an end to West Indian export duties on goods bound for the United States, save for low revenue duties on sugar and a few other West Indian primary products. The non-tariff provisions of the U.S. proposal included stipulations that goods covered in the treaty be carried only in U.S. or British ships and only be manufactured or produced in the United States or the West Indies, and that the two parties grant one another national treatment on port dues but not on coasting or inter-colonial trade.

Most controversially for Britain, the U.S. draft formally abandoned the liberal trade principle of nondiscrimination for one of exclusive advantage. As in liberal MFN treaties, each country would have to grant the other country any tariff concessions freely granted in a treaty to a third country, or else offer to the other country equivalent compensation. However, if one treaty signatory found itself harmed by a third country's claim to the second signatory of the treaty's reciprocal benefits, the first country would be permitted to denounce the treaty. Also, were either country to adjust its tariffs on covered products or its navigation dues, the other country would be allowed to denounce the treaty with six months advance notice. The treaty was to run for 6 years, terminable thereafter upon twelve months notice.[147]

West, surprised that the United States was pressing for differential duties and apparently concerned about the implications of such a treaty for existing British MFN

---

[147]Draft convention, November 28, 1884, enclosed in West to Granville, December 5, 1884, *ibid.*

treaties, suggested to Granville that the differential duty provision's object could be achieved less formally through an exchange of notes.[148] Lubbock, the West India Committee chairman, was pleased with the American proposals because all important exports to the United States except rum would be admitted duty free. Britain had originally asked for only a 50 percent duty reduction on sugar. Lubbock had calculated that the American proposal would cost the United States £2.5 million *per annum* in lost revenue, whereas the West Indies would lose only £180,000. By contrast, the British treaty proposal would cost the West Indies £250,000.[149]

The Foreign Office's reaction to the American proposals was mixed. Washington's commercial treaty negotiations with Hawaii and Mexico indicated to Granville that the Americans were serious about importing more foreign sugar at favourable duty rates. However, the draft convention conflicted with both British trade policy and international law. Britain had failed so far to convince the United States to lower duties on goods traded exclusively between the West Indies and the United States and thus dodge the controversy over the American interpretation of MFN status. Moreover, the MFN clause in the U.S. proposal permitted one country to offer the other country equivalent compensation in lieu of a concession granted to a third country, thereby departing from the accepted sense of unconditional MFN clauses. The escape clause permitting one party to denounce the convention if the other party altered its tariffs or navigation dues meant that effectively any West Indian tariff change would be subject to American approval, and *vice versa*.

---

[148]West to Granville, December 5, 1884, *ibid.*

[149]Lubbock to West, December 5, 1884, enclosed in West to Granville, December 5, 1884, *ibid.*

Granville regarded the exclusivity provision as problematic, in addition to being illegal, because under the unconditional MFN clause of the 1863 Anglo-Belgian commercial convention (which specifically included the West Indies), Belgium would be entitled to claim the same duty reductions on imports to the West Indies granted to the United States. Granville strongly disagreed with the U.S. view that MFN provisions in existing treaties excluded conditional concessions of the sort that Washington was proposing.

> The most-favoured-nation clause has now become the most valuable part of the system of Commercial Treaties, and exists between nearly all the nations of the earth. It leads more than any other stipulation to simplicity of Tariffs and to ever-increased freedom of trade; while the system now proposed would lead countries to seek exclusive markets and would thus fetter instead of liberalizing trade.[150]

The U.S. interpretation, according to Granville, would penalize Britain for having liberalized trade already.

> Such a system would press most hardly on those countries which had already reformed their Tariffs, and had no equivalent concessions to offer, and, therefore, Great Britain, which has reformed her Tariff, is most deeply interested in resisting it.[151]

Furthermore, a treaty that could be denounced whenever one party sought to change its tariffs would generate ongoing fear of denunciation, which would burden the West Indies more than the United States because the West Indian economy would be more dependent than the United States on the new treaty. The United States could always import sugar from sources other than the West Indies. Even the proposed shipping restrictions violated provisions for MFN status and national treatment in shipping contained in most existing commercial treaties.[152]

---

[150]Granville to West, February 12, 1885.
[151]*ibid.*
[152]*ibid.*

Granville thus rejected the U.S. proposal, but he offered a compromise that placed on the West Indian free list only goods that the United States exported there. Granville's view was that if the United States were serious in its stated aim of assimilating the West Indian trade to its own domestic coasting trade, the best way to accomplish that would be to adopt British open shipping policy.[153] The Foreign Office also opposed the U.S. proposal because the bargain offered to the West Indies by the United States was worse than it looked, as many goods marked for duty free entry into the United States were already on the free list and (as primary products) were unlikely to be taxed by an industrializing country anyway. Duty free imports of sugar to the U.S. market would not guarantee a market for the West Indies as U.S. domestic production was likely to grow, and the more reciprocity treaties that Washington signed with other sugar producing countries, the greater the competition that West Indian sugar would continue to face in the United States. Moreover, because sugar was a primary product for which demand in the United States continued to grow, there was some evidence that Washington would decide to slash duties unilaterally before long, thereby bringing Britain desired advantages without sacrificing basic free trade principles.[154] The proposed treaty was also fundamentally unstable, given the number of loopholes that the United States could use to denounce it.[155]

The Board of Trade shared the Foreign Office's disapproval of the U.S. proposal, arguing also that the conditional MFN provision would leave it to U.S. discretion to decide whether concessions granted in lieu of a given tariff reduction were equivalent or not. Such a restriction would constrain a country's ability to spread free trade or even to set its own trade policy. Also, had an exclusivity provision of

---

[153]*ibid.*

[154]*See* Appendix, Table 6d.

[155]Lord Fitzmaurice to Sir R. Herbert, February 12, 1885, *ibid.*

the type envisioned in the treaty been included in the 1860 Cobden-Chevalier treaty, each subsequent British commercial treaty would have had to be in effect ratified by France. The Board objected to the treaty's contravention of British open navigation policy, which they viewed as a key part of the success of British trade policy.

> Other Nations have to a great extent followed British example, the Policy has been eminently succe ſsful both as regards Trade generally and as regards British Shipping in particular...[156]

The Board was also concerned that the petitions from the West Indian colonies themselves, backed by the Colonial Office, would be given too much weight by the Foreign Office in negotiations with Washington. As the colonies did not have representative government, the home government had to act in the best interest of the West Indies.

> Primâ facie, a Free Trade Policy which is best for the Mother Country is also best for the Colonies, and a Treaty such as that under consideration is entirely at variance with a Free Trade Policy.[157]

The Board of Trade also observed that the sugar lobby in the West Indies was the voice of the sugar planters and by extension of British investors, who had not necessarily the same interests as the islands' inhabitants.

> It needs care to see that the general policy and welfare of the Islands and their coloured population are not sacrificed to the supposed immediate needs of the sugar interest.[158]

The Colonial Office under Lord Derby, who championed the 'sugar interest', did lead the effort to get a treaty signed.[159] The Colonial Office favoured making an exception to general British trade policy in light of the declining West Indian sugar industry. Derby's view of the 1854 U.S.-Canada treaty's history was that the colonies

---

[156]T.H. Farrer to Granville, January 13, 1885, *ibid.*
[157]*ibid.*
[158]*ibid.*
[159]Lord Derby to Undersecy. of State, F.O., January 15, 1885, *ibid.*

could choose an interpretation of MFN status different from that of Britain, and that to deny the colonies freedom to set economic policy in their own interest risked the unity of the Empire.[160]

> There is no doubt that the principle of imposing differential duties in favour of the United States and of the (other Canadian) provinces themselves , has been conceded to a great extent to the North American Colonies. They have, however, constantly been urged to extend the same advantages to all foreign countries.[161]

As a possible solution to the conflict with existing British MFN treaties posed by the treaty, Derby suggested that Britain should not extend the new treaty's tariff reductions to other countries unless those countries specifically demanded them. At that point Britain would choose whether to denounce that existing treaty or leave the United States free to denounce the Anglo-American treaty.[162] Challenging the Board of Trade's negative views of the treaty, Derby suggested that the type of tariff changes that the West Indies might choose would be unlikely to provoke the United States to denounce the treaty, and that an equivalent concession for a tariff reduction need not necessarily be determined by the country receiving the concession. In Derby's view, the treaty would benefit all classes, while the poor would suffer most from the collapse of the sugar industry that would result from no treaty. Derby did agree with the Board, however, that Britain should not accept the U.S. construction of the MFN clause or seek to make existing MFN treaties conform to that construction.[163] The West India Committee itself echoed Derby's views. They emphasized that since there

---

[160]Edward Wingfield to Undersecy. of State, F.O., January 21, 1885, *ibid.*

[161]Appendix 1, Precedents furnished by Legislation in North American Colonies, encl. in Wingfield to Undersecy. of State, F.O., January 21, 1885, *ibid.*

[162]Wingfield to Undersecy., F.O., January 21, 1885, *ibid.*

[163]Robert G.W. Herbert to Sir E. Fitzmaurice, January 28, 1885, *ibid.*

was no trade between Belgium and the West Indies, a conflict between the exclusive Anglo-American treaty and the Anglo-Belgian MFN treaty would not arise.[164]

Sir Edmund Fitzmaurice, arguing for the Foreign Office against the West India Committee, saw no reason to allow the United States to include a West Indies treaty as part of its plan for a '*Zollverein* of American States.' As he saw it, '(i)t is the application of a sort of Monroe Doctrine of commerce' that would exclude European powers because they would have difficulty meeting U.S. reciprocity conditions.

> In the case of a country like Gr. Britain which has already reformed its tariff and pursues a policy of absolute free trade it would evidently be impossible (to meet U.S. demands for reciprocity). On the other hand it must be borne in mind that should this plan ever succeed, a system of comparative free trade would have been established over a vast area of the American Continent and it would remain to be seen whether the West Indian sugar would be able to bear the competition of the sugar from Cuba, Brazil and other countries which would be (parties?) to this Customs Union.[165]

The Foreign Office wanted to time the delivery of Britain's rejection of the treaty proposal to the United States carefully. Britain desired that the Spanish-American reciprocity treaty (then before Congress for ratification) fail, because if it passed, Cuban and Puerto Rican sugar (which was already being produced more cheaply than British West Indian sugar) would gain duty free access to the U.S. market. If the treaty failed, British arguments to the United States might carry more weight.[166] Although West expected that the treaty would be defeated, he recommended that Britain make some concessions to the United States 'consonant with policy principle' in order to secure for Britain the duty reductions in the proposed

---

[164]Quintin Hogg, Dep. Chairman, West India Cte., to Derby, January 14, 1885, encl. in Herbert to Fitzmaurice, January 28, 1885, *ibid.*

[165]The West Indian Negotiations, memorandum, Sir E. Fitzmaurice, January 22, 1885, *ibid.*

[166]H.F. to West, February 12, 1885, *ibid.*

Anglo-American treaty.[167] The Foreign Office also feared that Washington might stiffen its demands to the point of insisting that the West Indies impose differential duties even against British and other colonial goods in the United States' favour. Failure of the treaty might stimulate calls from within the West Indies for annexation by the United States in the interest of economic survival, a fear shared by the Colonial Office.[168] And there remained the concern that the incoming Democratic administration of President-elect Cleveland would be ill-disposed towards any treaty at all.

Within the United States, opinion on trade policy ranged from strong support for unilateral protection and domestic legislation of trade policy to support for reciprocity and negotiated trade liberalization to even a small following for unilateral free trade. Sen. Justin Morrill, a protectionist, criticized MFN treaties as not in the U.S. interest with respect to reciprocal trade. Morrill opposed reciprocity treaties with unequal economic powers, such as that pending with Mexico, because he feared that British goods could enter the United States surreptitiously and duty free through Mexico.[169] Wharton Barker, a U.S. business leader, shared Gladstone's unilateralist critique of the psychology of commercial treaty negotiation.

> The negotiation of a reciprocity treaty is a process of mutual brag and deception, in which some one is sure to get the worst of the bargain; and so far from cementing the bonds of international good will, they have been fruitful sources of quarrel and dissension between countries which become parties to them. Our own relations with Canada would be much more friendly, and probably much more intimate, had it not been for the blunder we made in agreeing to reciprocity in 1854.[170]

---

[167]West to Charles Kennedy, January 18, 1885, *ibid.*

[168]H.F. to West, February 12, 1885, *ibid.*

[169]Sen. J. Morrill in the *Congressional Record*, January 8, 1885, enclosed in West to Granville, January 12, 1885. The U.S.-Mexico reciprocity treaty was defeated by the House of Representatives less than a month later. *See* West to Granville, February 2, 1885, *ibid.*

[170]Wharton Barker to Morrill, encl. in Barker to Granville, April 8, 1885, *ibid.*

Barker observed that true free traders and genuine protectionists both dislike reciprocity treaties because they are consistent neither with free trade nor with truly protective duties. A protectionist, Barker regarded U.S. reciprocity treaties with suspicion.

> To genuine Protectionists such treaties must always be repugnant as a menace and a danger to the protective system.... They subserve the great design of making us Free Traders before we know where we are, since we are not to be persuaded into adopting Free Trade voluntarily.[171]

Criticizing reciprocity treaties also for limiting a state's right to set its own fiscal policy without interference, Barker espoused the view to be adopted by the Cleveland administration in favour of statutory reciprocity as a substitute for treaties.[172]

President Arthur, not unlike the Fair Traders in Britain, regarded reciprocal tariff reductions as an escape from the free trade-protectionism debate.[173] Frelinghuysen defended reciprocity treaties with weaker states as the only way to expand exports of U.S. manufactures. Reciprocity treaties with European states, he argued, would just perpetuate the existing structure whereby the United States sold raw materials and primary products to Europe in return for European manufactures. The U.S.-Hawaii reciprocity treaty illustrated how the United States had successfully captured a market with such a treaty. Frelinghuysen urged passage of the reciprocity treaty with Spain to open similar markets for U.S. manufactures in Cuba and Puerto Rico. The United States was the natural market for Latin American primary products, because despite existing high U.S. sugar tariffs and duty free entry of sugar to Britain,

---

[171]*ibid.*
[172]*ibid.*
[173]West to Granville, December 5, 1884, *ibid.*

$83 million *per annum* of Latin American sugar was exported to the United States and only $25 million to Britain.[174]

An alternative negotiated approach finding favour in the United States was that of a pan-American customs union based on a common lowered tariff as a device to open new markets to U.S. goods. Rep. Townshend introduced the proposal in Congress as a more effective response to the agricultural depression than reciprocity treaties. Rep. Cox complained that even the most protected U.S. industries were suffering and that the trade balance was deteriorating because of rising protection. Cox feared that the United States would suffer if Britain one day turned protectionist and closed its markets to U.S. exports.

> France, Germany and other countries were cutting the United States off from their markets by prohibitory duties, and England might some day do the same.[175]

The less effectual but nonetheless audible voice of the American free trade camp was also heard, often from leading press organs such as the *New York Times*. High duties, the writers observed, especially those on manufactures, disadvantaged U.S. manufactures in all markets, particularly European markets.

> The Secretary of State, unwittingly no doubt, seriously wrongs our manufacturers in supposing that they need protection from transatlantic manufactures. What they really need is only a fair chance to compete with these and with all others.[176]

The *Times* objected to reciprocity treaties because cutting raw materials duties placed revenue constraints upon duty reductions for manufactures. 'The greatest barriers to

---

[174]Letter from the Secretary of State to the Chairman of the (Senate) Committee on Foreign Relations, February 12, 1885, enclosed in West to Granville, February 26, 1885, *ibid.*

[175]précis of debate in the U.S. House of Representatives, enclosed in West to Granville, January 18, 1885, *ibid.*

[176]*ibid.*

our trade do not exist in the tariffs or shipping laws of other countries; they exist in our own.'[177]

For tactical reasons, the Foreign Office chose not to let the Americans see any internal British disagreement over the proposed treaty.[178] With Granville's approval, West postponed presenting the British objections to the U.S. treaty until President Cleveland's new Secretary of State, Bayard, had taken office in March, by which time Congress should also have voted on the Spanish reciprocity treaty. West feared that Frelinghuysen before leaving office might cite Britain's view of U.S. reciprocity treaties to press Congress to ratify the Spanish treaty, which would harm West Indies sugar exports. West hoped for a more sympathetic hearing from Bayard, a good friend.[179] Bayard knew nothing of the Anglo-American West Indies negotiations but agreed to study the U.S. position with respect to reciprocity treaties at once.[180] President Cleveland then withdrew all pending reciprocity treaties before Congress in order to review American commercial policy comprehensively.[181]

To the annoyance of the Foreign Office and the sugar lobby in Britain, however, the review was a slow process. The Cleveland government encountered difficulties implementing commercial agreements already in place with Mexico and other Latin American governments, and Bayard criticized the Arthur government for having enmired the United States in bilateral treaties that failed to benefit the consumer.[182] Cleveland's Administration did decide to make sugar cheaper for U.S. consumers irrespective of its origin. The U.S. decision pleased Britain but worried

---

[177]*ibid.*
[178]H.F. to West, February 12, 1885, *ibid.*
[179]West to Kenneth (illegible), February 27, 1885, *ibid.*
[180]West to Granville, March 11, 1885, *ibid.*
[181]West to Granville, March 13, 1885, *ibid.*
[182]West to Granville, May 18, 1885, *ibid.*

Spain, because if the United States (by adopting British-style unconditional MFN) granted to France and Germany the tariff advantage for sugar imports granted in the Spanish-American treaty proposal, then European bountied beet sugar exports could edge out even inexpensively produced Puerto Rican and Cuban cane sugar.[183] While the Foreign Office waited on Bayard, the sugar lobby and the West Indian colonial governments kept up pressure on the Foreign Office for a treaty, reporting resentment in the islands that the home government was perceived to be sacrificing their interests to a trade principle.[184] Lubbock noted the irony of Britain not agreeing to the Anglo-American treaty in the interest of MFN treaties with the very countries whose sugar export bounties were driving West Indian sugar out of Britain's own home market.[185] Margin notes written by a Foreign Office official on Lubbock's letter indicate Foreign Office realization that the existence of the 1854 U.S.-Canada treaty damaged the Foreign Office principle opposing differential duties. 'This is no doubt a very weak point in our case.'[186]

Finally in late July 1885 Bayard declared that U.S. policy favoured resolution of all commercial questions through domestic commercial legislation, not treaties. Bayard opposed conclusion of the pending reciprocity treaties, although a final decision had not been made. Bayard's rejection of Britain's view of MFN status as unconditional led West to conclude that Bayard would not be disposed to act on the Anglo-American treaty proposal.[187] The following month, the Spanish-American

---

[183]West to Granville, May 23, 1885, *ibid.*

[184]A.J. Pitman, chairman British Guiana Planters Assn., to Granville, May 5, 1885, and enclosed Assn. resolution of April 30, 1885, *ibid.*

[185]Lubbock to Granville, May 2, 1885, *ibid.*

[186]Margin note, *ibid.*

[187]West to Salisbury, July 30, 1885, *ibid.*

treaty negotiations also collapsed.[188] Meanwhile, Congressional interest in a pan-American customs union continued to mount. Rep. Townshend introduced a joint resolution in the House on December 21, 1885, urging the President to establish such a customs union to promote free commercial intercourse.[189] A tariff reform bill appeared in Congress intended, among other things, to make sugar cheaper for U.S. consumers by lowering import duties to compensate for export duties charged by the West Indies, Cuba, Brazil and Puerto Rico, the major foreign sugar suppliers.[190] Eventually in March 1886, over a year after Britain had rejected the U.S. treaty proposal, Bayard informed Helyar, the new British ambassador in Washington, that the administration intended to replace reciprocity treaties and all sectoral reciprocity with legislation allowing for comprehensive reciprocity (a term yet to be fully defined).[191]

The Cleveland administration also decided provisionally to support the proposed pan-American commercial conference proposed in Congress for October 1887 in Washington. The Colonial Office (with Granville now as Colonial Secretary) backed the West India Committee's demand for the West Indies to participate.[192] The Colonial and Foreign Offices disagreed over who had jurisdiction to approve West Indies participation, and the U.S. enabling legislation was still unclear as to whether West Indian participation would be permitted.[193] The commercial conference was postponed, so West Indian participation became moot. Early in 1887, the Cleveland government considered (but did not commence) negotiating simultaneously with sugar

---

[188]T.V. Lister to West, August 29, 1885, *ibid.*

[189]West to Rosebery, February 16, 1886, *ibid.*

[190]West to Rosebery, February 16 and February 25, 1886, and *New York Herald* article February 25, 1886, enclosed in latter, *ibid.*

[191]Bayard to Helyar, March 6, 1886, enclosed in Helyar to Rosebery, March 9, 1886, *ibid.*

[192]R.H. Meade to Rosebery, April 24, 1886, *ibid.*

[193]Wingfield to Undersecy., F.O., May 24 and June 23, 1886, *ibid.*

producing countries for a reciprocity arrangement that would allow foreign sugar into the United States duty free in return for duty free access for U.S. goods into those countries' markets.[194] Spain then threatened reprisals and coercion against the United States if the Spanish-American treaty were not ratified, viewing a hard line as the only way to force the United States to negotiate.[195]

U.S. supporters of reciprocity treaties and conditional MFN then received a boost from the U.S. Supreme Court, which upheld the U.S. Government's view of MFN status against Denmark, which claimed duty free access for certain goods from Danish St. Croix to the United States under the U.S.-Denmark MFN agreement because they were admitted duty free from Hawaii under the U.S.-Hawaii treaty. The court found that MFN can be conditional on a reciprocal concession being made.[196] But the British Government's inability to affect the U.S. debate induced the West India Committee to refocus its attention again upon the European sugar conference on bounties as a more effective way to secure markets for West Indian sugar.[197] Salisbury (again Foreign Secretary), with the concurrence of Holland, the Colonial Secretary, accepted West's advice that it was an inopportune time to press Bayard for a final answer on the West Indies treaty.[198]

The more protectionist Republican administration of Harrison that took office in 1889 carried through the Cleveland administration's earlier proposal for statutory reciprocity, but in the form of the highly protective McKinley Tariff of 1890. The

---

[194]West to Iddesleigh, January 7, 1887, *ibid.*

[195]Newspaper clips enclosed in West to Iddesleigh, February 5, 1887, *ibid.*

[196]U.S. Supreme Court, No. 275, October Term, 1886, (May 23, 1887), Bartram v. Robertson, enclosed in West to Salisbury, June 2, 1887, *ibid.*

[197]Herbert to Fergusson, January 4, 1887, *ibid.*

[198]Wingfield to Bryce, March 19, 1887, *ibid.*

1890 McKinley Tariff admitted raw sugar to the United States duty free.[199] But the new tariff, which contained maximum and minimum tariff bands, was worded so as to permit the U.S. Government to deny an exemption from the higher band for countries exporting sugar, syrup, coffee, tea or hides and that levied 'unequal and unreasonable duties' on U.S. agricultural and other produce. This forced Britain in 1892 to make an agreement with the United States that reduced by 25 to 50 percent or ended altogether West Indian import duties on U.S. goods in order to gain access to the lower band. Britain, as was customary, extended the duty reductions for the United States to all the West Indies' other trading partners as well.[200] Hence Britain in 1892 essentially gave the United States the tariff concessions they had sought in the 1880s in return for admitting West Indian goods to the United States at the lower (but still higher than the mid-1880s) tariff band rather than at the even higher upper band.[201] Britain was not, however, compelled to grant tariff reductions in the West Indies to the United States exclusively, as Washington had originally sought. Britain thus succeeded in adhering to her trade policy principle of unconditional MFN treatment, but at the cost of having to open West Indian markets to U.S. imports without a real tariff reduction for West Indian sugar in the United States.

The problem that Britain faced in dealing with the United States was that it had little leverage with which to convince Washington to yield to its wishes, given Britain's unilateral free trade policy. The United States, despite exporting much more

---

[199]Taussig (1910) pp. 348-349.

[200]Fuchs (1905) pp. 69-70.

[201]Falling sugar prices and lower than expected duty revenue resulted in the U.S. sugar duty being doubled and converted to a specific duty under the Dingley Tariff Act in 1897. *See* Taussig pp. (1910) pp. 348-349.

to Britain than it imported from Britain, was not nearly as trade-dependent as Britain.[202] Had Westminster been willing to negotiate with the United States using increased access to the British home market as an incentive (such as offering to cut revenue duties), Washington might have been more responsive. Members of Congress already feared that Britain might conceivably restrict access to her home market. Britain needed a market for West Indian sugar, but the United States had numerous sources of sugar from which to choose, so Washington was in a position to press Westminster for what the United States most wanted. Britain's leverage over the United States was also limited by the two countries' security relationship, wherein the United States posed a geopolitical threat to British colonial interests in Canada and the Caribbean Basin. In order to keep Canadian and Caribbean colonies within the Empire, the Foreign Office was obliged to keep both the colonists themselves and the government in Washington reasonably happy. The existence of the 1854 U.S.-Canada reciprocity treaty, which was intended to do exactly that, revealed the inconsistency of Britain's trade policy for the colonies. The Foreign Office's approach of granting the colonies economic autonomy while retaining control of their foreign policy led to the inherent contradiction wherein it was asked to negotiate on behalf of the colonies commercial treaties accepting principles that the Foreign Office opposed for the mother country.

Given Britain's weak negotiating position with respect to the United States, Westminster should have accepted a commercial treaty for the West Indies containing the differential duties that both Washington and the colonists sought. It is likely that given the importance of the British market to its European trading partners, Britain

---

[202]In 1890, British exports to the United States were valued at £32,100, while imports from the United States were valued at £97,100. *See* Mitchell and Deane (1962) p. 319. For trade dependence, *see* Appendix, Table 5a.

could have convinced them to accept the economic autonomy of her colonies at that time for MFN purposes. The record suggests that British willingness to sign the Anglo-American treaty proposal at the beginning of 1885 might have led to its ratification in the closing days of the Arthur administration and thus permitted West Indian access to the U.S. sugar market on favourable tariff terms, although it might also have met the same ill fate in Congress that befell the Mexican and Spanish treaties. Britain passed up an opportunity to stimulate the economies of the West Indies through an admittedly imperfect agreement which was liberalizing in that it lowered duties but not liberalizing in that the duty reductions were differential. In any case Britain could have accepted the pact without compromising its liberal trade principles for the home country.

D. *Britain and Japan 1888-1894*

Britain's late nineteenth century commercial treaty negotiations with Japan illustrate how the British Government dealt with an industrializing state that was moving from the third tier of largely undeveloped states, upon which Britain traditionally imposed unequal or 'open door' commercial treaties, to the second tier of relatively industrialized states. Prior to the 1850s, Japan had been in the third tier of non-industrialized states and had engaged in little foreign trade. Following the 'opening' of Japan to foreign trade by the United States in 1854 and the Anglo-Japanese Edo Treaty of 1858, both industrialization and expansion of trade proceeded apace. Japan's military power increased as well, to the point that she could exert influence over neighbouring states.

By the 1880s, the Anglo-Japanese power relationship had become quite complicated. The placement of the Japanese islands made Japan of strategic importance to Britain for keeping military rivals Germany, Russia and France from acquiring dominance in the western Pacific or in China. Japan's market power was relatively small but growing as she industrialized. At a time when rising tariffs were limiting British access to European markets, British manufacturers were seeking new markets in less developed areas such as Japan, with some (but not enough) help from the Foreign Office. For her part, Japan sought to expand exports to Europe and acceptance into the family of modern nations, both of which Tokyo perceived Britain as able to provide.

After Japan's economic opening to the West in the 1850s and the political reforms of the 1868 Meiji Restoration, the Japanese Government was anxious to modernize Japan's foreign relations and undo the perceived cultural and commercial damage to Japan by existing unequal commercial treaties between Japan and the Great Powers. The 1858 Anglo-Japanese Edo Treaty opened Japan to trade at several treaty ports, set low, nondiscriminatory tariffs on imports to Japan, and granted rights of extraterritoriality to British traders living in Japan, subjecting them only to British law and consular jurisdiction. The other Great Powers made similar pacts with Tokyo. Geopolitically, Japan mistrusted Britain because of the projection of British naval power in the western Pacific, but commercially the relationship was much better. Japan began to borrow heavily from Britain in the 1870s for railway construction and other capital projects.[203] Once trade commenced, Britain exported much more to

[203]Nish (1966) p. 7.

Japan than she imported, but the trade balance evened considerably when Japanese exports to Hong Kong and India were counted.[204]

From the early 1880s, the Japanese Government lobbied the Powers to allow Japanese tariffs to rise in order to meet revenue needs. At a multilateral conference in 1882, talks began on a common form of new commercial treaty between Japan and the Powers. Britain sought to open Japan further to trade and keep her from renouncing the existing treaty. Geopolitically, Britain desired Japanese aid in preventing the expansion of Russian influence in the Korean peninsula.[205] Leading the commercial discussions, Britain offered Japan tariff autonomy as well as higher tariffs in return for a full opening of Japan to foreign trade. Japan, by contrast, made ending extraterritoriality a high priority in any revised treaties.[206] Fifteen states discussed a proposed treaty on jurisdiction, based on an Anglo-German draft, at another multilateral treaty conference beginning in May 1886. Against expectations, the Powers nearly completed negotiations on a 12-year commercial treaty and a 17-year jurisdictional treaty by July 1887.[207] The Powers proposed to resolve the problem of the incompatibility of the Western and Japanese legal systems in exercising jurisdiction over foreigners in Japan by placing foreign judges on Japanese courts to administer justice to foreign nationals. But the Japanese Government broke off the talks, wishing to complete the rewriting of Japan's civil and commercial codes before signing a jurisdictional question. According to J.H. Gubbins, a Japan expert and

---

[204]*ibid.*, p. 9.

[205]*ibid.*, p. 10.

[206]Memorandum on Treaty Revision by J.H. Gubbins (confidential), parts I and II, enclosed in P.L. Trench to Salisbury, January 17, 1888, FO 46/448.

[207]*ibid.*

secretary at Britain's embassy to Japan, however, the real reason for the break was that the Japanese Government were embarrassed to admit to the Powers their opposition to foreign judges sitting on Japanese courts.[208]

Gubbins saw two basic causes of the failure of this first phase of treaty negotiations. First, the Japanese Government had attempted to use foreign relations to deflect public attention from domestic problems, but the plan failed because public opinion was divided on points such as extraterritoriality and further opening of the country to foreign traders. Second, the special nature of Sino-Japanese commercial relations, delineated by an unequal treaty that fixed Japanese tariffs at their existing low rates, prevented China from negotiating with Japan alongside the Western Powers. Japan wanted to maintain the same sort of unequal trading relationship with China that the Powers had with Japan, but China now held the power to thwart new MFN treaties between Japan and the West by demanding the same privileges that Japan was granting to the Powers. Most worrying to the Japanese was the prospect of mass Chinese immigration to Japan. But if Japan did not renegotiate her treaty with China, she could not raise tariffs on Western imports without violating MFN provisions in treaties with the Powers. Tokyo was boxed in, for at that time Sino-Japanese political relations were such that a Japanese denunciation of the Sino-Japanese commercial treaty might provoke the Chinese to take up arms.[209]

Commercially, Gubbins concluded that the Japanese Government had little to offer the Powers in return for Western concessions, as there was little commercial

---

[208]Memorandum respecting Treaty Revision in Japan, by Mr. Wylde, September 23, 1893, FO 46/433.

[209]Gubbins memo. January 17, 1888, *ibid.*

value in opening the Japanese interior to foreign traders. Japan stood to benefit more from new treaties than the Powers. Assessing the cooperation of the other Powers in the negotiations with the Japanese, Gubbins observed that Italy was rallying Austria-Hungary and the small powers to support the Anglo-German leadership, Russia was neutral, the United States oscillated between cooperation and neutrality and France was openly obstructionist. And despite Germany's cooperation in sharing with Britain the leadership of the talks, Gubbins saw German influence as sinister to British hegemony.

> ...the influence exercised by Germany is, to an English eye,...there is reason to believe, to some extent at the expense of England, and because we are accustomed to look on ourselves as occupying a position in Eastern Asia second to none.[210]

A revised Japanese treaty proposal reached London at the end of 1888. Tokyo hoped that the Powers would agree to the proposal and sign treaties individually with Japan in advance of the Mikado's promulgation of Japan's new constitution, which was scheduled for February 1889.[211] But Japan wanted the new treaties to take effect simultaneously and did not intend to bring any new treaties into effect until negotiations with all the Powers had been completed.[212] The MFN clause in Japan's new proposal was conditional, not unconditional. To press the Powers to sign treaties, Japanese negotiators said that Japan would not grant to Powers not having signed new treaties the benefits granted in new treaties to signing Powers solely because nonsignatories possessed MFN from their earlier treaties.[213] The Foreign Office informed Tokyo that Britain would negotiate a new treaty, but only on the basis of the

---

[210]*ibid.*

[211]Johan G. to Sir J. Pauncefote, January 22, 1889 and French to Salisbury, January 28, 1889, *ibid.*

[212]French to Foreign Office, January 14, 1889, *ibid.*

[213]French to Foreign Office, January 16/17, 1889 and French to Salisbury, March 2, 1889, *ibid.*

unconditional MFN provision in the existing 1858 treaty.[214] Britain consulted with the other Powers, particularly Germany, to ensure that other states did not make greater concessions to Japan in bilateral treaty talks than Britain was prepared to make. Salisbury was concerned when Germany and the United States reached agreement with Japan on a treaty that he regarded as conceding too much to Tokyo.[215] Germany accepted Japan's treaty proposal almost in its entirety and signed a treaty on June 13, 1889 without informing Britain in advance, much to the annoyance of the Foreign Office, with whom Germany was to have been cooperating.[216] Mexico signed a new commercial treaty with Japan granting Mexicans the right to travel in the interior and broader residence rights. When the Mexican treaty was ratified in June 1889 Salisbury tested Japan's stance on granting new MFN benefits by claiming the new Mexican benefits for Britain under MFN.[217]

In a mid-1889 Foreign Office counterdraft treaty, Salisbury indicated willingness to accept Japan's tariff revision proposals if leading British merchants in Tokyo did not find them unacceptable.[218] As they had accepted in principle already, the British Government were also willing to concede to Japan on extraterritoriality. However, the principal Foreign Office concern was that the transition to Japanese jurisdiction over British subjects take place smoothly and fairly so that in the future Britons in Japan would not be appealing to London for diplomatic intervention in their

---

[214]Foreign Office draft telegram to Mr. French, cypher, February 28, 1889. Britain was willing to compromise with Japan by limiting unconditionality of MFN status to trade only, however. French to Foreign Office, January 16/17, 1889, FO 46/388.

[215]Salisbury to Sir Hugh Fraser, telegrams, June 18 and May 27, 1889, and French to Foreign Office, 14 January 1889, *ibid.*

[216]Fraser to Salisbury, June 13, 1889, *ibid.*

[217]Fraser to Salisbury, June 3, 1889 and Salisbury to Fraser, telegram, July 27, 1889, *ibid.*

[218]Salisbury to Fraser, August 23, 1889, *ibid.*

behalf.[219] Perhaps most important to Britain still was maintenance of unconditional MFN status, a principle Germany and the United States had been willing to sacrifice in the treaties they had negotiated with Tokyo.[220] The German and American defection from unconditional MFN was unsurprising, in that Germany's trade policy in the 1880s had been based entirely on reciprocity, and the United States had long argued against Britain for the principle of conditionality in MFN status. Both Britain and Japan acknowledged the central position that negotiation of an Anglo-Japanese treaty had for the whole process of treaty renegotiation between Japan and the Powers because of Britain's power and liberal trade policy. French wrote:

> Important that Grt Britain so far as great Powers are concerned, assume initiative to which our position and interests in Japan entitle us. Japan lays great stress on support of Great Britain, and considers that other powers agree to whatever is accepted by us.[221]

The Japanese were concerned by Britain's slow response to their treaty proposal. Fraser wrote to Salisbury from Tokyo that he believed that Japan would yield to Britain on the MFN issue because a British treaty was sufficiently important to them.[222]

Anglo-Japanese negotiations resumed in late summer 1889. British merchants in Japan objected to the jurisdictional proposals in the Japanese draft treaty, but they were anxious for a new treaty to be agreed upon to avoid ill will from the Japanese with whom they traded.[223] The two sides were nearing agreement in October when there was an assassination attempt on the Japanese Foreign Minister, Count Ikeuma.

---

[219]Salisbury to Fraser, August 23, September 4, 1889 and (telegram) September 19, 1889, *ibid.*

[220]Salisbury minute on Sir T.H. Sanderson note with telegram to Fraser, October 7, 1889, *ibid.*

[221]French to Foreign Office, January 16/17, 1889, *ibid.*

[222]Fraser to Salisbury, May 25, 1889, *ibid.*

[223]Fraser to Salisbury, August 31, 1889, *ibid.*

Tokyo suspended talks amidst an outpouring of Japanese public criticism of the treaty proposal, under which Britons would be permitted to buy Japanese land outright (instead of leasing, the existing arrangement) following the abolition of consular jurisdiction.[224] The Tokyo government realized that they had a problem with public support for treaty provisions granting continued privileges to foreigners in light of the new system of representative government being introduced in Japan.[225] The Tokyo government, under new Foreign Minister Viscount Aoki, revised its own treaty proposals that delayed and made more reciprocal the future rights of foreigners to own land in Japan. They also suspended the operation of the new commercial treaties already signed.[226] Meanwhile, support was building in Britain for the proposed Anglo-Japanese treaty. A *Times* article urging Salisbury to give up consular jurisdiction for a new treaty argued that the Japanese people saw Britain as still the key to commercial relations with all the Powers, despite British errors that disadvantaged her with respect to the United States, Germany and Russia.[227]

Opinion of Britons living in Japan was divided. One writer argued that a new treaty was the best route to reestablish British influence in Japan, while others feared the loss of foreign judges (which now looked more likely in the anticipated treaty) and possible changes in property rights.[228] The principal argument of the Foreign Residents Committee against ending consular jurisdiction was that Japanese legal codes were not yet modernized to the point of compatibility with western law, and that

---

[224]Salisbury to Fraser, telegram, November 27, 1889, *ibid.*

[225]Sanderson to Board of Trade, memorandum, May 1, 1990, *ibid.*

[226]Foreign Office Memorandum as to the Position and Prospects of the Negotiations with Japan for Treaty Revision (Confidential), February 1890, FO 46/404.

[227]*Times*, May 21, 1990 (included in FO 46/404).

[228]Edwin Arnold, Yokohama, May 10, 1890 letter to the editor of the *Daily Telegraph*, June (illegible), 1890, and extra to the *Japan Herald Mail Summary*, September 12, 1890, 'Mass Meeting of Foreign Residents', FO46/404.

Japanese legal scholars still did not understand important western legal concepts. The maintenance of a western legal system was vital to Britain's continued commercial preeminence in Japan.

> Besides, it is too often forgotten that Japan is the first Oriental state which has claimed the abolition of Consular jurisdiction; Turkey acquiesced in the system for centuries; it exists in China, Morocco, Siam and elsewhere. It is about to be created in Persia. In all these countries British commercial interests are of the greatest magnitude, and it therefore behoves Her Majesty's Government to be slow and wary in creating and shaping a precedent.[229]

Yet the foreign residents could not know that the treaty proposal close to signature in 1890, which in effect would have opened all of Japan to trade and residence by foreigners, was a better offer than Japanese public opinion would permit the Japanese Government subsequently to make.

The treaty issue then remained dormant for nearly three years. Tokyo continued to debate treaty reform internally and modernize its legal codes, and the new system of parliamentary government established itself. In this period officials in the Japanese government could not agree either on their own negotiating objectives or on what the new parliament would accept.[230] As had occurred repeatedly in Europe in earlier decades as aristocratic rule had given way to more representative government (*e.g.*, France, Italy, Germany, Austria), the newly empowered legislature's tone on commercial policy was protectionist. Japan's lower House called in February 1893 for (1) an end to all extraterritoriality in Japan; (2) tariff autonomy; (3) reservation of the coasting trade for Japanese vessels; and (4) and end to foreign interference in domestic political administration.[231] A deputation of members of parliament articulated their

---

[229]Statement by the Committee of the Foreign Residents of Yokohama, in support of the Resolutions of the 11th September (1890), Yokohama, December 1890, *ibid.*

[230]de Bunsen to Rosebery, February 17, 1893, *ibid.*

[231]M. de Bunsen to Rosebery, February 17, 1893, *ibid.*

views on commercial policy to the Mikado in an address to the throne in February 1893. The Radical Party (*Siyútó*), which was working closely with the government of Count Ito and which participated in the address to the throne, lobbied the Government only to permit foreigners to reside in the interior of Japan if the Powers would forswear proprietary rights in land, mines, railways, canals, ships and arsenals. The Radicals also urged that the Government renounce existing commercial treaties if the Powers would not agree to new treaties on Japan's terms.[232]

The fact that Tokyo now wanted to conduct individual negotiations with each Power rather than negotiating a standard treaty jointly that all the Powers would adopt indicated to Britain the effect of the new pressure on the Tokyo government.[233] In Britain's Tokyo embassy, de Bunsen became concerned by reports that Portugal was preparing to negotiate a treaty with Japan before Anglo-Japanese talks were concluded, which he viewed as an encroachment upon Britain's special position in the negotiations.

> I ventured to say that I thought we should have strong grounds for demanding that Japan should at least make a *bonafide* (sic) attempt to conclude her negotiation with us before embarking on a negotiation with another European Power.[234]

More serious to Britain's overall trade interests regarding Japan, France and the United States both were pressing Japan to grant them preferential tariff treatment. The Japanese Government, which was not wed to unconditional MFN, was inclined to grant such preferences because of Japan's need to promote exports of tea and silk,

---

[232]de Bunsen to Rosebery, March 28, 1893, *ibid.*
[233]de Bunsen to Rosebery, March 8, 1893, *ibid.*
[234]de Bunsen to Rosebery, February 17, 1893, *ibid.*

which France and the United States purchased in large quantities, and reduce exports of manufactures from Britain and Germany.[235]

In a clear analysis for the Foreign Office of the dynamics of multilateral trade negotiations and the market power of the participants, Cecil Spring-Rice assessed Japan's position with respect to Britain's major rivals. Britain and Germany, Spring-Rice found, had the largest trade surpluses with Japan at the time, ¥19 million and ¥6 million respectively, whereas Japan ran surpluses with the United States (¥31.5 million) and France (¥14 million). Japan feared the ability of the United States and France, both of which advanced conditional MFN in opposition to the British policy of unconditional MFN, to ruin the Japanese tea and silk export trade by closing their markets if Japan did not accept preferential tariffs. The United States, which purchased almost all Japan's tea exports, admitted tea duty free, a benefit that Japan could ill afford to lose. Japan, to meet the expected demand of the United States and France that she end all export taxes on tea and silk (which comprised 34 percent of Japan's customs revenue), would need to recover the lost revenue by raising duties higher on imports from other countries, especially those that import few goods from Japan, and by admitting raw materials duty free while raising duties on manufactures. An end to Japanese export taxes on tea and silk, in effect a preference granted to France and the United States, was important enough to those countries for them to accept a loss of extraterritorial jurisdiction in return, Spring-Rice judged. Britain would not suffer if Japan adopted conditional MFN because she imposed no duties on Japanese imports, whereas Germany would, because she had relatively high tariffs. Germany would be likely to align with Britain against France and the United States on MFN in this case because Germany exported the same, mostly manufactured, goods

[235]de Bunsen to Rosebery, June 20, 1893, *ibid.*

to Japan as Britain and would not want to see duties on those goods increased. Russia, according to Spring-Rice, would likely align with the France and the United States if Japan cut duties on petroleum imports, and so too would Italy if Japan cut export taxes on silk.[236] Spring-Rice's analysis indicates that the Foreign Office was fully cognizant of the negotiating dynamics involved in the Japanese talks, particularly the contest between the British approach to free trade based on unconditional MFN and the French and American approach based on reciprocity, conditionality and preferences. As the subsequent negotiations indicate, Britain acted so that the British approach would prevail in the Japanese case.

Tokyo agreed to resume negotiations with Britain by having Viscount Aoki, Japan's minister to Britain, meet with Sir Hugh Fraser, the British ambassador to Japan, in London in September 1893. Aoki and Fraser knew the issues involved and understood one another.[237] Japan proposed reciprocal freedom of commerce, including land ownership and residential rights. Trade regulations would be set by Japan, and the conventional tariff would be replaced by a general tariff from which particular reductions could be negotiated reciprocally.[238] Although the new Japanese tariff would take effect upon signature of the treaty, the treaty itself, with its consequent end to consular jurisdiction, would not take effect before five years from signature, and at one year's notice by the Japanese Government. Aoki offered to sign with Fraser a secret side agreement to the effect that Tokyo would not give notice to activate the treaty until the new legal codes were in place, but Fraser replied that

---

[236]Memorandum by Mr. Spring-Rice (Confidential), enclosed in de Bunsen to Rosebery, June 20, 1893, *ibid.*

[237]de Bunsen to Rosebery, August 18, 1893, FO 46/429.

[238]Minute by Fraser to Viscount Aoki's Overture respecting Treaty Revision in Japan, September 18, 1893, *ibid.*

Britons residing in Japan would not accept being kept in the dark in such a way.[239] Fraser's view of the Japanese proposal was that Tokyo was asking for everything whilst offering nothing in return. He recommended that Britain await completion of the new Japanese legal codes before advancing treaty negotiations any farther.[240] Matters were further complicated in Japan by the emergence of a popular opposition to mixed Japanese and foreign residence, on the grounds that the economic competition that would be touched off by freedom of residence for foreigners would be harmful to Japanese. This development was part of a general rise in xenophobia among Japanese, not, as in the period before Japan's opening to the West, led by the Samurai class.[241] The new movement had the support neither of the generally protectionist Radical Party nor of the new Foreign Minister, Mutsu Munemitsu.[242] Fears held by foreign residents in Japan, particularly Britons, were compounded by charges that Japanese police failed to protect Archdeacon Shaw, the chaplain of the British legation in Tokyo, when he was jostled by rowdy inebriates in a Tokyo street. Calls were made for increased Japanese protection of all foreign residents.[243]

By the end of 1893 xenophobic sentiments were running so high in the Japanese Parliament that anti-foreign legislation was debated, and legislators used the opportunity to rail against foreigners. All the major parties opposed the government's liberal policy towards foreigners, differing only by degree. Foreign Minister Mutsu did not intend to allow any anti-foreign legislation to pass, so he prevailed upon the

---

[239]Fraser to Aoki, October 10, 1893, FO 46/431.

[240]Minute by Fraser to Viscount Aoki's Overture respecting Treaty Revision in Japan, September 18, 1893, FO 46/429.

[241]de Bunsen to Rosebery, November 28, 1893, *ibid.*

[242]de Bunsen to Rosebery, November 23, 1893, and *Naichi Zakkyo Kokyukwai* pamphlet, summarized by Mr. Hampden and enclosed in above.

[243]despatches to the Foreign Office, November-December 1893, *ibid.*

Mikado to prorogue Parliament for ten days so that the Government could deal with the growing crisis. Despite Mutsu's actions, de Bunsen was concerned that Count Ito had yielded to the lower House before on other issues and might do so over trade as well.[244] Aoki, meanwhile, sweetened the Japanese treaty proposal for Fraser. Aoki offered, in addition to full freedom to travel and reside for foreigners, unconditional MFN and a conventional tariff for listed goods lower than the new general tariff, and the new treaty would not enter force until after the new Japanese legal codes were published. He also promised further measures to cushion the effect of the end of consular jurisdiction.[245] When Parliament resumed in Tokyo, agitation for anti-foreign legislation continued. Mutsu gave a speech on Japan's foreign policy intended to calm the mood, but he did not succeed, and the Mikado prorogued Parliament for another fortnight. The Government then dissolved Parliament, scheduled new elections for April 1894 and dissolved the Great Japan Society (*Dai Nippon Kyokwai*), a lobby group that had lobbied against mixed Japanese and foreign residence. Through these measures Mutsu convinced de Bunsen of the Japanese Government's commitment to modernization.[246]

The Japanese Government needed to revise its commercial policy to take into account the changes in domestic and foreign opinion. Their new thinking on the treaties, as articulated by Aoki, was that since the principles of solidarity of the Powers in negotiations and identity of all the treaties had been cast aside, it was useful for Japan to sign treaties only with those Powers that traded extensively with Japan and that covered heavily traded goods. Of the ¥54.9 million in imports from Western

---

[244]de Bunsen to Rosebery, December 23, 1893, *ibid.*

[245]Memorandum by Fraser, Japanese Proposals for Treaty Revision through Viscount Aoki, December 27, 1893, *ibid.*

[246]de Bunsen to Rosebery, December 31, 1893, *ibid.*

countries in 1892, Japan imported ¥51.7 million of them from Britain, Germany, France and the United States. Hence Japan proposed to treat with only those four states and to extend tariff concessions to other states through unconditional MFN.[247] With a few exceptions, Tokyo proposed to treat on goods that comprised over ¥50 million *per annum* (particularly wine, liquor, tobacco and sugar), which comprised over two thirds of Japan's aggregate imports by value. Raw materials, intermediate industrial and transport goods and other goods that it would not be in Japan's interest to protect through tariffs would be left out of negotiations: armaments, locomotive, railway carriages, ships, pharmaceuticals, machinery, coal, cotton, wool, hemp, flax, jute and tea lead (used for packing tea for export).[248] In order to make possible a conventional tariff covering the abovementioned products, Japan would enact a general tariff maintaining *ad valorem* duties but reserving the right to convert to specific duties within specified limits in order to handle price fluctuations and then to adjust the specific duties periodically based on exchange rate fluctuations.[249] Popular opposition to direct foreign land ownership forced the Government to change their land proposal to a continuation of the existing policy whereby foreigners rented land from the Japanese Government at fixed rates.[250]

Aoki submitted a new draft treaty embodying Japan's new commercial policy to the British Government on December 27, 1893. The proposal included full rights of travel and commerce for foreigners in Japan, national treatment in trade, including unconditional MFN status covering import, export and transit duties, shipping and

---

[247]This was an early use of the principal supplier principle, which Roosevelt made a cornerstone of his Reciprocal Trade Agreements Act.

[248]Memorandum by Aoki, December 27, 1893, *ibid.*

[249]*ibid.*

[250]Unidentified Foreign Office memorandum attached to Aoki memorandum of December 27, 1893, *ibid.*

shipping-related dues and intellectual property protection. The coasting trade would be reciprocally excepted from coverage, as would Britain's possessions in Australasia, Canada, South Africa and India (except by their voluntary accession). The new treaty would be activated at one year's notice by the Japanese Government at any time starting five years from signature of the treaty, at which time British consular jurisdiction would end. The treaty could be denounced at one year's notice beginning six years from its effective date.[251] An attached draft protocol would initiate Japan's new tariff one month from ratification of the treaty and would allow Japan to convert *ad valorem* duties to specific duties with six months' notice, which would then be reviewed biennially for exchange rate variations according to a set formula. Japan's new tariff (listed in an annexe) would be between 5 and 10 percent for enumerated goods, excepting silk and related fabrics, which would enter at 15 percent. A draft diplomatic note attached to the treaty would commit Japan not to activate the treaty until Japan's new legal codes had entered force.[252] This last provision was structured so that the treaty could appear fully 'European' in the sense of having no mention of incomplete legal codes.[253]

The principal differences between Japan's new treaty proposal and Salisbury's counterdraft treaty of 1890 were that the foreign right to own property was withdrawn, as was Britain's right to carry cargo between Japanese ports (coasting trade). The treaty activation clause was also new. The effectiveness clause (respecting completion of Japan's new legal codes), although differently structured, had the same effect. The tariff protocol, on the other hand, was substantially different, scrapping the 1890 plan for a joint foreign-Japanese tariff commission to meet triennially to adjust specific

---

[251]Draft Treaty, December 27, 1893, *ibid.*
[252]*ibid.*
[253]Memorandum by Gubbins, May 21, 1894, *ibid.*

tariffs according to trade price fluctuations in favour of unilateral Japanese adjustment biennially according to exchange rate variations.[254] Major British objections to the new Japanese treaty proposal were: that the treaty bound Britain but not Japan with respect to its commencement date; that Japan could choose never to activate the treaty or make new demands before activating it; and that the treaty did not protect Britain sufficiently with respect to the end of consular jurisdiction and tariff increases (by including unconditional MFN for consular jurisdiction, for example). Gubbins disagreed with these criticisms, arguing that Japan's only freedom would be to delay activation of the treaty, which by prolonging consular jurisdiction would only serve to benefit Britain. Also, Japan's interest would always be to activate the treaty in order to be admitted to the comity of nations, which she sought so much, as early as possible. Fears of a lack of protection for Britain, Gubbins observed, were unfounded because existing MFN treaties already guarded tariffs and consular jurisdiction, and Japan had accepted the principle that no changes in tariffs or jurisdiction would be applied to one Power before the others. Moreover, it would not be in Japan's interest to conclude a treaty with Britain and not the others because then not only could the other Powers claim benefits of the new Anglo-Japanese treaty under their existing MFN treaties, but Britain could still claim benefits of old Japanese treaties with other Powers as well.[255]

Gubbins was also aware of the importance of the new treaty proposal to the survival of the Japanese Government, which he regarded as making the best offer that Britain could hope for in light of growing popular protectionism.

> It is not too much to say that on the issue of the negotiations now reopened in Europe depend the fate of the present (Japanese) Ministry

---

[254]Minutes by Gubbins re changes from previous treaty drafts, 1894, FO 46/433.
[255]Memorandum by Gubbins, May 21, 1894, FO 46/431.

> and also the stability of the (Japanese) Government for several years to come. It would be rash to assert that the conclusion of a new Treaty between Great Britain and Japan would of itself enable the latter to surmount all of her internal difficulties, but there is no doubt that a ratified Treaty as distinct from one only signed and awaiting ratification at some future moment, would be a material factor in the question.[256]

Sir Henry Bergne concurred that the treaty's MFN and national treatment provisions were the best offers that Britain would get, but on conversion to specific duties he recommended that Britain insist that conversion should be contingent upon the approval of Her Majesty's Government as well as that of Japan. Bergne also thought that in return for Britain's sacrifices Japan should surrender her tariff autonomy for a treaty period of twenty years rather than seven, unless Britain herself wished to include a quinquennial review of tariffs.[257]

Although the Foreign Office did not want to negotiate whilst antiforeign agitation was underway in Tokyo, de Bunsen convinced Rosebery that to await its end might postpone treaty revision indefinitely.[258] Fraser observed that the Japanese Government had shown its desire to treat with Britain first by delaying other treaties, such as that with Portugal. Moreover, resumption of treaty negotiations should render the Tokyo government more able to squelch antiforeign agitation.[259] Mutsu was very anxious that negotiations continue, complaining that the British press in Yokohama were exaggerating Japanese xenophobia. He indicated that the tide was beginning to turn amongst the parliamentarians, as constituents who benefited from trade began to lobby their MP's against xenophobic attitudes. 'His excellency (Mutsu) repeated his conviction that no treaty negotiation could be satisfactory from which England stood

---

[256]*ibid.*
[257]Minute to draft treaty by Sir H.G. Bergne, January 6, 1894, FO 46/433.
[258]de Bunsen to Rosebery, January 12, 1894, FO 46/435.
[259]Fraser to Rosebery, February 27, 1894, *ibid.*

aloof."[260] Mutsu did, however, hint that as a last resort if treaty negotiations failed Japan could repudiate the existing treaties. That suggestion brought a strong Foreign Office rebuke from Lord Kimberley on down that the comity of western nations that Japan sought to join did not repudiate treaties only because they no longer liked their terms.[261] Fraser, however, took Mutsu's threat seriously, suspecting that Mutsu, as the author of the latest treaty draft (which was less favourable to Britain than earlier drafts), was seeking an excuse to repudiate the existing treaties and impose a conditional MFN-based treaty on Britain similar to the Japan-Mexico treaty of 1889.[262] Mutsu and Count Ito were later apologetic about the perceived threat of treaty renunciation.[263] Ito also told Fraser that the antiforeign ructions in Parliament were a form of political pressure for treaty revision and not genuine hostility to foreigners.[264] This tended to be borne out in the legislative elections in late March 1894, in which the Government fared well and in which there were few xenophobic manifestations.[265]

In the negotiations of the winter and spring of 1894, Britain sought not to surrender consular jurisdiction over foreign settlements or accept a tariff rise until the other Powers had signed similar treaties. British negotiators pressed for Bergne's 20-year treaty duration. In addition, the British Government sought a restoration of the right in the 1890 draft treaty for British ships to carry cargo between treaty ports and the inclusion of sugar in the conventional tariff, in light of the sensitivity of the international sugar market and its importance to British refiners and colonial plantations.

---

[260]de Bunsen to Rosebery, February 14, 1894, *ibid.*
[261]Bertie and Kimberley minutes, Fraser to Rosebery, February 27, 1894, *ibid.*
[262]Fraser to Rosebery, February 28, 1894, *ibid.*
[263]Fraser to Kimberley, April 18, 1894, *ibid.*
[264]Fraser to Rosebery, March 6, 1894, *ibid.*
[265]Fraser to Kimberley, March 29, 1894, *ibid.*

Tokyo agreed to concessions on the coasting trade and on foreign settlements.[266] On sugar, in return for adding raw sugar to the conventional tariff at 10 percent, Japan secured the right to tax British refined sugar (at MFN rates) if in the future Japan began domestic sugar refining. Tokyo also agreed to another British demand that Japan adhere to the International Conventions for the Protection of Industrial Property and Copyright. The two sides compromised on the treaty's length, agreeing that it would be twelve years from the date of its activation by Japan, denounceable at one year's notice after eleven years.[267]

The British and Japanese Governments signed the new treaty on July 16, 1894, and the treaty and accompanying tariff schedule was published in the *Japan Official Gazette* on August 28th. A supplementary tariff convention was later signed on July 16, 1895, following work by a joint tariff commission that included, among others, Gubbins.[268] The Japanese press were generally favourable to the treaty, whereas much of the British press in Yokohama was negative.[269] During the summer of 1894, even as the treaty was nearing completion, Anglo-Japanese relations had become further complicated by the outbreak of Sino-Japanese hostilities in the Korean peninsula. Japan feared that Britain would back China because of her greater trade interests on the Chinese mainland. Kimberley failed to prevent war from breaking out, but when it did, Mutsu pledged that Japan would not blockade Shanghai or interfere with British trade there. Britain assured Japan of her neutrality in the conflict, and

---

[266]Memorandum showing progress of negotiations up to date, and suggestions for interview of June 27, 1894 (both undated), FO 46/448.

[267]Draft Treaty, July 12, 1894, *ibid.*

[268]Sanderson to Sir E. Satow, September 4, 1895, FO 46/449.

[269]P. LePoer Trench to Kimberley, August 31, 1894, *ibid.*

eventually Britain cooperated with her East Asian rival Russia to help bring about a peace settlement.[270]

Japan emerged strengthened from the Korean conflict with China. One of the peace demands she made of China was further opening of Chinese ports and rivers to traders. Britain approved of Japan's claim fully both for the liberalizing principle and because her traders in the Yangtse valley stood to benefit.[271] However, Japan also made territorial demands. France, Germany and Russia indicated their intention to prevent any Japanese expansion by force. Britain, while refusing to participate in any use of force against Japan, also opposed the territorial claims.[272] The intervention of the three Powers prompted Japan to turn inwards and accelerate military modernization and expansion in the latter 1890s. By 1900 Japan held the naval balance in the region between Britain, on the one hand, and France and Russia, on the other.[273]

In a broad sense, the treaty commitments to end extraterritoriality in Japan brought a decline in Britain's predominance there, since amongst foreign traders Britain's presence had been the most influential. With that decline came a concurrent increase in European rivalry in East Asia.[274] But Anglo-Japanese political relations improved from 1895, and the activation of the commercial treaties and ending of extraterritoriality in July 1899 went smoothly (despite complaints from British traders of high Japanese municipal taxes). The conclusion of the Anglo-Japanese Alliance of 1902 was the culmination of a process of warming relations that resulted from Japanese economic and military modernization, Britain's relative loss of geopolitical

---

[270]Nish (1966) pp. 24-26.
[271]*ibid.*, pp. 28-32.
[272]*ibid.*, pp. 31-32.
[273]*ibid.*, pp. 35-37.
[274]*ibid.*, p. 19.

dominance in the region and restructuring of Anglo-Japanese relations on the basis of equality.

The Anglo-Japanese commercial negotiations further underscore the central points of this thesis. By choosing to negotiate with and make concessions to Japan, Britain was able to obtain an agreement from which she benefited commercially and geopolitically. The relationship that Britain developed with Japan, first by leading commercial negotiations in which Japan was elevated to the status of a European power and then by cooperating with Japan militarily to maintain order in East Asia, maintained British hegemony in that part of the world to a greater extent than any alternative policy would have allowed. Refusing to negotiate, for example, or refusing accede to basic Japanese demands, such as tariff increases and an end to extraterritoriality (which from Britain's point of view could be sacrificed in the interests of free trade) would likely have resulted in Japan's repudiating existing treaties, ending extraterritoriality and raising tariffs unilaterally, a process over which Britain would have had no control. The treaty prevented Japanese tariffs from being subject to major increases by the legislature for twelve years, in a period in which tariffs in Europe were rising rapidly. The treaty also opened more of Japan to trade. Between the 1880s and World War I Japan's dependence upon trade more than doubled.[275] And in return for admitting Japan to the comity of western nations, the treaty secured Japanese adherence to European liberal trade norms such as the Industrial Property Convention.

British Foreign Office officials' analyses of the geopolitical and economic aspects of Anglo-Japanese relations, while showing no less dedication to free trade than analyses of trade with other states, display a full sensitivity to the dynamics of

[275] *See* Appendix, Table 5a.

the negotiations. British officials both in Tokyo and London were clearly aware of the power relationship between Britain, the other Powers and Japan, and they acted accordingly and with considerable success. There was never a hint of unilateralism in Britain's effort to liberalize trade with Japan. It is a peculiar paradox that in granting Tokyo's wish to be treated equally with other European industrialized states by negotiating, Britain by her own measure was treating Japan as a second or third tier power, for after 1870 it was Britain's customary policy not to negotiate trade liberalization with those industrialized states that Japan sought to join.

Britain's cooperation with and de facto leadership of the other Powers in the negotiations with Japan also serves as another example of the beginnings of the multilateralization of trade relations, in which the Powers found it in their interest at least to attempt to solve commercial problems collectively. British leadership of the multilateral process, although it did not result in a multilateral treaty (or even agreement on a standardized bilateral treaty) steered the Japanese to agree to a treaty that suited Britain more than some of her rivals. Britain's wish for unconditional MFN prevailed over the French and American preference for conditional MFN, for example. As this case and the other multilateral negotiating cases of the period indicate, Britain did not exercise multilateral leadership systematically or with ease in the late nineteenth century, but on an *ad hoc* basis. Yet Britain had this leadership capability and was acknowledged to have it by other states. Insofar as the British Government chose to use it, Britain and the other members of the liberal world trading system tended to benefit from it.

E. *Britain and the International Sugar Convention 1898-1913*

The problem of sugar bounties that had plagued the international community for much of the latter half of the century had not abated as the century drew to a close. It had in fact worsened because of the continued growth of beet sugar production in the temperate regions of Europe and the expansion of sources for cane sugar in the tropics. By 1900-04, West Indian colonial sugar imports to Britain were 25 percent of their 1870-74 levels.[276] Another international sugar conference was held at Brussels in June 1898. Notwithstanding the desire of most governments to see bounties eliminated entirely, no agreement was reached because delegates were unwilling to commit themselves to a plan that would require changes in the domestic legislation of each country. France's internal sugar subsidies, in addition to export bounties, proved to be a particular problem. Belgium offered to develop a formula for reduced French sugar subsidies to be presented at a reconvened conference.[277]

Britain, which favoured such a conference because of her continuing interest in halting nonliberal trade practices that were harming her sugar-producing colonies, was particularly concerned that the problem of Russian sugar bounties be addressed.[278] Russia applied a complex system of regulation of domestic sugar sales, which the Russian Government argued was intended to suppress formation of sugar export cartels, but which other countries viewed as an indirect export bounty. The problem came to a head in 1899, when India decided to impose countervailing duties

[276]*See* Appendix, Table 6e.
[277]Baron Whetnall to Lansdowne, February 19, 1901, Parliamentary Papers (1902).
[278]Lansdowne to Whetnall, March 19, 1901, *ibid.*

against Russian sugar.[279] The Russian Government protested to Britain that the Indian CVDs violated the MFN clause of the 1859 Anglo-Russian commercial treaty.[280] Salisbury argued that Russia was paying an indirect bounty, and because such a bounty acted as a preference for domestic over imported sugar, Russia was herself violating the intent of the MFN clause in the commercial treaty.[281] India was not willing to abandon her CVD law even should an international conference act against sugar bounties, yet Russia declined Salisbury's offer to terminate the Anglo-Russian commercial treaty.[282]

The Belgian Government called a new sugar conference for December 1901. Russia would not participate in the conference on the grounds that she paid neither direct nor indirect bounties on sugar, although the Russian Government did seek to explain and justify the Russian system to the conferees in order to avoid the future imposition of CVDs under a sugar convention.[283] Lansdowne directed the British delegation to the conference to press for total abolition of all direct and indirect bounties. In a significant shift from Britain's previous opposition to retaliation, Lansdowne told the delegates that Britain would accept a mandatory penal clause in a sugar convention if absolutely necessary because of the 'urgent importance' to West Indian sugar planters and British sugar refiners that bounties be stopped. Lansdowne reemphasized Britain's aversion to CVDs, however, directing the delegates to seek the

---

[279]The United States had imposed CVDs in 1897. *See* Chalmin (1984) p. 17.

[280]M. Lessar to Salisbury, June 12, 1899, Parliamentary Papers (1903).

[281]Salisbury to Lessar, July 15, 1899, *ibid.*

[282]Salisbury to Lessar, July 15, 1899, *ibid.*; India Office to Foreign Office, December 13, 1901, Parliamentary Papers (1902).

[283]Russian Imperial Ministry of Finance Memorandum, July 8, 1902, Parliamentary Papers (1903).

right for Britain to impose retaliatory import prohibitions instead of CVDs. He also urged that cartels be abolished or regulated by limiting the allowed margin of difference between customs and excise duties on sugar.[284] Lansdowne's concern with cartels and marginal differences in taxation draws attention to the fact that under the rubric of 'bounties', the sugar convention debated almost all types of barriers to liberal trade in sugar: direct bounties on exports, direct subsidies on production, total or partial exemptions from duties on manufactured products using sugar, indirect advantages accrued from inflating or deflating estimates of quantities produced, gains from excessive duty drawbacks and advantages gained from large differences between import and excise duties (which could encourage cartels).[285]

Britain faced unanimous support at the convention for a mandatory penal clause to be imposed upon sugar bounty payers. The conferees did acknowledge that imposition of a penal clause against countries with which the penalizer had an MFN treaty could create a conflict. The British delegation proposed that those countries having MFN treaties with signatories to a sugar convention be granted the extra degree of leeway between excise and import duties that the conference was already proposing to grant to France (because of its peculiar system of taxation) before the penal clause would have to be applied.[286] This was a strangely pragmatic abandonment of the MFN principle by Britain, even given the Lansdowne Foreign Office's newfound

---

[284]Lansdowne to British Delegates at Sugar Conference, December 12, 1901, Parliamentary Papers (1902).

[285]British delegates to Sugar Conference to Lansdowne, December 21, 1901, *ibid.*

[286]British Delegates to Sugar Convention to Lansdowne, December 21, 1901, *ibid.*

flexibility on retaliation. (Why did Britain not instead reiterate Salisbury's argument towards Russia respecting MFN and bounties?)

It became clear to the other conferees that Britain was negotiating at a genuinely critical moment for the economies of the West Indian colonies and was prepared to impose colonial preferences on their behalf, even at the expense of low-priced sugar for British consumers. The fact that Westminster decided to act on this occasion after many years of parrying suggests that the usual pleadings by the West India Committee, Anti-Bounty League and governors and legislatures of the colonies as to the dire economic straits of the islands were taken more seriously than previously. Lansdowne directed the delegates to warn that Parliament would act against bounty sugar if the conference did not.

> In these circumstances, the British Delegates are instructed to declare that if the last of several efforts which the Powers have made to terminate the system (of bounties) should share the fate of its predecessors, His Majesty's Government will be bound to propose to Parliament such measures as will, in their judgment, be sufficient to meet the case.[287]

As the conference encountered delays, Lansdowne warned in late February 1902 that if an agreement was not reached, the upcoming annual budget would contain subsidies for colonial sugar.[288] Moreover, Britain demanded the assent of the conference to her paying temporary subsidies to colonial planters to cover the period between the signing and the date of activation of a sugar convention. Assuming that assent was given, Britain would assure the conference that she would not grant tariff preferences to colonial sugar for the duration of a convention.[289] The other conferees accepted

---

[287]Lansdowne to British Delegates, January 17, 1902, *ibid.*
[288]Lansdowne to Phipps, February 25, 1902, *ibid.*
[289]Delegates to Lansdowne, February 27, 1902.

Britain's tough conditions only because of the importance of the British sugar market to other producers.[290] The German negotiator Baron von Thielmann argued to Reichstag deputies, who feared that British colonial preferences on sugar would edge German sugar out of the British market, that only by signing the proposed sugar convention could Germany avoid British colonial sugar preferences.[291]

A compromise treaty package was agreed that prohibited all sugar bounties and lowered the surtax, or maximum permissible difference between excise and import duties, to FF 6/100 kg. The agreement required all sugar to be refined in bond. A multilateral Permanent Sugar Commission was to be created to supervise and enforce implementation of the convention, which would run for five years. The treaty's escape clause permitted countries temporary relief against import surges (with approval of the Permanent Sugar Commission) of FF 1/100 kg. additional surtax, and required mandatory CVDs or import prohibitions against any countries that the Permanent Sugar Commission found to be paying bounties.[292] The sugar convention was signed March 5, 1902, to take effect on September 1, 1903.[293] Lansdowne urged Russia to sign the new convention, pointing out that calculations suggested that Russia's surtax was FF 69/100 kg., and that if the Commission were to find that Russia was paying bounties, Britain would be compelled under the convention to retaliate against Russian sugar.[294] The Russian retort was that MFN treaties did not restrict domestic

---

[290]*See* Appendix, Tables 6a and 6c for measures of British market dominance in sugar.

[291]William S.H. Gastrell memorandum on debate in the Reichstag on the Abolition of the Sugar Bounties, March 5, 1902, *ibid.* In the event, German sugar continued to dwarf West Indian sugar in the British market. *See* Appendix, Table 6b.

[292]Delegates to Lansdowne, February 27, 1902; despatch from the British Delegates inclosing copy of the Convention signed on March 5, 1902, Parliamentary Papers (1902).

[293]Signatories were Germany, Austria-Hungary, Belgium, Spain, France, Italy, Holland, Sweden-Norway and Britain.

[294]Lansdowne to M. de Staal, July 30, 1902, Parliamentary Papers (1903).

legislation and that as recently as 1897 Britain had viewed CVDs as inconsistent with MFN treaties.[295]

The Permanent Sugar Commission began its work, finding in June 1903 that Spain and Russia had excessive surtaxes, Denmark and Roumania had excessive surtaxes and paid bounties and that Japan had slightly high surtaxes on some types of sugar. The Commission fixed CVDs for imposition on each country and elected to impose temporarily CVDs already imposed by the United States on other sugar bounty-paying countries (under the extant American system) until the Commission was able to make its own assessment.[296] Additions and deletions to the CVD list followed at subsequent Commission meetings. Britain at first did not feel the direct consequences of imposing import prohibitions against bounty-paying countries, as most of its non-colonial sugar imports between 1898 and 1902 had come from Germany, Austria, the Netherlands and Belgium, all signatories to the convention.[297] Russia, very concerned about the CVDs imposed against her sugar, proposed to come to terms with the sugar convention under which her current export levels would be frozen in return for exemption from CVDs. The plan met considerable resistance, particularly from Britain, but it foreshadowed the terms of Russia's eventual accession to the convention itself.[298]

---

[295]Memorandum communicated by Baron Gravenitz, September 24, 1902, *ibid.*

[296]Findings of the Permanent Commission established under Article VII of the Sugar Convention of March 5, 1902, and Report of the British Delegate, M. de Favereau to Sir B. Boothby, June 27, 1903, encl. in Boothby to Lansdowne, June 28, 1903; de Favereau to Phipps, July 4, 1903, encl. in Phipps to Lansdowne, July 5, 1903, Parliamentary Papers (1903).

[297]Sir H. Bergne to Lansdowne, July 13, 1903, *ibid.*

[298]Lamsdorff to M. Leghait, July 28, 1903, encl. in Lalaing to Lansdowne, August 21, 1903, Parliamentary Papers (1904).

The fall of Balfour's Unionist government and the return of the Liberals under Campbell-Bannerman presaged a return to a more domestic consumer-oriented, unilateralist free trade policy for Britain. The Liberals had opposed the sugar convention when it had been proposed originally.[299] To the alarm of the West India Committee and other defenders of the island economies, Campbell-Bannerman declared on March 27th, 1906 that Britain would withdraw from the sugar convention as of September 1, 1908 (the earliest date permissible).[300] West Indian sugar interests testified that under the convention sugar production had grown and that investment had increased.[301] Barbados' legislature petitioned the King to intervene against denunciation of the convention, and all the other British colonies rallied behind the position of the West Indies.[302] The West India Committee, certain that Austria-Hungary would resume paying bounties if Britain withdrew from the sugar convention, called upon the Foreign Office to negotiate a reciprocal commercial treaty with the United States for the West Indies to replace the sugar convention.[303] Yet the new Government clearly favoured consumer over producer interests with respect to sugar. The new Foreign Secretary, Sir Edward Grey, said in Parliament in early March 1906 that Britain, a sugar-consuming country, was held hostage in the sugar convention to the power of sugar-producing countries.[304] On April 6th, Winston Churchill

---

[299]Grey to Count de Salis, November 23, 1906, FO 881/9048.

[300]West India Committee to Colonial Office, June 7, 1906, Parliamentary Papers (1907).

[301]Enclosure in Gov. of British Guiana F.M. Hodgson to Secretary of State, March 16, 1907, *ibid.* During the Convention period, West Indian sugar exports to Britain stabilized. *See* Appendix, Table 6e.

[302]G.T. Carter, Gov. of Barbados, to Secretary of State, March 20, 1907, *ibid.*

[303]West India Committee to Colonial Office, June 7, 1906, *ibid.*

[304]Parliamentary debate reported in *The Times*, March 6, 1906, FO 368/6.

answered a parliamentary question that the sugar convention benefited the West Indies at the cost of injury to British domestic industry and commerce.[305]

The sugar situation in Britain was aggravated by a beet crop failure in Europe, which had pushed up sugar prices. British confectioners accused the sugar convention of costing them business by pushing sugar prices higher than they would be otherwise and cutting off new sources of low-cost sugar (such as Russian sugar) through import prohibitions. Sugar expert and colonial advocate George Martineau, challenging the confectioners' complaints, observed that despite sugar price increases, British confectionery exports continued to grow and domestic sales grew even faster than exports. Moreover, annual imports of confectionery products to Britain were totalling less than the annual increase in confectionery exports.[306] Pressure within the Government to end prohibitions on sugar imports appears to have come principally from the Treasury, which presumably stood to gain from the increase in excise revenue that would result from an increase in sugar imports to and consumption in Britain. The Foreign Office, by contrast, was concerned about the political implications of withdrawal from the convention and preferred to remain in the convention if it were possible to do so without enforcing the penal clause.[307] Likewise the Board of Trade, while wanting freedom from the penal clause so that Britain could buy the cheapest sugar available, was amenable to remaining in the convention on the basis of an exemption.[308]

On June 1, 1907, Grey informed Hardinge in Brussels that the Government had decided that enforcement of the penal clause was inconsistent with British trade policy.

---

[305]Algernon E. Aspinall, Secretary, West India Committee, to Grey, April 16, 1906, *ibid.*

[306]Martineau to Grey, May 11, 1906, and encl. letter to the *Manchester Guardian*, May 7, 1906, FO 881/9048.

[307]E. Gorst (F.O.) to Treasury, February 24, 1906, *ibid.*

[308] H.Ll. Smith to F.O., February 13, 1907, FO 881/9306.

> His Majesty's Government have come to the conclusion that the limitation of the sources from which sugar may enter the United Kingdom, whether by prohibition or by the imposition of countervailing duties, is inconsistent with their declared policy, and incompatible with the interests of British consumers and sugar-using manufacturers, and that consequently it will be impossible for them to continue to give effect to the provisions of the Convention requiring them to penalize sugars declared by the Permanent Commission to be bounty fed.[309]

Grey proposed that Britain remain in the convention but with a special exemption from enforcing the penal clause. If the other signatories would not agree to such an exemption, Britain would give her twelve months' notice of withdrawal on September 1, 1907.[310]

The Permanent Sugar Commission and the Belgian Government were very anxious to keep Britain in the convention and supported a British exemption from the penal clause.[311] France wanted to preserve the convention with or without Britain but had political as well as economic reasons for wanting Britain to remain a signatory.[312] The French ambassador to London, Cambon, urged the British Government not to withdraw and to consider adopting CVDs instead of prohibitions, as a CVD on Russian sugar equalling the bounty paid still would admit a large quantity of cheap Russian sugar to Britain. Cambon stressed the importance of avoiding Anglo-French economic conflict at a time when the political situation in Europe so demanded cooperation. British withdrawal from the convention, Cambon suggested darkly, would force France to seek closer economic union with the remaining European convention powers (referring specifically to Germany) in order to safeguard her sugar industry.

---

[309]Despatch to H.M. Minister at Brussels respecting the International Sugar Convention of March 5, 1902, Parliamentary Papers (1907).

[310]*ibid.*

[311]Bergne to Grey, May 16, 1906, FO 881/9048.

[312]Bergne to Grey, December 14, 1906, FO 881/ 9306.

> Ce serait alors la constitution d'une union économique en face de l'Angleterre et le commencement d'une sorte de guerre industrielle profondement regrettable.

Westminster found CVDs as well as prohibitions to be overly limiting of sugar sources for consumers and sugar-using industries.[313] Considering the pressure on the British Government from Liberals to withdraw from the convention altogether, Grey indicated that it was a political concession to France that the Government was even willing to remain in the convention exempted from the penal clause.[314]

Cambon's threat was not without ground, although its chances for success were dubious. Germany opposed exempting Britain from the penal clause and pressed Austria-Hungary to organize an economic bloc with Germany, Italy and possibly Russia to boycott British sugar products in the event of British withdrawal from the convention. It would have been the goal of such a bloc to force France to join, were Russian sugar to begin underselling French sugar in Britain.[315] Bertie feared that if the powers and Russia did not reach an accommodation that would admit Russia to the convention, and Russian sugar were to undersell French sugar in Britain, popular pressure in the northern, beet-growing region of France would force Paris to join a continental bloc.[316] Grey did not believe that such a bloc would succeed in raising sugar prices in Britain.[317] Drake, the British consul at Magdeburg, Germany, reported to the Foreign Office that Germany was unlikely to restore duty drawbacks for sugar exports if the convention lapsed and that there was now too much competition in German sugar production for a bloc to succeed in fixing prices.[318]

---

[313]Grey to Hardinge, June 1, 1907, *ibid.*
[314]Grey to Sir. F. Bertie, June 8, 1907, *ibid.*
[315]Bertie to Grey, July 10, 1907, *ibid.*
[316]*ibid.*
[317]Grey to Bertie, July 12, 1907, *ibid.*
[318]Memorandum encl. in Edgar Drake to Foreign Office, July 20, 1907, *ibid.*

The Permanent Sugar Commission, meeting in July 1907, agreed to amend the sugar convention to release Britain from enforcing the penal clause.[319] Most countries signed the requisite Additional Act at once, but Germany, after delaying, ratified the Act but contingent upon Russia's first adhering to the convention. The powers successfully negotiated Russian adherence on the previously suggested basis of setting quotas on Russian sugar exports. The British Government wanted as few barriers as possible to the export of Russian sugar to Britain, but they accepted the principle of export quotas to facilitate Russian adhesion and thus the ratification of the Additional Act.[320]

After Russia entered the sugar convention, Russian sugar exports to Britain grew[321], and yet sugar prices still rose. As the 1913 date from which members could withdraw from the convention approached, Britain sought an increase in the Russian annual sugar export quota from 200 to 500 kilotons/year as a condition for Britain's remaining in the convention.[322] There then followed a period of protracted haggling amongst the European powers in early 1912 over a suitable formula for increasing Russia's export quota. During this period the British Government, responding to pressure from unhappy British confectioners and other sugar users, decided to withdraw from the convention as of September 1, 1913, while continuing to observe all its provisions except those limiting imports of sugar from the cheapest sources available.[323] France again expressed concern that Britain not withdraw, indicating

---

[319]Bertie to Grey, July 27, 1907, Parliamentary Papers (1908).

[320]Bergne to Foreign Office, December 2, 1907, *ibid.*

[321]*See* Appendix, Table 6b.

[322]Grey to British Delegate to Permanent International Sugar Commission, December 7, 1911, Parliamentary Papers (1912-1913).

[323]Draft statement by H. Fountain (Board of Trade), encl. in Fountain to Law, January 8, 1912, FO 881/10328.

the same fear as that of five years earlier, that France might be forced to join a German-led cartel. Cambon offered to discuss Britain's demand that Russia be allowed to export 500 kilotons/year.[324] Other European powers also urged Britain to remain in the convention and suggested that she do so on an annual renewable basis. (Requests by Italy and Switzerland to remain in the convention on a similar basis were rejected, despite Switzerland's argument that like Britain, she was a sugar using nation, because neither country had the same sugar market clout as Britain.)[325] The powers finally signed a protocol to extend the convention for a further five years on March 17, 1912, under which Russia would be allowed exports of up to 250 - kt/year.[326] Germany's Government agreed to the deal notwithstanding their strong earlier opposition because the sacrifices they would have to make to Russia were less than the advantage to them of being sure of how much sugar they could sell in Britain each year under the convention.[327] But Grey gave formal notice of Britain's decision to withdraw on August 12, 1912.[328]

Answering the cries of West Indian interests fearing economic ruin resulting from Britain's withdrawal from the convention, Harcourt, the Colonial Secretary, informed the Governor of British Guiana that since the other powers remained in the convention, bounties would not be restored. Britain's colonies therefore should not be in danger.[329] The French chargé in London, de Fleuriau, told Grey that Britain's

---

[324]Note by Sir A. Nicolson, Foreign Office, January 25, 1912, *ibid.*

[325]Law to Grey, February 27, 1912, *ibid.*

[326]Protocol concerning the Prolongation of the Intl. Sugar Union constituted by the Sugar Convention of March 5, 1902, encl. in Sir F.H. Villiers to Grey, March 19, 1912, Parliamentary Papers (1912-1913).

[327]Goschen to Grey, March 25, 1912, FO 881/10328.

[328]Grey to Macleay, August 2, 1912, *ibid.*

[329]Harcourt to Governor of British Guiana, August 2, 1912, encl. in J. Anderson (Colonial Office) to Foreign Office, August 8, 1912, *ibid.*

withdrawal would lead to calls in France for higher import duties on sugared products. However, France was still protected by the sugar convention from foreign bounties, and the convention had now been running for long enough that Britain's withdrawal would not destroy it, as it would have done five years earlier. De Fleuriau must have tantalized Grey with his final remark regarding the unexploited potential of the multilateral negotiated trade liberalization process:

> M. de Fleuriau said that those originally favourable to the convention had hoped that it would have been the first of a series of such arrangements for the reduction of excessive customs duties.[330]

The multilateral sugar regime that had functioned for ten years was soon to be made irrelevant by the outbreak of World War I.[331] However, through the Brussels sugar convention, Britain achieved her longstanding goal of halting trade practices, including bounties and subsidies, that had been harming her sugar-producing colonies for many years. Britain achieved that goal first by agreeing to negotiate an agreement with the other sugar-producing powers. The years had demonstrated that unilateral free trade was not halting sugar bounties and subsidies. Second, by agreeing to a mandatory penal clause, Britain made possible an agreement that would not otherwise have been palatable to the other powers. As still the largest sugar consumer, Britain was indispensable to a multilateral sugar agreement; yet she did not have the power to dictate the terms of an agreement to the other powers. But as France's wish to keep Britain in the convention as a bulwark against German domination of the continental sugar market indicates, the deteriorating European security situation increased Britain's power relative to what it might otherwise have been.

---

[330]Grey to Bertie, August 10, 1912, *ibid.*

[331]The Convention was formally annulled in 1920. *See* Abbott (1990) pp. 179-180.

When the Liberal government brought back a more unilateral free trade policy and the paramountcy of the British consumer interest in the cheapest possible sugar, the benefits to the other powers of the sugar convention that Britain had been pivotal in creating were so evident that they acquiesced first in Britain's abandonment of the penal clause and subsequently in her withdrawal from the convention itself. Indications are that the regime might have been eroded over time by subsidized Russian sugar exports to Britain had the war not interrupted the process. Italy also withdrew from the convention at the same time as Britain, and the other powers began to scrutinize British policy very closely for any signs of subsidy payments on the fledgling English beet industry.[332] The regime appears to have been weakened, if not yet mortally, by the 'free riding' of the hegemon. Prospects for Keohane's post-hegemonic cooperation were uncertain at best.

Britain's participation in the Brussels sugar convention had the effect of shoring up British power, both in that it stemmed the decline of her sugar-producing colonies[333] and that it strengthened the economic and political positions of France and Russia *vis-à-vis* Britain's greatest economic and political rival, Germany. A German continental sugar cartel was effectively blocked by the prohibition on bounties and subsidies. Britain's retreat from proactive to unilateral free trade after 1905 threatened to jeopardize these gains. It was evident that the proactive free trade approach of participation in a multilateral sugar regime, in which British sugar producing and consuming interests were relatively evenly treated, led to a more liberal trading system than unilateral free trade, which tended to favour consumers at the expense of producers. Yet the decision taken to change the policy was based not on

---

[332]Grey to Fountain, May 24, 1913, FO 881/10450.

[333]The long decline in colonial sugar imports to Britain halted during the treaty period. *See* Appendix, Table 6b.

its effectiveness in liberalizing trade but on a difference between the political parties in their ideological approaches to trade liberalization and in the relative influence of producer and consumer interests.

V. A New Hegemon Reigns: The Post-World War II United States

A. *U.S. Trade Policymaking and Interwar Origins of Hegemony*

1. U.S. Trade Policymaking Institutions

This chapter compares post-World War II U.S. promotion of trade liberalization and subsequent American policy responses to increased challenges to liberal trade with that of nineteenth century Britain.[1] The next chapter follows this chapter's survey with a comparative examination of specific U.S. trade negotiating cases. The Anglo-American comparison is inexact for several reasons, particularly because the world economy had become significantly more industrialized and internationalized by the mid-twentieth century than it had been when British hegemony flourished. So as not to neglect the importance of that transformation, this examination of U.S. hegemony begins at the point between the World Wars when Britain finally abandoned liberal trade and the United States embarked on the road of trade liberalization (several years before the United States became the dominant world power). Another major comparative ambiguity is that it is difficult and contentious to identify the comparative point that the United States may have reached, compared to Britain, at the time of writing. That important question is addressed in the final chapter.

Key differences between the two hegemons that affected each state's trade policymaking at the international level are the relative size and trade dependence of

---

[1]This chapter does not attempt to present a comprehensive U.S. commercial history since World War II to parallel the examination of Britain 1870-1914, as the subject has been well covered in the secondary literature cited. Rather, the chapter seeks to identify those events in U.S. commercial history that compare with and contrast with events in the British period and those events that have affected the fate of U.S. hegemony since World War II.

their economies[2] and their security relationships with allies and other states in the international system. (The historical narrative that follows illustrates the effects of these structural differences.) The key endogenous difference between the two hegemons has been the structure of their respective governments. British partisan conflict between rival trade policies, when it occurred, took place amidst the competition for votes amongst the British public. Between 1870 and 1914, although the Tariff Reformers may have come close, British governments were never unseated by an opposition advocating an ideology other than free trade. Yet the trade policy rivalries, decisions and negotiations with other powers that affected Britain's fate as a hegemon all took place between the different offices and personalities of free trade Governments. By contrast, the U.S. Constitutional separation of powers has permitted two loci of trade policymaking: the Executive Office of the President and Executive agencies concerned with foreign policy; and Congress and those constituency-serving units in the Executive branch over which Congress has wielded influence.[3] The Constitution formally assigns trade policy responsibility to Congress, and until the early twentieth century Congressional responsiveness to constituent demands for protection meant that only a strong President could even mitigate Congressional protectionism for foreign policy reasons.[4] But from 1934 Congress delegated a considerable part of its trade policymaking authority to the Executive branch through the Reciprocal Trade Agreements Act ('RTAA') and successor legislation, which granted the president discretionary authority to cut tariffs up to 50 percent reciprocally by treaty, and later through the 'fast track' negotiating procedure and administrative

---

[2]*See* Appendix, Tables 1 and 5.

[3]In the latter category Lake includes the Commerce, Agriculture and Labor Departments. Lake, *op. cit.*, p. 69. 5Lake, *ibid.*, pp. 72-73.

[4]Lake (1988) pp. 72-73.

trade remedies.[5] This step permitted U.S. presidents and British governments, to use trade policy and diplomacy as a foreign policy instrument (within the overall political constraints of the executive-legislative balance of power).

Analyses of the relationship between Congress and the executive with regard to trade policy diverge principally over how protectionist and interest-serving Congress was and has become and whether Congress lost power to the executive or ceded it voluntarily.[6] According to one argument, Congress is structurally protectionist because it serves particular industrial interests, whereas the foreign policymaking part of the executive must make trade policy based on the state's position in the international system. In many circumstances this means supporting trade liberalization.[7] Consistent with this view is the idea that Congress in the 1980s has been trying to reclaim the power over trade policy that it unwillingly ceded to Franklin D. Roosevelt in the 1930s.[8] Another argument holds that Congress before 1934 was generally protectionist because it was tied to serving particular interests through a tariff-setting process that became too complicated as trade grew for Congress to manage effectively. RTAA freed Congress from this burden by charging the executive with the duty to make trade policy in the national interest and thereby shield Congress from particularist pressures.[9] Tariff setting became formally linked to international bargaining by RTAA.[10] According to this view, Congress has only tried to curtail executive power over trade policy in periods when the executive has made trade policy

---

[5]*ibid.*, pp. 84-85.
[6]Bhagwati (1988) pp. 20-23.
[7]Lake (1988) pp. 69-73.
[8]Baldwin (1988) p. 20.
[9]Destler (1986) p. 12.
[10]*ibid.*, p. 14.

poorly, such as in the early 1980s.[11] The record of Congressional attitudes towards protection and trade liberalization since World War II supports the latter view, which provides a more nuanced interpretation of Congressional and executive behaviour and also accounts for the influence of more types of political players, such as import and export lobbies, political parties, industrial and ideological groups.

This view of U.S. trade policymaking does not seek to downplay the ongoing tension between Congress and the executive, however. The development of trade policy institutions within the government in the postwar era provide numerous examples. Congress long wanted to remove the locus of trade policymaking in the executive from the State Department, which members viewed as too ideologically free trade. Congress established the president's Special Trade Representative ('STR') in the Trade Expansion Act of 1962 (notwithstanding J.F. Kennedy's reluctance) to serve as a mediator between presidential trade policymaking and Congressional particular trade interests. The expansion of the STR's office and duties in subsequent trade acts illustrates Congress' wish for a direct voice in executive trade policy decisions and trade negotiations.[12] Yet this was not merely a protectionist device. The Trade Acts of 1974 and 1979, although they strengthened the STR and curbed presidential discretion over import injury determinations, also gave the president a major extension of trade negotiating authority.

Congressional efforts to restructure trade policy institutions to improve trade policymaking resemble the attempts made both by Parliament and by the British Government itself to reorganize British trade policymaking structures in the late 19th century. The conflict between the Foreign Office Commercial Department and the

---

[11]*ibid.*, p. 206.

[12]Baldwin (1988) pp. 29-30; Destler (1986) pp. 16-18.

Board of Trade over distribution of duties, the unsuccessful parliamentary proposal of 1879 to establish a Department of Commerce and the 1886 Royal Commission recommendations are examples. Another parallel appears in the attempt of U.S. Commerce Secretary Baldrige and Attorney General Meese in 1983 to transform the Office of the U.S. Trade Representative ('USTR') into a Department of International Trade and Industry, over the objections of both USTR Brock and Congress itself.[13]

2. Interwar Origins of U.S. Hegemony

Although U.S. hegemony could not be said to have begun until World War II left the economies and military forces of her principal trading partners crippled, the passage of the RTAA in 1934 marked a decisive shift to the liberal trade policy that Washington was to promote for the international economy after the war.[14] Roosevelt's Secretary of State, Cordell Hull, a strongly ideological free trader, moved the Roosevelt Administration beyond its initial focus on solving domestic economic problems to take up a mantle of international leadership.[15] Hull, like Cobden, saw trade liberalization as a vehicle to promote world peace.[16] Amidst economic depression and abdication of British leadership of the world economy, earlier attempts to reorganize the international trading system had failed, in part because the United States had been yet unwilling to fill the leadership gap. The World Economic Conference and Conference on Import and Export Prohibitions and Restrictions of 1927 narrowly failed to establish an international regime to regulate quantitative trade

[13]Destler (1986) pp. 102-103.
[14]Calleo (1987) pp. 32-33.
[15]Kindleberger (1973) p. 233.
[16]Winham (1986) p. 41.

restrictions and prohibitions because not enough countries ratified the treaty and because of Hoover Administration plans for agricultural tariff increases.[17]

U.S. passage of the Smoot-Hawley Tariff in 1930 was the nadir of interwar economic disharmony, provoking trade retaliation, the collapse of unconditional MFN as a general trading principle and the end of British liberal trade.[18] The reaction to Smoot-Hawley also brought home to the American public the folly of a nonliberal trading system.[19] Unfortunately this realization did not come soon enough to prevent the newly installed FDR Administration from neglecting the 1933 London Economic Conference, which failed to approve new international economic cooperation measures due to the early desire of the Administration to reduce U.S. dependence on swings in currency values.[20]

The system of imperial preferences that Britain adopted at the 1932 Ottawa Conference and the tariff increases and reciprocity-based trade diplomacy of the Import Duties Act of that year marked Britain's final abandonment of the free trade ideology that had driven policy since repeal of the Corn Laws.[21] The interwar period for Britain was one of relative economic decline and limited economic cooperation with the United States, her principal rival.[22] Security concerns arising in World War II, domestic political shifts, economic decline and the collapse of the liberal international economy combined to reduce support for free trade ideology to a political minority

---

[17]*ibid.*, pp. 34-37.

[18]By 1933, world trade had fallen to 35 percent of its 1929 value. *See* Lake (1988) pp. 185-186.

[19]Winham (1986) pp. 37-38.

[20]*ibid.*, pp. 35-37.

[21]Richardson (1983) pp. 43-45.

[22]Walter (1991) pp. 117-140; Lake (1988) pp. 178-181.

over the period 1915-1932.[23] The events of 1932 signalled Britain's surrender of leadership of the world economy and retreat to regionalism.[24]

Bilateral treaties authorized under RTAA furthered Hull's goals of rebuilding liberal trade and expanding U.S. exports. Between 1934 and the end of World War II the United States signed 32 reciprocity treaties, the benefits of which were shared with other countries through unconditional MFN treatment.[25] Average tariffs on dutiable imports fell from the historically high Smoot-Hawley level of 55.2 percent to 37.3 percent.[26] U.S. exports doubled in value between 1933 and 1939. However, U.S. efforts to rebuild the liberal international economy began too late to prevent the clashes that the neomercantilism begun in the 1920s had unleashed. For example, the 1936 Tripartite Agreement between the United States, Britain and France to restore monetary stability between the three countries' currencies came long after the collapse of the gold standard, competitive devaluations and moves to bilateral balancing had precipitated the emergence of trading blocs that then became fixed by the militarization of the fascist powers.[27] At that point the desire of Nazi Germany and Imperial Japan to acquire economic blocs of their own was not to be denied without a fight.

B. *The United States Rebuilds a Liberal World Economy 1944- 1971*

1. U.S. Hegemony and Postwar Reconstruction

During World War II intensive discussions took place, principally between the United States and Britain, over the future shape of the international economy. The

---

[23]Lake (1988) pp. 185-189.
[24]Skidelsky (1976) p. 178.
[25]Winham (1986) pp. 38-39.
[26]Lake (1988) pp. 207-209.
[27]Rowland (1976) pp. 200-205.

Roosevelt Administration, steered by free traders Hull (who retired in 1944), Morgenthau and Undersecretary of State Will Clayton, among others, chose to promote a liberal economic order of multilateral trade liberalization and freely convertible currencies, instead of a system of managed trade and monetary relations between organized blocs, which was favoured by many in Britain.[28] The new trade regime would be founded on the basic liberal principles of nondiscrimination (over British objections) and unconditional MFN treatment.[29] As the only major economy and military power left substantially undamaged by the war, the hegemonic position of the United States was unquestioned.[30] At the end of the war, probably over a half of world manufacturing and a third of total world production was taking place in the United States; in 1947, one third of world exports were American.[31] As the reigning hegemon the United States could afford to lead international trade and monetary liberalization. Yet the United States itself needed the trade expansion that a liberal international economic order would bring in order to maintain U.S. employment, promote private enterprise (particularly in trade) and safeguard international security against a return to war.[32] U.S. structuring of postwar institutions (economic and military) demonstrated a consciousness of hegemonic power that exceeded the hegemonic consciousness of the British Government prior to the point at which the visible signs of hegemonic decline opened public debate on British trade and imperial policies. Yet U.S. hegemonic consciousness, like that of Britain, was destined to be fitful and insufficient.

---

[28]*ibid.*, pp. 212-214.
[29]Gardner (1980) pp. 13-17.
[30]Baldwin (1988) p. 22.
[31]Scammell (1983) pp. 19-22.
[32]Gardner (1980) pp. 101-102.

Despite having considerable economic and political leverage over their wartime allies and defeated former foes, U.S. negotiators failed to achieve many of the liberal trade and monetary goals they sought. His dedication to multilateralism notwithstanding, Undersecretary Clayton did not convince Britain to give up most Commonwealth preferences, thereby delaying considerably the advent of nondiscrimination to a large portion of world trade.[33] In the multilateral trade negotiations in Geneva and Havana in 1947 and 1948, U.S. negotiators achieved only part of their objectives. The 1948 Havana Charter, which would establish an International Trade Organization ('ITO') to serve as the trade equivalent of the IBRD and IMF, contained enough compromising exceptions to nondiscrimination and multilateralism (particularly concerning developing countries and regions) that Congress would not approve it. The General Agreement on Tariffs and Trade ('GATT'), concluded the previous November as a temporary measure pending creation of the ITO, would have to serve the new trading system on a longer-term basis than planned.[34] These examples indicate that despite its enormous advantage at the end of World War II, the United States was not able to dictate in negotiations with the rest of the world the precise terms of the new system, any more than Britain was able to persuade her trading partners by example to adopt free trade in the 1850s or negotiate liberal commercial treaties with all of them in the 1860s. Nonetheless, the system that emerged under U.S. guidance either was to a substantial degree liberal in the ways envisaged by U.S. planners or else was structured to move in a liberalizing direction.

The GATT as originally approved was a mechanism to multilateralize in a formal way the essentially bilateral character of trade negotiations by enshrining the

---

[33]*ibid.*, pp. 195-196, 270.
[34]Scammell (1983) pp. 45-46; Jackson (1990) pp. 10-13.

principles of unconditional MFN and 'first difference reciprocity' (if not nondiscrimination).[35] First difference reciprocity differs from the full reciprocity demanded for trade negotiations by the British fair traders of the 1880s and '90s and the American fair traders of the 1980s and '90s in that

> tariff cuts are to proceed via bargaining that reflects a balance of perceived advantages at the margin rather than via negotiations that result in a perceived full equality of market access and reverse market access...[36]

Each negotiation should assume equality at the start and aim for concessions of reciprocal value, assessed across the range of sectors under negotiation rather than on a sector-by-sector basis (as some contemporary fair traders demand).[37] The GATT also adopted the principle that the concurrent series of bilateral negotiations that would comprise a GATT multilateral tariff negotiation should take place between 'principal suppliers' of each good discussed. This was done to avoid the problem that plagued the Cobden-Chevalier treaty system after 1870 under unconditional MFN whereby a country that negotiates an MFN and tariff-cutting treaty with another country may be obliged to grant to a third country with which it already has an MFN treaty particularly valuable tariff concessions without receiving anything in return.[38] Another failing of the Cobden-Chevalier system addressed by the GATT was its tendency to unravel as bilateral agreements containing MFN clauses expired at different times. Tariff concessions made by GATT signatories are bound against subsequent increase, so that if a country needs to raise a bound tariff it must offer a

---

[35]Winham (1986) p. 371.

[36]Bhagwati (1988) p. 36.

[37]Bhagwati and Irwin (1987) p. 117.

[38]Baldwin (1988) pp. 190-191. The principal supplier rule tended to leave countries that were principal suppliers of no goods (many developing countries, for example) relatively ill-served in negotiations. *See* Dam (1970) pp. 61-62.

compensating concession on another product.[39] Notwithstanding the exceptions to its principles, the GATT as originally founded was in large measure the formalization and modernization of the Cobden-Chevalier treaty system of liberal international trade. The 37 initial GATT signatory countries together controlled 80 percent of the world's trade in 1947, a telling measure of the GATT's purchase over the postwar trading system.[40]

It is important to note that the United States, unlike Britain, never adopted a generally unilateralist approach to trade liberalization at any phase of its postwar reconstruction of the world economy. Congress, fearing a return to depression-era unemployment and wishing to promote exports more than imports, would never have approved such an approach even had it been proposed by the executive. Postwar reciprocal trade liberalization was in effect a continuation of a long U.S. tradition of reciprocity that predated its adoption of liberal trade. The approach that the United States did take from the early 1940s to the early 1960s of accepting temporary discrimination against her in trade negotiations is, however, analogous to Britain's own program of trade liberalization from the 1840s through the 1860s.[41] Just as Britain lowered tariffs and other trade barriers between 1842 and 1859 unilaterally and then negotiated the Cobden-Chevalier treaty allowing France to maintain a less liberal trade regime than Britain, the United States took a series of steps that were intended to create a liberal world economy, of which the United States would be a prime beneficiary and whose members would be securely bound to it against Communist

[39]Dam (1970) pp. 17-18.
[40]Pollard (1981) p. 319.
[41]Stein (1984) pp. 377-381.

encroachment.[42] The United States accepted delays of up to ten years in the implementation of various parts of the GATT, such as those concerning removal of quantitative restrictions and British Commonwealth preferences.[43] Washington also accepted a similar delay in the activation of much of the IMF in the interest of allowing European states to restore their balance of payments equilibrium and currency convertibility at the least destabilizing pace for them.[44] The opening GATT tariff cuts were significantly asymmetric, with the United States making concessions (up to 50 percent in some cases) on $1766.5 million in imports (1939 dollars) while receiving concessions on only $1192 million in U.S. exports.[45] The United States also promoted the creation of the European Economic Community, notwithstanding its inconsistency with nondiscrimination and its potential for trade diversion rather than trade creation, because it was in the American geopolitical and geoeconomic interest to strengthen the economies of her European allies against the Soviet threat.[46] U.S. willingness to exempt developing countries from reciprocal obligations under the GATT, which was enshrined first in GATT Part IV in 1964 and subsequently extended in the Generalized System of Preferences ('GSP') is a further analogy to British unilateral trade liberalization.

Again like Britain during its trade liberalization period, the United States Government chose not to liberalize trade in certain sectors of its economy for specific reasons. These cases provoked controversy for each country's trading partners that in

---

[42]Destler (1986) pp. 5-6. According to Scammell, U.S. export growth was slowed in the 1950s by European discrimination against 'dollar area' exports. *See* Scammell (1983) p. 53.

[43]Gardner (1980) pp. 148-150, 358-359.

[44]Scammell (1983) p. 37.

[45]Gardner (1980) pp. 360-361.

[46]Nau (1990) pp. 107-109.

retrospect appears disproportionate to the overall importance of the non-liberalized sectors in the British and American economies, respectively. Although each case was central to the nonhegemonic trading partner whom it concerned, the cases together should not be seen to support an argument that trade liberalization was not the predominant policy of each hegemon. Britain's most egregious lapse from free trade ideology after 1846 was her acceptance of the Canadian Government's negotiation of a reciprocity treaty of exclusive advantage with the United States in 1854. There were several other duties, particularly those on wine and spirits, that although intended as revenue duties, were argued reasonably by other countries to have a protective effect. Nonetheless, as I have argued in the preceding chapters, the importance of these cases measured against Britain's overall trade liberalization during the period is trivial.

For the United States the list of exceptions to initial trade liberalization from the 1940s to the 1960s is longer and less trivial. Congress' initial authorization for multilateral trade liberalization, for example, did not mandate tariff cuts, only an end to discrimination and trade barriers.[47] Protectionist Republicans in Congress managed to include in trade legislation for two separate periods between 1948 and 1962 a 'peril point' provision wherein the extent of tariff reductions would be restricted according to their impact on import-competing domestic industries.[48] The 'escape clause' providing temporary protection against sudden import surges was introduced in the 1942 U.S.-Mexico commercial agreement and remained enshrined in U.S. trade law thenceforth.[49] U.S. trade remedies, such as antidumping duties and countervailing

---

[47]Scammell (1983) pp. 11-12.

[48]Baldwin (1988) p. 23.

[49]Gardner (1980) p. 159. It was also included in the GATT as Article XIX. *See* Dam (1970) pp. 99-100.

duties, long predated U.S. trade liberalization.[50] And the American and Japanese Governments agreed on the first voluntary export restraints ('VERs') on Japanese textile exports to the United States in 1957.[51]

Probably the greatest U.S. exception to trade liberalization was agriculture. The large waiver that the United States obtained from the GATT for its agricultural import quotas, price supports and export subsidies in 1955 set a precedent that largely confined the ambit of GATT to trade in manufactured goods.[52] Washington seriously undercut its negotiating leverage on agriculture in the 1950s, when the United States had the greatest power (of all types) over its trading partners, by then seeking forms of protection for its own agriculture instead of forcing multilateral agricultural trade liberalization upon Europe prior to 1958.[53] U.S. trade officials belatedly realized the American competitive advantage in agriculture and have in each successive GATT round offered progressively greater liberalization to the E.C. (up to, early in the Uruguay Round, a complete end to agricultural price supports and export subsidies).[54] But as the E.C.'s power grew relative to the United States, it became less willing than ever to make concessions on agriculture, either unilaterally or in return for U.S. concessions. Ironically, the French-dominated E.C. response to U.S. agricultural trade liberalization efforts parallels France's attitude towards British agricultural trade liberalization pressure a century earlier.

Yet these exceptions do not negate the basic liberalizing thrust of U.S. policy or its results. In a period of historically high world economic growth, trade grew even

---

[50]U.S. antidumping duties first began in 1921, CVDs in 1897. *See* Destler (1986) pp. 19-20.

[51]Moore (1985) pp. 59-60.

[52]Shonfield (1976) p. 20.

[53]Moore (1985) pp. 65-70.

[54]Dullforce (1989) p. 8.

faster than world product.[55] Not only did GATT membership grow to around 100 member countries by 1990, but the share of trade between GATT members grew at the expense of those primarily Socialist or developing countries that chose not to participate in the liberal trading system. In this light even the argument that the U.S. agricultural waiver belied the American commitment to trade liberalization is unconvincing, particularly considering that agriculture was already a small and dwindling percentage of overall trade among GATT members.[56]

2. Redistribution of Power 1958-1967

The admission to the GATT of Japan in 1955 (albeit highly conditional) and the creation of the E.E.C. in 1958 confirmed politically the economic recovery of the United States' major trading partners from World War II. As a single economic unit, the E.E.C. could rival the U.S. economy in size in a way that no single E.E.C. member state could.[57] The formation of the E.E.C. was an important change in the structure of the international trading system from the configuration of a hegemon and several smaller trading partners (U.S. and others) to a configuration of a hegemon, another large trading power and other smaller traders (U.S., E.E.C., then Britain, Japan and others).[58] The new structure posed greater trade negotiating challenges for the United States than the old had done. Yet to view the U.S.-E.E.C. trading relationship after

---

[55]World output grew 4.3% *per annum* between 1953 and 1963, whereas world trade grew 6.1% p.a.; between 1963 and 1973, world output grew 5.1% *p.a.*, whereas world trade grew 8.9% *p.a.*. *See* Bhagwati (1988) pp. 3-5. Manufactured trade growth exceeded output growth between 1946 and 1970 by an average ratio of 1.4. *See* Scammell (1983) p. 127.

[56]Agriculture declined from 34 percent of world trade in 1950 to 14 percent in 1976. *See* Winham (1986) p. 147.

[57]*See* Appendix, Table 1b for comparisons of U.S. and E.E.C. shares of world manufacturing output.

[58]Lake argues that the structure of the trading system, in terms of the relative sizes of its member countries, plays a key role in determining the behaviour of each member in trade negotiations. *See* Lake (1988) pp. 30-50.

1958 as one of bipolar equality would deny the inescapable geopolitical linkage to economic relations.[59] Despite U.S.-E.E.C. economic disagreements, the E.E.C. member countries did not have the independent military power or geopolitical interests to challenge U.S. hegemony in the 1960s. The E.E.C. remained dependent on American defense, even as U.S. and E.E.C. security interests began to diverge when faced with an apparently receding Soviet threat to Europe.[60] Nonetheless, much as Britain, which in 1859 sought to contain growing French territorial expansionism, had to give up ideologically cherished unilateral free trade to negotiate a trade liberalization accord (the Cobden-Chevalier treaty), so the United States by 1958 reached a position with respect to her trading partners wherein she would have to make greater concessions than previously to perpetuate liberalization of the international trading system. In both cases, increased concessions by the hegemon significantly accelerated trade liberalization.

The Kennedy Administration, faced with both increased external trade tensions, such as a tariff war with the E.E.C. over duties on frozen chicken imports,[61] and increased pressure from domestic industries adversely affected by the growth of imports, such as textiles, decided to stimulate trade liberalization through innovation in the GATT multilateral negotiating process. The Administration had taken on board the 'bicycle theory' of proponents of trade liberalization, *i.e.*, trade liberalization must continue to pedal forward if it is not to fall flat.[62] Although tariff reductions in the

---

[59]Scammell describes the formation of the E.E.C. as a competitive challenge to the U.S. and Soviet Union: 'In tariff bargaining and international monetary policy there would once more be a balance of power. The days of American hegemony were over.' *See* Scammell (1983) p. 97.

[60]Calleo (1987) pp. 44-49.

[61]Conybeare (1987) pp. 160-164.

[62]Bhagwati (1988) p. 41.

early GATT rounds were significant, gains began to decline in the 1950s from each successive round as the bilateral item-by-item negotiating approach began to run short of tariffs that were ripe for reduction by mutual agreement on an individual basis.[63] After particularly meagre successes for the United States in the 1961 Dillon Round, President Kennedy sought authorization from Congress for a new multilateral round to be negotiated on the basis of a 50 percent across-the-board tariff cut instead of item-by-item reductions.[64] As Gladstone had argued for the Cobden-Chevalier Treaty as a means of ensuring greater political stability with France and achieving British geopolitical objectives in Europe (keeping Austria out of Savoy), Kennedy argued to Congress and the E.E.C. for the new GATT round, against the backdrop of the recent Cuban missile crisis and the Berlin airlift, as a means of countering the Soviet threat to Europe.[65] Kennedy saw a new GATT round as a vehicle to unify the Atlantic market both commercially and politically.[66] Congress' passage of the 1962 Trade Expansion Act allowed the Kennedy Round negotiations to begin, but such major liberalization did have a domestic price (albeit at the time relatively small). In return for supporting the bill Southern Democrats extracted Administration support for the Long Term Textile Arrangement ('LTA'), which gave the U.S. textile industry quantitative import restraints to shield against increasing import competition. The Administration also accepted Trade Adjustment Assistance ('TAA') in the bill, a program to retrain workers displaced by imports.[67]

---

[63]Destler (1986) pp. 10-11.

[64]The Dillon Round cut average unweighted tariffs on manufactures only 1 percent. *See* Scammell (1983) pp. 171-172.

[65]Shonfield (1976) p. 12.

[66]Preeg (1970) pp. 260-261.

[67]Baldwin (1988) pp. 26-27; Destler (1986) pp. 20-22.

The United States largely achieved one major objective in the Kennedy Round, that of committing the newly formed E.E.C. to trade liberalization rather than mercantilism.[68] The E.E.C. yielded to the United States over the structure of tariff cuts. They accepted, with certain key exclusions, the U.S. preference for linear cuts, whereby high and low tariffs would be cut by an equal percentage, over their own proposal of *ecrêtement*, or harmonization, whereby higher tariffs would be cut by a greater percentage than lower tariffs.[69] However, the American goal of limiting E.E.C. agricultural protection was not met.[70] A serious difficulty that the negotiations encountered nearing completion as each country sought to ensure reciprocity of concessions was the type of unravelling of concessions through MFN that had afflicted the Cobden-Chevalier treaty network when treaties began to expire. The withdrawal of proposed concessions by one country, particularly large powers like the United States or E.E.C., led to withdrawals of equivalent concessions by each other power affected, which in turn led to subsequent withdrawals of equivalent concessions by countries affected by the second round of withdrawals in a downward spiral.[71] This was a dangerous reminder that MFN can also facilitate the bicycle's operation in reverse.

Most analysts do regard the Kennedy Round as a success:

> All in all the conclusion of the Kennedy Round marked the high-water mark of the movement for trade liberalization in the twentieth century. Like the Cobden Treaty of 1860 it seemed to bring the western world to the threshold of free trade. Even the United States, traditionally protectionist, saw in trade expansion in freer markets a solution to her

---

[68]Shonfield (1976) pp. 12-13.
[69]Evans (1971) pp. 191-192.
[70]Preeg (1970) pp. 257-258.
[71]Evans (1971) pp. 294-295.

> growing balance-of-payments problem and through trade agreement with the E.E.C. a base for a world trading community.[72]

Concluded in 1967, the round partly achieved its stated objective of cutting major industrial tariffs by 50 percent, in fact reducing duties an average of 35 percent on 60 thousand predominantly industrial products.[73] The United States and E.E.C., Britain and Japan each reduced average tariffs by similar average percentages.[74] The United States benefited disproportionately, however, from tariff bindings, food aid and what agricultural concessions were made.[75] The Kennedy Round's very success made further tariff rounds more problematic by meeting major industrial tariff reduction objectives, leaving for future rounds the more difficult tasks of liberalizing trade in agriculture, NTBs and services.

The Kennedy Round also illustrates a form of U.S. consciousness of hegemony that as in the British case may not have served U.S. hegemonic interests best. West Europeans, particularly de Gaulle, mistakenly believed that by the Kennedy Round they had achieved negotiating parity with the United States. But Washington still had its defense umbrella to use as leverage over the E.E.C and could have linked levels of military support for Europe to trade concessions in the Kennedy Round. The 1968 Soviet invasion of Czechoslovakia subsequently reminded West Europeans of the importance of NATO to their defense. Yet U.S. policymakers in the 1960s, continuing to identify containing Soviet encroachment upon the states in the liberal international economy as a threat to the U.S. national interest, did not choose to make such threats. Had U.S. policymakers been better able to link trade concessions to defense support,

---

[72]Scammell (1983) pp. 172-173.
[73]*ibid.*, p. 172.
[74]Evans (1971) pp. 282-283.
[75]Preeg (1970) p. 260.

they might have achieved greater trade liberalization and still preserved the defensive alliance.

C. *U.S. Hegemony Challenged 1971-1990*

1. The Postwar System Transformed

The events of 1971, the Nixon Shock, collapse of the Bretton Woods system of fixed exchange rates, dollar devaluation and U.S. import surcharge, mark a basic change in U.S. economic relations with her trading partners. The widely held U.S. view that trade liberalization benefited the United States and her trading partners alike gave way increasingly to a view that U.S. and allied commercial interests were diverging and that U.S. commercial policy should further U.S. interests even at the expense of her trading partners.[76] This attitude was a prompt response to the challenge posed to U.S. hegemony in the 1960s and affected trade policy both in Congress and the Executive. By contrast, in Britain such views, although emerging in earnest in the Fair Trade Movement, did not affect trade policy even sporadically until the government of Salisbury.

The international economic crisis of 1971 had been developing for several years and had worsened markedly following the conclusion of the Kennedy Round. The combination of U.S. economic and military policies pursued throughout the 1960s led to increasingly difficult economic straits for the United States, which in turn threatened further trade liberalization.[77] U.S. hegemony reached natural limits in the Vietnam conflict. Despite enormous deficit spending that steadily eroded foreign willingness to hold dollars as a reserve currency, the United States could not for geopolitical

---

[76]Calleo (1982) p. 61.
[77]*ibid.*, pp. 87-102.

reasons take the steps necessary to win the war. Meanwhile the high fixed value of the dollar made some (mainly labour-intensive) U.S. industries uncompetitive in world markets, while ever more competitive imports surged into domestic markets. In the face of this rush of imports, organized labour as a whole for the first time turned against liberal trade in favour of more general protection as a means to preserve U.S. jobs.[78] More Americans viewed the United States as facing an unprecedented degree of competition. Japan, whose economic reconstruction the United States had promoted after World War II, joined the E.E.C. as a major trade competitor for the United States,[79] and low-cost Third World producer competed with traditional U.S. industries, such as textiles, and also in consumer goods.[80]

In the 1960s U.S. power benefited from dissension within western Europe. De Gaulle's unsuccessful struggle for French primacy in the E.E.C. (by excluding Britain from membership in 1963, for example) and subsequent withdrawal from NATO's military command in 1966, West Germany's political and military vulnerability and the combination of U.S. rearmament and increasing détente with the Soviets together maintained U.S. geopolitical dominance over western Europe. Yet U.S. foreign economic policy during the period often seemed of secondary and intermittent importance to the executive. Many in Congress viewed Presidents Johnson and Nixon as having neglected both trade and monetary bargaining with allies during and after the Kennedy Round in favour of such seemingly easier tasks as détente.[81] Such neglect, dangerous at any time, was particularly inopportune following the Kennedy

---

[78]Baldwin (1988) pp. 58-59.

[79]Calleo (1982) p. 66. Japan's GNP climbed from 30 percent of that of the United States in 1960 to 70 percent in 1979, and Japan's merchandise exports grew at 17.2 percent *per annum* during the 1960s. *See* Destler (1986) pp. 46-47.

[80]Gilpin (1987) pp. 193-194.

[81]Shonfield (1976) pp. 15-19; Calleo (1987) pp. 44-53.

Round. One result of the lack of executive leadership on trade was Congress' refusal to abolish the American Selling Price ('ASP') mechanism for setting certain duties as the Administration had promised U.S. trading partners in the Kennedy Round agreement.[82] As the U.S. trade balance went into deficit in 1971 for the first time since 1894 and U.S. GNP growth slowed, public perceptions of American decline mushroomed.[83] Britain's imminent entry into the E.E.C. also threatened policymakers with a further strengthening of E.E.C. economic power relative to the United States.[84] Europe had been the prime beneficiary of U.S. hegemony since World War II, but it became clear that that relationship would no longer be acceptable to the American public.[85]

Nixon's decision to act on both the trade and monetary crises effectively returned trade policy to a central place on the U.S. foreign policy agenda not enjoyed since 1945.[86] Yet the U.S. policy shift was not an abandonment of the U.S. commitment to trade liberalization or multilateralism but rather a very belated recognition that monetary policy and trade policy could not be conducted independently of one another.[87] Misaligned exchange rates, as the dollar-gold parity had become, showed that they could lead to politically unsustainable trade flows.[88] The temporary 10 percent import surcharge that Nixon imposed was justifiable under the GATT for reasons of balance of payments adjustment.[89] However, the unusual U.S. demand that a $13 billion improvement in the U.S. balance of payments come from trade flow

---

[82]Destler (1986) pp. 63-64.
[83]*ibid.*, p. 43; Calleo (1982) pp. 59-60, 65.
[84]Kissinger (1979) p. 949.
[85]Winham (1986) p. 8.
[86]Cooper (1972-73) pp. 18-36.
[87]Scammell (1983) pp. 179-183.
[88]Calleo (1987) pp. 68-70; Gilbert (1980) pp. 216-220.
[89]Winham (1986) p. 24.

adjustments by other countries was a political demonstration to American allies and trading partners that despite their growth, the U.S. contribution to the international economy was not to be taken for granted.[90] Yet U.S. power was not boundless. Apprised of U.S. trading partners' plans to retaliate against the import surcharge, Nixon acted to limit damage to the alliance. Henry Kissinger negotiated a settlement ending the surcharge with French President Pompidou that met most of Nixon's goals and Pompidou's.[91]

The years 1967-1973 were a time of transition for U.S. hegemony similar in certain key respects to the years 1866-1870 for Britain. Nixon's abandonment of the dollar's gold parity and imposition of trade sanctions in response to the deterioration of the Bretton Woods system between 1967 and 1971 is analogous to Britain's return to unilateral free trade following the collapse of the Anglo-Austrian negotiations between 1866 and 1868 in that in each case the hegemon's own liberal economic policies and the growth of its trading partners resulted in economic developments unfavourable to the hegemon. In both cases the hegemon responded by breaking with current practices unilaterally. Britain's return to unilateral free trade, insofar as it was consistently maintained, eroded British hegemony by allowing low treaty-fixed tariffs to expire and British markets in Europe to close. The United States negotiated from Europe and Japan monetary concessions needed to maintain its power, although possibly at a cost of undermining GATT-based liberal trade principles.

At the same time in security relations, the limits of each hegemon's power were revealed. The unification of Germany and Prussia's defeat of France in 1870 changed the European distribution of power such that it would be more difficult and costly for

---

[90]Shonfield (1976) pp. 44-45.
[91]Kissinger (1979) pp. 953-962.

Britain to promote stability by playing European states against one another. The defeated and protectionist French Third Republic became a more intractable commercial rival for Britain than the expansionist Second Empire had been. The inability of the United States to defeat Soviet-backed North Vietnam, an endeavour already unpopular with some U.S. allies, showed Americans and the rest of the world that Washington was unable to prevent Communist expansionism in all its varieties. The response of each hegemon to its time of transition was conditioned by a key structural difference in the security regime, however. Britain's most formidable economic and military rival from 1870 was the same country, Germany, whereas the United States' most formidable economic rivals in 1971, the E.E.C. and Japan, were her military allies, while her most formidable military rival, the Soviet Union, was not even a competitor in the liberal international economy. The United Sates was also actively defending its allies specifically, and the liberal international economy generally, in a way that Britain did not. Yet the Franco-Prussian and Vietnam wars undermined expectations of political and economic stability that were a prerequisite for trade liberalization and growth, which affected not only security relations but trade relations as well.

Economic order was reestablished for the 1970s on a different basis from the earlier postwar arrangements. The Smithsonian Agreements restored provisional order to the monetary system, still based on fixed exchange rates but with an inconvertible dollar. Major European and Japanese bank support was necessary, but despite this redistribution of power away from the United States, the new arrangements were inadequate and collapsed in 1973.[92] Despite granting the Untied States less control

[92]Gilbert (1980) p. 220. The E.E.C., still not happy with flexible exchange rates, in March 1972 instituted the 'snake', thereby reestablishing a system of fixed rates for its members. *See* Nau (1990) pp. 165-166.

over world money flows than Bretton Woods had done, the system of floating rates that commenced in 1973 still left the United States with the market power of being the world's largest market for imports.[93] The decade was characterized by slower world economic growth and 'exogenous' shocks such as the oil crises of 1973 and 1979. In this more difficult climate the U.S. Government resumed leadership of the multilateral trade liberalization process. Prompted by British Prime Minister Heath[94], Nixon finally acted on the July 1971 Williams Commission report that had endorsed new multilateral negotiations on tariffs and NTBs (and a 1972 OECD report calling for the same), proposing a new round to be directed at liberalizing NTBs (as well as tariffs): government procurement policies, customs valuation procedures and technical barriers to trade, among others.[95] Liberal trade supporters in the United States, the E.E.C. and elsewhere were keen for a new trade round to complement the recent international monetary agreements. They were aware that carrying on multilateral negotiations, by involving governments in the process and offering them a stake in the gains, thereby coopts them to a degree against protectionism during the negotiating process.[96]

The Trade Act of 1974 for the first time permitted the Executive to negotiate reductions in NTBs without the cumbersome process of amending each affected U.S. law in Congress. The 'fast track' procedure that Congress accepted allowed the Administration to present to Congress (following unofficial consultations in the drafting stage) a single bill enacting the package of measures agreed by U.S. negotiators in the round, which would then be voted on as a whole without amend-

---

[93]In 1973, leading importers were (in U.S. $ millions): U.S.A.- $74,108; W. Germany- $66,711; France- $35,581; Japan- $35,033; Britain- $31,025. *See* IMF (1978) p. 2.

[94]Nau (1990) pp. 166-167.

[95]Winham (1986) pp. 74-75, 15-17.

[96]*ibid.*, p. 61.

ment.[97] According to Destler, Congress accepted this mechanism for neutralizing the protectionist tendencies of particular interests because its faith in the Administration's trade policy leadership had been restored.[98] The Administration sold this trade bill to Congress not to promote international peace, as in the case of the 1962 Trade Expansion Act, but to further U.S. national economic interests.[99] As in Britain after 1870, American attention in the 1970s shifted increasingly from geopolitical stabilization to defining those national economic interests. And despite the overall liberalizing thrust of the 1974 Trade Act, its appreciable expansion of the statutory remedies available to U.S. firms against alleged unfair foreign trade practices was intended to appease growing calls for 'fair trade'. Beyond the 1974 Trade Act and the Tokyo Round negotiations that it sanctioned, other American trade measures in the same period that indicated an increased willingness to accept political solutions to trade problems, *i.e.*, 'managed trade', included the quota-setting Multi-Fibre Arrangement for textile imports, which replaced the expiring LTA, and the Generalized System of Preferences, which formalized discrimination in favour of imports (albeit a limited number) from developing countries.[100]

In the Tokyo Round negotiations themselves, the additional power shift towards the enlarged E.E.C. was evident in various ways.[101] The eventually agreed upon 'Swiss formula' for tariff cuts reconciled the E.E.C.'s desire for *ecrêtement* with U.S. preferences for linear cuts in a compromise closer to the E.E.C. than the U.S.

---

[97]Destler (1986) pp. 63-64.
[98]*ibid.*, p. 206.
[99]Baldwin (1988) pp. 62-63.
[100]Moore (1985) pp. 54-55, 60-62.
[101]Winham (1986) pp. 8-9.

position.[102] Despite increased U.S. pressure for agricultural trade liberalization, the E.E.C. was again unwilling to give much ground. Robert Strauss, who became President Carter's USTR in 1977, realized that it was more important for U.S. interests to revive the then moribund talks and reach agreement on some issues than to let the whole process collapse. Strauss, in a personal initiative in September 1977, agreed to abandon the U.S. principle that agricultural negotiations be conducted together with the other talks.[103] The United States also yielded to pressure from the E.E.C. (as well as other states) to abandon ASP, adhere to the GATT's definition of injury for CVD cases and surrender its 'wine gallon tax' method of taxing spirits, which other countries had viewed as protectionist. These U.S. concessions were viewed internationally as big successes of the Tokyo Round; for the United States, major successes included significant tariff cuts, liberalization of government procurement procedures and trade in civil aircraft.[104] However, E.E.C. unwillingness to make significant concessions on agriculture and safeguards resulted in those areas being counted among the major failures of the Round. Signed in 1979 by 41 countries representing 90 percent of world trade, the round cut average industrial tariffs by 34 percent, from an average 7.0 percent to 4.7 percent.[105]

---

[102]The formula was to cut each tariff by an amount equal to the existing rate divided by 1.14% of the existing rate. *See* Baldwin (1988) pp. 195-196.

[103]For example, application of the Swiss formula for tariff cuts was limited to industrial tariffs only. *See* Winham (1986) pp. 165-167.

[104]*ibid.*, p. 361.

[105]Average U.S. industrial tariffs fell 31 percent, from 8.2 percent to 5.7 percent. E.E.C. average tariffs on U.S. goods fell by 21 percent (from 7.2 to 5.7 percent) and on Japanese goods by 25 percent. Japan cut average tariffs on E.E.C. imports by 22 percent. *See* Winham (1980) pp. 265-269. Also *see* Pastor (1983) p. 178; GATT (1980) pp. 18-19.

Overall, the Tokyo Round is regarded as having liberalized trade, although less than the Kennedy Round had done.[106] The U.S.-E.E.C. row that ensued when U.S. temporary suspension of application of its CVD laws for the duration of the Round expired while the Round was still in progress, threatening European companies with immediate imposition of countervailing duties, further undermined the perceived American commitment to GATT multilateralism.[107] But the Round's gains did reconcile trade and political relations between the United States and the E.E.C. for a time.

2. Intermittent and Inconsistent Liberalization: the 1980s

In the early 1980s, the increase in trade competition for the United States from old and new challengers accelerated. The laissez-faire economic ideology of President Reagan's first administration affected U.S. trade competitiveness in a variety of ways, many of them negative. Choosing to concentrate on domestic economic reforms and improving military security, the administration neglected foreign economic policy and failed to pursue a consistent trade liberalization strategy.[108] The Reagan team's unwillingness to intervene in foreign exchange markets until 1985 allowed the dollar to become grossly overvalued as short-term capital flows rather than trade flows grew to drive exchange rate movements under the flexible exchange rate regime.[109] The merchandise trade deficit deepened rapidly from $27.5 billion in 1979 to $112.5 billion in 1984, as exports stagnated and recovery from the 1979-1982 recession was fuelled

---

[106]Winham (1986) pp. 362, 383-384.

[107]*ibid.*, pp. 213-220.

[108]Calleo (1987) p. 71; Nau (1990) pp. 200-201; Milner (1991) p. 166.

[109]According to Destler, by February 1985 the dollar had risen to a level 40 percent above that required to balance the U.S. current account. *See* Destler (1986) pp. 51-53.

by surging imports.[110] Congress was unable to deflect protectionist pressures in the face of what members perceived as the administration's abdication of its trade policy leadership role, and for the first time since the Nixon years, Congress contemplated major protectionist legislation. The 1985 bill proposed by Democratic Congressional leaders Rostenkowski, Bentsen and Gephardt to impose an import surcharge on countries running large trade surpluses with the United States, as well as a major textile import quota bill passed by both houses but vetoed by President Reagan the same year, were shots fired across the bow of Reagan trade policy.[111] Congressional interest grew in an omnibus trade bill that would correct all the apparent shortcomings in U.S. trade policy, including perceived excessive presidential discretion not to enforce remedies against unfair foreign trade practices.[112] The extensive national debate over the causes of the perceived decline in U.S. competitiveness in world markets encompassed academic and business as well as government circles.[113] The debate focused particularly on the threat of Japan to U.S. trade interests,[114] much as the similar debate in Britain in the 1880s and '90s focused on the threat of Germany.

The early Reagan trade policy was aimed more at extending the overall Reagan ideology of reducing government interference with economic life than it was at responding to the changing trade position of the United States in the international economy. For example, Trade Adjustment Assistance funding, in which government aid flowed to workers displaced by imports, was an early candidate for cutbacks.[115]

---

[110]IMF (1991) p. 755.

[111]Destler (1986) pp. 83-84. An earlier surge of protectionist legislation in 1982 and 1983 was deflected by strength of the 1984 economic recovery. *See* pp. 75-77.

[112]*ibid.*, pp. 84-85.

[113]Nye (1990) pp. 202-203.

[114]Milner (1991) p. 166.

[115]Destler (1986) pp. 140-141.

In 1981 President Reagan ended quotas on shoe imports imposed by President Carter in 1977.[116] Reagan USTR William Brock the same year said that the administration wanted to reduce export credit subsidies but at the same time ease laws that hindered U.S. exports, such as Foreign Corrupt Practices Act provisions and Export Administration Act regulations and controls.[117] Budget director David Stockman reduced Export-Import Bank lending authority, to the dismay of such internationally competitive U.S. industries as civil aircraft manufacturing.[118]

Baldwin described the early Reagan trade policy as 'a strong ideological commitment to freer trade'.[119] Yet the administration's concurrent acceptance of the expanded use of statutory trade remedies made its free trade ideology appear incoherent and insincere. U.S. industries that regarded themselves as harmed by imports increasingly turned to existing legal remedies against perceived unfair foreign trade practices. Antidumping and countervailing duty complaints increased significantly, as did Section 301 and other unfair trade practices filings.[120] For example, between 1975 and 1979 18 Section 301 petitions were filed; between 1980 and 1985 35 were filed.[121] In 1981 the administration, threatened by Congress with legislation, negotiated voluntary export restraints on automobiles with Japan.[122] After the steel

---

[116]Pastor (1983) pp. 180-181.

[117]Baldwin (1988) pp. 74-75. This policy invariably clashed with the early Reagan administration concern about export controls on militarily sensitive materials during a defense buildup and amidst heightened Cold War tension.

[118]Milner (1991) pp. 165-166.

[119]Baldwin (1988) pp. 74.

[120]Baldwin (1988) pp. 81-85. Filing of such complaints was also facilitated from 1979, when Congress transferred enforcement of AD, CVD, intellectual property violations and other unfair trade practices cases from the Treasury to the Commerce Department.

[121]Milner (1991) pp. 165-166.

[122]Congress also pressured the administration to reimpose sugar import quotas and tighten limitations on textile imports under the MFA at the time of its renewal. *See* Destler (1986) pp. 81-83.

industry filed 132 antidumping ('AD') and CVD cases in 1982, the administration negotiated steel VERs with Japan, the E.E.C. and 29 other countries. Under the threat of a congressional steel quota bill in 1984, the administration renegotiated the VERs to limit imports to 18.5 percent of the U.S. market.[123] In 1983, the White House also ended its opposition to export promotion, agreeing to increase Eximbank funding and providing a 'warchest' of funds for Eximbank to compete against countries that supported their exports with 'mixed credits' containing a foreign aid payment).[124] Later in Reagan's first term, however, the administration initiated new steps towards multilateral trade liberalization. In 1982 Reagan officials, without adequate domestic support because of the recession, attempted unsuccessfully to obtain E.C. and Third World agreement to start a new GATT round.[125]

Despite a strong economic recovery, there was another serious hiatus in Reagan Administration trade policy management at the start of the second term that perpetuated the inconsistencies of the first term. After moving USTR Brock to the Labour Department in January 1985, the president did not appoint the new USTR, Clayton Yeutter, for several months. Reagan then did not announce a new trade plan until September.[126] Yet in January 1985 President Reagan also accepted a suggestion from Japanese Prime Minister Nakasone that the two countries undertake bilateral trade negotiations over certain sectors that had been the source of repeated U.S.-Japan trade friction but that had a reasonable chance of resolution in a systematic way so as to avoid the need for problem-solving on a case-by-case basis.[127] The Market-

---

[123]Van der Ven and Gruner (1987) pp. 150-180; Rhodes (1991) pp. 6-7.

[124]Destler (1986) pp. 77-78.

[125]Nau (1990) pp. 220-221; A similar attempt also failed the following year despite the economic recovery.

[126]Destler (1986) pp. 104-106; Nau (1990) p. 222.

[127]U.S. Department of Commerce (1986b), pp. 23-24.

Oriented, Sector-Specific ('MOSS') talks with Japan, which commenced in July 1985, were one of the most significant trade liberalization initiatives of the Reagan presidency.

Under USTR Yeutter the later Reagan trade policy (and early Bush trade policy under USTR Carla Hills) was characterized by more aggressive enforcement of administrative trade remedies, more negotiations on trade problems with trading partners (such as the 1986 semiconductor talks and resulting pact) and a return to closer cooperation with Congress on management of trade issues. The result has not necessarily been a more liberal trade policy, but it has been slightly more consistent and proactive than that of the early Reagan years. The principal U.S. trade liberalization gambit of the period was the GATT Uruguay Round. After an unsuccessful attempt in 1985, the administration finally secured E.C. agreement that the new round could commence in September 1986. The round's goals were to tackle what were perceived to be the largest gaps in the liberal international trading system: full integration of developing countries, inclusion of trade in services, trade-related intellectual property and investment measures, the ongoing problems of trade in textiles and agricultural trade barriers and subsidies.[128] The United States pressed for a huge liberalization agenda, but its efforts were plagued with difficulties from the start. Other countries perceived U.S. unilateral and regional actions to be outside of GATT principles and rules, undercut U.S. GATT leadership. There was international resentment of the revitalization and repoliticization of the administrative trade remedies, such as AD and CVD investigations and Section 201 (escape clause) proceedings.[129] Only weeks before the Uruguay Round commenced, the administra-

[128]Bhagwati (1990a) pp. 164-165.
[129]Destler (1986) pp. 126-127.

tion signed the trade-diverting Semiconductor Marketing Arrangement with Japan, which set unofficial market shares for U.S. chips in Japan and third markets.[130] Another such agreement gave U.S. beef an unofficial market share in Japan.[131]

The post-1985 Reagan Administration return to trade and monetary policy activism was too late to avert a new push by Congress to circumscribe further executive branch trade policy discretion and force it to be more responsive to demands of particular domestic constituencies. The administration had to compromise with Congress on what became the Omnibus Trade Act of 1988 in order to prevent passage of an even more restrictive, protectionist bill.[132] The 1988 Act was castigated almost universally by U.S. trading partners, particularly for its 'Super 301' provision that strengthened U.S. remedies against perceived unfair foreign trade practices.[133] The 'Super 301' provision, in violation of the GATT, allowed the United States to set its own criteria for judging and punishing what it viewed as unfair trade practices.[134] U.S. 'management' of the steel trade continued with the signing of 'consensus agreements' in 1989 and 1990 that allocated shares of the U.S. market to particular foreign producers through 1992.[135]

Another diversion that perceived by U.S. trading partners as inconsistent with stated U.S. policy favouring multilateral trade liberalization has been the revived U.S. interest in regional trade liberalization accords. The 1982 Caribbean Basin Initiative, ostensibly intended more for economic development than for trade purposes, was the

---

[130]Bhagwati (1988) pp. 83-84. The arrangement was renewed and tightened in 1991.

[131]*ibid.*

[132]Milner (1991) pp. 166-167.

[133]Bhagwati and Patrick (1991) pp. 219-265.

[134]Bhagwati (1990b) p. 5.

[135]Rhodes (1991) p. 2.

first U.S. regional preference scheme since World War II.[136] The U.S.-Israel Free Trade Agreement followed in 1985 and the much larger and more significant U.S.-Canada Free Trade Agreement ('USCFTA') in 1988. Answering criticism of the pact, both countries have presented the USCFTA as a major non-trade-diverting liberalization measure, particularly for services, with a model binational dispute adjudication mechanism.[137] In 1991, Congress renewed the administration's fast track negotiating authority not only for the then-stalled Uruguay Round but also for a U.S.-Mexico free trade agreement intended to create a North American free trade area. The U.S. move towards regionalism, in significant contrast to its earlier stance that the formation of the E.E.C. was a highly specific and justified exception to GATT nondiscrimination, has appeared to sanction an emerging worldwide trend to organize trade relations into regional blocs, ranging from small groupings of Third World states to a potential yen bloc.[138]

Notwithstanding criticism of U.S. trade policy, Uruguay Round negotiators by mid-1992 had succeeded in reaching new agreement in numerous agenda areas, particularly the strengthening and improvement of dispute resolution procedures, intellectual property protection and the establishment of a regime to govern trade in services. However, as in earlier rounds, the principal stumbling block has been the long-running U.S.-E.C. disagreement over agricultural trade liberalization.[139] Despite agriculture's declining percentage of trade among industrial states, the U.S.-E.C. agriculture debate remains at the core of the power relationship with respect to trade between the two bodies. But that power relationship has become more likely to be

---

[136]Nau (1990) pp. 212-213.
[137]Bhagwati (1989) p. 469.
[138]Bhagwati (1990a) pp. 160-164.
[139]*ibid.*

affected by security and other nontrade considerations than it has been at any time since World War II.[140] The waning of the Cold War in the latter half of the 1980s has made Europe less dependent upon U.S. military protection and the United States less willing to defend Europe without European cooperation on economic as well as security problems. Successful conclusion of the Uruguay Round is dependent upon a U.S.-E.C. accommodation on agriculture. Since the United States does not have the power to force the E.C. to yield significantly, the Bush Administration has been left to decide whether U.S. national interests are best served by a U.S. compromise.

3. The 1990s: Uncertain Course, Familiar Lessons

The narrative has indicated that over the postwar period the gap between the U.S. economy and those of U.S. trading partners has narrowed, leaving the United States without the same economic advantage that it possessed in the decades immediately following the war.[141] Militarily, the United States had to meet the challenge of growing Soviet military power, both by building up its own military resources and by maintaining NATO and other alliances through leadership rather than imperial domination. Following the collapse of the Soviet empire, the United States has been left the dominant military power but also the leader of a system of military alliances whose purposes and unity seem increasingly uncertain. Over the period the United States has retained its market power, its share of world trade not having declined since the 1950s.[142] The E.C. has emerged as the most serious U.S. trade rival, notwithstanding the rapid growth of Japan. Considered as a single unit, the E.C.

---

[140]Gowa (1989) pp. 1248-1250.
[141]*See* Appendix, Tables 1b, 2b.
[142]*See* Appendix, Table 2b.

now has a larger share of world trade than the United States.[143] But that market power is limited by a vulnerability based on its members being much more dependent upon trade (and consequently the liberal international trading system) than the United States.[144] And although the E.C.'s growing market power has given it the increasing ability to thwart U.S. bilateral and multilateral trade negotiating objectives, the E.C.'s economic unity remains incomplete, especially in the monetary sense. The E.C. also remains unlikely to achieve an American degree of political unity in the foreseeable future.

Ideologically, the United States after World War II projected a Cobdenite-Hullite vision of peace and security through liberal economic institutions and expanding international commerce. This vision, however, never included the same degree of support for eliminating tariffs and other trade barriers that existed in mid-nineteenth century Britain. While difficult to measure, the historical record suggests that since World War II U.S. ideological power over her trading partners has been progressively eroded by repeated instances of U.S. failure to live up to its own rather less ambitious (than Britain's) trade liberalization ideology. From Congress' failure to ratify the Havana Charter in 1948 to the 1988 Trade Act's Super 301 provision, U.S. credibility as the champion of trade liberalization has been undermined abroad. It is only the intermittent nature of these U.S. policy choices, interspersed as they have been between drives for GATT rounds and other liberalizing measures, that has prevented U.S. ideological power from being eviscerated further still.

U.S. hegemonic power over the period has thus declined by some measures and not by others. The rise of two serious trade competitors, the E.C. and Japan, in the

---

[143]Estimate is extrapolated from Appendix, Table 2b.

[144]*See* Appendix, Table 5b. Over the period 1960-1987 U.S. trade dependence has risen steadily.

1960s was followed by a change in the U.S.-dominated postwar international economic structures around 1971 similar to the change that occurred in Europe from 1870. In the changed environment the United States did not respond to the E.C. and Japanese challenges by turning towards unilateral free trade, as Britain responded to Germany, France and the United States after 1870. The United States from 1971 employed a jumble of negotiated bilateral and multilateral trade liberalization, domestically legislated reciprocity and negotiated protection or 'managed trade'. What U.S. policy has shared with post-1870 British trade policy is an inconsistency, an inattention and a vacillation that has hampered achievement of stated U.S. trade liberalization goals and let flourish U.S. public perceptions that the United States has been losing ground to her trading partners. This same pattern of inconsistency and passivity of policy that dogged Britain's trade interests from the time of Gladstone to that of Asquith resulted in the growth of similar sentiments in the British public.

U.S. trading partners, while pursuing their own respective mixes of liberal and protectionist trade interests, have had a vested interest in the liberal international trading system that the United States has promoted.

> The United States is still viewed by the other major industrial nations as the leader of the liberal international trading order that developed after World War II. They still basically support this regime and believe that if the United States adopts general protection it will rapidly spread throughout the trading world, along with beggar-thy-neighbour exchange-rate policies.[145]

U.S. unilateralism, whether in the cause of free trade or fair trade, has increasingly appeared as a threat to the liberal international trading order, in such forms as VERs, OMAs, and Super 301. The increase of unilateralist trade policies is a symptom of trade policy being called upon to solve other economic problems, such as national

---

[145]Baldwin (1988) p. 87.

savings rates, exchange rate instability and budget deficits, which it cannot do.[146] Removal of unfair foreign trade practices, for example, would not likely change the terms of trade much for the United States.[147] Yet at the same time trade policy is less independent than ever from other economic policy: in order to work effectively, economic policies, including trade policy, must be consistent and coordinated to approach the same goals.[148] According to analysts such as Bhagwati, the 'Dracula effect' (*i.e.*, killing with sunshine) of publicizing hidden and not-so-hidden protectionism in U.S. policy can stem the shift to 'managed trade'.[149] However, only to avoid protectionism in its various guises, as Britain learned in the last century, may be insufficient to preserve and strengthen liberal international trade as well as one's own trading position. The United States still has the burden of making right and consistent trade policy choices to prevent or at least limit hegemonic decline.

Such trade policy should be based on the understanding that under a liberal trading order the power of the United States over its trading partners may decline, at least in terms of relative size, market share and competitiveness in some industries, as LDCs continue to develop and grow, formerly planned economies modernize and marketize and existing trade competitors also grow. Hence in trade negotiations the United States may have to make more concessions in order to reap further gains. This approach has been difficult for both Britain and the United States, because British and American policymakers came to believe that after a point they had already made their major trade concessions, to others' benefit as well as their own, and that the time had come for other countries to make the bulk of the concessions. In the postwar United

---

[146]Destler (1986) pp. 177-178.
[147]Baldwin (1988) pp. 48-49.
[148]Nau (1990) pp. 351-354.
[149]Bhagwati (1988) pp. 84-85.

States, as in late 19th century Britain, the 'you've got to give more to get more' view has been edged out. Whereas in Britain unilateral free trade prevailed over tariff reform, in the United States the aggressive unilateralism of attempting to force trade concessions without offering any in return has been common. Yet such a proactive, concession-making U.S. negotiating approach to trade liberalization would permit the absolute economic growth that the greater specialization of more liberal trade can bring. In a growing international economy, the United States could even retain its relative size, market shares and ideological power without being perceived by its trading partners as pursuing a predatory or mercantilist self-interest. In negotiations, a proper mix of carrots and sticks must be used. On the occasions when it did act, the early Reagan Administration was perceived as using too many sticks and not enough carrots, which furthered the foreign perception of U.S. inconsistency.[150] The danger in this error for the stability of the system is that U.S. trading partners may come to perceive true reciprocity, when the United States does press for it, as only more retaliation and aggressive unilateralism.

[150]Destler (1986) pp. 172-173.

VI. Maintaining Hegemony? The United States Negotiates

A. *Themes of the Negotiations*

The following case studies illustrate differing U.S. approaches to trade liberalization after 1971 and the differing results of each approach. Like the British case studies of chapter IV, the American case studies have been selected to be a representative sampling that cover multilateral, bilateral and unilateral actions; single and multiple commodity negotiations; negotiating adversaries of varying strength relative to the United States; and different times within the period of challenge to U.S. hegemony. Certain structural differences in the comparison need to be noted in advance. First, the American faction in favour of unilateral free trade in the sense of not taking any positive action to promote U.S. trade interests was so small that the U.S. case studies illustrate quite extensively the range of types of U.S. trade policy actions, whereas the British case studies did not treat the rather more frequent situations in which Britain chose not to negotiate or otherwise act at all. Second, the enshrining in the GATT of the MFN and principal supplier provisions together by the United States (which first linked them in the RTAA) reduced the difference between bilateral and multilateral negotiations by guaranteeing that principal concessions on each good take place first between those countries with the greatest trade stake in that particular good.[1] In practice this has meant that most GATT negotiations have occurred between very small groups of states, which according to several of the theorists has increased the likelihood of their success.[2] Third, as less time has elapsed

---

[1]Winham (1986) p. 371.

[2]The possibility of the hegemon or another strong state negotiating a bilateral pact with a small or weak state to gain access through MFN to the market of a third strong state without making any concessions to the third state is also precluded.

since the beginning of the period of challenge to U.S. hegemony (1971) than in the more than forty years of pre-World War I hegemonic decline, the progressive structural deterioration in U.S. negotiating power in each successive case is not clearly evident. Nonetheless, the fact remains that in the late 1970s the United States did have a leading world industry in which it was overwhelmingly dominant, civil aircraft, and it negotiated well at that time to preserve that dominance; yet by 1990 there were relatively few such industries in which the United States could be said to have similar negotiating leverage. The argument is not that the United States has already passed up the opportunities that it had to the extent that Britain did, but rather that many of those policy choices are still to be made, and how the United States chooses will affect the fate of U.S. hegemony directly.

These case studies reveal some interesting parallels with and distinctions from the British case studies of chapter IV. The first case, civil aircraft in the Tokyo Round, illustrates how the United States negotiated with the E.C. and other smaller civil aircraft producing countries to liberalize trade in civil aircraft within the overall framework of the GATT Tokyo Round. This is an example of how the United States, faced with a strong challenge from the E.C. to its dominant world market position in the industry, made negotiating concessions to the E.C. to elicit reciprocal concessions that made it possible for both major producing polities to gain from increased sales resulting from lower trade barriers. U.S. willingness to make concessions to achieve its aims in the civil aircraft case shows certain similarities to Britain's initial participation in the Multilateral Sugar Convention. The second case, the Market-Oriented, Sector-Specific negotiations between the United States and Japan, is a set of bilateral talks, involving five trade sectors, that were intended to resolve tariff and other disagreements between the two countries before particular conflicts within those

sectors erupted in such a way as to worsen the overall U.S.-Japan trade relationship. Liberalization was achieved in some senses more than others for reasons that, as I shall argue, were related to what the United States attempted to obtain and what U.S. negotiators were and were not willing to offer in return. In the different sectors of the MOSS talks lie interesting parallels with the Anglo-Japanese commercial treaty negotiations of the 1890s. In the third case, the market-opening demands upon India under the Super 301 provision of the Omnibus Trade Act of 1988, the United States is seen as attempting, unsuccessfully, to use a unilateral domestic legislative mechanism, the threat of automatic trade retaliation, to wrest trade liberalization concessions from India. Similarities exist between this case and the Anglo-American negotiations over the West Indies in terms of each hegemon's unwillingness to offer any concessions to obtain its own desired goals. Parallels also exist with the Anglo-Japanese talks in terms of how a hegemonic state deals with a trading partner that is growing in power and comes to require a different negotiating strategy.

B. *Civil Aircraft in the Tokyo Round*

The civil aircraft sector, which is defined as commercial and general (i.e., private, corporate and commuter) aircraft and parts, has been one in which the United States has dominated in production, consumption and exports in the postwar era. In the 1970s, the United States accounted for 95 percent of world general aircraft sales[3], and in 1978 the United states supplied 80 percent of the world market in commercial aircraft, selling $12.8 billion in aircraft and parts.[4] Exports of commercial aircraft grew unevenly from $5.1 billion in 1974 to $6.0 billion in 1978.[5] The United States

[3]Winham (1986) pp. 237-238.
[4]International Trade Commission (1979) pp. 97-99.
[5]*ibid.*

also constituted the largest market for commercial aircraft producers, buying 35 percent of all commercial and 60 percent of all general aircraft.[6] U.S. domestic consumption of civil aircraft grew steadily through the 1970s, rising from $1.8 billion in 1974 to $3.2 billion in 1978.[7] U.S. domestic demand at the end of the decade was expected to rise appreciably in the wake of deregulation of the domestic airline network, as new carriers prepared to enter the market and existing carriers expanded their route networks.[8] The civil aircraft industry also was a major provider of U.S. jobs. Nonmilitary aircraft sales accounted for 560,000 jobs[9], of which 200,000 were reported by the International Trade Commission to be dependent upon exports.[10]

Amongst market economy countries, U.S. firms Boeing, McDonnell-Douglas and Lockheed had dominated commercial aircraft production. In 1969 European aircraft producers in Germany, France, Spain and Britain, who had individually lost out competitively to the United States in aircraft sales, joined together to form the Airbus Industrie consortium in an attempt to compete on a more equal footing with the large American firms.[11] Development of the Concorde was an early product of European aircraft cooperation. Despite massive U.S. dominance in the industry, U.S. firms feared European competition because of a pattern of E.C. economic intervention on Airbus' behalf to aid its international competitive position. In addition to government research and development assistance, E.C. measures included subsidization of the industry, official export credits and formal and certain informal influencing of

---

[6]U.S. Senate (1979) p. 408. The percentage figures cited exclude the Soviet Union and People's Republic of China.
[7]ITC (1979) pp. 97-98, 100.
[8]ITC (1979) pp. 97-98.
[9]U.S. Senate (1979) p. 408.
[10]ITC (1979) p. 101.
[11]Winham (1986) pp. 237-240.

private purchasing decisions.[12] For example, governments threatened to change unfavourably trade policies affecting a potential purchasing country but unrelated to aircraft in order to coerce that country to buy particular aircraft. Governments also made landing rights at major airports contingent upon aircraft purchases and required mandatory offset purchases.[13] U.S. producer fears were borne out to some extent by the trade data from the mid-1970s. In the United States, civil aviation imports between 1974 and 1978 ranged from a low of $556 million in 1975 to a high of $1 billion in 1978, or between 10 and 17 percent of aircraft exports.[14] Imports as a percentage of U.S. domestic consumption (of whole aircraft), however, climbed from 4.1 percent in 1975 to 11.5 percent in 1977.[15]

The relationships of imports and exports in the production of civil aircraft was not as straightforward as the data suggest, however. Given the high capital costs of developing and bringing new aircraft to market, it is not surprising that the civil aircraft industry was already very internationally integrated by the 1970s. Aircraft manufacturers generally put together consortia of foreign and domestic firms to share the development risk, then averaging $2 billion, of new aircraft.[16] An international, interlocking network of components and parts suppliers for each different aircraft project complicated the already problematic concept of competition for market share

---

[12]For example, Eastern Airlines in 1977 received 'unusual and liberal terms', *i.e.*, credit for buying Airbus A300s. Britain also violated OECD rules on export credits by requiring PanAm to buy Rolls-Royce engines for its L-1011s in light of its then extensive position in the London air service market. *See* Piper (1980) pp. 223-225.

[13]*ibid.*, pp. 225-226. Mandatory offsets refer to a government requirement that a foreign aircraft producer award a fixed percentage of supplier subcontracts to companies in the purchasing country as a condition of purchase of the foreign company's aircraft.

[14]ITC (1979) pp. 98-99.

[15]*ibid.*

[16]*ibid.*

between nations.[17] Nonetheless, the ending of nontariff barriers to sales of U.S. aircraft abroad was one of the items on the U.S. agenda for the GATT Tokyo Round. By late spring of 1978, U.S. industry and labour interests realized that the proposed across-the-board formula tariff cuts would not achieve U.S. trade liberalization aims for civil aircraft, despite the willingness of other countries to cut tariffs.

> Perceived violations of international export credit understandings and official foreign government restrictions on aircraft purchases aggravated U.S. governmental and industry concerns regarding fair, competitive trade opportunities.[18]

As in all sectoral negotiations of the Tokyo Round, an Industrial Sector Advisory Committee for civil aircraft, which included representatives of all the major manufacturers and trade associations, advised and supported the U.S. GATT negotiating team throughout the Round. This close cooperation between government and industry represented an advance over previous U.S. trade policy planning. It was also light years ahead of the British Government's relatively rare, spotty and highly industry-specific responsiveness to industry's concerns a century earlier.

At the July 1978 Bonn economic summit, the United States pressed for a sectoral trade liberalization agreement for civil aircraft to be included within the Tokyo Round.[19] Earlier in the Round, Canada had proposed a sectoral negotiating approach under which tariffs and NTBs in each sector would be considered together. Several other major powers had opposed this method, however, because they viewed it as limiting the scope for reciprocal concessions between sectors. However, the idea found favour for the civil aircraft sector because of its high production costs and

---

[17]As a highly oligopolistic industry with large economies of scale, civil aircraft is a prime example cited by strategic trade policy theorists. *See* Krugman (1986) pp. 7-9 and Branson and Klevorick (1986) pp. 244-246.

[18]U.S. Senate (1979) p. 408.

[19]*ibid.*, p. 410.

consequent limited number of producers, the general acceptance of government involvement in the industry (on account of its link to defense) and the widespread interest in establishing stricter rules for the sector.[20] U.S. negotiators, working with industry representatives, submitted a discussion draft treaty on October 21 of that year.[21] Bilateral U.S. consultations with the E.C., Canada, Japan and Sweden followed, and in November plurilateral meetings commenced. The United States also at that time met with representatives of Australia, New Zealand, Brazil, Israel, Norway and Switzerland to explain the U.S. negotiating position and urge them to participate in negotiating the agreement.[22] The U.S. negotiating team sought an agreement the principle of fair and equal competitive opportunities for all civil aviation producers.

> Governments, according to the U.S. position, should establish an open, competitive environment, but should not arrange or oversee competition so as to influence or determine its outcome.[23]

The U.S. position, according to chief negotiator W. Stephen Piper, accepted that government-industry relationships differed in Canada, Japan and the E.C., and that government support for development, production and marketing of products is not automatically trade distorting.

> Our concern is not with how a government relates to its industry, but with what effect that relationship has on trade, in particular on U.S. trade interests.[24]

In fact, the United States favoured government support of general aeronautical research to serve the public interest.[25] But Washington insisted that private firms be able to compete fairly with firms in countries where government involvement in industry was

---

[20]Winham (1986) pp. 237-238.
[21]ITC (1979) p. 84.
[22]U.S. Senate (1979) p. 410.
[23]Piper (1980) p. 233.
[24]U.S. Senate (1979) p. 410.
[25]*ibid.*, p. 415.

the norm. Acknowledging the innovating role of European firms in jet engine technology, the American negotiators were not, they argued, seeking to guarantee the United States in its dominant position, but merely to prevent its position from being eroded through systematic foreign government intervention in the market.[26]

The principal incentive for European, Canadian and Japanese negotiators was to secure more favourable access to the huge U.S. market by reducing the U.S. tariff, which was 5 percent for aircraft imports.[27] The E.C. also objected to what it regarded as hidden U.S. government subsidies to aircraft producers through defense research.[28] And despite U.S. protestations to the contrary, the other powers were concerned that the regime proposed in the U.S. discussion draft would in fact freeze existing trade patterns and market shares in place.[29]

U.S. negotiators eventually convinced the other participants to accept the U.S. principle of 'fair and equal competitive opportunities' for civil aircraft producers, rather than the E.C.'s preferred formulation of fair and equal competition between domestic and imported products, which would have amounted to a U.S. endorsement for subsidization of foreign products to a level where any U.S. price advantage would be nullified.[30] In return for accepting differences in various polities' government-industry relationships, Washington obtained a commitment from the others to 'seek to eliminate adverse effects on trade' resulting from government support for the civil aviation industry and 'desiring that their civil aircraft activities operate on a

---

[26]Piper (1980) pp. 232-234.

[27]This amounted to over $1 million per Airbus A300 in 1977. *See* Winham (1976) pp. 237-238.

[28]*ibid.*

[29]U.S. Senate (1979) p. 410.

[30]*ibid.*

commercially competitive basis'.[31] On the controversial question of government procurement, the U.S. negotiating team managed to insert a prohibition on unreasonable government pressure on airlines, manufacturers and other purchasers regarding buying decisions. However, disagreement resulted in 'unreasonable government pressure' being left undefined. The United States interpreted it as excluding government officials serving on airline boards of directors from acting as 'buy national' officers, but permitting U.S. Congressional oversight hearings to question airline buying practices.[32] The United States did succeed in having government inducements for sales prohibited, which U.S. negotiators regarded as a major boost for U.S. aircraft sales in third countries, where the E.C. had often used such practices. Washington also successfully rejected other powers' demands that mandatory offsets be permitted. U.S. negotiators agreed to a highly favourable compromise wherein governments would be allowed to require that their countries' companies be permitted to bid on subcontracts, but not that the bids be accepted.

U.S. negotiators saw the civil aviation sector as an opportunity to make the GATT nontariff barriers conduct codes more specific than they were as generally stated. This goal was successful with respect to technical standards and government procurement, but less so with respect to subsidies. Other powers wanted limits included in the agreement on U.S. application of CVDs against foreign aircraft subsidies, even though Washington had not yet imposed such duties. U.S. negotiators did get agreement on pricing policy and application to civil aviation of the new GATT Subsidies Code, which prohibited subsidies on nonprimary products and for the first time provided redress for countries injured by other countries' subsidies.[33] However,

---

[31]*ibid.*
[32]U.S. Senate (1979) p. 412.
[33]Winham (1986) pp. 220, 423.

they failed to secure agreement on setting the parameters for export credit financing because parallel negotiations on that issue that were taking place under the auspices of the OECD failed.[34] Hence a weaker OECD agreement on export financing signed in 1975 remained in effect.[35]

The final agreement was signed on April 12, 1979, by the United States, the E.C., Canada, Japan and Sweden.[36] Norway and Switzerland also signed the pact shortly thereafter.[37] It was considered a unique accomplishment at the time because it was the first GATT accord to cover tariffs and NTBs in the same agreement.[38] The agreement removed all tariffs on civil aircraft, parts and repairs.[39] Governments were enjoined from interfering with purchasing decisions on civil aircraft.[40] The pact set out that competitive price, quality and delivery are established as the bases for purchase of all treaty-covered goods. Governments, were, however, permitted to ensure that their country's firms were not the victims of discrimination. On pricing, governments agreed that prices be intended to recoup all costs of aircraft[41], and that the GATT Subsidies Code be applied to trade in civil aircraft. The pact set up a Committee on Civil Aircraft to review and consult on the operation of the agreement and serve as a first venue for dispute resolution. Further negotiations were to occur three years or sooner from the agreement's entering into force to expand it reciprocally.[42]

---

[34]U.S. Senate (1979) p. 412.
[35]Piper (1980) p. 239.
[36]ITC (1979) p. 86.
[37]Piper (1980) p. 232.
[38]ITC (1979) p. 89.
[39]U.S. Department of State (1981) Treaty Art. 2.
[40]*ibid.*, Treaty Art. 4.
[41]*ibid.*, Treaty Art. 6.2.
[42]*ibid.*, Treaty Art. 8.

The greatest problem with the new agreement that U.S. government and industry officials anticipated was that of monitoring and enforcing compliance with the pact's nontariff provisions.[43] Notwithstanding that and the other problems already mentioned, the U.S. Government assessed the results as very favourable. In a report to the Senate Finance Committee in advance of the treaty's ratification under the 'fast track' procedure, the ITC summed up its view of the agreement.

> On the whole, however, the U.S. civil aircraft industry is likely to reap important benefits from U.S. adoption of the agreement, resulting primarily from the agreement's provisions dealing with nontariff measures, since foreign tariffs on U.S. exports of commercial aircraft are usually waived.[44]

The ITC predicted a large, long-term rise in U.S. exports and a small rise in imports, with an increase in U.S. jobs and a loss of U.S. customs revenue from the tariff cuts of $51.4 million *per annum*.[45] Specifically, the ITC expected the cuts in foreign tariffs (12 percent in Japan and the E.C.) to benefit U.S. general aircraft manufacturers, while commercial aircraft manufacturers would benefit more from cuts in NTBs. The agreement was also expected to help ensure that market forces and technology would dominate over politics, which otherwise would be difficult in the civil aircraft industry in light of the heavy government involvement therein.[46]

Four years later, the U.S. civil aircraft industry was generally pleased with the operation of the accord and with the U.S. policy in this instance of negotiated trade liberalization. T.A. Wilson, Chairman and Chief Executive Officer of Boeing, told members of Congress:

---

[43]Piper (1980) p. 239.
[44]ITC (1979) p. 87.
[45]*ibid.*
[46]*ibid.*, p. 101.

> The rules that came out of the Tokyo Round negotiations have given us a reasonably tolerable policy environment. We want that to continue. We want the rules to be improved where possible and updated as necessary to reflect market realities. The way to achieve this, we believe, is through negotiations among the governments of commercial aircraft producing countries. We don't favor getting out ahead of the international rules through domestic legislation on what is fair or not fair.[47]

Boeing's criticisms were with enforcement of the agreement's provisions, as had been predicted, and with the continuing vagueness of the international export credit rules. The company favoured U.S.-E.C. negotiations on rules for export financing as well as trade. Wilson was pleased with the favourable shift in Reagan Administration policy towards Eximbank that had recently occurred, since Boeing was heavily dependent upon Eximbank to provide concessional financing and export credit guarantees to foreign buyers of its aircraft.[48]

U.S. production of and export performance in civil aircraft remained strong throughout the 1980s. Total U.S. sales of civil aircraft (excluding parts) rose from $13.1 billion in 1980 to $24.5 billion in 1990.[49] Exports rose from $6.0 billion in 1978 to $18.1 billion in 1990.[50] Between 1985 and 1989 the annual U.S. trade surplus in aircraft and parts grew from $1.4 billion to $5.9 billion.[51] However, U.S. producers continued to protest E.C. subsidization of Airbus production. In 1987 McDonnell Douglas pressed Washington to act to end E.C. Airbus subsidies, but then withdrew its protest in fear of losing European sales. The Bush Administration did use the threat of a GATT complaint against E.C. violation of the Subsidies Code to force

---

[47]U.S. House of Representatives (1985) p. 3.

[48]*ibid.*, p. 4.

[49]U.S. Department of Commerce (1992) p. 21.6.

[50]*ibid.* (1990 figure). Figure for 1978 covers commercial aircraft only. *See* ITC (1979) pp. 97-99.

[51]U.S. Congress, Office of Technology Assessment (1991) p. 197.

the E.C. to negotiate over subsidies.[52] Congress' Office of Technology Assessment found that E.C. 'launch aid' to Airbus in the form of grants and deferred or forgiven loans totalled around 75 percent of Airbus' development costs to 1991.[53] In April 1992 U.S. and E.C. negotiators finally agreed bilaterally to limit direct government civil aircraft support to 33 percent of total development costs and to limit indirect support (*e.g.*, military contracts) to 4 percent of a company's turnover. In July 1992 the two sides proposed that the GATT civil aircraft code be revised to cover subsidization using the bilateral accord as a model.[54]

U.S. negotiators had successfully secured absolute gains for American civil aircraft exports, even if relative gains were more ambiguous. But the debate of the late 1980s revealed a shift by the U.S. Government and aircraft manufacturers from their traditional emphasis on a level playing field towards negotiating over market shares.[55] According to the Commerce Department, Airbus (plus British Aerospace and Fokker) had increased its share of new orders for large aircraft to 42 percent (by value). The U.S. market share for aircraft engines had also declined, they found, from 80 percent in 1970 to 60 percent in 1990 as E.C., Canadian and Japanese production increased.[56] The E.C. position held that its overall market share had remained the same since 1980. E.C. negotiators still regarded U.S. indirect subsidization of civil aircraft through military R & D as equivalent to its own Airbus subsidies.[57]

---

[52]Stokes (1992) pp. 760-761.
[53]OTA (1991) pp. 354-355.
[54]Williams (1992) p. 5.
[55]*ibid.*
[56]U.S. Department of Commerce (1992) pp. 21.6-21.10.
[57]GATT (1991) pp. 126-127. Market shares remain ambiguous and difficult to measure. The C.I.A., for example, found that the U.S. export market share for the aerospace sector (of which civil aircraft constitutes a major portion) rose from 47.6 percent in 1980 to 50.3 percent in 1990. *See* Central Intelligence Agency (1991).

Comparison of the U.S. civil aircraft case with the British position on sugar yields parallels of both situation and response. With respect to its civil aircraft industry, the United States found itself in a position not unlike Britain did with respect to its sugar industry: each country was both a large exporter of the product (in Britain's case, through its colonies) and at the same time the largest consumer of the product. Both industries also were heavily affected by government involvement, particularly with respect to subsidization and export promotion. Each industry's concern was well-represented (for its respective time) to government trade officials. Both governments were anxious to establish rules that would limit government intervention and allow the market to function to the greatest extent possible. And both the British and American governments expressly stated that they did not seek to maintain market shares (although when faced with ever greater competition each later yielded on this point). The two hegemons each faced opposition from growing economic powers (France, Germany, Russia and the United States for Britain; the E.C. for the United States) that sought to use extensive government intervention to capture a greater share of their own home markets, the hegemon's home market and third country markets.

The responses of the two countries differ to a greater extent than the situations they faced. Britain had more to lose by not solving the sugar problem than the United States had to lose by not liberalizing civil aircraft trade because British colonial sugar production was less competitive on the world sugar market (even in the absence of government interference) than U.S. civil aircraft in its market. Yet Britain, although it did forsake its general opposition to commercial negotiations in the case of sugar, from the early 1870s until 1902 was unwilling to make the types of compromises that were required to convince its negotiating partners to forswear trade-distorting subsidies

and export bounties. The British Government's reluctance before 1901 to accept the need for imposing mandatory sanctions against noncompliants in a treaty regime appeared to contribute substantially to the repeated failure of the earlier rounds of talks to agree to end bounties. Once Britain conceded on mandatory sanctions, however, the resulting regime not only benefitted British colonial sugar production but was so advantageous to other sugar producing countries that even when a subsequent British Government ended British imposition of sanctions, the other states agreed to allow Britain to remain within the treaty system in order to retain open access to the British sugar market. The United States, by contrast, was willing to compromise at once on key areas in order to secure civil aircraft trade liberalization. As Piper observed, securing improved foreign market access for U.S. producers was worth giving up $50 million *per annum* in tariff revenues.[58] The United States also conceded to the E.C. a different role for government in industry from that in the United States in return for established limitations on how far that relationship would be allowed to distort trade. Whilst possibly eroding certain U.S. liberal trade principles, the concession allowed for codification of a regime more liberal than what it succeeded, and to that extent furthered the hegemon-sponsored liberal trading system.

In the end, both countries got much of what they sought out of the negotiations. The civil aircraft accord had attracted 22 signatories by 1990,[59] suggesting a growing endorsement of the regime's principles and a validation of U.S. leadership in the sector. Moreover, it was a regime under which U.S. production and exports continued to grow. In Britain's case, by the time Britain and the other powers reached agreement, the overall liberal trading system was already so eroded (in large part by

[58]Piper (1980 p. 242.
[59]GATT (1991) pp. 126-127.

British inaction over three decades) that the Brussels Sugar Convention stood out in its isolation from the general trend of increasing trade conflicts and thus did little to expand liberal trade or shore up British hegemony. But in each case the hegemonic power achieved its trade liberalization goal by making concessions in order to gain what it regarded as greater gains. The United States, by acting while it still had a large domestic and export market share in civil aircraft, helped to retard the loss of that share because of nonliberal trade practices and ensure its industry's continued growth. Britain, by acting as late as it did, did not reap gains of the magnitude that it could have done two decades earlier. Yet in both cases, the need for the hegemon to make concessions to reap gains is clear.

C. *The MOSS Talks*

The U.S.-Japan Market Oriented, Sector Specific negotiations, which began in 1985, were a new type of bilateral initiative intended to resolve growing sectoral trade friction over tariffs and NTBs before they erupted into specific conflicts.[60] The negotiations commenced as Congress was receiving and articulating increasing criticism of Japan's trade practices. Complaints included such objections as: Japan's trade surplus was too high because of insufficient import levels; Japan was systematically evading GATT obligations; Japan's consumers had an institutional and cultural aversion to imports; and the nature of Japan's economy made it impossible for U.S. negotiators to assess accurately the reciprocity of trade concessions until after their implementation.[61] These complaints translated into demands for a type of unilateralism that had not been a part of U.S. trade policy: the seeking of unrequited

[60]General Accounting Office (1988a) p. 10.
[61]Bhagwati (1991) pp. 5, 18-26.

liberalization concessions from Japan and other countries. The Super 301 provision of the 1988 Trade Act furthered this trend by imposing the threat of U.S. retaliation upon countries unwilling to make such concessions. The MOSS talks, however, were still based upon the logic of mutual benefit from liberalization (albeit through unilateral trade concessions).

The MOSS idea emerged from a January 2, 1985 meeting between President Reagan and Prime Minister Yasuhiro Nakasone, at which Nakasone proposed that the two countries apply the format of the successful 1984 U.S.-Japan financial services sector liberalization talks to other sectors in which there was tension over u.s. access to the Japanese market.[62] In the original four sectors, telecommunications, medical equipment and pharmaceuticals, electronics and forest products, the U.S. goal was to achieve greater market access through liberalization primarily of the Japanese regulatory structure.[63] The sectors were chosen on the following criteria: (1) a sector had to have a history of extensive trade complaints; (2) the U.S. industry had to be deemed competitive internationally; (3) there had to be an group of products identifiable as a sector; (4) the United States had to have a 'small' Japanese market share; (5) there had to be room for the U.S. industry to increase sales; (6) the U.S. industry affected had to be cooperative with the goals of the talks; (7) results had to be achievable within 3 to 5 years.[64] As both governments accorded a high priority to achieving success, negotiations were conducted at a high level: U.S. undersecretaries and Japanese vice ministers. This ensured that the negotiators actually conducting the parleys would have sufficient authority to make deals without a lengthy and

[62]Congressional Research Service (1985) p. 1.
[63]MOSS Negotiators (1986) p. 1.
[64]GAO (1988a) p. 11.

cumbersome approval process.[65] The designation of Foreign Minister Abe and Secretary of State Schultz to supervise the discussions further ensured that they would be steered in a moderate direction.[66] The State Department, which had overall U.S. administrative responsibility for the talks, coordinated the activities of the other executive agencies with particular expertise in different sectors, which each were given responsibility over negotiations in their respective domain: Commerce for telecommunications (and later auto parts), Agriculture on forest products, Treasury on medical equipment and pharmaceuticals and USTR on electronics.[67] The U.S. negotiating team viewed the MOSS talks as a vehicle for trade liberalization, not for the political fixing of market shares.

> The MOSS negotiating strategy focused on identifying and removing tariff and nontariff barriers in the selected Japanese sectors, and did not seek to set specific trading goals or quotas.[68]

In this regard the U.S. approach was like that taken in the civil aircraft talks. However, the United States did not propose in this instance to make concessions itself to gain concessions from Japan.

> ...there was no bilateral 'bargaining' with each side making concessions; rather the United States was negotiating for unilateral change in Japan's trading practices.[69]

Japan, according to a General Accounting Office report, agreed to participate in the MOSS talks at least in part because the Japanese Government was aware that Japan's economic health depended on keeping world markets open, and to that end Japan needed to be seen to be taking steps to support trade liberalization.

---

[65]*ibid.*, p. 10.
[66]CRS (1985) p. 1.
[67]GAO (1988a) p. 10.
[68]*ibid.*, p. 1.
[69]*ibid.*, p. 10.

> The framework for these negotiations was built on the free-trade principle that when all barriers were eliminated, market forces would prevail, resulting in fully open Japanese markets.[70]

The Japanese Government and the Reagan Administration agreed that the MOSS approach was preferable to an increase in U.S. administrative trade law complaints (*e.g.*, Section 301 cases) or unilateral U.S. retaliation against alleged unfair Japanese trade practices.

> In concert with the U.S. administration's declared free trade objectives, market access was espoused as the primary goal of the MOSS talks, as opposed to increased sales of U.S. products *per se*: these exports were expected to increase as a natural consequence of further trade liberalization in Japan.[71]

Some U.S. trade analysts were critical of this approach, arguing that the American emphasis on nondiscriminatory access to the Japanese market would benefit third country exporters more than U.S. exporters. A similar criticism made by those supporting a results-based (or 'managed' trade) solution was that the onus should not be on the U.S. Government to identify Japanese barriers to imports; rather, Japan should commit to market shares of U.S. imports and meet their commitment in any way that they chose. However, Reagan Administration trade policy officials did not share these views. They identified types of Japanese trade barriers in terms of how possible it was, in their judgment, for the Japanese Government to remove them: government import restrictions, which U.S. negotiators deemed easiest to remove; industrial and structural barriers, the effects of which the Japanese Government could affect but not remove on their own; and psychological and attitudinal barriers, about which Tokyo would be able to do little.[72]

---

[70]*ibid.*, p. 13.
[71]*ibid.*, pp. 13-14.
[72]*ibid.*, p. 14.

Negotiations on the initial four MOSS sectors took place during 1985.[73] The Treasury Department, led by Assistant Secretary for International Affairs David Mulford, chaired the six meetings on medical equipment and pharmaceuticals. Medical equipment and pharmaceuticals are among the most competitive of U.S. high technology exports.[74] The Reagan Administration viewed access to the Japanese market as particularly important because Japan has the highest *per capita* consumption of medications. Imports from the United States worth $3.5 million constituted 45 percent of Japan's $774.2 million of medical equipment imports, or 13.4 percent of Japan's total medical equipment sales of $2.6 billion per annum.[75] U.S. pharmaceuticals exports to Japan made up 9.5 percent of Japan's pharmaceuticals sales, or 40 percent of Japan's imports of pharmaceuticals.[76] The United States was seeking to open further a market in which Japan already imported 30 percent of its medical equipment and 34 percent of its pharmaceuticals. Moreover, the United States already had a $152 million bilateral annual trade surplus with Japan in medical equipment and a $280 million surplus in pharmaceuticals.[77] The Japanese Government responded to the concerns raised by the U.S. negotiators (which were based on consultations with U.S. exporters) by agreeing in an accord announced on January 9, 1986: (1) to accept foreign clinical test data (in most cases), where previously it had not; (2) to speed up,

---

[73]The talks on medical equipment and pharmaceuticals, and those on auto parts, illustrate the reasons for those aspects of the MOSS negotiations that were successful, and thus will be considered closely. The results of the other sectoral discussions, because they helped to determine the overall outcome of the negotiations, will also be summarized.

[74]The United States had the largest share of world scientific and precision equipment exports in 1980 (28.3 percent) and 1990 (27.4 percent). The U.S. share of medicine and biologicals exports rose from fifth place in 1980 (11.4 percent) to second place (in both years West Germany was first) in 1990 (13.5 percent). *See* CIA (1989, 1991).

[75]GAO (1988a) p. 26.

[76]*ibid.*

[77]*ibid.*

standardize and simplify approval and licensing procedures for new products and new importers: (3) to accelerate pricing of products for reimbursement under the national health insurance system, in line with new product approvals; standardize and publicize formulas for drug pricing; and regularize posting of drug price lists; (4) to make the proceedings of Japanese regulatory bodies transparent and increase direct communications between foreign manufacturers and Japanese regulators through meetings and hearings: and (5) to address in further meetings U.S. concerns that those vitamins defined by Japanese regulators as pharmaceuticals were hard to sell in Japan because approval took too long, while those vitamins defined as food products faced the high 25-28 percent food tariff (as opposed to the 4.9 percent pharmaceuticals tariff).[78] The negotiators also agreed to hold semiannual followup meetings during 1986 to review implementation of the accord, the experience of foreign manufacturers with the new processes and related issues.[79] In those meetings, the United States asked Japan to cut tariffs on vitamins regulated as foods from their 25-28 percent level to the 4.9 percent level for vitamins regulated as pharmaceuticals. Japan agreed to cut the tariff to 12.5 percent.[80] The Japanese Government also agreed to provide semiannual statistical data where possible for U.S. use in measuring compliance with the agreement, but they did not wish to conduct further MOSS talks on the medical equipment and pharmaceuticals sector.[81] Nonetheless, periodic MOSS talks did continue, with the Japanese Ministry of Health and Welfare agreeing to further regulatory reforms as recently as 1992.[82]

---

[78]MOSS Negotiators (1986) pp. 1-2.
[79]*ibid.*, p. 2.
[80]GAO (1988a) p. 29.
[81]*ibid.*
[82]U.S. Department of Commerce (1992) p. 45.3.

Overall reaction from U.S. medical equipment and pharmaceuticals manufacturers to the MOSS agreement was favourable. Firms strongly supported the structure of the MOSS talks, which was to be expected, considering that U.S. exporters had everything to gain from the outcome and nothing to lose.[83] Larger exporters (firms with over $1 billion in worldwide sales *per annum*) reported overwhelmingly that sales opportunities in Japan improved following the agreement, but only a few smaller firms reported similar success.[84] Of thirty medical equipment and pharmaceutical firms surveyed by the General Accounting Office, sixteen reported that the MOSS talks were a primary factor in changing Japanese business opportunities for their firms, whereas fourteen said they were not.[85] After the talks, many firms regarded the Japanese distribution of medical products as still a problem and considered that continued U.S. monitoring and pressure over time would be required to keep the window open, given the length of medical product cycles.[86] Overall, the medical equipment and pharmaceuticals sectoral negotiations were viewed as probably the greatest MOSS success for the United States, in that Japan agreed to reduce several governmental NTBs and lower a tariff, all on a nondiscriminatory basis. In return the United States seemed to have given up nothing, at least at the immediate sectoral level.

U.S. export performance in medical equipment and pharmaceuticals did improve following MOSS. The percentage of U.S. medical equipment exports going to Japan increased over the period 1985-1990: whereas total medical equipment exports in that

---

[83]GAO (1988a) p. 32.

[84]*ibid.*

[85]By contrast, 22 reported that the firm's own efforts were a primary factor, while 8 reported not, and only four reported that Congressional pressure was a primary factor, while 26 reported not. *See* GAO (1988b) p. 9.

[86]GAO (1988a) p. 33.

period grew by 140 percent, medical equipment exports to Japan grew by 178 percent.[87] Pharmaceuticals exports, which had grown by an average 6.3 percent *per annum* between 1980 and 1985, grew by an average 16.3 percent *per annum* between 1985 and 1990.[88]

The forest and paper products sector was also of particular interest to U.S. exporters. The second largest forest products consumer in the world (behind the United States), Japan imported 65 percent of its wood, 35 percent of which already came from the United States. Japan was also the largest market for U.S. wood pulp, receiving 20 percent of U.S. exports in 1986.[89] Negotiations between the two sides did not lead to a formal agreement, as in the other sectors. Japan agreed informally to reduce tariffs by 20 percent on fibreboard and certain other forest products on January 1, 1986; reduce tariffs between 20 and 67 percent on certain lumber, plywood and veneer at different times in 1987 and 1988; revise regulations to admit new sizes of permissible wood panels; make future forestry sector restructuring GATT-compatible; exchange information with U.S. industry regarding both countries' forestry sectors; and accept foreign testing organizations to verify the compliance of imported wood with Japanese agricultural standards.[90] U.S. negotiators failed to convince Japan to eliminate tariffs on paper products, but the Japanese Government did agree to reduce paper products tariffs by 20 percent in January 1986 and reduce tariffs on other paper-based goods over a two year period beginning in April 1986. Washington hoped for future progress in tariff reduction, as well as liberalization of standards, building and fire codes and product grading practices in order to make them less

[87]*See* Appendix, Table 7.
[88]U.S. Department of Commerce (1988, 1991).
[89]U.S. Department of Commerce (1987).
[90]GAO (1988a) pp. 37-38.

discriminatory against imported wood products.[91] Both the U.S. Government and the forest products industry were pleased with the accomplishments of the talks, with the industry reporting an appreciable increase in wood pulp sales to Japan following the MOSS meetings.[92] However, as the primary objective of the MOSS process was not to reduce tariffs, but rather to liberalize administrative and regulatory barriers to trade, Japan's emphasis on tariff reductions in the forest sector could be seen as a way of avoiding the making of deeper structural concessions. USTR evidently found Japan's structural concessions in MOSS insufficient, because technical barriers to lumber imports were one of three Japanese priority trade barriers named in the U.S. Super 301 list of May 1989.[93]

In the telecommunications sector, U.S. firms were concerned about Japan's rapidly expanding share of world telecoms markets in a period of industry growth, restructuring and deregulation. In exports of telephone and telegraph equipment, for example, Japan's share had risen from 17.3 percent in 1980 to 29.0 percent in 1985, whereas the U.S. share had fallen from 16.0 percent to 8.4 percent in the same period.[94] In the first phase of telecoms negotiations, which addressed basic and value added services in telephonic communications and was completed in April 1985, U.S. negotiators prevailed upon Japan to adopt the liberal 'no harm to network' standard for attachment of telephonic equipment to telephone networks, as well as other transparency measures and acceptance of certain previously not accepted foreign hardware test data. At a time when both countries were liberalizing their telecom-

---

[91]*ibid.*, pp. 39-40.

[92]*ibid.* The percentage of U.S. wood pulp exports going to Japan rose (excepting 1990) from 20 percent in 1986 to 23 percent in 1991. *See* U.S. Department of Commerce (1987-1991).

[93]Milner (1991) p. 178.

[94]U.S. Department of Commerce (1989, 1991).

munications systems domestically, U.S. negotiators sought to use this phase of the talks to help ensure that Japan liberalized its telecoms in such a way so as not to discriminate against foreign competitors. According to the General Accounting Office, the two countries succeeded in enacting the most liberal technical standards in the world.[95] The second phase of the talks, which concerned radio services and equipment, were less successful. U.S. negotiators presented a laundry list of demands, including simpler approval and licensing procedures, acceptance of foreign test data, different allocation procedures for radio frequencies and a review of government procurement procedures for radio equipment and satellites. In January 1986 Japan agreed to some, but not all, of the demands. In April 1986 Japan allowed foreign access to radio station licenses, but significant differences remained over technical standards and frequency allocations.[96]

Other telecoms disagreements persisted. The U.S. firm Motorola protested the way in which the Japanese Ministry of Posts and Telecommunications ('MPT') allocated cellular phone network territories. A consortium of U.S. and British firms bidding to compete in the newly opened international long distance telecommunications market also protested at MPT's licensing process, which they alleged favoured domestic firms. But a mechanism to address future tensions in the telecoms area was established, the MOSS Telecommunications Oversight Committee, which included representatives from MPT, the U.S. Embassy in Tokyo and U.S. industry. The Committee was intended to monitor the accords and future MPT regulatory, administrative and policy changes.[97] After the talks, most firms felt that business opportunities in Japan had improved, but they wanted to see continued U.S.

---

[95]GAO (1988a) pp. 18-19.
[96]*ibid.*
[97]*ibid.*, p. 20.

government pressure and some sort of yardstick for measuring Japanese compliance with the accords.[98]

> U.S. government and industry officials generally considered both phases of the Telecommunications MOSS talks to have been successful because they accomplished the primary U.S. objective of bringing many Japanese standards into line with those of the United States. U.S. negotiators involved believe that this success was largely due to the coincidence of U.S. and Japanese interests in liberalizing the market.[99]

The electronics sector is generally agreed to be the least successful of the MOSS negotiations, primarily because the sector is so broad that the talks were quite unfocussed. The negotiations, which were conducted largely between USTR and Ministry of International Trade and Industry ('MITI') officials, ranged over intellectual property questions, tariffs, foreign exchange controls and noncommunications satellites. The sector was important to Washington because Japan became the world's second largest electronics market in 1986, consuming $104 billion in products; yet in 1987 the United States exported only $2 billion worth of electronics to Japan, and in January 1988 only 15 percent of Japan's 57 supercomputers were American.[100] Particular U.S. goals included convincing Japan to offer U.S. computer software 50-year copyright protection, participating in Japanese Government-funded research and development projects and increasing sales of U.S. noncommunications satellites to Japan. Japan first agreed, in August 1985, to eliminate its 3.7 percent tariff on computer parts, central processing units and peripherals, and to reduce tariffs by 20 percent on electronics goods. Subsequently Tokyo agreed to open various government R & D projects to U.S. firms, resolve foreign exchange differences and enact 50-year

---

[98]*ibid.*, pp. 21-24.

[99]*ibid.*, p. 25.

[100]GAO (1988a) pp. 42-43. The OTA reports that the figure remained between 11 and 5 percent 1987-1990. *See* OTA (1991) p. 271.

copyrights on software and 10-year copyrights on original chips. However, the Japanese Government would not make any concessions on satellites.[101] Negotiating successes were achieved in two electronics areas, supercomputers and semiconductors.[102] As those negotiations were split off from the MOSS process and conducted separately, they overshadowed the remaining MOSS negotiations on electronics. U.S. industry was less pleased with MOSS progress in electronics than in the other sectors, but firms reported that the talks did help in some areas.[103]

The auto parts sector differs from the others in several key ways: it was added to the MOSS agenda one and a half years after the other sectors; it addressed primarily private business rather than governmental administration and regulation; and the talks were planned to address not only the structure of the Japanese auto parts market, but also that of the United States.[104] The addition of auto parts as a fifth MOSS sector originated in hearings held by Sen. Dan Quayle (R.-Indiana) in 1986, which heard testimony that the U.S. auto parts industry was competitive internationally, but that the sourcing structure of Japanese automakers may tend to exclude foreign suppliers.[105] Employment in the U.S. auto parts industry had fallen from 734,000 in 1978 to 562,000 in 1983, and $3.8 billion of the $5.86 billion 1986 U.S. auto parts trade deficit was with Japan.[106] The U.S. auto parts industry, hit hard in the 1980s by the rise in the dollar's value and the Latin American debt crisis, went from a 1981 trade

---

[101]GAO (1988a) p. 44. USTR later named satellites to the Super 301 list in 1989. *See* Milner (1991) p. 178.

[102]These discussions led to the market share-targeting 1986 U.S.-Japan Semiconductor Arrangement and the August 1987 exchange of letters on Japanese supercomputer procurement transparency. *See* GAO (1988a) pp. 45-46.

[103]GAO (1988a) pp. 45-46.

[104]*ibid.*, pp. 49-50.

[105]U.S. Senate (1987) Statement of Sen. Paul Simon (D.-Illinois), pp. 3-7.

[106]*ibid.*, Sen. Simon introductory remarks, pp. 1-2. Commerce Department figures are similar. *See* Appendix, Table 8.

surplus of $3.7 billion to the 1986 $5.86 billion deficit.[107] U.S. firms had less than one percent of the Japanese auto parts market in 1986, having generally not tried hard to sell in Japan because of the alleged small size of the market. However, U.S. firms claimed they were losing sales to Japanese firms in the U.S. market because of a tendency of American subsidiaries of Japanese automakers to purchase parts from Japanese firms with which they already had longstanding '*keiretsu*' relationships.[108] U.S. auto parts firms perceived these *keiretsu* ties as structural barriers that kept U.S. firms from having equal access to design and development contracts for new Japanese cars in both countries.[109]

> You know, for a producer here in this country, they do not really care if it is a tariff or if it is a private relationship if they sell zero. The result is the same. And a private relationship can be tougher to surmount than a government barrier.[110]

Sen. Quayle was also concerned that U.S. subsidiaries of Japanese automakers were increasing their purchases of low value-added auto parts from U.S. firms in order to deflect political pressure, while continuing to purchase high value-added parts (*e.g.*, drive trains and electronics) from customary Japanese suppliers.[111]

The Commerce Department, which headed the U.S. negotiating effort, viewed the problem for several years as an export promotion project: by first selling more auto parts in Japan, U.S. firms should be able to develop the supplier relationships with Japanese automakers that should lead to increased sales in the much larger U.S. market. Difficulties in bringing this about led Commerce to seek inclusion of auto

---

[107]*ibid.*, 'The MOSS Talks and their Effect on Employment in the U.S. Auto Parts Industry', Subcommittee Background Paper, pp. 9-15.

[108]*ibid.*

[109]*ibid.*, Statement of Sen. Quayle, pp. 18-19.

[110]*ibid.*, Statement of Rep. Sander Levin (D.-Michigan), pp. 79-81.

[111]*ibid.*

parts in the MOSS process. The U.S. negotiating team's goal, according to Undersecretary of Commerce Bruce Smart, was to open the auto parts original equipment market and aftermarket in Japan, the United States and third countries.[112] The U.S. view was that this process needed to involve the Japanese Government, although the primary problem was with private industrial practices.

> We believe the Japanese supplier system discriminates against foreign suppliers. Our objective is not to tear down the Japanese purchasing system but to force it to change. By allowing the entrance of competitive foreign auto parts companies, we will benefit and so will the Japanese economy.
>
> The Government of Japan claims no barriers exist. They assert that U.S. auto parts companies are not competitive and do not understand the concepts of quality, just-in-time delivery and joint design development.
>
> The Japanese Government does recognize, however, the need to lower trade tension. Thus, they have agreed to expand opportunities for U.S. and other foreign suppliers. We will help them.[113]

In February 1987, the two sides reached agreement on increasing data collection on market access in Japan, to be undertaken by the Japan Auto Manufacturers Association ('JAMA') with the encouragement of MITI. The U.S. view was that the data collected should be sufficiently detailed to identify when, where and why improved market access was occurring. The two sides also agreed that Japanese firms would establish individual purchasing contacts for U.S. suppliers. The Japanese Government agreed to publicize to Japanese consumers and repair shops that use of foreign auto parts would not jeopardize a car's ability to pass its safety inspection. The Japanese Government further undertook to development cooperation by working with JAMA at a conference on selling auto parts to Japanese automakers to be

---

[112]*ibid.*, Statement of Bruce Smart, Undersecretary for International Trade, Department of Commerce, pp. 20-21.

[113]*ibid.*, prepared statement of Undersecretary Smart, p. 25.

sponsored by the Commerce Department with Senators Quayle and Lugar in Indianapolis, by assisting the U.S. exhibit at the 1987 Tokyo Motor Show and by promoting the opening of a U.S. auto parts industry office in Tokyo in the spring of 1987.

Over Japanese objections, the U.S. negotiators this time insisted that performance criteria be used to measure the progress of the accord. Japan accepted that the agreement's success would be evaluated by significant increases in U.S. sales to Japanese manufacturers, the creation of long term sourcing relationships and a significant number of 'positive assessments' of change by U.S. firms.[114] This was a significant shift in the U.S. approach to trade liberalization in the direction of results-oriented or 'managed' trade relations. Yet U.S. firms wanted to see a more permanent reporting mechanism established.[115] At a hearing on the MOSS auto parts talks, Reps. Marcy Kaptur (D.-Ohio) and Sander Levin (D.-Michigan) went beyond this by calling for ambitious targets to be set for Japanese firms' purchases of U.S. auto parts. Although their remarks were addressed to the auto industry constituencies in their respective states as much as to the Executive branch or to the Japanese Government, both members of Congress expressed strong dissatisfaction with the limited scope of the accord. Rep. Levin went so far as to link Japan's trade policies to its alliance with the United States.

> I think there is a lesson to be learned in the last few days, and that is either there is action or else. And I hope that our allies on non-economic matters -- they really are our allies on economic matters in the long run -- will understand it.[116]

---

[114]*ibid.*, pp. 22-31.
[115]*ibid.*, Statements of Industry Representatives, pp. 40-70.
[116]*ibid.*, Questions to Reps. Levin and Kaptur, pp. 91-94.

It is early for any complete assessment of the MOSS auto parts talks. According to the General Accounting Office, in part because expectations were limited from the start, the results of the auto parts pact have been favourably assessed by U.S. industry. The establishment of individual purchasing contacts in Japanese firms has been particularly well received.[117] Between 1987 and 1990, U.S. auto parts Japanese manufacturers in Japan and the United States increased by 189 percent, whereas overall U.S. auto parts exports increased by only 44 percent, and the value of overall auto parts shipments declined.[118] The Commerce Department regarded the MOSS process as successful enough at opening export opportunities for U.S. auto parts manufacturers in Japan to warrant continuing the discussions. The two governments in 1990 agreed on a 'Market-Oriented Cooperation Plan', which included, among other things, cooperation by U.S. and Japanese firms on design and development, further expansion of business contacts infrastructure and information services, and competitiveness monitoring through price and market surveys.[119]

* * *

Overall, industry officials found the MOSS talks useful and helpful.[120] The Reagan Administration also regarded the talks as having produced real results. Aggregate U.S. exports to Japan in the initial four MOSS sectors rose 12 percent in 1986 over 1985 levels, from $3.6 billion to $4.1 billion.[121] Testifying at a 1987

---

[117]GAO (1988a) p. 55.

[118]*See* Appendix, Table 8.

[119]U.S. Department of Commerce (1992) p. 37.12.

[120]GAO (1988a) pp. 58-59.

[121]Assistant U.S. Trade Representative Massey told Rep. Stephen Solarz (D.-N.Y.) that he believed that the increase ln MOSS sector exports was in part accountable by the MOSS accords and in part accountable by exchange rate changes. *See* U.S. House of Representatives (1989a) Questions to Joseph Massey, Assistant U.S. Trade Representative for Japan and China, pp. 145-146.

Congressional hearing, Deputy Assistant Secretary of State William Clark emphasized that, in part because of U.S. market-opening pressure, Japan was one of the few countries actively removing barriers to trade.[122] USTR also viewed the MOSS talks as a success, according to Assistant U.S. Trade Representative Joseph Massey: 'By January 1986, the negotiations had produced major changes in Japanese regulations, tariffs and administrative procedures.'[123] Massey touted the MOSS talks as the area of U.S.-Japan trade relations in which the most measurable success was apparent.[124] However, the MOSS talks fuelled the growing debate within the U.S. Government over whether a results-based, 'managed' trade approach to negotiations with Japan was preferable to the traditional approach of promoting trade liberalization through expanded market access.

> Although the primary U.S. goal articulated for the MOSS talks was increased market access for U.S. and other foreign exports to Japan, the underlying objective of achieving measurable growth in U.S. export sales (and reducing the U.S.-Japan trade imbalance) was, nonetheless, important.[125]

Advocates of managed trade met continuing strong academic opposition, however. Edward Lincoln, a Senior Research Fellow at the Brookings Institution, testified before Congress in 1988:

> The reality is that little alternative exists to continued industry- or product-level negotiations and pressure on Japan. Despite the pessimism of those who have been part of the process of negotiation over the past decade, the evidence suggests that some progress has been made in reducing entry barriers or increasing sales of American products in Japan.[126]

---

[122]*ibid.*, Prepared Statement of William Clark, Deputy Assistant Secretary of State, East Asian and Pacific Affairs, p. 29.

[123]*ibid.*, Prepared Statement of Joseph A. Massey, p. 141.

[124]*ibid.*, pp. 145-146.

[125]GAO (1988a) p. 57.

[126]U.S. House of Representatives (1989b) p. 17.

Undersecretary Smart expressed concern at another hearing that too much U.S. hammering away at particular Japanese industries and practices has built up resentment in Japan that the United states is jealous of Japan's economic success. According to Smart, the best way to circumvent that problem was to press Japan to assume broader world responsibilities commensurate with her new economic power, such as more military and foreign aid spending.[127]

Congress' review of the results of the MOSS talks raised another issue that emerged in the late 1980s, which has parallels with the British debate in the 1880s over Germany. The question was whether it was proper for the United States to ask Japan to change economic practices that were perceived to be rooted in Japanese culture. Several members of the House Foreign Affairs committee were concerned that pressing Japan to remove 'cultural' barriers to trade was a form of U.S. cultural imperialism.[128] Massey replied that cultures, including their values and attitudes, change over time naturally and that to influence that change is not inappropriate: '...attitudes as part of a culture can impede the free flow of trade.'[129] Rep. Solarz asked Massey if he thought it was appropriate for the United States to press the Japanese Government to convince firms to give up long term auto parts supplier relationships if those firms genuinely prefer (culturally) the familiarity of long term relationships to the cost savings of U.S.-style open supply relationships. Massey replied:

> ...one of the difficulties we confront as we move away from the barriers at the border and across the bureaucrat's table into the attitudes and long-held views of the Japanese is to seek ways in which we can get the

---

[127]U.S. House of Representatives (1989a) Prepared Statement of Undersecretary Smart, pp. 113-114.

[128]U.S. House of Representatives (1989a) Questions to Joseph A. Massey, p. 153.

[129]*ibid.*

> Japanese and Japanese government to cooperate in basically an educational process about the necessity, the desirability, to open Japan up from the inside, as it were, from the prospective (sic) of the company procuring the parts, to provide the opportunity for an American supplier to get into a long-term supplier-purchaser relationship.[130]

Massey did not view the long term purchaser-supplier relationships as necessarily cultural

> ...because it seems to give it a kind of continuity that I am not sure they have had. Many of the things we characterize as culture, particularly when we talk about Japan, are manifestations of changes in the Japanese attitudes and practices over time.[131]

In other words, such practices were not immutable historical elements of Japanese culture, but rather were stages in the development of one country's economy. According to Massey, the best U.S. trade strategy when confronted with such barriers is to indicate to the Japanese Government the importance to Japan's economic security of maintaining a strong two-way trade flow, and that Japan's much needed continued access to the U.S. market would be conditional upon reciprocal access.[132]

The subtexts in the debate over trade practices and culture are clear. Those who argued, as Assistant U.S. Trade Representative Massey did, that pressing Japan to liberalize trade was not cultural imperialism because it was to Japan's advantage as well as that of the United States maintained the traditional Cobdenite free trade rhetoric that trade liberalization is an ideology that transcends culture and other perceived particular 'national' interests. For those, on the other hand, who were concerned about forcing Japan by changing to become more like the United States, the solution to reconcile U.S. and Japanese needs would be a 'managed' trade arrangement whereby market shares are negotiated politically and Japan is left to arrange its home

---

[130]*ibid.*
[131]*ibid.*, pp. 153-154.
[132]*ibid.*, p. 154.

market as it sees fit. Yet to free traders, this seeming compromise is false because in its implementation it makes the U.S. economy more like that of Japan and concedes the international principle of trade liberalization through removal of market barriers. The U.S. debate remains unresolved; yet which approach predominates will have a profound effect on international trade relations. The debate of a century earlier, wherein British businessmen (and some diplomats) railed about the difference between British and German business practices and what should be done about it, was also not resolved, either by aggressive British negotiating efforts to make Germany more like Britain or by Britain in some way compromising with the German way of doing business. But as my earlier arguments have shown, to do nothing was the one certain way for a hegemon to achieve nothing.

The MOSS talks share intriguing resemblances to and contrasts with the Anglo-Japanese commercial treaty negotiations of 1890-1894. Each hegemon faced a Japan whose power had increased to such a level that the Japanese Government did not have to accede to all the hegemon's demands. Britain's dominating power was primarily economic and naval, but also (if to a lessening degree) ideological. Meiji Japan's power was military, but it possessed a degree of market power as well, to the extent that Britain valued access to the Japanese market. The United States dominated in military power and retained strong economic power, but above all dominated in market power. The Japanese economic miracle remained largely dependent upon access to U.S. markets. What ideological power Washington had possessed over Japan was progressively undercut, however, by U.S. unilateralism and lack of commitment to GATT rules in the 1980s.

But despite growing Japanese power both hegemons used their power over Japan to perpetuate, at least for a time, continuing inequalities, and also to impose

elements of their respective cultures upon Japan. As Britain demanded that Japan accept rights of residence and commerce for foreigners in Japan, so the Reagan Administration structured the MOSS format such that only Japan and not the United States was expected to make concessions.[133] Also, in the MOSS auto parts talks, the United States rejected the argument that Japan's supplier relationships were a manifestation of a different culture in favour of the bold view that the international norms promoted by the United States were not only good for the United States but good for Japan as well. The exercise of hegemonic power was not well-received by segments of the Japanese public in each case, as the Meiji anti-foreign agitation and the publication of right-wing Japanese parliamentarian Shintaro Ishihara's 1989 book *The Japan That Can Say 'No'* indicate.

The security relationship between the hegemon and Japan was important to the trading relationship in both cases. Japan feared Britain's naval presence in East Asia, particularly after the treaty was signed, lest Britain intervene in the Sino-Japanese war in Korea on behalf of China. British opposition to Japanese territorial demands after that war led the other European powers to cooperate in containing Japanese expansionism at that time. The link between U.S. provision of military security for post-World War II Japan and the economic side of the alliance was contemplated by members of Congress and the administration in hearings and policy meetings, as Rep. Kaptur's comments indicated. In each case, the hegemon, while not the sole naval power in the Japanese region, used its strong presence to maintain the stability required for liberal trade to proceed, and in both cases Japan feared the possible ending of that

[133]It was Prime Minister Nakasone who proposed the arrangement of the talks, which gives some indication of how concerned Japan was about the possible consequences of not reaching agreement in the MOSS sectors in advance of future trade conflicts.

hegemonic role.[134] But following Britain's role in circumscribing Japanese territorial expansion, the resentment of foreign influence over and inside Japan that already existed during the negotiation of the commercial treaty focused on the need for a Japanese military buildup that eventually led to Britain's concession of Japanese naval dominance of the region through the Anglo-Japanese Agreement of 1902. The similar Japanese resentment of the United States has been in part a product of U.S. inability to convince Japan, by making negotiating concessions, that the U.S. approach to trade liberalization really is in Japan's interest as well as that of the United States.

Overall, the MOSS talks can be regarded as successful politically in that they defused certain trade tensions that would have continued to build up otherwise, they pleased U.S. business interests for the most part (at least for a time) and they may have increased U.S. exports to Japan in the relevant sectors to a certain degree. The MOSS sectors viewed as most successful, medical equipment and pharmaceuticals and forest products, were those in which Japan already imported significant quantities generally, and American imports in particular. However, by focusing solely on Japanese trade practices, the talks did not address the deeper economic causes of the overall U.S. trade deficit, the reduction of which has been an explicit goal of late 1980s U.S. trade negotiations. The U.S. focus on its bilateral trade balance with Japan through bilateral talks moreover undermines both the multilateralism of the liberal international trading system and, to the extent that it promotes exports to Japan of products in which Japan has come to have a general comparative advantage (e.g., auto parts), fails to concentrate U.S. negotiating leverage in areas that will be the most profitable for U.S. exporters. In the end, the MOSS talks did not undercut U.S.

---

[134]Japanese fears of a U.S. military withdrawal from Asia began as early as President Carter's proposal to remove U.S. troops from South Korea in the late 1970s. *See* Destler and Nacht (1990/91) p. 97.

structural power, but they left Japan displeased with the format of the talks and unlikely to want to repeat them. They also did not resolve or ease the growing intrusion of cultural conflict into trade relations, which demonstrates the limits of cultural or 'soft' hegemonic power.

D. *The Super 301 Cases Against India*

The naming of India under the Super 301 provision of the Omnibus Trade Act of 1988 as a 'priority country' and the designation of India's foreign investment regulations and insurance market barriers as 'priority practices' for market-opening negotiations illustrates the unsuccessful U.S. policy approach to trade liberalization of demanding unrequited concessions. The 1988 Trade Act's Super 301 provision was a compromise between protectionist interests in Congress that sought to reduce the U.S. trade deficit forcibly through negotiations under threat of retaliation and those who sought only to strengthen the legislative tools available to USTR to prise open closed foreign markets. The Bush Administration's use of Super 301 was itself a compromise between those favouring extensive application as many in Congress intended and those who urged U.S. Trade Representative Carla Hills to exercise her discretionary authority not to use it at all. The results of the negotiations leading up to the announcement of the original Super 301 list in May 1989 and the talks that followed with the countries named have allowed supporters of the provision to claim certain limited successes, at least by some measures. But the failure of the approach to liberalize trade with India, a 'weaker' power than the United States, demonstrates its basic flaws.

The original Section 301 of the Trade Act of 1974 permitted U.S. businesses injured by foreign trade practices that could be deemed as 'unfair' or 'unreasonable'

to petition USTR to investigate the practices and negotiate their removal with the country responsible.[135] If the country refused to negotiate, the President was empowered to order USTR to impose retaliatory duties or other measures in the amount of lost exports to the United States.[136] For over a decade, Section 301 remained little-used by successive administrations, in the 1970s because of the ongoing Tokyo Round of GATT negotiations and during the first Reagan Administration because of that administration's general *laissez-faire* approach to trade policy.[137] Reagan trade policy shifted in 1985 to a more aggressive strategy that included use of existing legislative trade remedies to open export markets, resulting in several Section 301 cases leading to U.S. action (including retaliation) over the following three years. However, Congressional alarm over the rising U.S. trade deficit and criticism of Reagan's first-term trade policy inaction had already produced demands for both stronger legislative remedies for unfair trade practices and a transfer of discretionary authority to retaliate from the President to the more Congressionally accountable Trade Representative.[138]

The provision that passed in the 1988 Trade Act, dubbed 'Super 301' because it added a new directive for market-opening negotiations to the existing Section 301, directed the USTR in each of two successive years to identify 'priority countries' having trade surpluses with the United States and 'priority' unfair or unreasonable trade practices in those countries that limited U.S. export opportunities. USTR was directed to negotiate with each country over modifying the named practices within

---

[135]USTR was also empowered to self-initiate Section 301 investigations.

[136]Bhagwati (1991) p. 39.

[137]'Between 1980 and 1985, the Reagan administration conducted U.S. foreign economic policy according to the principle of benign neglect.' *See* Milner (1991) p. 166.

[138]Bello and Holmer (1991) pp. 50-59.

eighteen months, with the expectation that ending of the practices would result in exports over each of three years. If the negotiations failed to produce agreement on the disputed practices, USTR was directed to retaliate unless the Trade Representative deemed retaliation not in the national interest.[139] The Super 301 process, described as 'aggressive unilateralism' by Bhagwati and others, shared with the British unilateral free trade position of the late nineteenth century the premise that the hegemon had already liberalized trade more fully, in effect making its negotiating concessions in advance, thus leaving it to liberalize without further concessions from the hegemon. Yet unlike British unilateral free traders, who unwisely expected their trading partners to liberalize on the basis of common sense or, at the most, British diplomatic promptings, American aggressive unilateralists sought through Super 301 to force liberalizing concessions from their trading partners in negotiations by threatening trade retaliation against those unwilling to make unrequited concessions.

Congressional leaders behind the 1988 Trade Act, such as Rep. Gephardt and Senate Finance Committee Chairman Bentsen (D.-Texas), had made clear that it was Congress' intention that Japan in particular be named in the first Super 301 list, preferably for its trading practices in their entirety rather than for specified sectoral practices. The Bush Administration drew up the Super 301 list by an interagency decisionmaking process marked by the usual trade policy division between executive agencies: USTR and Commerce argued for aggressive implementation of Super 301, while traditional free-traders at the State Department, the Office of Management and Budget and the Council of Economic Advisers ('CEA') were concerned about the

[139]Another section of the 1988 Trade Act, dubbed 'Special 301', implemented similar procedures for countries violating standards of intellectual property protection. *See* Bhagwati (1991) pp. 43-45.

political and economic consequences of aggressive implementation.[140] Several administration officials were particularly concerned about the diplomatic reaction from Japan to being named an unfair trader in light of recent perceived successes in U.S.-Japan trade negotiations, such as the MOSS talks. Defense Secretary Cheney reportedly feared that Japan would become less cooperative in security matters, while Treasury Secretary Brady was fearful that naming Japan would cause Japanese investors to pull out of the United States and send the dollar sliding. CEA Chief Boskin reportedly took the strongest position, fearing that naming Japan would trigger a full trade war and worldwide recession. Boskin supposedly urged that no countries be named under Super 301, notwithstanding the inevitable ire of Congress, in order to avoid the adverse consequences of naming Japan.[141]

There was more general opposition to naming the E.C. for several reasons. The E.C. had already threatened specific retaliation against any Super 301 action. The risk was great that the E.C. would use its new reciprocity rules for the 1992 single market against the United States. U.S. and E.C. negotiators were already negotiating other contentious issues. Most importantly, U.S.-E.C. cooperation necessary to complete the GATT Uruguay Round might be irretrievably impaired.[142] Fears expressed about naming weaker powers under Super 301 included the likelihood that the perception in those countries of the United States as a bully would be increased, raising nationalist defiance there and increasing protectionism worldwide.[143]

The Super 301 list announced on May 24, 1989, was, predictably, a compromise under which the smallest number of practices acceptable to Congress was

---

[140]Congressional Research Service (1990) pp. 15-16.
[141]CRS (1990) p. 14; Chanda (1989) pp. 99-100.
[142]Chanda (1989) p. 14; Bhagwati (1991) p. 38.
[143]CRS (1990) p. 14.

announced: rather than naming countries' entire trading systems, only six priority practices were named, and only three out of over thirty countries considered were named as priority countries. USTR named Japan only for barriers to entry in forest products, supercomputers and satellites, three sectors in which U.S. exports were particularly competitive and over which the Japanese Government had the capacity to remove barriers to imports.[144] However, by beginning the Structural Impediments Initiative ('SII') talks, the Administration deflected Congressional criticism for not naming Japan's entire trading system and also removed the most difficult issues from Super 301's rigorous negotiation timetable.[145] USTR also named Brazil's informatics sector and India's trade-restricting measures on foreign investors and barriers to foreign insurance companies' entry into India's domestic market.[146] Taiwan and Korea had negotiated with USTR successfully in advance of the Super 301 announcement, making concessions in order to avoid being named to the list.[147]

Several reasons have been offered for the Administration's naming of Brazil and India, the most prominent being the need to mitigate Japan's fear and diplomatic indignation at being singled out as an unfair trader and U.S. displeasure over Brazil and India's opposition in the Uruguay Round talks to U.S. proposals for liberalizing trade in services, trade-related foreign investment measures ('TRIMs') and intellectual property protection.[148] Indian opinion rejected the first reason, regarding Washington as having named India because of U.S. opposition to India's overall economic policies.

---

[144]Lawrence (1991) pp. 108-109.

[145]CRS (1990) pp. 15-17.

[146]Office of the U.S. Trade Representative (1989a) p. 26135; USTR (1991) Section 301 Table of Cases, November 13, pp. 48-49.

[147]CRS (1990) p. 17.

[148]*ibid.*, pp. 18-19; Feketekuty (1991) pp. 99-100. Feketekuty is a senior policy advisor to USTR.

Some Indians viewed Super 301 as part of pressure upon India by industrial capitalist states to reform its socialist economic orientation.[149] India and Brazil led the opposition to including services in the Uruguay Round because they opposed foreign direct investment in their economies, having feared foreign economic domination since the end of colonial rule. They reluctantly accepted inclusion of services on a 'track' in the Round because the dual track approach accepted that services are different from goods since they involve factor mobility across borders. Hence traditional GATT principles (nondiscrimination, national treatment, etc.) would not have to be applied to services.[150] The negotiations pitted a bloc of developing countries led by India and Brazil against another group led by the United States, Japan and Canada. In 1988, the United States made a proposal attempting to define basic concepts to be applied to services, which rejected the concept of special and differential treatment for developing countries. India and Brazil rejected the U.S. proposal (and a separate E.C. proposal). Although there was room for negotiation, the sides remained far apart.[151]

Another reason suggested for the naming of India and Brazil is that unlike the E.C., for example, India and Brazil were in a weak bargaining position relative to the United States because they lacked an ability to counterretaliate by closing off significant markets for U.S. exports.[152] As major export markets for both countries, U.S. market power was considerable. Indians feared Super 301 retaliation because 20 percent of India's foreign trade was with the United States.[153]

---

[149]*Economic and Political Weekly* (1990) p. 1059.
[150]Balasubramanyam (1991) p. 124.
[151]Golt (1988) pp. 44-48.
[152]McMillan (1991) pp. 207-208.
[153]*Economic and Political Weekly* (1990) p. 1059. The United States was India's largest single-country export market in 1989, receiving nearly 17 percent of Indian exports. *See* IMF (1992) p. 222.

As with the other two countries named, opinions were strong on both sides of the question of whether India should have been placed on the Super 301 list. Some Americans viewed India as not an important enough target for market opening under Super 301. Although a large country, India is not a particularly pivotal trading partner of the United States. In 1989, India was the 27th largest national market for U.S. exports.[154] In that year India received less than one percent of U.S. annual exports.[155] Moreover, since 1986 U.S.-India trade has been approximately balanced. In 1988 India's trade surplus with the United States was only $500 million, a mere 0.4 percent of the U.S. trade deficit, a point which led the United Auto Workers to criticize the Bush Administration for naming India as a country with limited potential for U.S. export expansion.[156] Indian business groups supporting trade liberalization, the Federation of Indian Chambers of Commerce and the Associated Chambers of Commerce, regarded the U.S. naming of India during an Indian election year as inept, given that no Indian government could afford politically to appear to succumb to U.S. pressure.[157]

On the other side, USTR argued that many U.S. firms had 'simply given up' on exporting to India 'in the face of across-the-board quantitative restrictions and steep tariffs'.[158] The U.S. Chamber of Commerce urged USTR to name India, as well as Brazil, Japan and Korea to the Super 301 list on the grounds that each country maintained systemic barriers to trade, the eradication of which the U.S. Chamber

---

[154]USTR (1990) p. 87.
[155]CRS (1990) p. 36.
[156]*ibid.*, pp. 20-21, 36.
[157]Chanda (1990) pp. 99-100.
[158]USTR (1990) p. 87.

regarded as the primary purpose of Super 301.[159] The U.S. Chamber catalogued for USTR substantial trade barriers in Indian intellectual property protection[160], technology transfer licensing procedures, foreign investment regulations, tariff levels, import licensing procedures, defense procurement procedures, trade in services and local content manufacturing requirements.[161] For example, concerning foreign investment regulations, the U.S. Chamber observed that for a firm to receive domestic treatment under Indian law, only 40 of its equity may be foreign owned; foreign ownership of greater than 40 percent equity in an Indian company must be approved by the government on a case-by-case basis; and export performance and technology transfer requirements are often conditions of government approval of such acquisitions. Concerning trade in services, the U.S. Chamber pointed out that foreign participation in financial services, which includes insurance, Indian markets were very restricted or prohibited in some cases.[162]

After naming India, USTR was charged with both investigating the practices listed to determine if they in fact burdened and restricted U.S. commerce and then negotiating with the Indian Government to bring about liberalization of the practices so that U.S. exports could be expected to expand. At start of its investigation, however,

---

[159]USTR (1991) Letter from Michael Hodin, Chairman, Subcommittee on Market Access, International Policy Committee, U.S. Chamber of Commerce, to U.S. Trade Representative Carla Hills, March 24, 1989, in Section 301-77. Korea and Taiwan, seriously considered by USTR for the Super 301 list, avoided being named by making concessions in issue areas of concern to the United States in the month preceding the announcement of the Super 301 list. *See* Milner (1991) p. 178.

[160]India's intellectual property protection was subsequently the subject of another USTR investigation under the 1988 Trade Act's 'Special 301' provision.

[161]USTR (1991) Hodin to Hills, March 24, 1989.

[162]*ibid.* Regarding tariffs, the U.S. Chamber observed that despite liberalization, Indian tariffs remained high, with 60 percent of Indian tariffs remaining at levels of 120-140 percent *ad valorem*.

USTR stated the 'facts' regarding each practice that led to that practice being named. For foreign investment, they had found:

> Government approval is required for all new or expanded foreign investment in India. Approval is conditioned upon a number of criteria, including limits on foreign equity participation. Where approval is granted, the Indian Government often requires ... investors to use locally-produced foods in the items they produce in India, rather than allowing them to import the best quality and most cost-effective products. Some investors are also required to meet export targets. These and other requirements affect foreign investors, and result in significant trade distortions.

Concerning insurance, USTR had found:

> Private insurance companies are not permitted to sell insurance in India. The state-owned General Insurance Company of India and its four subsidiaries have a monopoly on sales of general insurance, and the state-owned Life Insurance Corporation of India has a monopoly on the sale of life insurance in India.[163]

Under the investigation procedure, USTR invited interested parties to comment on both cases. USTR received numerous comments from firms and associations hoping to open Indian markets further through Super 301 negotiations, as well as some comments from firms operating in India and concerned about the possible negative effects upon their business of U.S.-India trade friction. In the former group, the International Insurance Council in Washington argued strongly in favour of using Super 301 to open the Indian insurance market. In 1986, they argued, India was the world's 23rd largest insurance market (25th largest market for property-casualty cover and 17th largest for life insurance). Insurance premiums constituted 1.25 percent of India's GDP. India was the largest market economy country to discriminate against foreign insurers. Liberalization, the Council argued, would serve both U.S. and Indian

[163]USTR (1989a) p. 26135.

interests and would be consistent with the Indian Government's established market liberalization policy.[164]

In the latter group, U.S. firms such as Caterpillar asked that USTR not involve intermediate imports to their U.S. manufacturing operations in any Super 301 retaliations. Colgate-Palmolive feared retaliation against its Indian subsidiary by the Indian Government and consequent harm to its U.S. consumers resulting from the Super 301 case. The company noted that India was not nearly as wealthy as the four 'dragons' (Taiwan, Korea, Singapore and Hong Kong).[165] Citibank sent USTR a detailed history of its business in India, which it had conducted through a wholly-owned subsidiary since 1902. Citibank found India 'a rewarding and fair place to do business' with few restrictions that did not apply equally to foreign and Indian private sector firms.[166] Citibank regarded India as moving towards deregulation and decontrol first in manufacturing industries and thereafter in financial services. Citibank also found its own corporate input into the deregulation debate in India welcomed by the Indian Government, observing that the debate itself was very open and extensive.[167] The Citibank comment, by being very positive in tone about the Indian financial services business climate and liberalizing direction, implicitly discouraged U.S. action against India that could damage that climate and liberalization.

The reaction to Super 301 listing in India was generally negative. The Indian press focused resentfully on the unilateral nature of Super 301, arousing Indian econ-

---

[164]USTR (1991) Gordon J. Cloney, President, International Insurance Council, to Chairman, Section 301 Committee, USTR, July 18, 1989, in USTR Public Files, Section 301-78.

[165]*ibid.*, Letters from Caterpillar and Colgate-Palmolive to USTR.

[166]*ibid.*, Peter Howell, Group Marketing Executive, Asia-Pacific Group, Citibank, N.A., to Chairwoman, Section 301 Committee, USTR, 1989, p.5, in USTR Public File 301-77.

[167]*ibid.*

omic nationalism and sentiments of being entitled as a developing country to special privileges in the international economy.[168] Politically, the ruling Congress (I) Party opposed the Super 301 listing strongly, along with protected industries and the political left. There was, however, a corps of Indian economists and journalists favouring economic liberalization and promotion of foreign investment and technology transfer who supported the U.S. action.[169] Congress (I) lost in the November 1989 elections, but although the leader of the winning Janata Dal coalition, V.P. Singh, had supported economic liberalization as Finance Minister in the mid-1980s, as Prime Minister of India's new government it was difficult for him to appear to be caving in to U.S. bullying.[170]

The Indian Government refused to negotiate with USTR under Super 301 on the grounds that Super 301 was GATT-illegal and any negotiations would be under duress.[171] The consistent U.S. argument to India, which predated Super 301, was the classical one that market liberalization would benefit Indian manufacturers and consumers as well as U.S. exporters.[172] However, to Indians the United States had undercut the ideological power of its trade liberalization argument by using a crude unilateral and GATT-illegal mechanism. According to McMillan, despite the fact that India (and Brazil) were in a weak bargaining position because they had little capacity to counterretaliate against the United States, the United States erred in naming them under Super 301 because economic nationalism of the sort that many developing countries share made their domestic cost of compliance with U.S. demands too

---

[168]CRS (1990) pp. 37-38.
[169]*ibid.*
[170]*ibid.*
[171]*Economic and Political Weekly* (1990) p. 1059.
[172]USTR (1990) p. 87.

high.[173] In this respect the U.S. position with respect to India was similar to that faced by Britain with respect to the United States over opening the U.S. market to West Indian sugar in the 1880s. Both countries were seeking market opening concessions without offering any concessions in return, but they differed in that Britain in the 1880s was unwilling to back up its market opening efforts with any threat of retaliation (which would have posed a real threat to the United States). U.S. market power over India, while considerable, was still inadequate to overcome Indian resentment at being subjected to Super 301 unilateralism.

Little occurred between Washington and Delhi in the year following the release of the Super 301 list. The Indian Government made no plans to deal with impending U.S. sanction domestically or rally world opinion to its cause.[174] Meanwhile, USTR found that the 1989 U.S. trade deficit with India had grown to $851 million, while U.S. exports to India in 1989 had fallen by $37 million from their 1988 level to $2.5 billion.[175] In anticipation of publication of USTR's second annual Super 301 list, Congress held hearings to assess the effectiveness of Super 301. Sen. Max Baucus (D.-Montana), chairman of the International Trade Subcommittee of the Senate Finance Committee, viewed Super 301 as a success, because Taiwan and Korea had made concessions to avoid being named, and because Japan had hastily made concessions on forest products, satellites and supercomputers in April 1990 in order to avoid being renamed to the list. The U.S.-Japan SII talks, according to Baucus, had also made real progress. Baucus did favour renaming Japan nonetheless, however, to maintain liberalization pressure upon Japan; but in his assessment of Super 301 he never

[173]McMillan (1991) pp. 207-208.
[174]*Economic and Political Weekly* (1990) p. 1059.
[175]USTR (1990) p. 87.

mentioned India at all.[176] A spokesman for the National Association of Manufacturers concurred with Baucus that only Japan should be renamed.[177] A U.S. Chamber of Commerce representative testified that all three originally named countries should be renamed, as progress had been insufficient to warrant dropping any of the three from the list.[178] But that same day, USTR renamed only India to the 1990 Super 301 list. The relisting of India reflected a shift in administration priorities towards achieving a successful completion of the Uruguay Round by the end of 1990. Whereas Brazil had been conciliatory both in terms of settling the Super 301 dispute and over Uruguay Round issues, the Indian negotiators had not only refused to negotiate over Super 301 but had continued to be obstructionist in Uruguay Round sessions.[179]

Following the relisting of India, USTR received few further comments from the public. However, Citibank wrote to reaffirm its views in the previous year's letter and to report both the growth of its own business in India in the preceding Indian fiscal year and the continuance of financial liberalization and deregulation. Indian corporate tax rates had been cut, and bureaucratic clearance requirements were being reduced for both Indian and foreign investors. Citibank again urged USTR to show understanding of India's difficult but ongoing reform process.[180] Shortly after USTR received Citibank's comment, Trade Representative Hills issued her final determination in the two India cases. Hills determined that India's barriers to foreign insurance providers

---

[176]U.S. Senate (1990) Statement of Sen. Baucus.

[177]*ibid.*, Statement of R.K. Morris, Director, International Trade, National Association of Manufacturers.

[178]*ibid.*, Statement of John E. Howard, Executive Director, Market Access, U.S. Chamber of Commerce. Despite his assessment of insufficient progress by all three countries, Howard did view Super 301 as a success.

[179]*The Economist* (1990) p. 58.

[180]USTR (1991) Howell to Chairwoman, Section 301 Committee, June 8, 1990.

and Indian trade-restricting measures affecting foreign investment were unreasonable and burdened or restricted U.S. commerce. But she further determined that no responsive action was warranted at the time under Section 301 considering that India was negotiating both issues in the Uruguay Round. Hills stated that following the conclusion of the Uruguay Round, she would review India's practices to assess whether further action would be required.[181]

Shortly after the USTR determination, Rep. John Dingell (D.-Michigan) asked Hills at an oversight hearing on trade policy why USTR had closed the cases, given that India had neither changed its positions through bilateral consultations or in the GATT round. Hills replied:

> We cannot say that India has opened its market, but we can say there have been some constructive negotiations. I just got back from Geneva, and I took 30 business and labor people who are our private sector advisors. The Advisory Committee on Trade Policy Negotiations, as well as the Chairs of individual Advisory Committee, including the Chair of the services and investment.
>
> The Indian Ambassador to the GATT came to brief us on the positions of his government. I cannot tell you that at the end of our negotiations, we will have succeeded in achieving a multilateral discipline to which India can subscribe, but I do think it was worth the 6 months' effort to see if that was possible.
>
> And, as you and I agree, if we cannot get multilateral rules, we will be forced to rely upon unilateral rules.[182]

Dingell was concerned that if the United States surrendered its ability to retaliate under Super 301 as part of its Uruguay Round concessions, it would have no recourse should India not remove its trade barriers to foreign investment and insurance sales. Hills assured Dingell that the USTR would not consent to surrender Super 301 in the Uruguay Round until multilateral rules were agreed upon that would permit the United

---

[181] *ibid.*, Determinations under Section 304 of the Trade Act of 1974, as amended, June 14, 1990, in USTR Public Files 301-77, 301-78.

[182] U.S. House of Representatives (1990) pp. 197-199.

States to safeguard its national interests. Hills also informed Dingell that the Super 301 law gave USTR the discretion not to retaliate in cases such as those involving India.

> This flexibility was critical in the two India Super 301 cases, as the unreasonableness determinations were due just as the Uruguay Round was entering its final, critical phase. In my judgment, imposing retaliation against India at that time could have hampered our ability to achieve our Uruguay Round objectives.[183]

USTR had chosen to subordinate the unilateral aspect of Super 301 as a market opening tool to the Administration's broader goal of multilateral trade liberalization through the GATT process. This should not obscure the fact, however, that the use of Super 301 to open India's markets by seeking, bilaterally, unreciprocated concessions from India had failed utterly, and at the time that the Super 301 cases were suspended, there was no evidence that Washington had gained any leverage over Delhi in the Uruguay Round negotiations either.

The resolution of the India Super 301 cases offers further irony in that two years after the two cases were closed, the Uruguay Round was yet to be completed and prospects for its successful conclusion were uncertain. But against that trend, overall U.S. relations with India were steadily improving for much wider geopolitical reasons. As the Cold War ended, the United States no longer feared India's friendship with the Soviet Union and was no longer as dependent on India's arch-rival Pakistan as an anti-Soviet ally. The Indian government of Chandra Shekhar, which succeeded that of V.P. Singh, was much more pro-United States than preceding administrations and undertook its own programme of liberal market reforms.

---

[183] *ibid.*

Improved U.S.-India relations manifested themselves in several ways. After initially denying approval for the sale of a Cray supercomputer to India on grounds that India might resell it to Moscow, the U.S. Defense Department permitted the sale to go through. Washington also assisted Delhi in obtaining a $1.8 billion IMF credit for oil purchases. And perhaps most significantly, India granted U.S. jets refuelling rights during the Gulf War.[184] This trend suggests that irrespective of completion of the Uruguay Round, chances for bilateral resolution of the insurance and foreign investment cases have perhaps improved in the context of increasing security inter-dependence between the two countries. An opportunity may exist for the United States to secure trade concessions from India, but in return for non-trade concessions from the United States (if not for trade concessions of its own).

An assessment of the similarities and differences between the U.S.-India Super 301 cases and the Anglo-American negotiations over a West Indies commercial treaty in the 1880s reveals a record of how an unsuccessful approach to trade liberalization undercuts both hegemonic power and liberal trade generally. The two negotiating situations were similar in that both dialogues were efforts by the hegemon to open hitherto closed foreign markets to its exports. British West Indian sugar and U.S. insurance, as well as the other U.S. exports that liberalized Indian foreign investment rules would permit (ranging from various financial services to motion pictures) were competitive internationally in the absence of trade barriers. The trade relationship between the two countries in each case also bore resemblances. In both cases the hegemon faced a negotiating partner that was at a much lower stage of industrial

[184]*The Economist* (1991).

development and was developing behind substantial protective barriers to trade and a powerful anticolonialist ideology. The two non-hegemons were both large continental powers that were relatively non-dependent on trade. This mitigated the market power that each hegemon would otherwise have had, considering that in the late nineteenth century Britain was the United States' largest export market and in the 1980s the United States was India's largest export market. A trade relationship bearing these characteristics made it more difficult for the hegemon to achieve its objective.

The security relationships between hegemon and non-hegemon in the two situations were also not dissimilar. Both of the non-hegemons were physically large countries that were geographically distant from the hegemon and posed no military or economic threat to the hegemon itself. Yet each non-hegemon posed a potential threat to the respective hegemon's geostrategic interests that affected the hegemon's behaviour towards both the non-hegemon and the other states in its vicinity. The threat of the United States to absorb British North America (Canada) and British West Indian possessions with the consent of their inhabitants required Britain to make greater concessions to those regions, particularly on economic matters, than would otherwise have been necessary. The risk that India, while formally nonaligned, would move more fully into the Soviet camp and thereby threaten stability throughout South Asia and the Indian Ocean basin required the United States both to appease India when possible and to support Pakistan militarily and economically. This type of geostrategic relationship again reduced the probability of hegemonic trade negotiating success. But as that relationship changed in the latter case as the Soviet Union ceased to be a threat,

security relations became less of an obstacle to a trade settlement and less of a source of leverage for India.

All mitigating factors notwithstanding, however, trade negotiations failed to liberalize trade in each situation because the hegemon was unwilling to make concessions in the negotiating process in order to gain its own objectives. In neither case was the hegemon able to convince the non-hegemon to want what the hegemon wanted: to make unrequited concessions to the hegemon. In the case of Britain, what the United States was asking in return for duty-free admission of West Indian sugar was a treaty of exclusive advantage, which might have harmed the liberal international trade regime by deviating from unconditional MFN. However, Britain would have increased trade for the West Indies and might have strengthened liberal trade supporters in the United States against their protectionist opposition. Britain could also have offered the United States concessions of another sort, perhaps in a non-trade area. India, by contrast, rejected U.S. efforts to force unrequited trade concessions from it because Super 301 as a process represented unilateralism of a type that undermined GATT-based multilateral trade liberalization. What is significant in each case is that the non-hegemon rejected the hegemon's demands with relative impunity. In both the late 19th century United States and the late 20th century India, trade policy was shaped more by domestic factors than by external hegemonic pressure. The hegemon could have changed this by selecting more effective pressure to exert. The ultimate difference may lie in that whereas Britain gave up the chance to reach a commercial agreement with the United States by not making any concessions at a time when the governing U.S. administration was inclined to sign such agreements, the United States

may still succeed in extracting from India the liberalizing measures it seeks in the multilateral forum of the GATT Uruguay Round. But in that multilateral venue, which did not yet exist in the nineteenth century, the United States too is required to make concessions to further the liberal international trading system.

VII. Conclusions

The object of this study has been to characterize and illustrate the relationship between hegemonic powers and liberal international trading systems, and how that relationship is affected by a hegemon's trade policy choices. At the theoretical level, the comparison of nineteenth century Britain and the twentieth century United States has revealed that the debate over hegemony has not adequately explained the relationship between hegemonic power and its use by policymakers in the hegemon's government. In terms of structure and policy, enough similarities between the two hegemons have emerged to make both the resemblances and the considerable differences instructive. The two hegemonies have existed at different points in the evolution of the international economy, both in terms of industrialization and integration. The term of U.S. hegemony is probably incomplete, whereas British hegemony can be examined in its entirety (although precise pinpointing of its duration may remain controversial). The two countries have functioned in international systems with substantially different security structures, Britain in a multipolar world of empires and the United States in a bipolar system of alliances. The structures of government determining each country's trade policy vary appreciably between a parliamentary system and one characterized by executive-legislative rivalry. And the level of trade policymakers' consciousness of American hegemony was notably higher than British trade policymakers' awareness of British hegemony.

Important similarities between the two hegemons include each country's ability to reshape the structure of the international trading system by providing the dynamic of liberalization and the subsequent effects of each hegemon's trade policies upon both the maintenance of liberal international trade and the hegemon's own power. Free

trade ideology, while differing in method and intensity in each hegemon, was a driving force for trade liberalization in both. When each state encountered heightened economic competition from growing rivals, domestic attitudes shifted away from strong support for liberal trade towards supporting a more proactive trade policy. The British Government was institutionally more shielded from industry lobbies than the U.S. Government; yet both governments yielded to pressure from certain key groups, such as British sugar and U.S. agriculture, textiles and steel. Both governments responded to industry pressure to improve their trade policymaking by reforming their trade policy organs. But while U.S. reforms led to an increase in protection for certain industries, neither government's reforms responded adequately to changing economic circumstances. In each case what consciousness of eroding hegemony that existed was only sporadically able to overcome domestic and other external pressures on trade policymakers. What resulted for Britain and the United States was an overall trade policy that was inconsistent and ineffective at either preserving liberal trade or preserving hegemonic power.

Each state's trade policy consisted of a succession of real choices. At the point when each hegemon's economic power was greatest relative to other powers in the system, its government had the widest range of policy choices. For Britain from 1846, unilateral free trade was a successful, or at least viable trade liberalization strategy, at least for a decade; for the United States from 1944, multilateral free trade through the GATT approach (albeit with the United States making unequal concessions to its trading partners) was also a viable strategy. Each hegemon had the power to influence substantially the structure of the international economy, particularly with respect to flows of goods, services and money between states. Hence it is not impossible to imagine a situation in which a hegemonic power might attempt to structure the

international economy around currency blocs, high protection, bilateral trade balancing, state trading agencies and other sweeping state control of market forces governing economic relations.[1] Whether such a system would be viable is another question.

In the event the two hegemons each chose to promote a liberal international trading system that in turn provided themselves and the other system members with at least a period of relative international economic stability and growth. The historical record has shown that each hegemon's government made policy choices unselfconscious to varying degrees of its hegemonic position. Trade policymakers in the British and American governments were more or less aware, according to the situation, of their respective state's power relative to the other powers involved in specific negotiating situations. In each situation, however, domestic and external factors involving not only trade but also security and other political and economic issues substantially affected those making decisions and the choices they made. British policymakers from the eighteenth century onwards showed no lack of consciousness of the importance of their empire and of meeting security alliance obligations, much as the United States has taken its security alliance obligations seriously, but the record has not shown British or U.S. policymakers' consciousness of the effects of trade policy decisions upon the unique power resources of the hegemonic state.[2]

For both hegemons, the periods of their adopting and promoting trade liberalization for a time coincided with the advancement both of their respective national interests and the interest of the international trading system. Although there were relative losers from liberal international trade, both within states and at the state

---

[1]On a smaller scale, the Soviet Union did precisely this within its empire and socialist bloc.

[2]This may have begun to change in the United States as the academic discussion of hegemony has spilled out into the popular press.

level, there was high economic growth and high trade growth for each hegemon and for the international economy as a whole in the respective periods 1846-1870 and 1944-1971.[3] The growth that accompanies liberal trade, however, in both cases has resulted in other states 'catching up' to the hegemon economically and in the process lessening appreciably the power that a large advantage in economic resources confers upon the hegemon. It is fair to say that in each case the hegemon's position in terms of economic, market and ideological power has depended on the liberal international economy. Britain's military power was also thus dependent. Britain otherwise could not have maintained her access to affordable raw materials and food in the late nineteenth century with the levels of military forces that the people were willing to support; in a world of higher tariffs and less trade, access to Britain's markets and the leverage that it conferred also would have been worth less. The United States could not compete effectively in an international environment of trading blocs, high protection and state intervention, because the U.S. political system and culture are not consonant with the required degree of state intrusion into the economy. Hence in order to preserve its hegemonic position, the hegemon must preserve its structural power, which in turn requires defending the liberal international economy that is its vehicle for exercising much of that power.

The narrative has illustrated that for a hegemon to maintain a liberal trading order when confronted with one or more growing, 'middle-sized' economic powers that may or may not share the same trade objectives as the hegemon, the range of policy options that successfully liberalize trade becomes more limited. Proselytizing free trade and using diplomatic pressure to encourage other states to lower tariffs, the stuff of unilateral free trade, may be successful when a hegemon is confronted only

[3]See Appendix, Tables 3a and 3b.

with smaller and less industrialized economies, but once those states grow, unilateral free trade falls short. Many other governments no longer find the arguments compelling amidst domestic industries lobbying for protection. Other trade policies, such as aggressive unilateralism, are transparently not in the interest of non-hegemonic states. Negotiated trade liberalization becomes necessary. However, even a hegemon is unlikely to be sufficiently powerful to obtain liberalizing concessions from middle-sized powers without itself making concessions. The difficulty for the hegemon lies in making liberalizing concessions without accepting market-fixing 'managed' trade arrangements that undermine the liberal trade regime.

In the rhetoric of trade negotiations the term 'reciprocity' has sometimes been used misleadingly to shield a demand by the hegemon for unreciprocated concessions from another state. Just as British negotiators encountered difficulties in extracting concessions from Austria in the late 1860s and the United States in the 1880s, believing that Britain had already made all possible concessions prior to the negotiations, members of Congress in the 1980s demanded a 'level playing field' from U.S. trading partners. In both cases, the hegemon's government sought concessions in return for concessions it imagined it had already made. In neither case was the approach fruitful. True reciprocity as a negotiating principle is another way of expressing the idea that each state must make concessions commensurate with its relative power in a given situation if negotiations are to succeed. General reciprocity, in which concession granted in one sector can be compensated for in another sector, is usually preferable to sectoral reciprocity, in which concessions must be balanced in each sector, because of the flexibility and possible different outcomes it permits. First-difference reciprocity, the GATT principle that presumes that each side begins from equality and then makes what each side considers equivalent concessions, avoids the

'level playing field' problem. First-difference reciprocity can also encompass non-trade concessions.

Britain after 1870 for the most part did not take cognizance of the change in the relative power of states like France, Germany, the United States and even Japan and modify her trade policy accordingly. Although British trade policy was inconsistent, as the occasional flirtations with a more negotiated approach illustrate, unilateral free trade remained the preferred policy for dealing with all but Britain's weakest and least industrialized trading partners. Notwithstanding the brief consideration of a multilateral tariff treaty in 1874, Britain's trade relations with France were marked by a progressive erosion of the terms of the Cobden-Chevalier treaty each time the treaty came up for renewal. Despite attempts by Germany to liberalize trade bilaterally, Anglo-German trade relations also stalled, as the Anglo-German MFN treaty failed to shield Britain from German tariff increases. The only significant trade negotiations with the United States the British Government undertook because of a U.S. economic threat to Britain's West Indian colonies. Yet the British Government might have made concessions to the United States on behalf of the West Indies that would have opened the U.S. market without overly compromising Britain's metropolitan free trade policy. Britain did negotiate a trade liberalization agreement with Japan, but only because the British Government had previously classed Japan among the undeveloped, weak states with which it negotiated unequal treaties of formal commitment to open trade.

Multilaterally, Britain consented at least intermittently between 1862 and 1913 to negotiate with other powers over non-tariff barriers to the sugar trade. Yet until 1902, the negotiations were unsuccessful mostly because Britain was unwilling to concede to the other powers on their key demand for an enforcement mechanism for a liberal sugar trade regime. Britain's short-lived reversal on this position between

1902 and 1907 allowed for the first multilateral trade liberalization convention with mandatory sanctions against noncompliants. That regime was successful enough to survive (at least until World War I) even Britain's withdrawal first from the sanctions mechanism and then from the convention itself. The wisdom of Britain's general adherence to a unilateral free trade policy during a period in which her economic lead over her major trading partners and political rivals was diminishing is called into question by the relatively greater success of Britain's occasional divergences into a more negotiated approach. It is also undeniable that after four decades of unilateral free trade policy Britain's economic and military power was much more circumscribed by the growth of her rivals than it had been in 1870. Britain's ideological power was also largely depleted, even if her market power remained considerable (but still largely unused).

Unlike Britain after 1870, the United States since 1971 has continued to negotiate with her trading partners, within the multilateral framework established by the GATT but in practice bilaterally with the relevant powers in single and multiple commodity cases. Like Britain, however, U.S. trade policy has been inconsistent, and U.S. negotiating strategies have ranged from the very effective to the utterly ineffectual. These inconsistencies have been clearly displayed in the results of trade liberalization negotiations. In the Tokyo Round civil aircraft talks, U.S. negotiators, by making concessions on tariffs, obtained liberalizing concessions from the E.C. that promoted U.S. exports and limited losses to the U.S. world market share. In the U.S.-Japan MOSS talks, U.S. negotiators argued that such concessions were in Japan's interest as well as in that of the United States but implicitly made Japanese concessions a condition of not further restricting Japanese access to U.S. markets. The success of the MOSS talks in liberalizing trade, both at the time and as the subsequent

record of implementation has shown, has been mixed. Although along with the E.C. Japan has the greatest economic power among U.S. trading partners, U.S. market power over Japan is strong. Japan also remains militarily dependent upon the United States. Tokyo did make some of the concessions demanded by Washington, but its resolve to implement those concessions and Washington's ability to oblige full implementation have both been uneven.

The least successful type of U.S. negotiating effort has been the aggressive unilateralism typified by the Super 301 cases against India, in which the United States attempted to fix through domestic legislation the unrequited trade liberalizing concessions expected of its trading partners, with the explicit threat of limitation of access to U.S. markets in the event of noncompliance. Although the final outcome of the dispute remains uncertain pending conclusion of the Uruguay Round, the United States was unable to extract through the Super 301 procedure the trade liberalization concessions that it sought from India. India was a poor country but considerably less dependent upon U.S. markets than the E.C. or Japan and not dependent upon U.S. military protection. MOSS and Super 301 indicate that the principal risks to U.S. trade liberalization and the dynamic of the system have not come from unilateral free trade, as in Britain, but with a drift towards unilateral protection. This sort of equally counterproductive unilateralism is most clearly displayed in the increasing attempts to use domestic legislation to mandate the outcome of trade agreements that can only be achieved through actual negotiation.

The failure of both unilateral free trade and domestic legislation as hegemonic trade liberalization policies redirect attention to the nature of hegemony and the state in the international system. Just as the effects of a state's trade policy on the international economy can never be truly separated from the effects of its international

monetary policy, so too trade and monetary policy's effects cannot be fully separated from those of a state's security policy. A hegemon, by possessing ideological and market power as well as military and economic resources, is able to structure the international economy in such a way that the hegemon provides security for itself and (collaterally, if not intentionally) for the system much more cheaply than were it to attempt the same task by military means (as imperial powers tend to do). Britain did exactly that in the mid-nineteenth century, implementing the Cobdenite vision of liberal international trade, commercial prosperity and peace first through unilateral trade liberalization and preaching the free trade gospel and then through the Cobden-Chevalier treaty-based system of negotiated trade liberalization. Britain then squandered the structure it had shaped, and consequently her own favourable position in that structure, by turning largely to unilateral free trade from 1870. The British Government effectively stopped pedalling the trade liberalization bicycle, thereby allowing it to fall over. After Britain passed up a key opportunity as early as 1870 to conclude a commercial treaty with the newly organized Germany that should have locked Germany into the liberal international order for at least ten years, Germany turned progressively to full economic competition with Britain (including eventually the raising of tariffs), competition for colonies and a competitive naval buildup. Britain passed up further opportunities to conclude commercial agreements with Germany that might have reversed the trend in Anglo-German relations, and by not doing so allowed Germany to become a serious security threat to Britain.

The United States after World War II also safeguarded its security interests in the least costly way possible by establishing the GATT and Bretton Woods system and by launching the Marshall Plan. Whereas Britain had liberalized trade with her rivals in part out of fear of a potential military threat from them, the United States liberalized

trade with Western Europe and Japan to defend them (and itself) against a potential military threat from an external power, the Soviet Union. By rebuilding Western Europe and Japan and concurrently weaving them into a network of liberal economic structures and mutual security guarantees, the United States contained the Soviet bloc both militarily and economically. The Soviet bloc, whose trade never amounted to more than 20 percent of the world total, achieved military gains (particularly in the Third World) but was able neither to compete economically against the West using its socialist economic system nor to win new allies away from the West that would have bolstered its economic and ideological strength. The linkage between trade and economic policy and security policy, despite any claims to the contrary and although it varies by case, has always been inescapable.

The United States has retained its hegemonic position even as E.C. and Japanese economic power has grown by retaining military dominance and continuing to protect those powers against the Communist threat, in the U.S. national interest as much as the others'. But now the reduction of the military threat to the United States, the E.C. and Japan following the collapse of the Soviet bloc may have the paradoxical effect of reducing U.S. hegemonic power in the international economy. The new international climate makes U.S. decisions in trade negotiations all the more crucial, because the United States will no longer have the same security leverage to pressure the E.C. and Japan to yield to U.S. trade policy preferences.

This thesis has not focussed on security issues except insofar as to indicate that linkage between trade and security issues cannot be avoided. However, the decline in the importance in the security relationship between the United States and its largest trading partners raises again the question of U.S. hegemonic decline. The narrative has indicated conflicting data regarding different types of U.S. power and different

issue areas, as well as the inherent difficulties in measuring hegemony. It is unchallengeable that the United States has passed the point of having middle-sized competitors whose trade interests (as perceived by them) diverge from Washington's and over whom the power of U.S. trade liberalization rhetoric no longer has much purchase. Washington has equally clearly not passed the point of being able to influence substantially the fate of liberal international trade and its own hegemonic power. It is not yet too late for the U.S. Government to use American market power to liberalize trade based on mutual concessions through the GATT and other venues. Having acknowledged that they share a mutual interest in preserving the liberal international trading system, the United States and its trading partners face daunting obstacles to bringing that about. A negotiation process based on real mutual concessions (including concessions in non-trade areas) can allow trade liberalization to proceed, even if by small steps and between countries with different cultures and with different forms of capitalism (such as the United States and Japan).

For the most part, hegemonic power and the use of that power have been treated as coextensive in the hegemony literature, which has resulted in inadequate explanation of hegemonic behaviour. The comparison of the experiences of British and American trade policymakers in this thesis has sought to draw attention to the fact that hegemonic power is exercised by individuals making policy choices. A hegemon's failure to use all the types of power at its disposal cannot be understood within the analysis of hegemonic decline at the state-actor level. Understanding the exercise of hegemonic power requires an approach that examines the making of policy choices, policymakers' reasons for their choices and the effect of those choices upon both the hegemon and the international system within which the hegemon must operate.

APPENDIX

Table 1a
Nineteenth Century Share of World Manufacturing Output (percent)[1]

	1800	1830	1860	1880	1900	1913
Britain	4.3	9.5	19.9	22.9	18.5	13.6
France	4.2	5.2	7.9	7.8	6.8	6.1
Germany	3.5	3.5	4.9	8.5	13.2	14.8
Russia	5.6	5.6	7.0	7.6	8.8	8.2
Austria	3.2	3.2	4.2	4.4	4.7	4.4
U.S.A.	0.8	2.4	7.2	14.7	23.6	32.0
Japan	3.5	2.8	2.6	2.4	2.4	2.7
China	33.3	29.8	19.7	12.5	6.2	3.6
India	19.7	17.6	8.6	2.8	1.7	1.4
Other	21.9	20.4	18.0	16.4	14.1	13.2

Table 1b
Post-World War II Share of World Manufacturing Output (percent)

	1953	1963	1973	1980	1988
U.S.A.	44.7	35.1	33.0	31.5	26.2
All Europe	26.1	26.5	24.5	22.9	21.8[2]
Britain	8.4	6.4	4.9	4.0	4.1
France	3.2	3.8	3.5	3.3	4.1
West Germany	5.9	6.4	5.9	5.3	4.7
Italy	2.3	2.9	2.9	2.9	4.1
Japan	2.9	5.1	8.8	9.1	9.5
China	2.3	3.5	3.9	5.0	1.9
India	1.7	1.8	2.1	2.3	1.5
U.S.S.R.	10.7	14.2	14.4	14.8	13.6
Other	11.6	13.8	13.3	14.4	25.6

[1]All figures except 1988, *see* Bairoch (1982) pp. 269-333. For 1988 *see* CIA (1989).
[2]Figure refers to the E.C. only. The all-Europe figure would be larger.

Table 2a
Nineteenth Century Shares of World Trade[3]

Percentages of Trade Amongst Countries Shown
(1860 and 1870 totals exclude Germany and Russia)

	1860	1870	1880	1890	1900	1910	1913
Britain	42.0	43.4	30.9	30.0	27.6	25.1	24.4
France	18.6	18.0	15.1	13.1	11.1	11.1	10.7
Germany			12.7	14.6	16.4	16.7	18.0
U.S.A.	16.0	13.7	13.9	13.8	14.7	14.3	15.5
Russia			5.0	4.5	4.5	5.5	5.3
Austria	5.3	6.6	5.7	4.6	4.8	4.6	4.0
Belgium	4.4	5.1	5.1	5.0	5.2	6.4	6.0
Italy	5.8	5.2	4.1	3.5	3.8	4.4	4.3
Netherlands	5.1	5.6	5.4	7.9	9.6	10.1	10.1
Spain	2.8	2.5	2.2	2.9	2.3	1.8	1.7

Table 2b
Post-World War II U.S. Share of World Trade[4]

	U.S. percentage of world trade (exports + imports)	Percentage of nearest competitor	Nearest competitor
1948	33.2	23.7	Britain
1955	28.3	19.4	Britain
1960	26.8	17.0	Britain
1970	25.8	20.1	Germany
1975	24.0	18.6	Germany
1980	23.6	18.9	Germany
1986	27.9	20.2	Germany

[3]*See* Kennessey (1965).
[4]*See* Webb and Krasner (1989) p. 188.

Table 3a

British Trade (by volume)[5]
(£ millions, 1962 prices)

Year	Imports	Exports	Reexports	Total Trade	Percent Change
1820	54.2	36.4	10.4	101.0	
1830	55.9	38.3	5.3	99.5	-1.5
1840	91.2	51.4	10.0	152.6	34.8
1845	88.4	60.1	9.3	157.8	3.3
1846	87.3	57.8	9.2	154.3	-2.3
1847	112.1	58.8	11.7	182.6	15.5
1850	103.0	71.4	12.0	186.4	2.0
1855	143.5	95.7	21.0	260.2	28.4
1860	210.5	135.9	28.6	375.0	30.6
1865	271.1	165.8	53.0	489.9	23.5
1870	303.3	199.6	44.5	547.4	10.5
1875	373.9	223.5	58.1	655.5	16.5
1880	411.2	223.1	63.4	697.7	6.0
1885	371.0	213.1	58.4	642.5	-8.6
1890	420.7	263.5	64.7	748.9	14.2
1895	416.7	226.1	59.7	702.5	-6.6
1900	523.1	291.2	63.2	877.5	19.9
1905	565.0	329.8	77.8	972.6	9.8
1910	678.3	430.4	103.8	1212.5	19.8
1913	768.7	525.2	109.6	1403.5	13.6

[5]*See* Mitchell and Deane (1962).

Table 3b
U.S. Trade 1920-1988[6]
($ millions)

Year	Imports	Exports	Re-exports	Total Trade	Percent Change
1920	5278	8080	148	13506	
1925	4227	4819	91	9137	-47.8
1930	3061	3781	62	6904	-32.3
1935	2047	2243	40	4330	-59.4
1940	2625	3934	87	6646	34.8
1945	4159	9585	221	13965	52.4
1950	8852	10142	133	19127	27.0
1955	11384	15419	128	26931	29.0
1960	14654	20375	200	35229	23.6
1965	21364	27127	343	48834	27.9
1970	39952	42590	634	83176	41.3
1975	98500	107700		206200	59.7
1980	244900	220600		465500	55.7
1985	345300	213100		558400	16.6
1988	440900	322200		763100	26.8

[6]To 1970, *see* U.S. Bureau of the Census (1975). From 1970, *see* U.S. Bureau of the Census (various years).

Table 4a
Nineteenth Century Trade Growth and Country Distribution
(£ thousands, 1962 prices)

Britain[7]

Year	France	Germany	Russia	Belgium Holland	U.S.A.	India	Asia
1827	447	4829	1409	2105	7018	3662	4799
1830	476	4582	1490	2022	6132		4445
1835	1454	4791	1753	2923	10568	4286	5456
1840	2378	5628	1603	4926	5283	5213	9276
1845	2791	7096	2153	4918	7143	5873	10974
1847	2554	6840	1845	4076	10974	4799	9119
(£ millions, 1962 prices)							
1855	19.5	31.8		20.1	43.7	23.0	37.9
1860	30.6	34.1	21.7	26.1	67.6	32.8	55.6
1865	57.0	44.8	23.6	41.6	46.7	56.3	86.6
1870	59.5	43.4	30.7	51.8	81.1	45.2	79.8
1875	74.0	55.9	32.1	63.5	94.7	55.6	99.1
1880	70.0	53.4	27.0	65.8	145.1	62.2	107.1
1885	58.7	50.1	23.9	69.9	117.6	62.8	101.8
1890	69.5	56.6	32.7	73.3	143.7	67.9	107.4
1895	67.9	59.8	35.4	69.1	130.5	51.9	87.0
1900	79.5	69.7	38.4	84.7	176.2	58.4	104.2
1905	76.3	78.5	48.3	92.7	162.9	80.5	137.4
1910	77.8	116.7	64.9	73.5	179.7	89.8	163.7
1913	87.2	123.3	68.0	88.1	201.2	120.1	187.8

[7]*See* Mitchell and Deane (1962).

Table 4a (continued)

U.S.A.[8]
($ millions)

Year	Britain	France	Germany	Canada	Mexico	Japan
1845	90	33	9	7	2	0
1855	198	61	21	43	4	0
1865	188	18	30	62	22	0
1875	377	94	90	63	11	10
1885	535	104	125	75	17	15
1895	546	107	173	90	31	29
1905	699	166	312	203	92	104
1913	893	283	521	536	132	150

France[9]
(FF millions)

Year	Algeria	Belgium	Germany	Italy	Spain	Britain	U.S.A.
1855	157	151	195	260	178	602	423
1865	207	258	442	526	211	1591	157
1875	255	527	776	542	235	1701	454
1885	292	437	674	440	523	1369	526
1895	449	497	644	249	322	1498	572
1905	543	764	1106	367	291	1853	807
1913	884	1108	1936	547	433	2573	1318

[8]*See* U.S. Bureau of the Census (1975).
[9]*See* Mitchell (1981) pp. 523-605.

Table 4a (continued)

Germany[10]
(millions of marks)

Year	Austria-Hungary	Belgium	France	Italy	Holland	Russia	Britain	U.S.A.
1880	693	359	531	115	417	549	789	
1885	668	427	466	161	438	496	905	277
1895	887	336	425	220	406	790	1212	851
1905	1332	585	695	375	679	1459	1760	1534
1913	1932	896	1374	662	1027	2305	2314	2424

Italy[11]
(millions of lire)

Year	Austria-Hungary	France	Germany	Switzer-land	Britain	U.S.A.
1861	224	403	9	230	217	34
1865	199	533	11	140	270	11
1875	424	749	61	140	438	72
1885	315	655	223	180	385	118
1895	247	298	314	233	350	226
1905	339	387	509	370	478	464
1913	486	514	956	336	853	791

[10] *ibid.*
[11] *ibid.*

Table 4a (continued)

Russia[12]
(millions of roubles)

Year	Austria-Hungary	China	France	Germany	Britain
1847	8		30	28	68
1855	13	14	1	61	1
1865	13	10	26	90	147
1875	43	14	71	331	265
1885	49		48	286	249
1895	59	47	73	355	295
1905	66	93	90	495	346
1913	79	82	124	868	346

Table 4b
Post-World War II Trade Growth and Country Distribution
(millions of U.S. dollars)[13]

U.S.A.

Year	E.E.C.	Britain	Canada	Japan	Korea	India	Mexico	USSR
1968	16980	4347	17077	7008	708	1030	2288	117
1970	20527	4732	20175	10527	1007	871	2926	190
1975	40699	4527	44496	21899	3348	1981	8253	2116
1980	92951	22968	77394	53763	9118	2899	27981	2001
1985	120611	26846	116678	95011	16699	3121	33027	2866
1989	175391	39747	167816	141694	34021	6014	52559	5056

[12]*ibid.*
[13]*See* IMF (various years).

Table 4b (continued)

E.E.C.

Year	U.S.A.	Japan	Switzer-land	Austria	Sweden	U.S.S.R.
1968	17571	1886	5131	2623	5439	2369
1970	21559	3027	7265	3683	7306	2905
1975	41165	8666	18174	9382	16902	10776
1980	97805	24941	47214	25442	32217	25177
1985	118281	30738	40541	23615	30845	25478
1989	174854	75675	78317	48672	54590	30221

Japan

	U.S.A.	E.E.C.	China	USSR	Hong Kong	Korea	Indonesia
1968	7392	2128	550	643	521	705	399
1970	11579	3415	823	822	792	1047	953
1975	22860	9044	3787	2795	1622	3553	5279
1980	56477	25197	9545	4668	5804	8433	16706
1985	92773	30499	19124	4210	7338	11303	12383
1989	142207	76123	19560	6059	13679	29422	14244

Table 5a
British Trade Dependence Compared to Other States[14]

Trade[15] as a Percentage of National Output

Year	1840s	1880s	1910-13
Britain	26	49	52
U.S.A.	15	13	12
Germany	13	34	38
France	18	29	54
Italy	10	26	34
Japan		13	33

Table 5b
U.S. Trade Dependence Compared to Other States[16]

Trade[17] as a Percentage of National Output

Year	1952	1960	1970	1980	1985	1987
U.S.A.	9.8	9.5	11.2	24.5	20.4	21.7
Britain	51.3	43.9	46.1	52.2	57.0	53.4
Germany	29.4	44.0	40.1	57.1	65.8	57.5
Japan	23.2	21.6	20.3	30.7	29.1	21.6
France	28.6	27.9	32.2	44.3	47.2	41.6
Italy	23.2	29.6	35.0	43.8	43.3	36.3
Canada	41.5	36.2	44.0	54.7	53.8	51.1

[14]*See* Webb and Krasner (1989) p. 192.
[15]exports + imports
[16]*See* Webb and Krasner (1989) p. 192.
[17]exports + imports

Table 6a
Sugar Imports[18]
(thousand metric tons)

	Sugar Type	1890	1895	1900	1905	1910	1913
Britain	refined	507.0	718.6	977.8	746.6	857.7	937.3
	unrefined	798.5	864.1	672.4	744.6	895.2	1063.5
Germany	refined	2.6	0.4	0.8	2.2	1.4	2.0
	unrefined	3.4	0.7	0.4	0.5	0.5	0.1
France	all	144.0	138.6	87.8	81.4	141.8	115.0
Belgium	refined	0.4	0.5	0.4	0.6	0.4	0.5
	unrefined	13.5	9.9	11.8	3.9	9.3	4.6
Nether -lands	refined	8.6	16.0	11.2	9.4	7.6	9.5
	unrefined	111.0	94.9	42.0	68.1	56.7	57.2
Russia	all	0.6	0.2	0.1	-	-	-
U.S.A.	refined	0.1	26.5	6.2	9.3	1.4	1.6
	unrefined	1194.0	1445.0	1529.5	1591.6	1846.9	1892.0

[18]*See* United Nations (1960) pp. 52-55.

Table 6b
British Sugar Imports, by Country of Origin[19]
(thousand long tons)

	1870-74	1890-94	1913
Germany	32	644	936
Austria-Hungary	4	3	358
Netherlands	32	105	188
Indonesia	56	77	
Cuba	141	3	224
Belgium	33	62	74
Russia		11	34
Mauritius	70	12	20
India	19	47	3
British W. Indies and Guiana	190	68	47

Table 6c

Largest Markets for Major Sugar Exporters, 1911-1913[20]
(thousand metric tons)

Exporter	Largest market		Second largest market		Third largest market	
	Country	Volume	Country	Volume	Country	Volume
Belgium	Britain	87.1	Neth.	30.1		
Denmark	Britain	19.6	Germany	13.3		
France	Algeria	47.8	Morocco	43.5	Britain	19.1
Germany	Britain	606.0	Norway	40.7		
Netherlands	Britain	189.5	Ireland	20.1		

[19]*See* Chalmin (1984) p. 15.
[20]*See* United Nations (1960) pp. 73-82.

Table 6d
U.S. Sugar Imports[21]
(lbs. millions avp)

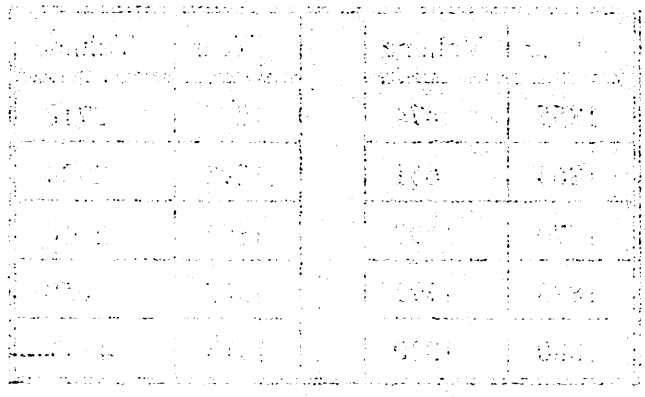
Year	Volume		Year	Volume
1855	474		1885	2718
1865	651		1890	2934
1870	1197		1895	3516
1875	1797		1905	3658
1880	1830		1913	4533

Table 6e

Imports to Britain of West Indian and Guianian Sugar[22]
(thousand long tons)

1870-74	190
1875-79	212
1880-84	172
1885-89	108
1890-94	68
1895-99	59
1900-04	47
1905-09	51
1913	47

[21]*See* U.S. Bureau of the Census (1975) pp. 901-902.
[22]*See* Chalmin (1984) p. 15.



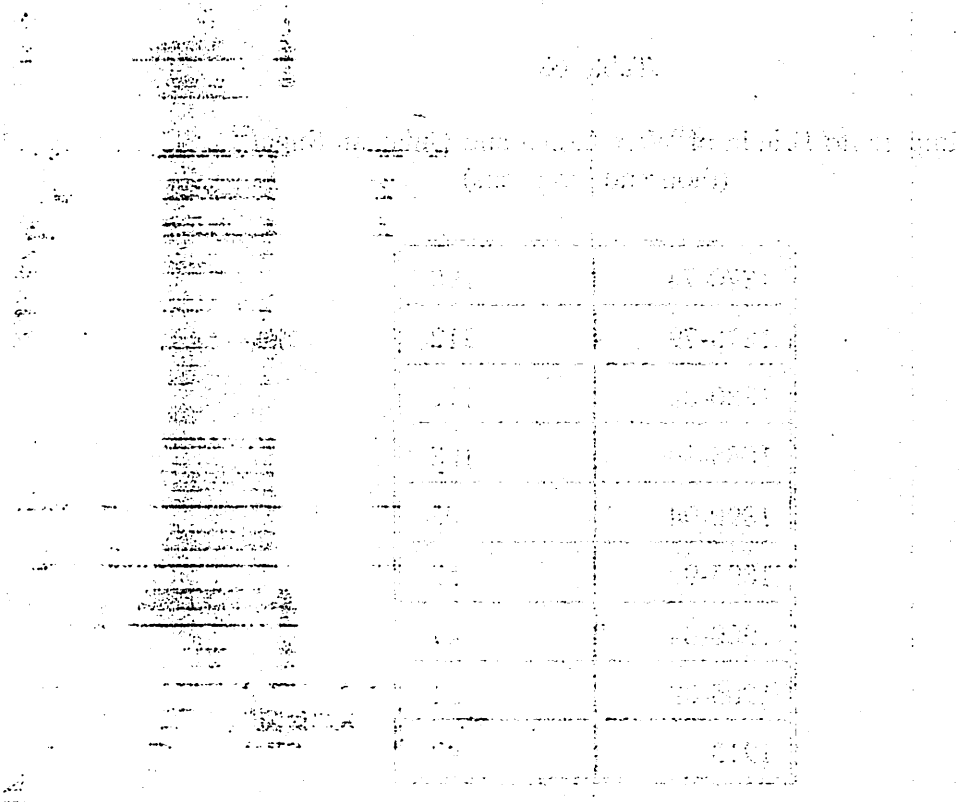


Table 7
U.S. Medical and Dental Instruments and Supplies Exports[23]
($ millions)

Year	Exports to Japan	Total Exports	Japanese Percentage of Total	Japan's Rank
1985	285	2417	11.8	Third
1986	363	2760	13.2	Third
1987	460	3199	14.4	Second
1988	578	3425	16.9	Second
1989	728	4864	15.0	Second
1990	792	5793	13.7	Third

Table 8[24]
U.S. Auto Parts Trade
($ millions)

Year	Total Exports	Total Imports	Total U.S. Shipments	Sales to Japanese Manufac-turers in Japan and the United States
1975	4639	2727		
1980	7253	5118		
1985	11734	13729	85961	1727
1986	10658	15370	85088	2849
1987	12102	16241	88714	3135
1988	14164	18912	97002	4908
1989	13207	18729	95073	7122
1990	17403	18348	86937	9074

[23]*See* U.S. Department of Commerce (various years).

[24]*ibid.* Information on sales to Japanese manufacturers provided to the Commerce Department by JAMA.

BIBLIOGRAPHY

A. *Primary and Statistical Sources*

Bowring, Sir J. (1877) *Autobiographical Recollections*, London: Henry S. King & Co.

Central Intelligence Agency (1989) *Handbook of Economic Statistics, 1989*, Washington: G.P.O.

Central Intelligence Agency (1991) *Handbook of Economic Statistics, 1991*, Washington: G.P.O.

Congressional Research Service (1985) Patricia A. Wertman, 'The MOSS Talks: Success or Failure?', Report for Congress No. 85-1129-E, Library of Congress, December 19.

Congressional Research Service (1990) Raymond J. Ahearn, Richard Cronin and Larry Storrs, 'Super 301 Action Against Japan, Brazil and India: Rationale, Reaction, and Future Implications', Report for Congress No. 90-25-F, Library of Congress, January 26.

Economic and Political Weekly (1990) 'Super 301', leading article, Bombay, May 19, p. 1059.

Foreign Office Papers (Public Record Office, Kew):

FO5/1917
FO46/388
FO46/404
FO46/429
FO46/431
FO46/433
FO46/435
FO46/448
4046/449
FO368/6
FO881/9048
FO881/9306
FO881/10328
FO881/10450

Foreign Office (1909) Foreign Office Confidential Prints, October, # 9253, Report from James Bryce on the U.S. Tariff Bill of August 5, 1909.

General Accounting Office (1988a) 'U.S.-Japan Trade: Evaluation of the Market Oriented Sector Selective Talks', Report to the Hon. Lloyd M. Bentsen, U.S. Senate, Washington, July.

General Accounting Office (1988b) 'U.S.-Japan Trade: Trade Data and Industry Views on MOSS Agreements', GAO Fact Sheet for the Hon. Lloyd M. Bentsen, U.S. Senate, Washington, February.

General Agreement on Tariffs and Trade (1980) *GATT Activities in 1979*, Geneva, April.

General Agreement on Tariffs and Trade (1991) *GATT Activities 1990*, Geneva, July.

Hagen, C.H. (1844) *System of Political Economy*, J. Prince Smith, tr., London: Longmans, Brown, Green and Longmans.

International Monetary Fund (various years) *Direction of Trade Statistics*, Annuals and Yearbooks, Washington.

International Monetary Fund (1991) *International Financial Statistics Yearbook.*

International Trade Commission (1979) MTN Studies 6, Part 4, *Agreement Being Negotiated at the Multilateral Trade Negotiations in Geneva -- U.S. International Trade Commission Investigation No. 332-101, Agreement in Civil Aircraft*, Report Prepared at Request of the Committee on Finance, United States Senate, Subcommittee on International Trade, Washington: G.P.O., pp. 83-138.

Mitchell, B.R., with Phyllis Deane (1962) *Abstract of British Historical Statistics*, Cambridge: Cambridge University Press.

Mitchell, B.R. (1981) *European Historical Statistics, 1750-1975*, 2nd Revised Edn., London: Macmillan.

MOSS Negotiators (1986) Report on Medical Equipment and Pharmaceuticals, Market-Oriented, Sector-Selective [sic] (MOSS) Discussions, by the U.S. and Japan MOSS Negotiating Teams to Minister for Foreign Affairs and Secretary of State Schultz, January.

Parliamentary Papers (1873) Accounts & Papers, vol. 27, LXV, Minutes of the International Sugar Conferences on Drawbacks of Refined Sugars established by the Convention of November 8, 1864, London, August 1872, pp. 597 *et seq.*

Parliamentary Papers (1874) Accounts & Papers, vol. 34, LXVIII, Correspondence relative to the Sugar Convention of 1864 and to the Question of Establishing Refining in Bond in Sugar Refineries in France, Holland and Belgium, pp. 917 *et seq.*

Parliamentary Papers (1875) Accounts & Papers, vol. 37, LXVIII, Minutes of the International Conferences Held at Brussels, May 1875, together with Reports of the British Delegates and other papers, pp. 245 *et seq.*

Parliamentary Papers (1876) Accounts & Papers, vol. 35, LXXVI, Correspondence between Great Britain, France, Belgium, and Holland respecting the International Sugar Convention, pp. 655 *et seq.*

Parliamentary Papers (1877) Accounts & Papers, vol. 36, LXXXIV, Minutes of the International Conferences on the Drawbacks of Sugar held at Paris in February and March, 1877, and Correspondence with the West India Committee relating to the Sugar Bounty Question, pp. 517 *et seq.*

Parliamentary Papers (1878) Accounts & Papers, vol. 31, LXXVI, Further Correspondence respecting the Sugar Question, pp. 703 *et seq.*

Parliamentary Papers (1884-1885) Accounts & Papers, vol. 27, LXXI, Correspondence respecting the Negotiation of a Treaty Regulating Trade between the British West India Colonies and the United States, pp. 75 *et seq.*

Parliamentary Papers (1902) Accounts & Papers, vol. 50, CIV, Correspondence relating to the Brussels Sugar Bounty Conference, pp. 275 *et seq.*

Parliamentary Papers (1903) Accounts & Papers, vol. 40, LXXV, Correspondence with the Russian Government respecting the Interpretations of the Most-favoured-nation clause in connection with Countervailing Duties on Bounty-fed Sugar, and Findings of the Permanent Commission established under Article VII of the Sugar Convention of March 5, 1902, and Report of the British Delegate, pp. 83 *et seq.*

Parliamentary Papers (1904) Accounts & Papers, vol. 47, XCV, Further Findings of the Permanent Commission established under Article VII of the Sugar Convention of March 5, 1902, pp. 653 *et seq.*

Parliamentary Papers (1907) Accounts & Papers, vol. 41, LXXXVII, Papers Relating to the Brussels Sugar Convention, pp. 463 *et seq.*

Parliamentary Papers (1908) Accounts & Papers, vol. 46, CVII, Correspondence respecting the Additional Act to the Brussels Sugar Convention of March 5, 1902 signed at Brussels August 28, 1907, and Correspondence respecting the Adhesion of Russia to the Brussels Sugar Convention, pp. 297 *et seq.*

Parliamentary Papers (1912) Accounts & Papers, vol .73, LX, Despatches from His Majesty's Minister at Brussels respecting the signature and ratification of the Protocol of March 17, 1912 relative to the Prolongation of the International Sugar Union, pp. 83 *et seq.*

Parliamentary Papers (1912-1913) Accounts & Papers, vol. 45, XCIII, Report of the British Delegate to the International Sugar Commission, December 1911, pp. 857 *et seq.*

Piper, W. Stephen (1980) 'Unique Sectoral Agreement Establishes Free Trade Framework', *Law and Policy in International Business*, vol. 12, pp. 221-242.

United Nations (1960) *The World Sugar Economy in Figures, 1880-1959*, Food and Agricultural Organisation, Commodity Reference Series, No. 1.

U.S. Bureau of the Census (1975) *Historical Statistics of the United States, Colonial Times to 1970, Parts 1 and 2*, Washington, G.P.O.

U.S. Bureau of the Census (various years) *Statistical Abstract of the United States*, Washington: G.P.O.

U.S. Congress (1910) *Papers Relating to the Foreign Relations of the United States*, 60th Congress, First Session, Document No. 1, Part One (1907), Commercial Agreement with Great Britain, November 19, 1907, Washington: G.P.O., pp. 577-579.

U.S. Congress, Office of Technology Assessment (1991) *Competing Economies: America, Europe, and the Pacific Rim*, OTA-ITE-498, Washington: G.P.O., October.

U.S. Department of Commerce (various years) *U.S. Industrial Outlook*, International Trade Administration, Washington: G.P.O.

U.S. Department of Commerce (1986b) 'MOSS Talks Remove Barriers to Sales in Four Japanese Sectors', Ed Leslie, *Business America*, March 17, pp. 23-24.

U.S. House of Representatives (1985) Competitive Conditions in the U.S. Civil Aircraft Industry and Forest Products Industry, Hearing before the Subcommittee on Trade, House Ways and Means Committee, 98th Congress, Second Session, July 9, 1984 (Seattle, Washington), Washington: G.P.O.

U.S. House of Representatives (1989a) Developments in United States-Japan Economic Relations, Hearing before the Subcommittees on Asian and Pacific Affairs and International Economic Policy and Trade, House Foreign Affairs Committee, 100th Congress, First Session, April 23 and May 7, 1987, Washington: G.P.O.

U.S. House of Representatives (1989b) United States-Japan Relations: Causes of Economic Imbalances, Hearing before the Subcommittees on Asian and Pacific Affairs and International Economic Policy and Trade, House Foreign Affairs Committee, 100th Congress, Second Session, September 14, 1988, Washington: G.P.O.

U.S. House of Representatives (1990) Unfair Foreign Trade Practices (Part 2), Hearings before the House Energy and Commerce Committee, 101st Congress, Second Session, July 30 and September 24, 1990, Washington: G.P.O.

U.S. Senate (1979) 'The Agreement in Civil Aircraft', a discussion by W. Stephen Piper, Chief Negotiator for the Agreement, Office of the Special Trade Representative, in Hearings before the Subcommittee on International Trade, Senate Finance Committee, 96th Congress, First Session, on S. 1376, A Bill to Approve and Implement the Trade Agreements Negotiated under the Trade Act of 1974, and for Other Purposes, July 10 and 11, 1979, Part 1 of 2 Parts, Washington: G.P.O.

U.S. Senate (1987) Examining Market-Oriented, Sector-Specific (MOSS) Talks Between the United States and Japan and their Effect on U.S. Employment in the Auto Industry, Hearing before the Subcommittee on Employment and Productivity, Senate Labor and Human Resources Committee, 100th Congress, First Session, March 30, 1987, Washington: G.P.O.

U.S. Senate (1990) Super 301: Effectiveness in Opening Foreign Markets, Hearing before the Subcommittee on International Trade, Senate Finance Committee, 101st Congress, Second Session, April 27, 1990, Washington: G.P.O.

U.S. Department of State (1981) General Agreement on Tariffs and Trade: Trade in Civil Aircraft, Agreement done at Geneva April 12, 1979; Entered into force January 1, 1980, in *United States Treaties and Other International Agreements*, vol. 31, pt. 1, 1979, Washington: G.P.O.

U.S. Trade Representative (1989a) Initiation of §302 Investigation and Request for Public Comment: Insurance Market Barriers Maintained in the Government of India, *Federal Register* vol. 54, no. 118, June 21, 1989, pp. 26135-26136.

U.S. Trade Representative (1989b) Initiation of §302 Investigation and Request for Public Comment: Trade-Related Investment Measures in the Government of India, *Federal Register* vol. 54, no. 118, June 21, 1989, pp. 26135-26136.

U.S. Trade Representative (1990) *1990 National Trade Estimate Report on Foreign Trade Barriers*, Washington: G.P.O.

U.S. Trade Representative (1991) Public Files, Section 301-77 (India Investment) and Section 301-78 (India Insurance).

B. *Secondary Sources*

Abbott, George C. (1990) *Sugar*, London: Routledge.

Ashley, Percy W.L. (1920) *Modern Tariff History Germany -- United States -- France*, 3rd edn., New York: Howard Fertig [1870].

Bairoch, Paul (1982) 'International Industrialization Levels from 1750 to 1980', *Journal of European Economic History*, vol. 11, no. 2, pp. 269-333.

Balasubramanyam, V.N. (1991) 'International Trade in Services: The Real Issues', in David Greenaway, Robert C. Hine, Anthony P. O'Brien, eds., *Global Protectionism*, Basingstoke: Macmillan.

Baldwin, David A. (1980) 'Interdependence and Power: a conceptual analysis', *International Organization* 34 (4) (Autumn) pp. 471-506.

Baldwin, Robert E. (1988) *Trade Policy in a Changing World Economy*, New York: Harvester Wheatsheaf.

Bello, Judith Bello and Holmer, Alan F. (1991) 'The Heart of the 1988 Trade Act: A Legislative History of the Amendments to Section 301', in Jagdish Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism*, Ann Arbor: University of Michigan Press, pp. 49-89.

Beloff, Max (1970) *Imperial Sunset; Volume I: Britain's Liberal Empire, 1897-1921*, New York: Alfred A. Knopf.

Bhagwati, Jagdish (1988) *Protectionism*, Cambridge, Mass.: MIT Press.

Bhagwati, Jagdish N. (1989) 'United States Trade Policy at the Crossroads', *The World Economy* vol. 12, no. 4, December, pp. 439-471.

Bhagwati, Jagdish N. (1990) 'Multilateralism at Risk; The GATT is Dead. Long Live the GATT', *The World Economy* vol. 13, no. 2, July, pp. 149-169.

Bhagwati, Jagdish N. (1991) 'Aggressive Unilateralism: An Overview', in Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism*, Ann Arbor: University of Michigan Press, pp. 1-45.

Branson, W.H. and Klevorick, A.K. (1986) 'Strategic Behavior and Trade Policy', in Paul R. Krugman, ed., *Strategic Trade Policy and the New International Economics*, Cambridge, Mass.: MIT Press.

Brown, Lucy (1958) *The Board of Trade and the Free Trade Movement 1830-1842*, Oxford: Clarendon Press.

Cain, P.J. and Hopkins, A.G. (1986) 'Gentlemanly Capitalism and British Expansion Overseas I: The Old Colonial System, 1688-1850', *Economic History Review*, 2nd ser. xxxix, IV, pp. 501-525.

Cain, P.J. and Hopkins, A.G. (1987) 'Gentlemanly Capitalism and British Expansion Overseas II: New Imperialism, 1850-1945', *Economic History Review*, 2nd ser. xl, I, pp. 1-26.

Calleo, David P. (1982) *The Imperious Economy*, Cambridge, Mass.: Harvard University Press.

Calleo, David P. (1987) *Beyond American Hegemony*, New York: Basic Books.

Campbell, Charles S. (1957) *Anglo-American Understanding 1898-1903*, Baltimore: The Johns Hopkins University Press.

Chalmin, Philippe D. (1984) 'The Important Trends in Sugar Diplomacy Before 1914', in Bill Albert and Adrian Graves, eds., *Crisis and Change in the International Sugar Economy 1860-1914*, Norwich: ISC Press, pp. 9-19.

Chanda, Nayan (1989) 'Bark worse than bite', *Far Eastern Economic Review*, 8 June, pp. 99-100.

Clapham, Sir John (1968) *An Economic History of Modern Britain; Machines and National Rivalries (1867-1914)*, Cambridge: Cambridge University Press [1928].

Conybeare, John A.C. (1987) *Trade Wars; the Theory and Practice of International Commercial Rivalry*, New York: Columbia University Press.

Cooper, R.N. (1972-73) 'Trade Policy *is* Foreign Policy', *Foreign Policy*, Winter, pp. 18-36.

Coppa, Frank J. (1970) 'The Italian Tariff and the Conflict between Agriculture and Industry: the Commercial Policy of Liberal Italy, 1860-1922', *Journal of Economic History* XXX (4), pp. 742-769.

Costin, W.C. (1968) *Great Britain and China 1833-1860*, Oxford: Clarendon Press [1937].

Cowhey, Peter F. and Long, Edward (1983) 'Testing Theories of Regime Change: Hegemonic Decline or Surplus Capacity?' *International Organization* 37 (2) (Spring), pp. 157-188.

Cox, Robert W. (1987) *Production, Power and World Order*, New York: Columbia University Press.

Crouzet, François (1982) *The Victorian Economy*, Anthony Forster, tr., London: Methuen & Co., Ltd.

Dam, Kenneth W. (1970) *The GATT; Law and International Economic Organization*, Chicago and London: University of Chicago Press.

de Cecco, Marcello (1983) *Money and Empire*, Oxford: Basil Blackwell.

Destler, I.M. (1986) *American Trade Politics: System Under Stress*, Washington, Institute of International Economics.

Destler, I.M. and Nacht, Michael (1990/91) 'Beyond Mutual Recrimination; Building a Solid U.S.-Japan Security Relationship in the 1990s', *International Security*, Winter (vol. 15, no. 3), pp. 92-119.

Dullforce, William (1989) 'US calls for an end to all farm export subsidies over 5 years', *Financial Times*, October 25, p. 8.

Dunham, A.L. (1930) *The Anglo-French Treaty of Commerce of 1860 and the Progress of the Industrial Revolution in France*, Ann Arbor: University of Michigan Press.

Economist (1990) 'Wicked Indians', May 5, p. 58.

Economist (1991) 'Almost friends', February 16.

Edelstein, Michael (1982) *Overseas Investment in the Age of High Imperialism; the United Kingdom 1850-1914*, London: Methuen & Co.

Edsall, Nicholas C. (1986) *Richard Cobden, Independent Radical*, Cambridge, Mass.: Harvard University Press.

Egremont, Max (1980) *Balfour; A Life of Arthur James Balfour*, London: Collins.

Evans, John W. (1971) *The Kennedy Round in American Trade Policy*, Cambridge, Mass.: Harvard University Press.

Falkus, M.E. (1972) *The Industrialization of Russia 1700-1914*, London: Macmillan.
Feis, Herbert (1965) *Europe The World's Banker 1870-1914*, New York: W.W. Norton & Co. [1930].
Feketekuty, Geza (1991) 'U.S. Policy on 301 and Super 301', in Jagdish Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism*, Ann Arbor: University of Michigan Press, pp. 91-103.
Fielden, Kenneth (1969) 'The Rise and Fall of Free Trade', in C.J. Bartlett, ed., *Britain Pre-eminent; Studies in British World Influence in the Nineteenth Century*, London, Macmillan & Co., Ltd., pp. 76-100.
Foreman, Susan, ed. (1986) *Striking A Balance; The Role of The Board of Trade 1786-1986*, Bicentenary Lectures, Department of Trade and Industry, H.M.S.O.
Foreman-Peck, James (1973) *A History of the World Economy*, Brighton: Wheatsheaf Books, Ltd.
Friedberg, Aaron L. (1988) *The Weary Titan; Britain and the Experience of Relative Decline 1895-1905*, Princeton: Princeton University Press.
Fuchs, Carl Johannes (1905) *The Trade Policy of Great Britain and her Colonies since 1860*, Constance H.M. Archibald, tr., London: Macmillan & Co., Ltd.
Gallagher, J. and Robinson, R. (1982) 'The Imperialism of Free Trade', in J. Gallagher, *The Decline, Revival and Fall of the British Empire*, Cambridge: Cambridge University Press, pp. 1-18.
Gardner, Richard N. (1980) *Sterling-Dollar Diplomacy in Current Perspective*, 2nd edn., New York: Columbia University Press.
Gaston, J.W.T. (1975) 'Policy Making and Free Trade Diplomacy: Britain's Commercial Relations with Western Europe, 1869-1886', Ph.D. diss., University of Saskatchewan, Saskatoon.
Gaston, J.W.T. (1982) 'Trade and the Late Victorian Foreign Office', *International History Review* IV, 3 (August), pp. 317-338.
Gaston, J.W.T. (1987) 'The Free Trade Diplomacy Debate and the Victorian European Common Market Initiative', *Canadian Journal of History*, xxii (April), pp. 59-82.
Gerlach, Murney M. (1982) 'British Liberal Leaders and the United States, 1874-1898', D.Phil. thesis, Oxford University, June 1982.
Gerschenkron, Alexander (1966) *Bread and Democracy in Germany*, New York: Howard Fertig [1943].
Ghilardi, Fabrizio (1981) *Politica Estera e Trasformismo; Le relazioni anglo-italiane dal 1878 al 1888*, Milano: Franco Angeli Editore.
Gilbert, Milton (1980) *Quest for World Monetary Order*, New York: John Wiley & Sons.
Gill, Stephen (1990) *American Hegemony and the Trilateral Commission*, Cambridge: Cambridge University Press.
Gilpin, Robert O. (1981) *War and Change in World Politics*, Cambridge: Cambridge University Press.
Gilpin, Robert (1987) *The Political Economy of International Relations*, Princeton: Princeton University Press.
Golob, Eugene Owen (1968) *The Méline Tariff: French Agriculture and Nationalist Economic Policy*, New York, AMS Press [1944].

Golt, Sidney (1988) *The GATT Negotiations 1986-1990: Origins, Issues and Prospects*, London: British-North American Committee, November.
Gourevitch, Peter Alexis (1977) 'International Trade, Domestic Coalitions and Liberty: Comparative Responses to the Crisis of 1873-1896', *Journal of Interdisciplinary History*, VIII:2 (Autumn), pp. 281-313.
Gowa, Joanne (1988) 'Public goods and political institutions: trade and monetary policy processes in the United States', *International Organization* 42 (1) (Winter), pp. 15-34.
Gowa Joanne (1989) 'Bipolarity, Multipolarity and Free Trade', *American Political Science Review* vol. 83, no. 4, December, pp. 1245-1256.
Grampp, William D. (1960) *The Manchester School of Economics*, Stanford, California: Stanford University Press.
Gramsci, Antonio (1971) *Selections from the Prison Notebooks*, Quintin Hoare and Geoffrey Smith, eds. & trs., London: Lawrence and Wishart.
Green, Ewen (1988) 'Rentiers versus Producers? The Political Economy of the Bimetallic Controversy c. 1880-1898', *English History Review* CIII, No. 408 (July), pp. 588-611.
Grenville, J.A.S. (1964) *Lord Salisbury and Foreign Policy*, London: Athlone Press.
Gwynn, Stephen and Tuckwell, Gertrude (1917) *The Life of the Rt. Hon. Sir Charles Dilke*, vol. i, London: John Murray.
Habakkuk, H.J. (1940) 'Free Trade and Commercial Expansion, 1853-1870', in *The Cambridge History of the British Empire*, Vol. III, Cambridge: Cambridge University Press, pp. 751-805.
Hawke, G.R. (1975) 'The United States Tariff and Industrial Protection in the Late Nineteenth Century', *Economic History Review*, 28 (1), pp. 84-99.
Helleiner, Karl F. (1973) *Free Trade and Frustration: Anglo-Austrian Negotiations 1860-1870*, Toronto: University of Toronto Press.
Henderson, W.O. (1959) *The Zollverein*, London: Frank Cass & Co.
Hilton, Boyd (1977) *Corn, Cash, Commerce*, Oxford: Oxford University Press.
Hirst, F.W. (1925) *From Adam Smith to Philip Snowden*, London: T. Fisher Unwin Ltd.
Hobsbawm, Eric J. (1987) *The Age of Empire*, London: Weidenfeld and Nicolson.
Hobson, John (1990) 'The Tariff, Taxation, Class and Economy: Protectionism in Germany 1870-1914', London School of Economics Department of Sociology, unpublished paper, February.
Hoffman, R.J.S. (1983) *Great Britain and the German Trade Rivalry 1875-1914*, New York: Garland Publishing, Inc. [1933].
Howard, Christopher (1967) *Splendid Isolation*, New York: Macmillan.
Huntington, Samuel P. (1991) 'America's changing strategic interests', *Survival*, vol. XXXIII, no. 1, January/February, pp. 3-17.
Iliasu, A.A. (1971) 'The Cobden-Chevalier Commercial Treaty of 1860', *Historical Journal*, xiv, I, pp. 67-98.
Imlah, Alfred H. (1958) *Economic Elements in the Pax Britannica*, New York: Russell & Russell.
Ingham, Geoffrey (1984) *Capitalism Divided? The City and Industry in British Social Development*, Basingstoke: Macmillan.

Jackson, John H. (1990) *Restructuring the GATT*, London: Pinter Publishers Ltd.
James, Scott C. and Lake, David A. (1989) 'The second face of hegemony: Britain's repeal of the Corn Laws and the American Walker Tariff of 1846', *International Organization* 43 (1) (Winter), pp. 1-29.
Joll, James (1987) *Gramsci*, Glasgow: Fontana/Collins.
Jones, Ray A. (1971) *The Nineteenth Century Foreign Office*, London: Weidenfeld and Nicolson.
Kennessey, Zoltán (1965) *Világgazdasági Idősorok, 1860-1960* (Time Series of the World Economy, 1860-1960), Budapest: Közgazdasági És Jogi Könyvkiadó.
Kennedy, Paul (1980) *The Rise of the Anglo-German Antagonism 1860-1914*, London: George Allen & Unwin.
Kennedy, Paul (1987) *The Rise and Fall of the Great Powers*, New York: Random House.
Keohane, Robert O. (1980) 'The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977', in Ole R. Holsti, *et al.*, eds., *Change in the International System*, Boulder, Colorado: Westview Press, pp. 131-157.
Keohane, Robert O. (1984) *After Hegemony*, Princeton: Princeton University Press.
Keohane, Robert O. (1986) 'Reciprocity in international relations', *International Organization* 40 (1) (Winter), pp. 1-27.
Keohane, Robert O. and Nye, Joseph S., Jr., eds. (1971) *Transnational Relations and World Politics*, Cambridge, Mass.: Harvard University Press.
Kindleberger, Charles P. (1973) *The World in Depression 1929-1939*, Berkeley: University of California Press.
Kindleberger, Charles P. (1975) 'The Rise and Fall of Free Trade in Western Europe, 1820-1875', *Journal of Economic History*, 35 (1), pp. 20-55.
Kissinger, Henry (1979) *The White House Years*, London: Weidenfeld and Nicolson.
Koss, Stephen (1985) *Asquith*, London: Hamish Hamilton.
Krasner, Stephen D. (1976) 'State Power and the Structure of International Trade', *World Politics* 28 (3), April, pp. 317-343.
Krasner, Stephen D. (1987) comment on Richard N. Cooper, 'Trade Policy as Foreign Policy', in Robert M. Stern, ed., *U.S. Trade Policies in a Changing World Economy*, Cambridge, Mass.: MIT Press, pp. 327-334.
Krugman, Paul R., ed. (1986) *Strategic Trade Policy and the New International Economics*, Cambridge, Mass.: MIT Press.
Lake, David A. (1988) *Power, Protection and Free Trade*, Ithaca, N.Y.: Cornell University Press.
Landes, David S. (1969) *The Unbound Prometheus*, Cambridge: Cambridge University Press.
Lawson, Fred H. (1983) 'Hegemony and the structure of international trade reassessed: a view from Arabia', *International Organization* 37 (2) (Spring), pp. 317-337.
Lawrence, Robert Z. (1991) commentary on Geza Feketekuty, 'U.S. Policy on 301 and Super 301' (*see* Feketekuty).
Lavergne, Réal P. (1983) *The Political Economy of U.S. Tariffs*, Toronto: Academic Press.

Lebovics, Herman (1988) *The Alliance of Iron and Wheat in the French Third Republic, 1860-1914*, Baton Rouge: LSU Press.
List, Friedrich (1977) *The National System of Political Economy*, Sampson S. Lloyd, M.P., tr., London: Longmans, Green and Co., 1885, reprinted by Augustus M. Kelley Publishers.
Lukes, Steven (1974) *Power: A Radical View*, Basingstoke: Macmillan.
Macdonagh, Oliver (1961) 'The Anti-Imperialism of Free Trade', *Economic History Review*, 2nd ser. 14, pp. 489-501.
Mallet, Sir Bernard (1905) *Sir Louis Mallet*, London: James Nisbet & Co., Ltd.
Mastanduno, Michael (1991) 'Do Relative Gains Matter? America's Response to Japanese Industrial Policy', *International Security*, Summer (vol. 10, no. 1), pp. 73-113.
Mathias, Peter (1983) *The First Industrial Nation*, 2nd edn., London and New York: Routledge.
Matthew, H.C.G. (1986) *Gladstone 1809-1874*, Oxford: Clarendon Press.
McKeown, Timothy J. (1983) 'Hegemonic Stability Theory and 19th Century Tarif Levels in Europe', *International Organization* 37 (1) (Winter), pp. 73-93.
McMillan, John (1991) 'Strategic Bargaining and Section 301', in Jagdish Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism*, Ann Arbor: University of Michigan Press, pp. 203-216.
Milner, Helen (1991) 'The Political Economy of U.S. Trade Policy: A Study of the Super 301 Position', in Jagdish Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism*, Ann Arbor: University of Michigan Press, pp. 163-180.
Mintz, Sidney W. (1985) *Sweetness and Power*, New York: Viking Penguin.
Moore, Lynden (1985) *The Growth and Structure of International Trade Since the Second World War*, Brighton: Wheatsheaf Books, Ltd.
Nau, Henry R. (1990) *The Myth of America's Decline*, Oxford: Oxford University Press.
Nish, Ian H. (1966) *The Anglo-Japanese Alliance*, London: Athlone Press.
Nye, Joseph S., Jr. (1990) *Bound to Lead*, New York: Basic Books.
O'Brien, Patrick K. (1988) 'The costs and benefits of British imperialism, 1846-1914', *Past and Present* 120 (August), pp. 163-200.
O'Brien, Patrick K. and Pigman, Geoffrey Allen (1992) 'British hegemony, free trade and the nineteenth century international economy', *Review of International Studies*, 18, pp. 89-113.
Olson, Mancur (1982) *The Rise and Decline of Nations*, New Haven: Yale University Press.
Pastor, Robert (1983) 'The Cry-and-Sigh Syndrome: Congress and Trade Policy' in Allen Schick, ed., *Making Economic Policy in Congress*, Washington: American Enterprise Institute, pp. 158-195.
Pelling, Henry (1956) *America and the British Left*, London: Adam and Charles Black.
Pincus, Jonathan J. (1977) *Pressure Groups & Politics in Antebellum Tariffs*, New York: Columbia University Press.
Pintner, W.M. (1967) *Russian Economic Policy under Nicholas I*, Ithaca, N.Y.: Columbia University Press.

Platt, D.C.M. (1968) *Finance, Trade and Politics in British Foreign Policy 1815-1914*, Oxford: Clarendon Press.
Platt, D.C.M. (1972) *Latin America and British Trade 1806-1914*, London: Adam and Charles Black.
Platt, D.C.M. (1990) *Mickey Mouse Numbers in World History*, Basingstoke: Macmillan.
Pollard, Sidney (1981) *Peaceful Conquest*, Oxford: Oxford University Press.
Preeg, Ernest H. (1970) *Traders and Diplomats*, Washington: The Brookings Institution.
Prodi, Romano (1966) 'Il protezionismo nella Politica e nell'Industria Italiana dall'Unificazione al 1887', *Nuova Rivista Storica*, Anno L, Fascicolo I-II, Gennaio-Aprile 1966, pp. 42-86.
Puryear, V.J. (1935) *International Economics and Diplomacy in the Near East 1835-1853*, Stanford, California: Stanford University Press.
Rabbeno, Ugo (1895) *American Commercial Policy*, London: Macmillan and Co.
Ramm, Agatha (1973) *Sir Robert Morier; Envoy and Ambassador in the Age of Imperialism 1876-1893*, Oxford: Clarendon Press.
Rhodes, Martin (1991) 'The State and the World Steel Market: Industrial Policy, Trade Regulation and the GATT Uruguay Round', in M. Moran and W. Wright, eds., *The Market and the State: Studies in Interdependence*, London: Macmillan.
Richardson, J. Henry (1983) *British Economic Foreign Policy*, London: Garland Publishing, Inc. [1933].
Rowland, Benjamin M. (1976) 'Preparing the American Ascendancy: the Transfer of Economic Power from Britain to the United States, 1933-1944', in Rowland, ed., *Balance of Power or Hegemony: the Interwar Monetary System*, New York: NYU Press, pp. 193-224.
Rowling, Nick (1987) *Commodities; How the World Was Taken to Market*, London: Free Association Books.
Russett, Bruce (1985) 'The Mysterious Case of Vanishing Hegemony; or, is Mark Twain Really Dead?', *International Organization* 39 (2) (Spring), pp. 207-231.
Saul, B.F. (1985) *The Myth of the Great Depression*, 2nd edn., London: Macmillan.
Scammell, W.M. (1983) *The International Economy Since 1945*, 2nd edn., New York: St. Martin's Press.
Semmel, Bernard (1970) *The Rise of Free Trade Imperialism*, Cambridge: Cambridge University Press.
Shonfield, Andrew (1976) *International Economic Relations: the Western System in the 1960s and 1970s*, Beverly Hills & London: Center for Strategic and International Studies, Sage Publications (The Washington Papers, vol. IV:42).
Skidelsky, Robert J.A. (1976) 'Retreat from Leadership: the Evolution of British Economic Foreign Policy, 1870-1939', in B.M. Rowland, ed., *Balance of Power or Hegemony: the Interwar Monetary System*, New York: NYU Press, pp. 147-192.
Smith, Michael Stephen (1980) *Tariff Reform in France 1860-1900*, Ithaca, N.Y.: Cornell University Press.
Snidal, Duncan (1985) 'The Limits of Hegemonic Stability', *International Organization* 39 (4) (Autumn), pp. 579-614.

Chalmin, Philippe D. (1984) 'The Important Trends in Sugar Diplomacy Before 1914', in Bill Albert and Adrian Graves, eds., *Crisis and Change in the International Sugar Economy 1860-1914*, Norwich: ISC Press, pp. 9-19.

Chanda, Nayan (1989) 'Bark worse than bite', *Far Eastern Economic Review*, 8 June, pp. 99-100.

Clapham, Sir John (1968) *An Economic History of Modern Britain; Machines and National Rivalries (1867-1914)*, Cambridge: Cambridge University Press [1928].

Conybeare, John A.C. (1987) *Trade Wars; the Theory and Practice of International Commercial Rivalry*, New York: Columbia University Press.

Cooper, R.N. (1972-73) 'Trade Policy *is* Foreign Policy', *Foreign Policy*, Winter, pp. 18-36.

Coppa, Frank J. (1970) 'The Italian Tariff and the Conflict between Agriculture and Industry: the Commercial Policy of Liberal Italy, 1860-1922', *Journal of Economic History* XXX (4), pp. 742-769.

Costin, W.C. (1968) *Great Britain and China 1833-1860*, Oxford: Clarendon Press [1937].

Cowhey, Peter F. and Long, Edward (1983) 'Testing Theories of Regime Change: Hegemonic Decline or Surplus Capacity?' *International Organization* 37 (2) (Spring), pp. 157-188.

Cox, Robert W. (1987) *Production, Power and World Order*, New York: Columbia University Press.

Crouzet, François (1982) *The Victorian Economy*, Anthony Forster, tr., London: Methuen & Co., Ltd.

Dam, Kenneth W. (1970) *The GATT; Law and International Economic Organization*, Chicago and London: University of Chicago Press.

de Cecco, Marcello (1983) *Money and Empire*, Oxford: Basil Blackwell.

Destler, I.M. (1986) *American Trade Politics: System Under Stress*, Washington, Institute of International Economics.

Destler, I.M. and Nacht, Michael (1990/91) 'Beyond Mutual Recrimination; Building a Solid U.S.-Japan Security Relationship in the 1990s', *International Security*, Winter (vol. 15, no. 3), pp. 92-119.

Dullforce, William (1989) 'US calls for an end to all farm export subsidies over 5 years', *Financial Times*, October 25, p. 8.

Dunham, A.L. (1930) *The Anglo-French Treaty of Commerce of 1860 and the Progress of the Industrial Revolution in France*, Ann Arbor: University of Michigan Press.

Economist (1990) 'Wicked Indians', May 5, p. 58.

Economist (1991) 'Almost friends', February 16.

Edelstein, Michael (1982) *Overseas Investment in the Age of High Imperialism; the United Kingdom 1850-1914*, London: Methuen & Co.

Edsall, Nicholas C. (1986) *Richard Cobden, Independent Radical*, Cambridge, Mass.: Harvard University Press.

Egremont, Max (1980) *Balfour; A Life of Arthur James Balfour*, London: Collins.

Evans, John W. (1971) *The Kennedy Round in American Trade Policy*, Cambridge, Mass.: Harvard University Press.

Falkus, M.E. (1972) *The Industrialization of Russia 1700-1914*, London: Macmillan.
Feis, Herbert (1965) *Europe The World's Banker 1870-1914*, New York: W.W. Norton & Co. [1930].
Feketekuty, Geza (1991) 'U.S. Policy on 301 and Super 301', in Jagdish Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism*, Ann Arbor: University of Michigan Press, pp. 91-103.
Fielden, Kenneth (1969) 'The Rise and Fall of Free Trade', in C.J. Bartlett, ed., *Britain Pre-eminent; Studies in British World Influence in the Nineteenth Century*, London, Macmillan & Co., Ltd., pp. 76-100.
Foreman, Susan, ed. (1986) *Striking A Balance; The Role of The Board of Trade 1786-1986*, Bicentenary Lectures, Department of Trade and Industry, H.M.S.O.
Foreman-Peck, James (1973) *A History of the World Economy*, Brighton: Wheatsheaf Books, Ltd.
Friedberg, Aaron L. (1988) *The Weary Titan; Britain and the Experience of Relative Decline 1895-1905*, Princeton: Princeton University Press.
Fuchs, Carl Johannes (1905) *The Trade Policy of Great Britain and her Colonies since 1860*, Constance H.M. Archibald, tr., London: Macmillan & Co., Ltd.
Gallagher, J. and Robinson, R. (1982) 'The Imperialism of Free Trade', in J. Gallagher, *The Decline, Revival and Fall of the British Empire*, Cambridge: Cambridge University Press, pp. 1-18.
Gardner, Richard N. (1980) *Sterling-Dollar Diplomacy in Current Perspective*, 2nd edn., New York: Columbia University Press.
Gaston, J.W.T. (1975) 'Policy Making and Free Trade Diplomacy: Britain's Commercial Relations with Western Europe, 1869-1886', Ph.D. diss., University of Saskatchewan, Saskatoon.
Gaston, J.W.T. (1982) 'Trade and the Late Victorian Foreign Office', *International History Review* IV, 3 (August), pp. 317-338.
Gaston, J.W.T. (1987) 'The Free Trade Diplomacy Debate and the Victorian European Common Market Initiative', *Canadian Journal of History*, xxii (April), pp. 59-82.
Gerlach, Murney M. (1982) 'British Liberal Leaders and the United States, 1874-1898', D.Phil. thesis, Oxford University, June 1982.
Gerschenkron, Alexander (1966) *Bread and Democracy in Germany*, New York: Howard Fertig [1943].
Ghilardi, Fabrizio (1981) *Politica Estera e Trasformismo; Le relazioni anglo-italiane dal 1878 al 1888*, Milano: Franco Angeli Editore.
Gilbert, Milton (1980) *Quest for World Monetary Order*, New York: John Wiley & Sons.
Gill, Stephen (1990) *American Hegemony and the Trilateral Commission*, Cambridge: Cambridge University Press.
Gilpin, Robert O. (1981) *War and Change in World Politics*, Cambridge: Cambridge University Press.
Gilpin, Robert (1987) *The Political Economy of International Relations*, Princeton: Princeton University Press.
Golob, Eugene Owen (1968) *The Méline Tariff: French Agriculture and Nationalist Economic Policy*, New York, AMS Press [1944].

Golt, Sidney (1988) *The GATT Negotiations 1986-1990: Origins, Issues and Prospects*, London: British-North American Committee, November.
Gourevitch, Peter Alexis (1977) 'International Trade, Domestic Coalitions and Liberty: Comparative Responses to the Crisis of 1873-1896', *Journal of Interdisciplinary History*, VIII:2 (Autumn), pp. 281-313.
Gowa, Joanne (1988) 'Public goods and political institutions: trade and monetary policy processes in the United States', *International Organization* 42 (1) (Winter), pp. 15-34.
Gowa Joanne (1989) 'Bipolarity, Multipolarity and Free Trade', *American Political Science Review* vol. 83, no. 4, December, pp. 1245-1256.
Grampp, William D. (1960) *The Manchester School of Economics*, Stanford, California: Stanford University Press.
Gramsci, Antonio (1971) *Selections from the Prison Notebooks*, Quintin Hoare and Geoffrey Smith, eds. & trs., London: Lawrence and Wishart.
Green, Ewen (1988) 'Rentiers versus Producers? The Political Economy of the Bimetallic Controversy c. 1880-1898', *English History Review* CIII, No. 408 (July), pp. 588-611.
Grenville, J.A.S. (1964) *Lord Salisbury and Foreign Policy*, London: Athlone Press.
Gwynn, Stephen and Tuckwell, Gertrude (1917) *The Life of the Rt. Hon. Sir Charles Dilke*, vol. i, London: John Murray.
Habakkuk, H.J. (1940) 'Free Trade and Commercial Expansion, 1853-1870', in *The Cambridge History of the British Empire*, Vol. III, Cambridge: Cambridge University Press, pp. 751-805.
Hawke, G.R. (1975) 'The United States Tariff and Industrial Protection in the Late Nineteenth Century', *Economic History Review*, 28 (1), pp. 84-99.
Helleiner, Karl F. (1973) *Free Trade and Frustration: Anglo-Austrian Negotiations 1860-1870*, Toronto: University of Toronto Press.
Henderson, W.O. (1959) *The Zollverein*, London: Frank Cass & Co.
Hilton, Boyd (1977) *Corn, Cash, Commerce*, Oxford: Oxford University Press.
Hirst, F.W. (1925) *From Adam Smith to Philip Snowden*, London: T. Fisher Unwin Ltd.
Hobsbawm, Eric J. (1987) *The Age of Empire*, London: Weidenfeld and Nicolson.
Hobson, John (1990) 'The Tariff, Taxation, Class and Economy: Protectionism in Germany 1870-1914', London School of Economics Department of Sociology, unpublished paper, February.
Hoffman, R.J.S. (1983) *Great Britain and the German Trade Rivalry 1875-1914*, New York: Garland Publishing, Inc. [1933].
Howard, Christopher (1967) *Splendid Isolation*, New York: Macmillan.
Huntington, Samuel P. (1991) 'America's changing strategic interests', *Survival*, vol. XXXIII, no. 1, January/February, pp. 3-17.
Iliasu, A.A. (1971) 'The Cobden-Chevalier Commercial Treaty of 1860', *Historical Journal*, xiv, I, pp. 67-98.
Imlah, Alfred H. (1958) *Economic Elements in the Pax Britannica*, New York: Russell & Russell.
Ingham, Geoffrey (1984) *Capitalism Divided? The City and Industry in British Social Development*, Basingstoke: Macmillan.

Jackson, John H. (1990) *Restructuring the GATT*, London: Pinter Publishers Ltd.
James, Scott C. and Lake, David A. (1989) 'The second face of hegemony: Britain's repeal of the Corn Laws and the American Walker Tariff of 1846', *International Organization* 43 (1) (Winter), pp. 1-29.
Joll, James (1987) *Gramsci*, Glasgow: Fontana/Collins.
Jones, Ray A. (1971) *The Nineteenth Century Foreign Office*, London: Weidenfeld and Nicolson.
Kennessey, Zoltán (1965) *Világgazdasági Idösorok, 1860-1960* (Time Series of the World Economy, 1860-1960), Budapest: Közgazdasági És Jogi Könyvkiadó.
Kennedy, Paul (1980) *The Rise of the Anglo-German Antagonism 1860-1914*, London: George Allen & Unwin.
Kennedy, Paul (1987) *The Rise and Fall of the Great Powers*, New York: Random House.
Keohane, Robert O. (1980) 'The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977', in Ole R. Holsti, *et al.*, eds., *Change in the International System*, Boulder, Colorado: Westview Press, pp. 131-157.
Keohane, Robert O. (1984) *After Hegemony*, Princeton: Princeton University Press.
Keohane, Robert O. (1986) 'Reciprocity in international relations', *International Organization* 40 (1) (Winter), pp. 1-27.
Keohane, Robert O. and Nye, Joseph S., Jr., eds. (1971) *Transnational Relations and World Politics*, Cambridge, Mass.: Harvard University Press.
Kindleberger, Charles P. (1973) *The World in Depression 1929-1939*, Berkeley: University of California Press.
Kindleberger, Charles P. (1975) 'The Rise and Fall of Free Trade in Western Europe, 1820-1875', *Journal of Economic History*, 35 (1), pp. 20-55.
Kissinger, Henry (1979) *The White House Years*, London: Weidenfeld and Nicolson.
Koss, Stephen (1985) *Asquith*, London: Hamish Hamilton.
Krasner, Stephen D. (1976) 'State Power and the Structure of International Trade', *World Politics* 28 (3), April, pp. 317-343.
Krasner, Stephen D. (1987) comment on Richard N. Cooper, 'Trade Policy as Foreign Policy', in Robert M. Stern, ed., *U.S. Trade Policies in a Changing World Economy*, Cambridge, Mass.: MIT Press, pp. 327-334.
Krugman, Paul R., ed. (1986) *Strategic Trade Policy and the New International Economics*, Cambridge, Mass.: MIT Press.
Lake, David A. (1988) *Power, Protection and Free Trade*, Ithaca, N.Y.: Cornell University Press.
Landes, David S. (1969) *The Unbound Prometheus*, Cambridge: Cambridge University Press.
Lawson, Fred H. (1983) 'Hegemony and the structure of international trade reassessed: a view from Arabia', *International Organization* 37 (2) (Spring), pp. 317-337.
Lawrence, Robert Z. (1991) commentary on Geza Feketekuty, 'U.S. Policy on 301 and Super 301' (*see* Feketekuty).
Lavergne, Réal P. (1983) *The Political Economy of U.S. Tariffs*, Toronto: Academic Press.

Lebovics, Herman (1988) *The Alliance of Iron and Wheat in the French Third Republic, 1860-1914*, Baton Rouge: LSU Press.
List, Friedrich (1977) *The National System of Political Economy*, Sampson S. Lloyd, M.P., tr., London: Longmans, Green and Co., 1885, reprinted by Augustus M. Kelley Publishers.
Lukes, Steven (1974) *Power: A Radical View*, Basingstoke: Macmillan.
Macdonagh, Oliver (1961) 'The Anti-Imperialism of Free Trade', *Economic History Review*, 2nd ser. 14, pp. 489-501.
Mallet, Sir Bernard (1905) *Sir Louis Mallet*, London: James Nisbet & Co., Ltd.
Mastanduno, Michael (1991) 'Do Relative Gains Matter? America's Response to Japanese Industrial Policy', *International Security*, Summer (vol. 10, no. 1), pp. 73-113.
Mathias, Peter (1983) *The First Industrial Nation*, 2nd edn., London and New York: Routledge.
Matthew, H.C.G. (1986) *Gladstone 1809-1874*, Oxford: Clarendon Press.
McKeown, Timothy J. (1983) 'Hegemonic Stability Theory and 19th Century Tarif Levels in Europe', *International Organization* 37 (1) (Winter), pp. 73-93.
McMillan, John (1991) 'Strategic Bargaining and Section 301', in Jagdish Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism*, Ann Arbor: University of Michigan Press, pp. 203-216.
Milner, Helen (1991) 'The Political Economy of U.S. Trade Policy: A Study of the Super 301 Position', in Jagdish Bhagwati and Hugh T. Patrick, eds., *Aggressive Unilateralism*, Ann Arbor: University of Michigan Press, pp. 163-180.
Mintz, Sidney W. (1985) *Sweetness and Power*, New York: Viking Penguin.
Moore, Lynden (1985) *The Growth and Structure of International Trade Since the Second World War*, Brighton: Wheatsheaf Books, Ltd.
Nau, Henry R. (1990) *The Myth of America's Decline*, Oxford: Oxford University Press.
Nish, Ian H. (1966) *The Anglo-Japanese Alliance*, London: Athlone Press.
Nye, Joseph S., Jr. (1990) *Bound to Lead*, New York: Basic Books.
O'Brien, Patrick K. (1988) 'The costs and benefits of British imperialism, 1846-1914', *Past and Present* 120 (August), pp. 163-200.
O'Brien, Patrick K. and Pigman, Geoffrey Allen (1992) 'British hegemony, free trade and the nineteenth century international economy', *Review of International Studies*, 18, pp. 89-113.
Olson, Mancur (1982) *The Rise and Decline of Nations*, New Haven: Yale University Press.
Pastor, Robert (1983) 'The Cry-and-Sigh Syndrome: Congress and Trade Policy' in Allen Schick, ed., *Making Economic Policy in Congress*, Washington: American Enterprise Institute, pp. 158-195.
Pelling, Henry (1956) *America and the British Left*, London: Adam and Charles Black.
Pincus, Jonathan J. (1977) *Pressure Groups & Politics in Antebellum Tariffs*, New York: Columbia University Press.
Pintner, W.M. (1967) *Russian Economic Policy under Nicholas I*, Ithaca, N.Y.: Columbia University Press.

Platt, D.C.M. (1968) *Finance, Trade and Politics in British Foreign Policy 1815-1914*, Oxford: Clarendon Press.
Platt, D.C.M. (1972) *Latin America and British Trade 1806-1914*, London: Adam and Charles Black.
Platt, D.C.M. (1990) *Mickey Mouse Numbers in World History*, Basingstoke: Macmillan.
Pollard, Sidney (1981) *Peaceful Conquest*, Oxford: Oxford University Press.
Preeg, Ernest H. (1970) *Traders and Diplomats*, Washington: The Brookings Institution.
Prodi, Romano (1966) 'Il protezionismo nella Politica e nell'Industria Italiana dall'Unificazione al 1887', *Nuova Rivista Storica*, Anno L, Fascicolo I-II, Gennaio-Aprile 1966, pp. 42-86.
Puryear, V.J. (1935) *International Economics and Diplomacy in the Near East 1835-1853*, Stanford, California: Stanford University Press.
Rabbeno, Ugo (1895) *American Commercial Policy*, London: Macmillan and Co.
Ramm, Agatha (1973) *Sir Robert Morier; Envoy and Ambassador in the Age of Imperialism 1876-1893*, Oxford: Clarendon Press.
Rhodes, Martin (1991) 'The State and the World Steel Market: Industrial Policy, Trade Regulation and the GATT Uruguay Round', in M. Moran and W. Wright, eds., *The Market and the State: Studies in Interdependence*, London: Macmillan.
Richardson, J. Henry (1983) *British Economic Foreign Policy*, London: Garland Publishing, Inc. [1933].
Rowland, Benjamin M. (1976) 'Preparing the American Ascendancy: the Transfer of Economic Power from Britain to the United States, 1933-1944', in Rowland, ed., *Balance of Power or Hegemony: the Interwar Monetary System*, New York: NYU Press, pp. 193-224.
Rowling, Nick (1987) *Commodities; How the World Was Taken to Market*, London: Free Association Books.
Russett, Bruce (1985) 'The Mysterious Case of Vanishing Hegemony; or, is Mark Twain Really Dead?', *International Organization* 39 (2) (Spring), pp. 207-231.
Saul, B.F. (1985) *The Myth of the Great Depression*, 2nd edn., London: Macmillan.
Scammell, W.M. (1983) *The International Economy Since 1945*, 2nd edn., New York: St. Martin's Press.
Semmel, Bernard (1970) *The Rise of Free Trade Imperialism*, Cambridge: Cambridge University Press.
Shonfield, Andrew (1976) *International Economic Relations: the Western System in the 1960s and 1970s*, Beverly Hills & London: Center for Strategic and International Studies, Sage Publications (The Washington Papers, vol. IV:42).
Skidelsky, Robert J.A. (1976) 'Retreat from Leadership: the Evolution of British Economic Foreign Policy, 1870-1939', in B.M. Rowland, ed., *Balance of Power or Hegemony: the Interwar Monetary System*, New York: NYU Press, pp. 147-192.
Smith, Michael Stephen (1980) *Tariff Reform in France 1860-1900*, Ithaca, N.Y.: Cornell University Press.
Snidal, Duncan (1985) 'The Limits of Hegemonic Stability', *International Organization* 39 (4) (Autumn), pp. 579-614.

Stein, Arthur A. (1984) 'The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order', *International Organization* 38 (2) (Spring), pp. 355-386.
Stokes, Bruce (1992) 'Deadline Nears in Aircraft Subsidy Rift', *National Journal*, 28 March, pp. 760-761.
Strange, Susan (1987) 'The Persistent Myth of Lost Hegemony', *International Organization* 41 (4) (Autumn), pp. 551-574.
Strange, Susan (1990) *States and Markets*, London: Pinter Publishers Ltd.
Taussig, F.W. (1910) *The Tariff History of the United States*, 5th edn., New York: G.P. Putnam's Sons.
Thornton, A.P. (1959) *The Imperial Idea and its Enemies*, London: Macmillan & Co.
Trevelyan, G.M. (1937) *British History in the Nineteenth Century and After, 1782-1919*, 2nd edn., London: Longmans, Green & Co. Ltd.
Van der Ven, Hans and Grunnert, Thomas (1987) 'The Politics of Transatlantic Steel Trade' in Yves Mény and Vincent Wright, eds., *The Politics of Steel: Western Europe and the Steel Industry in the Crisis Years (1974-1984)*, Berlin/New York: Walter de Gruyber, pp. 137-185.
Wallerstein, Immanuel (1974) *The Modern World-System (I)*, New York/London: Academic Press.
Wallerstein, Immanuel (1989) *The Modern World-System III*, San Diego: Academic Press.
Walter, Andrew (1991) *World Money and World Power*, Hemel Hempstead: Harvester Wheatsheaf.
Webb, Michael C. and Krasner, Stephen D. (1989) 'Hegemonic stability theory: an empirical assessment', *Review of International Studies* 15, pp. 183-198.
Williams, Ernest Edwin (1896) *Made in Germany*, London: William Heinemann.
Williams, Frances (1992) 'Airliner subsidy deal model for Gatt', *Financial Times*, July 17, p. 5.
Williams, Judith Blow (1972) *British Commercial Policy and Trade Expansion 1750-1850*, Oxford: Clarendon Press.
Winham, Gilbert R. (1986) *International Trade and the Tokyo Round Negotiations*, Princeton: Princeton University Press.
Woodward, Sir Llewelyn (1962) *The Age of Reform 1815-1870*, 2nd edn., Oxford: Clarendon Press [1938].
Yarbrough, Beth V. and Robert M. (1987) 'Cooperation in the Liberalization of International Trade: After Hegemony, What?', *International Organization* 41 (1) (Winter), pp. 1-26.
Zebel, Sydney H. (1940) 'Fair Trade: an English Reaction to the Breakdown of the Cobden Treaty System', *Journal of Modern History* 12, no. 2, pp. 161-185.