the highest tariff level, despite the fact that it was rapidly becoming Canada's best customer. A renewed effort to obtain reciprocity with the United States resulted in an agreement but was rejected in the Canadian election of 1911. Canadian manufacturers feared that greater access to the US market would be more than offset by increased competition from US manufacturers. By this time Canada had developed a respectable secondary manufacturing base, in part as a result of investment attracted by high tariffs. Canadian goods thus continued to be subject to the highest US tariff level, except for those few raw materials in short supply in the USA.

Following a series of negotiations with the British West Indies starting in 1912, Canada introduced the concept of "bound margins of preference", a prominent feature of the British or Commonwealth preference system in later years. By this system, while the rates could vary, the margin of preference could not, except by mutual consent. It was included in the 1924 trade agreement with Australia by which the two senior Commonwealth Dominions agreed to exchange preferences, but not in a similar agreement with New Zealand in 1932, and only partially in the 1932 trade agreement with South Africa. Meanwhile, Britain began gradually to retreat from its adherence to free trade by selectively introducing a tariff and in 1919 first introduced preferences favouring Commonwealth countries. During the 1920s Canada also continued negotiations with non-Commonwealth countries, notably France, exchanging access to the Canadian intermediate tariff for most-favoured-nation or similar treatment by the other party.

Large tariff increases and other barriers to trade were erected in many countries following the depression of the 1930s, the most notable of which was the 1930 Smoot-Hawley Tariff in the USA and the whole-scale adoption of tariffs by Britain in 1932. The serious international economic strains then existing finally prompted Britain, Canada and other members of the Commonwealth to adopt a systematic, widespread plan of tariff preferences at a Commonwealth trade conference held in 1932 in Ottawa. The system adopted in Ottawa fell short, however, of the hopes of those favouring Commonwealth-wide free trade and discrimination against all others. By the 1930s the pattern of Canadian trade had altered considerably. The United States and Britain accounted for roughly the same quantity of Canadian exports, but the United States had become the principal source of Canadian imports. A trade policy based on Empire-wide free trade had met with only limited success and had become less relevant to the changing trade patterns. In 1934 the United States introduced the Reciprocal Trade Agreements Act and began to enter into MFN agreements through a series of bilateral trade negotiations. Canada decided that therein lay an opportunity to improve the basis for trade with its principal trading partner and entered into bilateral negotiations, as did Britain. A limited agreement was concluded in 1935.

In 1937-38, in return for United States tariff reductions, Canada and Britain further reduced tariffs and removed some of their preferences. Canada also agreed to extend the intermediate tariff to the USA in exchange for access to the US MFN rate and concessions affecting some principal Canadian exports. For the first time since 1866 Canada and US trade was fully restored to a most-favoured-nation basis, with the exception that Canada would retain Commonwealth preferences. Dana Wilgress, one of the architects of Canadian trade policy in the 1930s and 1940s, summa-