

Australian policy-makers, whose devotion to imperial preferences remained undiminished. In the spring of 1936, Canada paid the price for its poor reputation in Canberra when Australia unveiled its new "trade diversion policy." In an ill-fated effort to secure its markets in Britain and to balance its trade with the United States, Australia proposed drastically limiting its imports. Worried that Canada might become an alternate source for restricted American products, Australia included Canada in its program. "Here," declared Canada's outraged under-secretary of state for external affairs, "[was] economic nationalism with a vengeance."¹⁸

The dispute over "trade diversion" quickly subsided when Washington convinced the Australian cabinet to abandon its policy. The episode remained a disturbing reminder of the sharp differences that continued to divide Canada and Australia in their approaches to the world around them. Neither the ravages of the depression nor the growing threat to world peace posed by German and Japanese aggression in the late 1930s provided sufficient incentive for overcoming the divisions created a decade earlier. As the international situation deteriorated during the 1930s, Canada suggested that the two countries exchange high commissioners in order to encourage a closer "exchange of views." These proposals were rejected as "inopportune."¹⁹ Now was not the time, contended Australia, to explore new forms of representation that might further impair Britain's ability to speak with authority for the empire. Canada's small diplomatic service, steeped in the country's emerging nationalist ethos, scoffed at this "colonial" attitude.²⁰

Australian officials in turn were inclined to belittle Canadian efforts to shape a foreign policy independent of Britain. The preeminent symbol of Canada's efforts to chart a distinctive course, the country's burgeoning foreign ministry, was dismissed by an Australian observer, as useless and futile:

[the Canadians] have built up a big Department of External Affairs and a numerous series of Missions abroad with very little use or effect, for my very definite impression is that they get very little if any more information in spite of their Mission[s] than we get depending as we do on the Foreign Office, and that they have no policy on any subject except to do nothing or say nothing for fear that they may do or say the wrong thing.²¹

This was certainly not an unfair caricature of Canadian policy. Mackenzie King, aware of the strain that depression and the threat of war placed on national unity, studiously avoided international commitments. Canada's fate, he insisted, would be decided by Parliament alone. The Canadian attitude was unsettling and seemed to indicate that Canada no longer shared Australia's interest in co-operating with the British Commonwealth, a suspicion which seemed confirmed by the meagre results of the 1937 Imperial Conference. On