

developments elsewhere, particularly in the United States and Britain. This is not surprising for a relatively small economy crucially dependent on trade with larger trading partners. In the case of the USA, successive Canadian governments made repeated efforts prior to the Second World War to gain better access to the US market but were consistently rebuffed as the USA from the Civil War to the 1930s followed a trade policy aimed at protecting US industry, culminating in the highly protectionist Smoot-Hawley Tariff of 1930. In the case of Britain, which subscribed to free-trade policies from the repeal of the Corn Laws in 1846 to the 1930s, Canada sought preferential access by suggesting Britain discriminate against non-Commonwealth sources. These efforts also proved largely unsuccessful.

Sir John A. Macdonald's National Policy was aimed at fostering the growth of manufacturing industry in Canada, increasing revenues to finance new transportation facilities to knit this country together, and general economic development. Macdonald also argued that it would retard emigration to the United States, restore prosperity (from the depression level of the 1870s), prevent the dumping of foreign goods in Canadian markets, encourage inter-provincial trade, and provide a bargaining weapon for tariff negotiations with the United States. The system suffered, however, from a conflict between its principal objectives, for it soon became evident that internal development hinged significantly on the ability to compete in export markets. There followed many years of seeking to maintain a delicate balance between measures to expand export trade and those providing protection for home-grown industry. The founding of the Trade Commissioner Service in 1892, long before Canada had its own diplomatic service, reflects this traditional importance of export trade to Canada.

While the National Policy gradually stimulated the development of secondary manufacturing, it did not gain Canada much needed access for both resources and manufactured products into foreign markets. In 1897, in an effort to encourage Britain to grant Canadian goods preferential access and to assist the views of those in Britain advocating preferential free trade within the Empire, Canada granted British goods preferential access and thus ushered in what eventually became the system of Commonwealth preferences. New Zealand and South Africa followed suit in 1903, as did Australia in 1907, by also granting British goods preferential access; preferences were not applied as yet uniformly to the goods of other Dominions. Britain, however, did not reciprocate and thus frustrated the commercial policy objectives of the four new nations. The granting of these preferences, however, did lead to complications with other, emerging trading partners such as Belgium and Germany, trade with which was governed by most-favoured-nation treaties negotiated by Britain a generation earlier. Britain took steps to renounce the applicable treaties so that the preferences could be applied solely to British imports. Nevertheless, Germany, for example, retaliated in 1902 by applying its maximum tariff to Canadian goods.

In 1907 Canada adopted a tariff structure that provided for three levels of duty—preferential, intermediate, and general. British and Commonwealth goods enjoyed the lowest, preferential rate; the intermediate tariff recognized the growing importance of trade with countries other than Britain and the USA, as well as the obligations deriving from the network of most-favoured-nation treaties negotiated by Britain as far back as the seventeenth century; the United States remained subject to