

Australian program to promote the export of butter was found guilty, on a technicality, of violating Canada's anti-dumping legislation in early 1926. King rejected the Australian prime minister's repeated pleas for understanding and insisted on imposing punitive duties. When, later in the decade, a slump in international trade began to pinch at Canadian exports to the United States, F.L. McDougall, a close advisor to the Australian prime minister, gleefully waited for depression "to drive Mackenzie King into a much more helpful attitude towards Empire economic cooperation."¹⁵ In anticipation, perhaps, Australia appointed its first trade commissioner to Canada, R.A. Haynes, in 1929.

Within a year, depression had indeed arrived, and Canadian voters had dismissed Mackenzie King. From the opposition benches, he watched the new, Conservative prime minister, R.B. Bennett, embrace suggestions for an imperial trading bloc. Enthusiasm for imperial preferences surged through the 1930 Imperial Conference and, before the formal discussions had ended, Canada and Australia had agreed to seek a closer trading arrangement. Negotiations were speedy and painless. On his way home from London, the Australian minister for markets and transport, Parker John Maloney, stopped in Ottawa to explore the new agreement's main features. He and Bennett agreed that it would rest on two principles: first, domestic producers in fields where the two countries were competitors would be given adequate protection; second, "a strong effort should be made by each Dominion to divert to the other goods which it did not produce and was currently importing from foreign countries."¹⁶

Under the terms of the 1931 trade agreement, Canada was accorded the benefits of Australia's British preferential tariff on 425 out of the 433 items in the Australian tariff. Canada also secured important concessions on timber and agricultural implements. In return, Canada extended to Australia the benefits of its own British preferential tariff and increased the margins of preference enjoyed by Australian raisins and currants. The agreement's impact on bilateral trade was dramatic but one-sided. Between 1931 and 1935, Canadian exports to Australia almost tripled, and Canada's share of the Australian market jumped from 2.3 per cent in 1931 to 5.7 per cent in 1935.¹⁷ Not surprisingly, Canada opened a second trade commissioner's office in Australia in 1936.

Australian trade did not fare nearly so well under the new accord. Between 1931 and 1935, Australian exports to Canada increased by less than 50 per cent. Some important Australian exports, including butter, meat and canned fruit, actually declined during this period. Australia pressed Ottawa to extend the agreement but met with little success. Australia's discontent with Canadian trade policy increased sharply when Mackenzie King returned to power in 1935. The depression had strengthened Mackenzie King's traditional opposition to imperial preferences, and he was anxious to seek freer trade with the United States. The 1935 Canada-United States trade agreement, which diminished the value of Australia's preference on dried fruit, was hardly calculated to endear Canada to