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Manchester v. Japan: The imperial background of the Australian trade diversion dispute with Japan, 1936

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MANCHESTER v. JAPAN: THE IMPERIAL BACKGROUND
OF THE AUSTRALIAN TRADE DIVERSION
DISPUTE WITH JAPAN, 1936

D.C.S. SISSONS*

On arriving in Australia, the Mission was immediately impressed with the intense loyalty, not only expressed by the people they were privileged to meet, but sincerely felt everywhere. The Mission also found a strong sentiment in favour of trading with the United Kingdom rather than allowing foreign countries to obtain too large a hold of the Australian market. (*Report of the Manchester Mission to Australia, 1936*).

Future historians may well see the signing of the Basic Treaty of Friendship and Cooperation last June as part of a long process that began in 1894. In that year the Japanese Government sought, unsuccessfully, to induce the Australasian Colonies to join the Anglo-Japanese Treaty of Commerce and Navigation of that year. Strong attempts were made by Japan from 1915 to 1917 and in 1924 and 1926 to induce Australia to join the successor to that treaty, signed in 1911.

Late in 1934, the Lyons Government eventually acceded to the Japanese request to discuss the possibility of a Treaty of Friendship, Commerce and Navigation. The Japanese presented a draft treaty and each side tendered requests for tariff reductions on specific items of importance to its trade. On the basis of these, negotiations continued intermittently until, to the great surprise of the Japanese, the Australian Minister in charge of the negotiations, Sir Henry Gullett, on 20 February 1936, informed the Consul-General (Kuramatsu Murai) that unless imports from Japan of cotton and rayon cloth were reduced substantially to levels satisfactory to the Australian Government the duties on these items would be raised to levels high enough to bring about such reductions. The Japanese denied that there was any need for restrictions on cottons but indicated a willingness to impose some controls on rayons.¹ This reply was unacceptable to the Australian Government, which, on May 22nd, replaced the 25 percent *ad. val.*

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¹ *Tsushokkyoku Shitsumu Hokoku 1936* [Tr. 'Confidential Report of the Commercial Bureau of the Japanese Ministry of Foreign Affairs for the Year 1936'], p. 717.

There is a copy of this report in Item SP341 Reel 168 in the US Library of Congress microfilm edition of *Archives in the Japanese Ministry of Foreign Affairs 1868-1945* available in the Australian National Library.

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duty on cottons by specific duties equivalent to from 68 percent to 85 percent *ad. val.* and the 40 percent *ad. val.* duty on rayons by specific duties equivalent to from 47 percent to 182 percent *ad. val.* Japanese industry retaliated by completely boycotting the Australian wool sales and this boycott remained in force throughout the dispute. Japanese retaliation became official on June 25th when the Japanese Government applied an import licensing system to Australian wool, wheat and flour and imposed, in addition to the ordinary import duties, an added duty of 50 percent *ad. val.* on Australian beef, butter, condensed milk, hides, beef-tallow and casein. The Australian Government, claiming that these retaliatory measures were unduly severe, on July 8th imposed a licensing system which prohibited the entry of items constituting about 40 percent of Japan's exports to Australia.²

For many of us whose schooldays spanned the period from about 1934 down to, say, the sinking of the *Bartolomeo Colleoni* or the fall of Benghazi, Imperial sentiment was an ubiquitous and pleasurable influence. It was constantly with one in the class-room in such fare as the works of Henry Newbolt; it was with one outside school hours in the Cubs and Scouts and in the pages of the *Boys Own Paper*. And even in peace time the pageantry of Imperial sentiment often expressed itself in the symbols of Imperial defence — e.g. the presence of *H.M.S. Sussex* at the Centenary celebrations and Australian troops on sentry duty at Buckingham Palace during the 1937 Coronation. It was perhaps because of such early influences that, when I first came to study this dispute with Japan, I found myself with a preconception that its underlying rationale might be something like the following: Threatened by a powerful Japan alien to us in race and in values — a Japan that had only recently indicated in Manchuria its thirst for territorial aggrandisement — our only hope of survival lay in the military support of our fellow citizens in the United Kingdom. Was it brotherly, was it fair, was it reasonable to expect Britain to come to our defence if we helped to put Lancashire out of business by spurning the output of its mills in favour of the cheaper Japanese product. Before long, however, I discovered that, although arguments of this nature were occasionally put forward³ (and may have influenced some people to support Gullett's policy of 'Trade Diversion' after its announcement), the role played by defence in the formulation of that policy was almost negligible. The possible ramifications that his policy might have for Australia's defence seem to have occurred to Gullett in the uncomfortable hours of foreboding that so often follow the making of big decisions,

² Department of Trade and Customs: 37/985 'Summary Showing the Value of Japanese Trade with Australia which is affected as a result of the Import Prohibitions . . .' [Australian Archives A425].

³ See for example the statement by the Australian Association of British Manufacturers in the *Argus* (Melbourne), 20/3/36.

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and his feelings were that his policy would *decrease* rather than increase our military security. The following is the British High Commissioner's report to the Dominions' Secretary on a meeting with Gullett on April 24th, four days after Cabinet had agreed in principle to Gullett's proposals to raise the duties on foreign textiles:

Sir Henry Gullett went on to say that he was definitely apprehensive that these proposals would lead eventually to trouble between Japan and Australia, and he expounded at some length his views as to the indefensibility of Australia against Japanese attack. A couple of destroyers outside Sydney Harbour might easily cause something like an evacuation of Sydney, and no help could be expected from the rest of the Empire until a grave humiliation had been imposed on Australia.

The High Commissioner did not take these fears very seriously. His report continues:

You are aware, Sir, that Sir Henry Gullett is inclined at times to take extreme views on subjects with which, perhaps, he is not fully acquainted, and I have not gathered from such conversations as I have had from time to time with his colleagues, that his opinion as to the imminence and probable results of warlike action by Japan are widely shared in the Cabinet.⁴

We now know that Japan's involvement in Manchuria had, in fact, produced feelings of relief rather than of alarm in the minds of the Lyons cabinet. Like Alfred Deakin at the outbreak of the Russo-Japanese War thirty years earlier,⁵ they appear to have welcomed Japan's expansion on the Asian mainland as likely to draw her energies away from the South Pacific. In the course of the goodwill mission to Australia by Katsuji Debuchi (formerly Japanese Ambassador to Washington and Permanent Under-Secretary for Foreign Affairs), two Australian Ministers, Pearce (External Affairs) and Hughes (Health), volunteered to him assurances that, so far as Australia was concerned, Japan had *carte blanche* in Manchuria.⁶

Claims that the policy weakened Australia's security, expressed in rather more sophisticated terms than were Gullett's remarks to the High Commissioner, formed part of the attack by its critics. Take, for example, Norman Cowper in the series of broadcasts over 2GZ during October (1936) in which he attacked the policy:

⁴ Great Britain, Foreign Office, F3097/119/23 [Public Record Office, London]. The author would like to acknowledge the assistance of Mrs N. M. Budd (470 Kings Road, London, S.W.10) in finding and copying all Public Record Office material used in the preparation of this paper.

⁵ *Sydney Morning Herald*, 6/1/04.

⁶ References to discussions with Pearce (4 September 1935) and Hughes (5 September 1935) in Debuchi's confidential report on his mission. Japanese Ministry of Foreign Affairs file: L3.3.0.14 [Australian National Library].

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... at the very moment when it is becoming clear that the British Fleet can no longer be relied upon to defend Australia, and when Britain is preoccupied with recurring crises in Europe, at that very moment we are rushed into provocative action against Japan – action which will tend to make her desperate. Is that in the interests of Australia? Or of Britain?⁷

The extent to which such fears were felt does not appear to have been inconsiderable. There is unconscious irony in Gullett's comment to the ministerialist M.H.R., Charles Hawker: 'The row has had two or three extraordinary good effects. *It has brought defence to the fore into its proper place . . .*' [Emphasis added D.C.S.S.]⁸

From the very outset of the dispute the Australian Government and its officials readily admitted that the purpose of their action against Japanese textiles was to protect the position of United Kingdom textiles in the Australian market. It was an extension of Australia's traditional trade policy, accurately described by Sir John Latham, with characteristic forthrightness, in a broadcast to the Japanese people during his goodwill mission there in 1934:

... in Australia we protect our own industries. As a part of the British Empire we then naturally and properly consider the interests of the British Empire and its various parts. We are then prepared to make trade arrangements with the countries which trade generously with ourselves.⁹

The action against the Japanese textiles, however, gave the British product a much higher margin of tariff protection than the 15 percent for cottons and the 17½ percent for rayons required by the Ottawa Agreement¹⁰ – margins that had been fixed after much hard bargaining. Gullett explained the underlying reason for this grant of additional benefits to the United Kingdom exporter to Murai on February 20th¹¹ and to Parliament on May 22nd:

[The Government] has reluctantly come to the conclusion, based solely upon the necessity to grant protection to British industry,

⁷ This point was developed a little further in a pamphlet, *Is It Necessary?: An Examination of the Commonwealth Government's Trade Diversion Policy*, (Sydney, 21 August 1936), written by Edward Masey who later achieved fame as a member of the Australia First Movement. Ward, the Labor M.H.R., appears to have made use of Masey's pamphlet for the arguments used in his speech in Parliament on November 26th. (*Commonwealth Parliamentary Debates*, Vol. 152, p.2405).

⁸ Letter from Gullett to Hawker 12/8/36 (Hawker Papers – Australian National Library).

⁹ Quoted by J. A. Lyons in a nation-wide broadcast on 25/8/36. The script of Lyons' broadcast is available in Australian Archives A981 Trade 58 Part 2.

¹⁰ 'Imperial Economic Conference, Ottawa, 1932 – Report', Commonwealth of Australia, *Parliamentary Papers*, 1932-34, Vol. 4, pp. 1043-50.

¹¹ *Tsushokyoku Shitsumu Hokoku 1936*, p.717.

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and our complete reliance on the market of the United Kingdom for the absorption of our exportable surplus of all difficult-selling commodities. that the imports of these low-priced foreign textiles cannot continue unchecked.¹²

By difficult selling commodities he meant such things as meat, dairy produce and dried fruits for which there was virtually no market outside the United Kingdom and which depended for their sales in the United Kingdom on the margins of preference that they enjoyed there.¹³ Later in the course of the dispute Gullett elaborated on the same argument in a letter to Hawker. Drawing Hawker's attention to the fact that Australia was now importing a smaller volume of cotton fabrics from the United Kingdom than in the slump year, 1931, he wrote:

The great increase in the imports of rayons from Japan is not due to a particular demand for rayons . . . Where the Japanese rayons were cheaper than comparable cotton fabrics a heavy swing to the rayon material occurred . . .

In considering the cotton quantities, I suggest you cannot disregard the Ottawa Agreement aspect and the fact that cottons are the great item in British exports to Australia. I think you must agree that Britain was justified in expecting that her relative position as a supplier would not deteriorate under the agreement. We certainly gave Britain what we believed would be an effective preference. No doubt it would have proved so in normal circumstances. Due to factors outside Britain's control, the preference proved illusory and unreal being nullified first by the heavy depreciation in Japanese currency and then by the Japanese attack on the Australian market . . .

Could we logically go on pressing Britain for an expanding share of her market in meat, butter and so on by reducing her imports from Argentine and Denmark if we were not prepared even to maintain the pre-Ottawa position of her most important item? I am certain we would not have displayed the same patience in reversed positions.¹⁴

The Government's policy was in effect to sacrifice the interests of Australia's second-best customer whose annual purchases of Australia's exports amounted to £A12m for those of her best customer whose annual purchases were £A54m, in the hope of winning additional trade with the latter.

¹² Commonwealth of Australia, *Parliamentary Debates* (hereafter referred to as *CPD*), Vol. 150, p 2215.

¹³ For the significance of these commodities in national development see C. Hawker, M.H.R., 'Australia's Foreign Trade Treaties' [British Commonwealth Relations Conference 1938, Aust. Suppl. Papers B (3) pp.12-13].

¹⁴ Letter from Gullett to Hawker 12/8/36 (Hawker Papers - Australian National Library).

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The British Government was careful to make it clear to all that Australia was not acting under its influence in this matter. The Dominions' Secretary (Malcolm MacDonald) explained to the House of Commons that the Australian Government had 'reached their decision without prior consultation with His Majesty's Government in the United Kingdom.'¹⁵ The Parliamentary Under-Secretary, the Marquess of Hartington, put this manifestation of Empire spirit to good effect in the Midlands constituencies. At Retford he told the local Conservatives how

Australia, of her own accord, and without solicitation, imposed almost prohibitive duties on American and Japanese goods in order to help Lancashire. It was a generous and free gift. At least £ 1,500,000 worth of goods will be imported in the first year from Lancashire in excess of previous years. It is wonderful that a government 12,000 miles away should ask its people to undergo considerable risks and losses to help a distressed section of the Old Country.¹⁶

That Australia had acted on its own initiative was also a point made by the United Kingdom High Commission in Canberra in off-the-record conversations. On at least one occasion this was expressed in language rather less eulogistic than Lord Hartington's. The diary of J.P. Moffat, the United States Consul-General in Sydney, contains the following account of a conversation that he had with Percivale Liesching, the number-two man at the High Commission, early in November (1936).

He said that his task here was far harder than in Ottawa; that Canada, -- and South Africa -- knew what they wanted and had developed a national consciousness. Australia was still colonially minded, more so even than Rhodesia or Kenya; wanted to do what she thought England wanted, but illogically didn't want advice or even full information from England before she acted . . .

What happened last May was as follows: he and his chief knew that Australia was going to make a move restricting trade. It was only twenty-four hours or so before the new policy was tabled that they were handed a copy of the program. As a matter of fact, despite certain apparent advantages to Britain, she was not a clear gainer from the trade diversion scheme. She did profit in textiles, but he was sceptical of other gains. The whole scheme was the product of arm-chair thinking . . .¹⁷

¹⁵ Great Britain, *Parliamentary Debates, Commons*, Vol. 315, Col. 266 (21/7/36).

¹⁶ *Argus* (Melbourne), 3/7/36. This report was later quoted in the Australian Parliament by two ministerialist back-benchers critical of Gullett's policy -- P.A.M. (later Sir Philip) McBride on 25/11/36 and Senator J. Duncan-Hughes on 2 & 3/12/36 (*CPD* Vol. 152, pp.2327 & 2662).

¹⁷ Diary of J. P. Moffat (microfilm of typescript). Entry for 3 & 4/11/36 pp.605-06 [Australian National Library].

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Australian ministers were equally insistent that Australia had acted independently. For example, when the President of the Graziers Federal Council (D.T. Boyd) on July 8th (1936) as a member of a deputation from the wool industry protesting against the raising of the textiles duties, asked the Prime Minister whether this was done at the request of the British Government, Lyons replied, categorically, 'No'.¹⁸ R.W. Dalton, United Kingdom Senior Trade Commissioner in Australia, in a despatch to the Department of Overseas Trade dated April 2nd (1936) describes a similar denial by Gullett and the scepticism with which the Japanese received such assurances:

When I was in Canberra last week Sir Henry Gullett made a point (at a private party) of talking to me . . . [He said] that in a "very candid" conversation which he had recently had with the Japanese Consul-General . . . Murai had said that in Japan they were convinced that United Kingdom Government influence was the origin of the actions detrimental to Japanese trade which the Australian Government proposed to take. Sir Henry Gullett said that this was not so and that any action which the Australian Government might take would be of its own volition. To this Murai retorted that as they were speaking quite "candidly" to one another he must say that he was unable to accept this view and he added that the speeches of the Manchester Mission showed clearly that the proposed action was influenced by the United Kingdom and that was consistent with other actions of the United Kingdom elsewhere in the world.¹⁹

What was the Manchester Mission and these 'other actions by the United Kingdom elsewhere in the world' to which Murai was alluding?

During his visit to the United Kingdom the previous year, (1935), the Australian Prime Minister, J.A. Lyons, visited Manchester on June 12th. The *Manchester Guardian* at the time reported that he devoted two hours of this visit to a private meeting with representatives of the cotton trade to hear their representations on the effect of the Australian tariff on Lancashire textile exports and on the question of Japanese competition. No further details of the meeting were published.²⁰ The Dominion Office archives, however, indicate that on that occasion the representatives of the industry urged that the Australian Government take action against Japanese textiles by means of specific duties or import restrictions and that Lyons undertook to put these suggestions fully before his colleagues when he returned to Australia.²¹

¹⁸ Graziers Association of N.S.W., General Council, *Australian-Japanese Trade*, (letterpress, 16pp., 1936), p.9.

¹⁹ Great Britain, Foreign Office, F2552/119/23 [Public Record Office, London].

²⁰ *Manchester Guardian*, 13/6/35.

²¹ Telegram No. 83 to U.K. Rep. in Australia, 15 August 1935. Dominions Office 9279A/21/32 [Public Record Office, London].

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On October 16th (1935) the Australian press carried a cable item that the Manchester Chamber of Commerce had announced that it was despatching to Australia in January a Mission consisting of two of its members, Sir Ernest Thompson and Mr H.C.M. Ellis, to promote mutual trade between the Manchester region and Australia; the Mission would be away for four or five months, during which time recommendations relating to the tariff would be considered.²²

It was on January 23rd, two days before the Manchester mission boarded the *Strathnaver* for Australia, that the Lyons cabinet reached the fateful decision that steps should be taken as soon as practicable to reduce the import of Japanese art silk and cotton piece goods by the imposition of specific duties or other means.²³ It would, however, be some months before the Government could announce this decision. There had to be adequate time for the Japanese Government to furnish counter-proposals and for these to be considered. It was also desirable that the announcement should come at the *end* of the Parliamentary session so that the opponents of the restrictions would be unable to use Parliament as their forum.

Dalton (the U.K. Trade Commissioner) later admitted that the idea of a Manchester Mission had originated with him and that he had proposed it at a time when he considered it inconceivable that the Australian Government would readily take restrictive measures against Japan.²⁴ This suggests that the role that the Department of Overseas Trade had for the Mission was that it should rally interests favourable to such measures in a campaign that, it was hoped, might force the Australian Government to take action. Not only was such a campaign now unnecessary; it could also be positively harmful. It would mean that, when the Government's decision was eventually announced, it would appear to be the result of dictation by United Kingdom commercial interests. This would unnecessarily alienate such Australian nationalist sentiment as existed. In the event, this is precisely what happened. Not only Japanese writers, but Australian critics like Norman Cowper,²⁵ Edward Masey (later of 'Australia First' fame) and D.A.S. Campbell made much of the argument that the Government had succumbed in the face of the Mission's assault. Murai, of course, knew better than this; for it was on February 20th, when the *Strathnaver* was still in the middle of the Indian Ocean, that Gullett had informed him of the Government's intentions. Nevertheless, it was the presence of the Mission, its statements – and perhaps something in its demeanour

²² *Argus* (Melbourne), 16/10/35.

²³ Australian Archives: A2694.

²⁴ In his despatch dated 2/4/36. Great Britain, Foreign Office, F2552/119/23 [Public Record Office, London].

²⁵ N. L. Cowper, *The Trade Diversion Policy* (Sydney: Beacon Press, 1936).

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— that confirmed him in his belief that the initiative for the forthcoming tariff changes came from the United Kingdom Government. Possibly the fact that it was Thompson who was leading the Mission had something to do with this. Murai would have been well aware that Thompson had led the British Economic Mission and the Cotton Sub-Mission that had been sent to Japan by the Department of Overseas Trade in 1930 to study the competitive power of Japanese industry²⁶ and that, more recently, he had been one of the representatives of the textile industry in the abortive talks sponsored by the Board of Trade which preceded the imposition of import restrictions against Japanese goods throughout the Colonial Empire in May 1934.²⁷

In the changed circumstances that now attended the arrival of the Mission, as soon as the *Strathnaver* berthed in Melbourne on March 2nd (1936), Thompson and Ellis were whisked off to an unpublicised meeting with several Federal ministers who, on behalf of their colleagues, informed them in confidence of the Government's intentions.

To Dalton's dismay, the hints that he and the Ministers had sought to convey to the Mission about the line that it should now take were very soon proved to have fallen on stony ground. (Dalton subsequently learned that the Mission had been despatched by its constituents with instructions to adopt a 'very firm attitude'). Before the sun had set Thompson had told an open meeting of the Melbourne Chamber of Commerce that restrictive quotas against Japanese goods were the only way to deal with the situation. This prompted a telephone call to Dalton from the High Commissioner, requesting him to convey to the Mission that under the circumstances their remarks had produced some annoyance at Canberra. The Mission, however, was undeterred. That day Thompson proceeded to tell a similar audience that he intended to *ask the Prime Minister to implement the promises made during his recent visit to England* [emphasis added D.C.S.S.] and that he hoped that specific duties or restrictive quotas would be imposed on 'goods produced under conditions so different from those prevailing in British countries.' The following day, at a luncheon given in his honour by Victorian Ministers at Parliament House, he reminded his audience that all parties in Australia subscribed to the principle of a White Australia because they knew that the white man's standard of living could be endangered by the introduction of coloured labour: 'I make this suggestion to you — that just as the employment of such labour here would do this, so would the importation of too great a quantity of goods manufactured by coloured labour'.

²⁶ Department of Overseas Trade, *Report of the British Economic Mission to the Far East, 1930-31* (London: H.M.S.O., 1931).

British Economic Mission to the Far East, 1930-31, *Report of the Cotton Mission* (London: H.M.S.O., 1931).

²⁷ *Manchester Guardian*, 3/2/34, 15/3/34.

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On March 9th the Mission moved on to Canberra. On March 13th it reached Sydney and there the worst happened. Its visit coincided with the Annual Conference of the N.S.W. Graziers' Association, whose President, J.P. Abbott, took this opportunity to remark on 'the tremendous complaint' being aired by the Mission against Japanese imports in the Australian and other traditionally British markets. Abbott argued that if Japan was unable to dispose of her products, the only alternative open to her would be a bloody war in the Pacific. Furthermore, the Mission seemed oblivious to the fact that for years it had been Japan that had sustained prices at the Australian wool sales when other nations had dropped out. Abbott continued that he had learnt that day from a very reliable source that it was the Government's intention to impose restrictions. He called on the Conference, not only as wool growers, but as patriotic Australians, to do all in their power to prevent this 'act of madness'. A motion endorsing these views was passed with very few dissentients.²⁸

The cat was out of the bag. The issue was joined. From now on the Government would have to spend a considerable amount of its energy propitiating its rural supporters. This time it was Gullett himself who got on to the telephone to Dalton and told him to pass on to the Mission that, thanks to their statements, the Government's position was becoming so difficult that it might be impossible for it to carry out its intentions. Dalton considered this no mere threat but a reasonable statement of the position. This time Thompson showed some signs of contrition: he offered to use his influence to get the Australian Association of British Manufacturers to tone down a press statement that they were preparing in answer to the Graziers. Dalton replied that he should tell the Association that it would be 'extremely inadvisable' for them to intervene in the matter. But, as usual, affairs were beyond Dalton and Gullett's control. A statement of the British Manufacturers appeared in the press the following day.

When Dalton's report on the Mission's progress reached London a month later, all that the Dominions Office could do was to suppress a shudder and implore the Secretary of the Manchester Chamber of Commerce himself to go to Plymouth, get to the Mission before they landed or met the press, and impress upon them that 'they must not be foolish'.²⁹

You will remember that the second reason that Murai gave to Gullett for his conviction that the initiative for the restrictive measures came from the British Government was 'other actions of the United Kingdom elsewhere in the world.' Let us take a brief look at Britain's trade policy towards Japan in the preceding three years.

²⁸ *Argus*, 19/3/36.

²⁹ Foreign Office, F2552 and 2982/119/23.

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In 1929 the United Kingdom was still the world's principal exporter of cotton textiles – £3,670m. By 1933 the figure had fallen to £2,030m and she had yielded pride of place to Japan with £2,090m. Over the same period of time the average unit price of Japanese cottons had fallen from 5.3d. to 2.6d. (cf. the fall in price of the British product from 6.5d. to 4.8d.). In this situation the British Government, on 24 April 1933, proposed discussions between the representatives of British and Japanese textile interests, with a view to bringing about a reduction of Japanese exports where they competed with the British product, in both British and foreign markets. As an indication that it possessed some bargaining power, on May 16th it gave the requisite 6 months' notice to terminate the application of the Anglo-Japanese Commercial Treaty to the West African colonies. Talks between the Japanese and British industrialists (among them Sir Ernest Thompson) eventually began in London the following February (1934) but broke down within a month when the Japanese refused to discuss Dominion and third country markets and insisted that any reductions must be mutual and not confined to Japanese exports.³⁰ The President of the Board of Trade thereupon, on May 7th, announced the imposition of restrictive quotas on cotton and rayon textiles throughout the colonial Empire. In British West Africa, where most favoured nation treatment was no longer obligatory, the quotas applied only to Japanese textiles. Elsewhere quotas based on the quantities imported during the period 1927-31 were applied to all foreign textiles equally. As a result imports into the colonial Empire from Japan fell from 238m sq. yds. in 1933 to 60.4m in 1935, while those from the United Kingdom rose from 157m to 258m. In British West Africa over the same period imports from Japan fell from 102m to 7.5m sq. yds. while those from the United Kingdom rose from 102m to 164m.³¹

Similar action was taken against the entry of Japan's cotton textiles into India. On 10 April 1933 the Indian Government gave the requisite 6 months' notice to terminate the Indo-Japanese Commercial Convention of 1904 and, in order to strengthen its position for the negotiation of a more favourable Agreement, on June 6th raised the tariff on foreign cottons from 50 percent to 75 percent while leaving the British Preferential rate unchanged at 25 percent.

This was but the latest of a series of tariff changes that had borne more heavily on Japanese than on United Kingdom textiles. Over the period 1928/29 to 1932/33 Japan's share of India's cotton textiles imports had risen from 18.4 percent to 43.6 percent while the United

³⁰ Manchester Guardian, 3/2/34, 15/3/34.

³¹ S. Kawashima, *Nihon Gaikō Bunsho Bessatsu: Tsūshō Jōyakū to Tsūshō Seisaku no Hensen* (Tokyo: Sekai Keizai Chosakai, 1951), pp. 837-48.

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Kingdom's share had fallen from 75.0 percent to 49.3 percent.³² On 28 May 1930 the Indian Government had implemented a tariff schedule which gave British goods a preferential margin of 5 percent. In the case of plain greys, where the cheapness of the Japanese product was particularly marked, a specific duty (3.1/2 annas per lb) was imposed. The Japanese Government had promptly protested that such preferential treatment violated Article 1 of the Commercial Convention, which guaranteed to Japanese goods the lowest customs duty applicable to 'similar products of any other foreign origin'. To this the British Government had replied on October 14th (1930) that the meaning of 'foreign' could include other parts of the British Empire.³³ In September 1931 and April 1932 the margin of British Preference had been raised to 6.1/4 percent and 25 percent.³⁴

The Japanese spinners, who in normal years took from 50 percent to 70 percent of India's cotton crop, retaliated against the June 1933 tariff by purchasing all their requirements elsewhere. The Japanese Foreign Ministry, however, considered that boycotts were a dangerous method of diplomacy and offered to open negotiations for a new Commercial Convention. The Indian Government readily agreed. (It appears to have believed that a boycott was impossible. Its denunciation of the current Convention had, indeed, been partly aimed at *increasing* its sales of raw cotton to Japan: it hoped to negotiate a new Convention under which Japan would be required to purchase certain specified amounts). Negotiations opened at Simla in September (1933).³⁵

As happened two years later in Australia, a delegation from Manchester appeared during the negotiations. This was the British Cotton Delegation, led by Sir William Clare Lees. In its representations to the Indian Government it sought acceptance of the principle that duties on United Kingdom textiles should be such as would afford United Kingdom producers full opportunity of reasonable competition with domestic producers and a margin of preference over foreign goods at least equal to that afforded to other British exports in the Ottawa Agreement.³⁶

In the new Commercial Agreement signed at Simla in April (1934) the duty on Japanese textiles was reduced to 50 percent. (As the tariff on British goods was in June lowered to 20 percent this gave the latter a preferential margin of 30 percent). The Agreement also provided a quota for Japanese cotton textiles which was linked to the amount

³² *ibid.*, p. 895.

³³ *ibid.*, pp. 887-89.

³⁴ *ibid.*, pp. 891-92.

³⁵ *ibid.*, p. 904.

³⁶ Condensed report of the Delegation in *Manchester Guardian*, 15/11/33.

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of raw cotton that Japan purchased from India. The maximum in any year would be 400 million yards and this would be conditional on Japan's purchasing 1.1/2 million bales.³⁷ This in effect froze the quantity of Japanese cotton textiles imported into India at a figure lower than the average for the years 1928-1932 (478.4m yds) and much lower than the level achieved for the year 1932 (644.7m).³⁸ The Agreement, moreover, divided the Japanese quotas into sub-quotas in the following proportions: plain greys 45 percent, bordered greys 13 percent, bleached (white) 8 percent, coloured 34 percent. This was of particular advantage to United Kingdom exporters; for it restricted Japan very severely in the bleached lines where she had been most rapidly overtaking the United Kingdom. In these lines Japan's proportion of India's imports had risen from 2.9 percent in 1929-30 to 29.1 percent in 1932-3, while the United Kingdom's share had declined from 92.2 percent to 69.2 percent. By confining Japan to the greys it was confining her to the field where she must increasingly give place to India's expanding local production.³⁹

Murai would also have been aware of similar, more recent developments in Egypt. Britain was by far Egypt's best customer. In 1934, for example, 32 percent of Egypt's exports went to the United Kingdom, as against 8.8 percent to Japan.⁴⁰

In April 1935 a Mission of Economic Enquiry led by Hafex Afifi Pasha (formerly Ambassador in London) was despatched to England. Their purpose, as stated in their terms of reference, was 'to enquire . . . into the position of the interchange of trade between Egypt and Great Britain, to consider means conducive to the increased consumption of Egyptian products in British markets, and to receive such statements and suggestions as may be made to them with a view to simulate the demand for British goods in Egyptian markets'.⁴¹ The British Government proposed to them that Egypt should establish quotas whereby 53 percent of her textile imports should be allotted to the United Kingdom and 19 percent to Japan.⁴² (In 1934 their respective shares of the market had been 19 percent and 68 percent).⁴³ The Mission, however, on its return recommended instead a general surtax on imports from countries with depreciated currencies, as likely to furnish

³⁷ Great Britain, House of Commons, *Accounts & Papers*, Cmd. 4735 of 1933-34.

³⁸ Kawashima, *op. cit.*, p. 908.

³⁹ Kawashima, *op. cit.*, p. 914.

⁴⁰ *Osaka Mainichi*, 20/7/35.

⁴¹ Great Britain, Department of Overseas Trade, *Report on Economic Conditions in Egypt, May 1937* (London, H.M.S.O., 1937), p. 44.

⁴² *Times* (London) 30/7/35.

⁴³ *Osaka Mainichi* 20/7/35.

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'reasonable protection to home textiles while allowing Lancashire full scope to establish its goods more firmly in the Egyptian markets.' [emphasis added D.C.S.S.]⁴⁴ The Egyptian Government accordingly, on 18 July 1935, gave the required three months' notice to terminate the Japan-Egypt Commercial Agreement and on September 19th imposed a 40 percent surtax on Japanese goods. Japan entered into negotiations for a new Agreement, but after seven months these broke down without any results having been achieved. Egypt's imports of cotton piece goods from Japan declined from 142.1 million sq metres in 1935 to 71.3 million in 1936, while those from the United Kingdom rose from 30.3 million to 51.2 million.⁴⁵

In his belief that the initiative for Gullett's action against Japanese textiles came from the United Kingdom Government, Murai's judgment does not appear to have been at fault. On 15 August 1935 a telegram was sent over the signature of the then Dominions' Secretary, J.H. Thomas, to Lyons via the High Commissioner. A copy was sent to Gullett (who was still in Europe) direct. The telegram referred to the representations made to Lyons by the textiles industry during his visit to Manchester in June and to his undertaking to put these fully before his colleagues on his return. It enclosed additional information furnished by the industry to the President of the Board of Trade on July 24th regarding the continued advance by Japanese cottons and rayons in the Australian market. It concluded with the following significant two paragraphs:

The Lancashire interests appreciate that the position of Japan as a market for Australian products is an important factor from your point of view. They also recognise that in these circumstances it may be difficult to restrict Japan to her relative position some years back as was done by the quotas in India and the Colonies. It is for this reason that they feel that, if the situation is not to be allowed to go from bad to worse, action should be taken as soon as possible.

Feeling is running high in Lancashire, and we hope that the Commonwealth Government will be able to give the views and proposals of the Joint Committee full consideration and that they may find it possible to take action which will safeguard Lancashire's important trade to Australia from the competition which owes its origin to a standard of living which is alien to both our own countries.⁴⁶

In Australia the actual process of setting in motion the preliminary steps that would eventually result in the recommendation of restrictive measures to Cabinet must have been begun before Gullett left

⁴⁴ *Times*, 30/7/35.

⁴⁵ *Report on Economic Conditions in Egypt*, May 1937, p. 45.

⁴⁶ Great Britain, Dominions Office 9279A/21/32.

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Europe so that specific proposals would be ready for his consideration on his return. There survives in the Australian Archives⁴⁷ a detailed submission on the subject (eight pages in length, supported by another eight pages of trade statistics) completed in the Trade Agreements and Treaties Division of the Department of Trade and Customs on 27 November 1935, a few days before Gullett's arrival back in Canberra. The rise in tariffs proposed in this document to assist British textiles is significantly less than those eventually recommended to and approved by Parliament. But more important for our purposes is the fact that it begins with the words: 'In *submitting representations to the Commonwealth Government* on the question of Japanese competition, the *United Kingdom Government* pointed out . . .' [emphasis added D.C.S.S.]. It also refers specifically to the information furnished by the British industry to the President of the Board of Trade on July 24th. It is therefore reasonable to suppose that this Australian submission was the result of the telegram from the Dominions' Secretary.

The telegram from Lyons to the British prime-minister (Baldwin) despatched on May 18th (1936), shortly before the new tariff measures were presented to Parliament, also gives a good indication of where the initiative came from:

. . . The heavy duty restrictions which we will place on imports of Japanese textiles are certain in our view to confer very substantial and increasing benefits upon Lancashire manufacturers and *they are made to meet the express wishes of your Government* [emphasis added – D.C.S.S.]. It is true, of course that indirectly we look to these restrictions to confer benefits upon Australia by increasing opportunities for our exports in the United Kingdom.

The steps however lay us open to retaliation from Japan which is our second best customer for wool and indeed for all our exports and in view of this *we would not have felt justified in imposing restrictions had it not been for your repeated requests* [emphasis added – D.C.S.S.] and for our urgent need for a larger share in United Kingdom markets . . .⁴⁸

The mention in this telegram of 'repeated' requests suggests that pressure was exerted over a period and that Australia's compliance was not easily achieved. This seems to have been the case. As long before as 23 March 1933 Stanley Bruce, our Resident Minister in London, was writing to Lyons on the subject. Referring to official representations that the Manchester Chamber of Commerce proposed to make to

⁴⁷ Aust. Archives (Sydney Office), ST127 Series 2 Box 1, Trade & Customs, B.36/274. Rev. Fr. Brian Murphy kindly brought this document to my attention.

⁴⁸ Great Britain, Dominions Office, 9279A/21/58 [Public Record Office, London].

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the British Government about Japanese competition in Australia, he wrote:

I acquiesced in this, although I held out no hope that the Commonwealth would be in a position to amend the present duties without receiving an adequate *quid pro quo* from the United Kingdom.⁴⁹

When on 23 January 1936 the Australian Government eventually complied, and decided in principle on restrictive measures, the British appear to have been quite taken by surprise. Dalton, in a despatch to the Department of Overseas Trade, wrote: 'We are aware ourselves that decision to act restrictively on Japanese is almost a complete volte face on the part of the Government and I do not think that anybody here could have expected such action . . .' He speaks of the Government being now 'ready to do more than we could even have hoped for a year ago'.⁵⁰

How is the Australian Government's volte face to be explained? Had it been offered (or was it about to be offered) the *quid pro quo* that Bruce had said would be necessary?

It was widely assumed at the time that the Australian restrictions on Japanese textiles were part of Australia's diplomatic offensive on the United Kingdom to secure a continuation of the favourable treatment for Australian meat that she had received since the Ottawa Conference in July 1932.⁵¹ This interpretation has been followed by later writers.⁵² Ross Duncan, for example, in his article on beef exports under imperial preference in the 1930s, notes that, although there is no direct evidence linking the imposition of restrictions on Japanese textiles with the meat negotiations, 'the coincidence of timing is strongly suggestive'.⁵³

The continued growth of the Australian meat industry was regarded by the U.A.P. — Country Party cabinet as very important, both nationally and electorally. This depended very largely on the United Kingdom market and the amount of protection it received there against its better established, more efficient Argentine competitors and their more tasty product. Under Britain's trade treaty with Argentina due to expire in November 1936, Argentina had accepted some restrictions on the quantity of her meat exports to the United Kingdom, in return for certain benefits, including duty-free entry. Australia insisted that when this treaty expired Britain should impose duties and additional

⁴⁹ Australian Archives, CP576, Personal Papers of E. Abbot, Comptroller-General of Customs, Bundle 3.

⁵⁰ Despatch dated 2/4/36. Foreign Office. F2552/119/23.

⁵¹ e.g. Cowper, p. 6, Masey p. 16, P.A.M. McBride M.H.R. (*CPD* Vol. 152, p. 2329).

⁵² e.g. P. Drysdale, 'Australia's Trade with Japan before the War and the Trade Diversion Episode' (Canberra: A.N.U., Dept. of Economics, RSPacS, 20pp. mimeo, 1964), p. 11.

⁵³ R. Duncan, 'Imperial Preference: The Case of Australian Beef in the 1930s', *Economic Record*, Vol. 39 (1963), p. 165.

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quantitative restrictions on Argentine meat in the interests of Australian producers. The British Government was unwilling to do this to the extent required by the Australians, because one result would be to reduce both the purchasing power of the Argentinians to buy British exports (including textiles) and the return on the considerable amount of British capital invested in the Argentine meat industry. In 1935 Lyons and Gullett appear to have devoted a good deal of their visit to the United Kingdom to making representations to the British Government regarding the stand that they wished it to adopt in its negotiations on a new treaty with Argentina. As a result Australia had given provisional approval to a scheme for a long-term settlement of the question, which was then communicated to the Argentine Government. Discussions between the Australian and the British Governments were to be resumed when the Australian ministers, Page and Menzies, visited England in 1936. As we have already observed, it was on January 23rd that the Australian cabinet decided in principle on the restrictive measures against Japanese textiles. Discussions with the British Government on the Argentine question appear to have been resumed on the initiative of Page and Menzies in London in April (1936). They now appear to have demanded a firmer approach to Argentina than that agreed to the previous year. Then Australia had been prepared, herself, to accept a low tariff and some quantitative restrictions, provided that a considerably higher tariff and much greater cuts were imposed on Argentina. Whether they now raised their demands because they felt that their action against Japanese textiles had given them greater leverage against the United Kingdom, or whether, as they said to Malcolm MacDonald, it was because they felt that Argentina, with only seven months of treaty status left her, was in a weaker bargaining position than the previous year,⁵⁴ I cannot tell. By June 8th the British Government appears to have agreed that a duty should be levied on foreign meat only and, in the discussion between British and Commonwealth ministers on that day, the Australian attack was directed against the British Government's attempt to escape from the invidious position of itself being the meat in the sandwich of contention between these two exporting countries and after one year hand over the task of regulating supplies to an international producers' conference. Australia insisted that Britain must determine the allocations for a longer period. In the course of this argument Australian ministers referred to the textiles question. Mr Menzies enquired how the British Government would like 'an inter-

⁵⁴ Great Britain, Cabinet, Committee on Trade & Agriculture, T.A.C. (36)3, 'Note of a discussion between the Secretary of State for Dominion Affairs, Dr Earle Page and Mr Menzies on April 7th [1936].

Great Britain, Foreign Office, A4944/32/2, 'Note of a meeting between U.K. Ministers and Commonwealth Ministers at the Dominions Office . . . 8th June, 1936

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national rayon conference to be appointed in Australia to enable Lancashire and Japan to sit down with one another and to divide up the available market between them'. Mr Bruce (now Australian High Commissioner) went further and used threats:

He wanted it to be realised that if Argentina were allowed her own way this time under the threat of reducing her purchases of United Kingdom goods, it would be quite impossible for Australia to continue her own recent policy of giving preference to United Kingdom cotton and rayon goods etc.

On June 12th MacDonalld informed Page and Menzies that Cabinet had met that morning and proposed that a duty of 3/4d. per pound be levied on foreign beef but not on Dominions beef, that the British Government should hand over the power of allocation to the international conference only after two years and that during that period imports from both Argentina and the Dominions would be confined to their present levels but that Argentina would be required to reduce her shipments of the more desired and more remunerative chilled beef in favour of frozen beef while the Dominions would be unfettered in the extent to which they could substitute chilled beef in place of frozen.⁵⁵ On June 17th Lyons cabled to the British Prime Minister that these proposals were 'deeply disappointing' and 'totally unacceptable' and that the two years' standstill at current levels followed by abandonment of allocation to an international conference was a complete abandonment of the commitment undertaken by the British Government at the Ottawa Conference to give the Dominions an expanding share of meat imports into the United Kingdom. In this telegram Lyons referred to the Japanese question:

As you are aware my Government recently introduced amendments and licensing systems which are severely and provocatively restrictive upon imports from certain foreign countries. As a result of these amendments we are at the moment engaged in very difficult and delicate position with regard to Japan whose trade representatives here have entirely ceased purchasing wool flour wheat and other commodities. So far all-Australia wool growers Council has temporarily refrained from condemnation of Government and Press with some exception is supporting Government. This restraint and support however are quite conditional on expectation that we shall succeed in endeavours we are making to reach friendly arrangements with Japan. We have also had protests from Government of U.S.A. and two other foreign countries. If we could not make satisfactory meat arrangements we could not justify our recent international tariff legislation . . .

I am not exaggerating when I say that if your Government's proposals made to Page and Menzies were published in Australia national sentiment would be deeply shocked and whole trade diversion

⁵⁵ Great Britain, Foreign Office, A5057/32/2.

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policy and my Government would be placed in hazardous position . . .⁵⁶

The High Commissioner in Canberra met Lyons and Gullett the following day, as a result of which he cabled that they had expressed the view that they were likely to be defeated when Parliament met early in September unless the opposition of primary interests could be averted. He considered that, despite the 'deplorable' way in which it was expressed, the telegram represented apprehension and disappointment that were both very strong and genuine.⁵⁷

In London Bruce called on MacDonald and repeated Lyons's arguments. If hopes for an expanding market for Australian products in the United Kingdom were dashed, feeling in Australia would be such that there would be a great agitation for the defeat of the textile tariff proposals. Australian Ministers would not accept any meat agreement which did not contain an all-over cut in foreign imports and an overall expansion in Dominion imports into the United Kingdom.⁵⁸

The United Kingdom still had some latitude in its negotiating position with Argentina. For she had not yet proposed to Argentina the formula proposed to Page and Menzies on June 12th. She was still negotiating there on the basis of a tougher formula — a 5 per cent net reduction in foreign chilled beef (i.e. a reduction not replaceable by any increase in frozen beef), to be carried out over a two year period.⁵⁹ Faced with such strong resistance by Australia to the June 12th proposals, the United Kingdom interdepartmental committee on the beef negotiations and the Dominions Secretary (MacDonald) both proposed on June 22nd that in the negotiations with Argentina the United Kingdom should continue to demand a 5 per cent net reduction in foreign chilled beef, but over a three year instead of a two year period, and an equivalent expansion in Dominion imports. This was accepted by the Cabinet Committee on Trade and Agriculture on June 24th.⁶⁰ In defending the proposal MacDonald informed the Committee that if they adhered to the position of June 12th the new textile duties 'stood every chance of defeat' in the Australian Parliament.⁶¹

⁵⁶ -- do -- A5185/32/2.

⁵⁷ -- do -- A5223/32/2.

⁵⁸ Great Britain, Cabinet, Committee on Trade and Agriculture, T.A.C.(36) 24, Memorandum by the Secretary of State for Dominion Affairs, 22 June 1936. [Public Record Office, CAB 27/620/8642].

⁵⁹ *ibid.*, T.A.C. (36). 20, Memorandum by the Official Committee on the Beef Negotiations, 22 June 1936 [Public Record Office, CAB 27/620/8642].

⁶⁰ *ibid.*, T.A.C. (36) 6th Mtg., Conclusions of the Sixth Meeting of the Committee, 24 June 1936. [Public Record Office, CAB 27/619/8642]. See also the cable from the Dominions Office to the U.K. High Commissioner Canberra, 25 June 1936 [Public Record Office, FO A5507/32/2].

⁶¹ *ibid.*, T.A.C. (36). 24 [Public Record Office, CAB 27/620/8642].

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The Australian Government was informed of its victory the following day.

It is perhaps surprising that Whiskard, MacDonald, and MacDonald's colleagues in Cabinet took at face value Lyons and Gullett's fears that the Australian Government would be defeated in the House on a combination of the meat and the Japanese trade issues. Murai in his cables and despatches to Tokyo argued that the Lyons Cabinet could not be brought down on its Japanese policy. He considered that the dissidents among the ministerialist back-benchers had the option of supporting the Government or being expelled from the Party. Since their interests and beliefs prevented their joining the Labor Party and since they lacked the numbers or the leadership to form a new party, they would toe the line. As regards the Opposition, it would be difficult for the Labor Party to launch a whole-hearted attack on the Government on this issue without appearing to abandon the policy of Protection. Nor would they choose to come to power on an issue which would require them when in office to demolish the Ottawa Agreement. As regards public opinion generally, he maintained that Australians, because life was easy for them and because of their good climate, were cheerful and care-free. They were inclined to be pleased that wool prices were high rather than indignant at the fact that they would be higher still if the Japanese boycott was ended.⁶² I found Murai's arguments so convincing that I suspected that, in their attempts to influence the British Government, Lyons and Gullett had expressed fears which they did not believe. The Lyons Papers, however, contain a record (in indirect speech) of a three-way discussion by telephone between Lyons and Gullett (in Canberra) and Page (in London) on June 24th which indicates that they were not dissembling.

Sir Henry Gullett advised Dr Page of the very critical position we are in with Japan at the moment. He mentioned that we have got an extraordinarily good press – probably the greatest press we have ever had on anything – but of course we would be entirely lost in the whole matter if we did not get restriction on foreign beef. Every Australian newspaper has rallied to the Government, and this Japanese question has submerged everything else; if we get a setback now, probably the Government would go. If we fail on this matter of beef, it will go a long way to destroy the whole Ottawa principle so far as it is popular in Australia. It will bring our whole case down . . .

The Prime Minister emphasised the dangers of the position if Australia did not get something worth while in the beef negotiations. If Britain lets us down in this the Government will be wrecked.⁶³

⁶² Murai to Foreign Minister: Telegram Kaisho 230/1 despatched 4/9/36; Despatch 380 despatched 15/9/36 (Japanese Ministry of Foreign Affairs Archives: B.2.0.0. J/B1 Vol. 4). [Australian National Library microfilm G.16169].

⁶³ Australian National Library, Ms 4851, Box 5, 'Trade and Customs 1932-36'.

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The difference between the forebodings of the Australian Ministers and Murai's more sanguine view of their position may be explained in part by the interval of time that separated them. Murai expressed his predictions in reports despatched on September 4th and September 15th (we do not know how he read the situation in June; for most of the reports he sent during the period January 1st to August 9th have not survived). Possibly it was because the British Government adopted the more conciliatory stand on beef that in September the number of dissidents among the U.A.P. and Country Party back-benchers was so small. Another factor may have been the unexpected strength of the wool market when the Sydney wool sales opened on August 31st.

The above would appear to establish that the British Government modified its policy on the meat question in important respects as a result of threats by the Australian Government that it would otherwise adopt a more conciliatory policy towards Japan on the textile question. This was a very successful piece of bargaining; for there is evidence that there was very little sympathy for the Australian stand on the meat question among British ministers and officials. We have Dalton's views in some detail and there is no reason for thinking that they were not widely held. Briefly, he considered that Britain's concessions on meat at Ottawa – to restrict supplies from Argentina and give Australia preferred treatment and the assurance of an expanding share of the United Kingdom market – were great concessions made in exchange for the promise of more generous treatment for British manufacturers in the Australian market than they were given to understand would be possible without such concessions. In return, in the Ottawa Agreement Australia undertook, besides granting certain margins of preference for British goods (Article 8), to lower protective duties by Tariff Board enquiries to levels that would afford United Kingdom producers full opportunity for reasonable competition (Articles 10 and 11). Instead the Tariff Board had, adopted criteria that made a mockery of this understanding. Dalton continued: . . . Australia's interpretation of Article 10 necessarily implies that new duties, even though they may be reductions of the old, may justifiably be prohibitive either in whole or in part; that interpretation therefore denies us (and would even in more prosperous times continue to deny us) the benefits which we anticipated and for which we gave in return benefits of immediate value to Australia.⁶⁴

⁶⁴ Great Britain, Board of Trade 11/647 – 'Memorandum prepared by H.M.'s Senior Trade Commissioner in Australia in connection with the forthcoming visit of an Australian delegation, 14 March 1935 [Public Record Office, London].

For the Tariff Board's interpretation of Articles 10 and 11 and the controversy surrounding it see D.B. Copland and C.V. Janes, *Australian Trade Policy: A Book of Documents 1932-1937* (Sydney: Angus & Robertson, 1937), pp. 101-120.

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When Lyons's cable of June 17th reached the Foreign Office the task of writing the initial minute on it fell to J.M. Troutbeck, the senior of the First Secretaries in the American Department.⁶⁵ On this occasion he wrote:

... There is a general feeling in Government circles (as was clear from the last meeting of the T[rade and]. A[griculture]. C[abinet]. Committee) that it is time to call a halt to Australian pretensions. It was felt that they have got into the habit of thinking that they can browbeat the United Kingdom Government who will, when it comes to the point, always give way to them. They have behaved very badly over this question of beef exports, and placed us in a most humiliating position vis-a-vis the Argentines, whom we eventually had to beg not to exercise their admitted rights under the Roca Agreement [i.e. the existing British treaty with Argentina – D.C.S.S.]. The feeling of the Committee was that it was time the Australians were told "where they get off"...

... if, after being offered further concessions, they still maintain their attitude of protest, it seems to me that the position should be explained to them in far plainer language than has been used hitherto. The language used at the T.A.C. meeting was very different from anything that has yet been used to the Australians so far as I am aware.

These views were apparently shared by the Permanent Under-Secretary himself, (Sir Robert Vansittart), for he minuted the paper 'Mr Troutbeck has written a very good minute, and I agree with his conclusions

...'⁶⁶

The fact that the basic decision to impose restrictions on Japanese textiles was taken on January 23rd, several months before Page and Menzies referred to the latter in their negotiations with the British Government, suggests to me that the textile restrictions were not adopted specifically as part of the tactics in the *meat* negotiations. Had the latter been the case, one might have expected the Australian Government to link the two issues when it initially informed the British Government of the textile restrictions. Rather, I think the purpose of the restrictions was, as Gullett stated in his speeches, to put Australia in a better position in all its negotiations, then and thereafter, regarding the entry of all Australia's primary products into the United Kingdom. Gullett has been criticised for taking the action he did against Japan without *first* securing a promise of a *quid-pro-quo* from the United Kingdom.⁶⁷ In the light of what transpired, I am not sure that such criticisms are completely justified. As regards her relations

⁶⁵ Subsequently Sir John Troutbeck, GBE, Head of the British Middle East Office (Cairo) (1947-50), Ambassador to Iraq (1951-54).

⁶⁶ Great Britain, Foreign Office, A5185/32/2. [Public Record Office FO371/19755].

⁶⁷ e.g. CPD, Vol. 151, p. 1003 Mr Forde (9/10/36). Masey, op. cit., p. 17.

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with Great Britain, was not what Australia did -- made a generous, unilateral gift and then, when after some time it was not reciprocated, indicated that such generosity was endangering our relations with Japan and could not continue unless requited -- was not this more appropriate for fostering the harmonious nature of relations within the family (as well as giving Australia greater flexibility as to where and when to seek concessions from Britain) than a more crude deal along the lines of 'You do this and we'll do that'? At the end of June there was still enough fluidity in the negotiations between Australia and Japan for Page and Menzies' threat to the British Government to be quite credible. Whether the hoped-for gains for these Australian products in the United Kingdom market could be of such magnitude as to justify risking Japanese retaliation against Australian wool and other Australian exports together with long term Japanese ill-will, is, of course, a different question which I shall be examining in a later paper.

END OF REPRINT

Manchester v. Japan: The imperial background of the
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