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CLARMOND

The Return of Mr. Chamberlain

The Chamberlains, father and son, championed the policy of ‘Imperial Preference’ to safeguard the British economic Empire. At present a reincarnation of ‘Imperial Preference’ titled the Trans-Pacific Partnership is making its way over the Pacific region to protect the American economic Empire.

WHISPER THE NAME CHAMBERLAIN and apparitions of appeasement and waving pieces of paper appear. However, over a century ago, only one Chamberlain mattered - Joseph, described by Winston Churchill, as “the man who made the weather.” Chamberlain’s ‘signature issue’ was tariff reform, known decades later as ‘Imperial Preference’. His goal was to make the Empire an imperial trading federation to counter protectionist tariffs from Germany and the United States, the Empire’s economic challengers. Nearly three decades later, in 1932, his second son, Neville, as Chancellor of the Exchequer ushered in the Import Duties Act that placed tariffs on non Commonwealth countries (read the United States), thus building a trade wall around Empire. Additionally, with Sterling coming off the gold standard in 1931, a double whammy was inflicted upon trade; the Duties Act would allow the Empire to settle all trade in sterling, preserving the currency’s ebbing reserve eminence.

The 1930’s were a successful economic decade for Empire with a devalued currency, a preferential trading bloc, and nearly zero interest rates; budget deficits were reduced and growth ran at 4%. Neville Chamberlain was the economic wizard of the day.

End of Empire

This economic progress smashed head first into war in 1939. Two years later Winston Churchill, as Prime Minister, negotiated with

President Roosevelt a War Loan known as Lend-Lease, “a contract between a desperate buyer and a monopoly seller.”

Article VII of Lend-Lease committed Britain to “the elimination of all forms of discriminatory tariffs.” Imperial Preference had lasted just a decade. John Maynard Keynes interpreted this ‘unsordid act’ as the Americans making a play for Britain’s post-war markets and crippling sterling as a reserve currency.

Keynes, who was on the British negotiation team, explained to Churchill that agreeing to this clause would lead to the end of the Empire and the collapse of sterling. Churchill’s goal was to survive the war and not to focus on a post war economic environment and he tried to counter these fears by conveying that his pen-pal Roosevelt would never enforce Article VII. Lend-Lease was signed; the war was won; two years later Britain and sterling were humbled. Keynes was correct. The Americans ever since have been in charge of global trade and the US dollar has reigned supreme in settlement of trade and financial assets.

A Great Walling of China

Fast forward to today and echoes of Joseph Chamberlain are beginning to ring in a little mentioned trade pact named the Trans-Pacific Partnership (TPP), that creates “a preferential trade structure for its members”; the participants all agree to settle their trade in US dollars. However, the United States has left out its main



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economic competitor in the region, China, from the discussions. Trade policy is being used to defend the dollar’s position in Asia; TPP is a no-renminbi zone, just as Imperial Preference was a no-dollar zone. Free trade, that the Americans wrested from the closed fist of Empire is once again being clenched; a new trade wall is being constructed, and this time by the Americans.

Does all this sound familiar? An Empire fearing its diminishing economic standing tries to rewrite the rules of the trade and currency game in its favour? The Trans Pacific Partnership is an announcement that America’s economic status in Asia is in need of protection. Asia, due to the TPP, will not use another currency for settlement in trade, and that exclusion is being applied to bring the Chinese currency manipulator to heel.

Joseph Chamberlain would cheer American efforts to maintain an Empire abroad in order, like him, to be a radical at home. But all it takes is one external event to fracture the economic wall built on weakness, as discovered by a later Mr. Chamberlain. ■