



PARAGUAY
LONDON

*The Foreign Office,
Commerce and British
Foreign Policy in the
Twentieth Century*

*Edited by JOHN FISHER,
EFFIE G. H. PEDALIU and
RICHARD SMITH*



The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century

John Fisher • Effie G.H. Pedaliu • Richard Smith
Editors

The Foreign Office, Commerce and British Foreign Policy in the Twentieth Century

palgrave
macmillan

Editors

John Fisher
School of History
University of the West of England
Bristol, United Kingdom

Richard Smith
Foreign & Commonwealth Office
London, United Kingdom

Effie G.H. Pedaliu
LSE, LSE IDEAS
London, United Kingdom

ISBN 978-1-137-46580-1 ISBN 978-1-137-46581-8 (eBook)
DOI 10.1057/978-1-137-46581-8

Library of Congress Control Number: 2016956478

© The Editor(s) (if applicable) and The Author(s) 2016

The author(s) has/have asserted their right(s) to be identified as the author(s) of this work in accordance with the Copyright, Designs and Patents Act 1988.

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made.

Cover illustration: © Heritage Image Partnership Ltd/Alamy Stock Photo

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Macmillan Publishers Ltd.

The registered company address is: The Campus, 4 Crinan Street, London, N1 9XW,
United Kingdom

CONTENTS

1	Introduction	1
	John Fisher, Effie Pedaliu, and Richard Smith	
2	“A Kind of Black Hole”?: Commercial Diplomacy Before 1914	25
	T.G. Otte	
3	In Pursuit of National Security: The Foreign Office and Middle Eastern Oil, 1908–39	69
	Fiona Venn	
4	The De Bunsen Mission to South America, 1918	89
	John Fisher	
5	The Age of Illusion? The Department of Overseas Trade Between the Two World Wars: Three Case Studies	115
	Miklos Lojko	
6	Sir Ronald Lindsay, the British Government and the Reparation (Recovery) Act, 1927–8	141
	Gaynor Johnson	

- 7 Imperial Solutions to International Crises: Alliances, Trade and the Ottawa Imperial Economic Conference of 1932** 165
Francine McKenzie
- 8 The Foreign Office, Foreign Policy and Commerce: Anglo-German Relations in the 1930s** 189
Neil Forbes
- 9 ‘The Jackal’s Share’: Whitehall, the City of London and British Policy Towards the Sino-Japanese War, 1937–9** 211
Antony Best
- 10 British Industry and US–UK Economic Diplomacy During the Second World War** 233
Thomas C. Mills
- 11 Power Relations: The Foreign Office, the Board of Trade and the Development of Civil Nuclear Power, 1945–70** 253
Stephen Twigge
- 12 ‘Keeping Her Powder Dry’: Turkey’s Commercial Ties with Britain in the 1940s** 277
Aysegul Sever
- 13 The Foreign Office, the Board of Trade and Anglo-Italian Relations in the Aftermath of the Second World War** 297
Effic G.H. Pedaliu
- 14 Britain and Antarctica: Keeping the Economic Dimension in Its Place** 323
Peter J. Beck

- 15 **Anglo-Spanish Commercial Relations, 1946–50** 345
Víctor Gavín
- 16 **When Strategic Foreign Policy Considerations Did Not
Trump Economics: British Cold War Policies on
East-West Trade** 361
Alan Dobson
- 17 **The Business of Decolonization: The Foreign Office,
British Business, and the End of Empire in Kuwait
and Qatar** 381
Simon C. Smith
- 18 **The Foreign Office and Preparing for the First United
Nations Conference on Trade and Development** 401
Edward Johnson
- 19 **Commerce as a British Cold War ‘Heresy’: The
Intra-NATO Debate on Trade with the Soviet Bloc,
1962–5** 421
Evanthis Hatzivassiliou
- 20 **Oil: Too Important to be Left to the Oilmen?
Britain and the First Oil Crisis, 1970–3** 443
Francesco Petrini
- 21 **British Policy Towards Socialist Countries in the 1970s:
Trade as a Cornerstone of Détente** 465
Angela Romano
- 22 **‘Paying Our Way in the World’: The FCO, Export
Promotion and Iran in the 1970s** 487
Richard Smith

23	Thwarting Thatcher: Britain, Nigeria and the Rhodesian Crisis in 1979	507
	William Bishop	
24	Missing the ‘Klondike Rush?’ British Trade with China 1971–9 and the Politics of Defence Sales	527
	Ed Hampshire	
25	Commercial Diplomatic Policy and Practice: a practitioner’s perspective	555
	Roger Carrick	
	Index	575

LIST OF CONTRIBUTORS

Peter J. Beck Emeritus Professor of International History at Kingston University, is the author of *Antarctica in International Politics* (1986; 2014) and has published some 30 articles in *Polar Record*, the journal of Cambridge's Scott Polar Research Institute. Articles on Antarctica have been published in such journals as *International Affairs*, *The World Today*, *Contexto Internacional* (Brazil), *El Derecho* (Argentina), *The Australian Journal of Politics and History*, *Boundary and Security Bulletin*, *History Today* and most recently in *The Historian* (July 2012). His most recent books are *Presenting History: Past and Present* (2012) and *The War of the Worlds: from H.G. Wells to Orson Welles, Jeff Wayne, Steven Spielberg and Beyond* (2016).

Antony Best is Associate Professor in international history at the London School of Economics. He is the author of *Britain, Japan and Pearl Harbor: Avoiding War in East Asia, 1936–1941* (1995) and *British Intelligence and the Japanese Challenge in Asia, 1914–1941* (2002) and co-author of *International History of the Twentieth Century and Beyond*, 2nd edition (2008) (co-written with J. Hanhimaki, J. Maiolo and K.E. Schulze).

William Bishop is a history teacher at Casady School. He earned his PhD from Vanderbilt in August 2012. His current book project, *Diplomacy in Black and White: America and the Search for Zimbabwean Independence, 1965–1980*, provides a transnational account of the international negotiations that led to the end of white minority rule in Rhodesia and the birth of modern Zimbabwe.

Sir Roger Carrick KCMG LVO FRGS is a former British diplomat. His overseas postings were at Sofia, Paris, Singapore, Washington, as Consul-General in Chicago; Indonesia, where he served as Ambassador; and High Commissioner to Australia. His posts at the Foreign Office included Assistant Under-Secretary of

State (Economic). His published works include: *East-West Technology Transfer in Perspective*, University of California Berkeley, 1978; *RolleroundOz*, Allen & Unwin, 1998; *London Papers in Australian Studies No.17: Admiral Arthur Phillip RN: a British View*, Menzies Centre for Australian Studies, King's College London, 2011; and *Diplomatic Anecdoteage*, Elliott & Thompson, 2012.

Alan Dobson is an honorary Professor at Swansea University. From 2011–2014 he held an honorary Chair at St Andrews University and before that he was Professor of Politics at Dundee University, 1999–2011. He held a Senior Research Fellowship at the Nobel Institute, Oslo, 1997; the Lenna Fellowship St. Bonaventure University, NY, 2005; and a Distinguished Visiting Research Professor Fellowship at the McBride Center for International Business Studies, Baylor University, Texas, 2008, where he was also a Fulbright Visiting Scholar in 2012. He is editor of the *Journal of Transatlantic Studies* and was Chair of the Transatlantic Studies Association from its inception until 2013. In January 2017 he will become the editor of *The International History Review*. In 2014 he won the 2014 annual “Virginia Military Institute Cold War Essay Contest Sponsored by the John A. Adams Centre for Military History and Strategic Analysis”. He has published extensively on Anglo-American relations, economic warfare and the politics and diplomacy of the international airline system. Recent publications include *FDR and Civil Aviation* (New York, 2011); *Globalization and Regional Integration: the Origins, Development and Impact of the Single European Aviation Market* (2007), and co-editor with Steve Marsh, *Anglo-American Relations: Contemporary Perspectives* (2012).

John Fisher is Senior Lecturer in International History at the University of the West of England. His publications have focused on British interests in the Middle East and North Africa and upon aspects of British foreign policy more generally, in the period c.1870 to 1930.

Neil Forbes is Professor of International History at Coventry University. His research interests focus on the history of international political and economic relations in the nineteenth and twentieth centuries. He has published widely on the processes of financial stabilization in Europe after 1918, Anglo-American relations and the rise of the Third Reich, and the interaction of foreign policy formulation and diplomacy with a range of commercial and financial actors. His recent publications include articles in *Business History* and *Economic History Yearbook*.

Víctor Gavín is Professor of Contemporary History at the University of Barcelona, Spain. His publications include *Europa Unida. Orígenes de un malentendido consciente* (2007) and *Democrazie. L'Europa meridionale e la fine delle dittature* (2010) as well as book chapters in *Ennemi juré, ennemi naturel, ennemi héréditaire. Construction et instrumentalisation de la figure de l'ennemi. La France et ses adversaires (XIV^e–XX^e siècles)*, edited by Jörg Ulbert (2011); *A*

History of Franco-German Relations in Europe. From 'Hereditary Enemies' to Partners, edited by Carine Germond and Hening Türk (2008) and *Communauté Européenne, Communauté Atlantique?*, edited by Gérard Bossuat, Valérie Aubourg and Giles Scott-Smith (2008). He has published articles on the history of European integration and the transatlantic relationship.

Edward Hampshire is a senior lecturer at the Royal Military Academy Sandhurst having spent ten years at the Public Record Office and National Archives, latterly as Principal Records Specialist with responsibility for diplomatic, colonial and intelligence records. He has written on international, defence and intelligence history, as well as on archives policy. He is currently on secondment to the Joint Services Command and Staff College, Shrivenham.

Evanthis Hatzivassiliou is Professor of Contemporary History at the University of Athens. He is author of *Greece and the Cold War: Frontline State, 1952–1967* (2006) and *NATO and Western Perceptions of the Soviet Bloc: Alliance Analysis and Reporting* (2014). He is a member of the Academic Committee of the Foundation for Parliamentarism and Democracy of the Greek Parliament, of the Academic Committee of the Constantinos Karamanlis Institute for Democracy, and of the Greek-Turkish forum.

Edward Johnson is a Reader in Politics at Birmingham City University, UK. His main research interests are post-war British foreign policy and British policy at the United Nations. He is the co-editor (with Keith Hamilton) of *Arms and Disarmament in Diplomacy* (2008) and has written a range of journal articles on amongst other subjects: British policy in the UN at Suez; Anglo-US relations over Cyprus; Anglo-US relations over the Atomic Energy issue; the first Wilson government's search for a world role; the UN Military Staff Committee and the British government and Dag Hammarskjöld. From 2002 to 2015, he was vice-chair of the British International History Group of the British International Studies Association.

Gaynor Johnson is Professor of History at the University of Kent. Her publications include *Lord Robert Cecil: Politician and Internationalist* (2013), *The Foreign Office and British Diplomacy in the Twentieth Century* (2004) and *The Berlin Embassy of Lord D'Abernon, 1920–1926* (2002).

Miklos Lojko is Associate Professor of Modern History and at Eotvos Lorand University, Budapest and formerly at the Central European University. His publications mainly examine British diplomacy and economic policy towards Central and South Eastern Europe during the inter-war years. They include *Meddling in Middle Europe: 'Britain and the Lands Between', 1919–1925* (2006) and 'Retrenchment at Home and Abroad: The political, economic and intellectual background to the British retreat from Central Europe and the Balkans in the early interwar years,' *European Journal of English Studies* (2010).

Francine McKenzie is Professor of History at the University of Western Ontario. She works on the history of the Commonwealth, the history of global trade, and Canada's international history. She is the author of *Redefining the Bonds of Commonwealth, 1939–1948: The Politics of Preference* (2002) and the co-editor of *Parties Long Estranged: Canada and Australia in the Twentieth Century* (2003) and *A Global History of Trade and Conflict Since 1500* (2013).

Thomas C. Mills is a Lecturer in Diplomacy and Foreign Policy at Lancaster University. His research lies in the field of international history in the twentieth century, with a particular interest in US foreign policy. His publications include 'Anglo-American Economic Diplomacy During the Second World War and the Electrification of the Central Brazilian Railway', *Diplomacy & Statecraft* (March 2009), 'The "Hemisphere Isolationists" and Anglo-American Economic Diplomacy during the Second World War', *Journal of Transatlantic Studies* (March 2011), and *Post-War Planning on the Periphery: Anglo-American Economic Diplomacy in South America, 1939–1945* (2012).

T.G. Otte is Professor of Diplomatic History at the University of East Anglia. His recent books include *The Foreign Office Mind: The Making of British Foreign Policy, 1865–1914* (2011) and *July 1914: Europe's Descent into World War* (2015).

Effie G.H. Pedaliu is a Fellow at LSE IDEAS having previously held posts at LSE, KCL and UWE. She is the author of *Britain, Italy and the Origins of the Cold War* (Palgrave Macmillan, 2003) and the co-editor of *Britain in Global Affairs, Volume 2: From Churchill to Blair* (Palgrave Macmillan, 2013). She is also a co-editor of the Palgrave Macmillan book series, *Security Conflict and Cooperation in the Contemporary World*. She has published numerous articles on the Cold War in *Diplomatic History*, *International History Review*, *Journal of Contemporary History*, *Cold War History* and *Diplomacy & Statecraft*. She is a regular contributor to the Greek broadsheet *Kathimerini on Sunday*. She is a member of the peer review college of the Arts and Humanities Research Council and a co-convenor of the International History Seminar (Institute of Historical Research).

Francesco Petrini is Senior Research Fellow at the Department of Political Sciences, Law and International Studies of the University of Padua, where he teaches Diplomatic History. His main research interests are on the interactions between the economic and social structure and the international system. He has published books and articles on the history of European integration and on Italy's role in this; on the end of the 'Golden Age' and the role of social forces; and on the history of the oil industry in the twentieth century.

Angela Romano is Senior Research Fellow at the EUI and project manager in the ERC-funded project '*Looking West: The European Socialist Regimes Facing Pan-European Cooperation and the European Community*' (or *PanEur1970s*). She has been Honorary Research Fellow at the University of Glasgow, Marie Curie

Fellow at LSE International History Department, and Jean Monnet Fellow at the EUI. Her main research interests include Cold War, EC/EU's external relations, integration processes in Europe, the CSCE process, and transatlantic relations. Her publications include, *From Détente in Europe to European Détente. How the West Shaped the Helsinki CSCE* (2009), and 'Untying Cold War knots: The European Community and Eastern Europe in the long 1970s', *Cold War History* (2014). She is finalizing her second monograph (2017) which analyses the role of the EC in Cold War Europe (1969–83).

Aysegul Sever is Professor of International Relations at Marmara University in Istanbul, Turkey. Her areas of interest include the international politics of the Middle East, Cold War History, and Turkey's Middle East and foreign policies. She has published widely on Turkish foreign policy in the Cold War. Her publications include 'A Reluctant Partner of the US over Suez? Turkey and the Suez Crisis', in *Reassessing Suez*, ed., Simon C. Smith (2008); 'Turquie/Syrie: De Rapprochements En Désillusions' ('Turkey/Syria: From Rapprochement to Disillusion'), in Dorothee Schmid (ed.), *La Turquie au Moyen-Orient* (2011), *Turkey's Middle East Relations – A Conceptual and Case Based Analysis* (2012) (in Turkish); "'Power led' outside intervention in the Kurdish politics in Iraq and Turkey in the early 1970s", *Middle Eastern Studies* (March 2013); 'Turkish perception of the Mediterranean and Euro-Mediterranean Relations in the 1980s', *Journal of Mediterranean Studies* (April 2015).

Richard Smith is Senior Historian at the Foreign and Commonwealth Office and editor of *Documents on British Policy Overseas* (DBPO). He recently edited (with S. Twigg) DBPO; Series III, Vol. 8: *The Invasion of Afghanistan and UK-Soviet Relations 1979–82* (2012) and is currently editing a volume on UK relations with communist Europe in the early 1980s.

Simon C. Smith is Professor of International History at the University of Hull. His publications include *British Relations with the Malay Rulers from Decentralization to Malayan Independence, 1930–1957* (1995); *British Imperialism, 1750–1970* (1998); *Kuwait, 1950–1965: Britain, the al-Sabah and Oil* (1999); *Britain's Revival and Fall in the Gulf: Kuwait, Bahrain, Qatar, and the Trucial States, 1950–1971* (2004); *British Documents on the End of Empire: Malta* (2006); *Reassessing Suez: New Perspectives on the Crisis and its Aftermath* (2008); *Ending Empire in the Middle East: Britain, the United States and Post-war Decolonization, 1945–1973* (2012); *The Wilson-Johnson Correspondence, 1964–1969* (2015).

Stephen Twigg is Head of Modern Collections at the National Archives. He has recently returned following a secondment at the Foreign and Commonwealth Office where he was responsible for editing two volumes of *Documents on British Policy Overseas: German Unification 1989–90, Berlin in the Cold War 1948–1990*. Stephen was formerly a Post Doctoral Fellow at the Department of International

Politics, University of Wales, Aberystwyth and is a Fellow of the Royal Historical Society. He has published a number of books and articles on cold war history including (with Ed Hampshire and Graham Macklin) *British Intelligence: Secrets, spies and sources* (2009); (with Susanna Schrafstetter) *Avoiding Armageddon: Western Europe, the United States, and the Struggle for Nuclear Non-proliferation, 1945–1970* (2004) and (with Len Scott) *Planning Armageddon. Britain, the United States and the Command of Western Nuclear Forces, 1945–1964* (1999).

Fiona Venn was formerly Senior Lecturer at the University of Essex, where she taught international and United States' history. Her research interests focus on oil diplomacy, in particular its impact upon Anglo-American relations. She has published widely on the Anglo-American oil war during the period 1912–45, and its significance for the world oil industry. Her books on oil diplomacy more generally include *Oil Diplomacy in the Twentieth Century* (1986) and *The Oil Crisis* (2002).

ABBREVIATIONS¹

ARCHIVES/LIBRARIES

BL	British Library, London
Bodl.	Bodleian Library, Oxford
BoE	Bank of England Archive, London
CACC	Churchill Archives Centre, Cambridge
CUL	The University Library, Cambridge
HSBCA	HSBC Archive, London
LA	Lancashire Archives, Preston
LBA	Lloyds Bank Archive, London
LMA	London Metropolitan Archive
LRO	Liverpool Record Office
MRC	Modern Records Centre, Warwick
NARA	National Archives and Records Administration, Washington, DC
NAS	National Archives of Scotland, Edinburgh
NATO	(in references) International Staff, NATO Archives, Brussels
OIOC	Oriental and India Office Collections, British Library
RBS	Royal Bank of Scotland Archives, Edinburgh
TNA	The National Archives, Kew, London
ULL	University of London Library
UNIPA	United National Independence Archive, Lusaka

GOVERNMENT DEPARTMENTS/THEIR PAPERS, OFFICIAL POSITIONS, NON-GOVERNMENTAL BODIES, OFFICIAL INITIATIVES

AB	United Kingdom Atomic Energy Authority Papers, TNA
AFT	Aid for Trade

AGIP	Azienda Generale Italiana Petroli
AIOC	Anglo-Iranian Oil Company
AIR	Ministry of Air Papers, TNA
ANIC	Azienda Nazionale Idrogenazione Combustibili
APAG	Atlantic Policy Advisory Group
APOC	Anglo-Persian Oil Company
Aski	Ausländer Sonderkonten für Inlandszahlungen
ATPs	Antarctic Treaty Parties
ATS	Antarctic Treaty System
AUS	Assistant Under-Secretary (Foreign Office)
BAS	British Antarctic Survey
BAT	British Antarctic Territory
BDOHP	British Diplomatic Oral History Project
BIS	Department for Business, Innovation and Skills
BL	British Leyland
BOT	British Overseas Territory
BOTB	British Overseas Trade Board
BP	British Petroleum
BSC	British Steel Corporation
BT	Board of Trade Papers, TNA
BTDO	British Trade Development Office
CAB	Cabinet Office Papers, TNA
CBI	Confederation of British Industry
CCP	Common Commercial Policy
CDS	Commercial Diplomatic Service
CGT	Confédération Général du Travail
CMEA	Council for Mutual Economic Assistance
CO	Colonial Office Papers, TNA
CoCom	Coordinating Committee for Multilateral Export Controls
CPRS	Central Policy Review Staff
CRE	Commercial Relations and Exports Division (of the Board of Trade)
CSCE	Conference on Security and Cooperation in Europe
DEFE	Records of the Ministry of Defence, TNA
DESA	Department of Economic and Social Affairs (of the UN)
DO	Dominions Office records, TNA
DOI	Department of Industry
DoT	Department of Overseas Trade
D&RD	Development and Research Division, DoT
DSO	Defence Sales Organisation, Ministry of Defence
DT	Department of Trade
DTI	Department of Trade and Industry

ECA	Economic Cooperation Administration
ECGD	Export Credits Guarantee Department
ECLA	Economic Commission for Latin America (of the UN)
EEC	European Economic Community
EESD	Eastern European and Soviet Department (of the FCO)
EG	Department of Energy Papers, TNA
EPC	European Political Cooperation
ERP	European Recovery Programme
FBI	Federation of British Industries
FCO	Foreign and Commonwealth Office (records, TNA)
FID	Falkland Islands Dependencies
FO	Foreign Office (records, TNA)
FTD	Foreign Trade Department (of the Foreign Office)
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HCFAC	House of Commons Foreign Affairs Committee
HSBC	Hong Kong and Shanghai Bank
IAATO	International Association of Antarctica Tour Operators
IAEA	International Atomic Energy Agency
IMF	International Monetary Fund
ITO	International Trade Organization
LCC	London Chamber of Commerce
MED	Middle East Department (of the Foreign Office)
MPLA	Movimento Popular de Libertação de Angola
MUN	Papers of the Ministry of Munitions, TNA
NAC	North Atlantic Council
NEP	New Economic Policy
NPT	Non Proliferation Treaty
OAU	Organization of African Unity
OD	Oil Department (of the FCO)
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
ONC	Overseas Negotiations Committee
OPD	Overseas Policy and Defence Committee (of the British Cabinet)
OPEC	Organization of the Petroleum Exporting Countries
OPIC	Organization of Petroleum Importing Countries
PCI	Partito Comunista Italiano (Italian communist party)
PJ	Records of Department of Trade and Department of Trade and Industry, TNA
POWE	Records created or inherited by the Ministry of Power and of related bodies
PPD	Personnel Policy Department (of the FCO)

PREM	Records of the Prime Minister's Office, TNA
PSIUP	Partito Socialista Italiano di Unità Proletaria (Italian Socialist party of Proletarian Unity)
PUS	Permanent Under-Secretary
RDA	Regional Development Authorities
REPC	Reactor Export Policy Committee
RPP	Republican People's Party (Turkey)
T	Records of the Treasury, TNA
TPC	Turkish Petroleum Company
TRED	Trade Relations and Exports Department (of the Foreign Office)
TUC	Trades Union Congress
UKAHT	United Kingdom Antarctic Heritage Trust
UKTI	United Kingdom Trade & Investment
UNCLOS	United Nations Convention on the Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
VSTOL	Vertical/Short Take-Off and Landing fighter
WFTU	World Federation of Trade Unions
WWF	World Wildlife Fund

JOURNALS/COLLECTIONS OF DOCUMENTS/PUBLICATIONS

AAPD	<i>Akten zur Auswärtigen Politik der Bundesrepublik Deutschland</i>
AHR	<i>American Historical Review</i>
AJIL	<i>American Journal of International Law</i>
AJPH	<i>Australian Journal of Politics and History</i>
ASJ	<i>Asian Studies Journal</i>
BHR	<i>Business History Review</i>
BIHR	<i>Bulletin of the Institute of Historical Research</i>
BSB	<i>Boundary and Security Briefing</i>
CEH	<i>Central European History</i>
CHJ	<i>Cambridge Historical Journal</i>
CJH	<i>Canadian Journal of History</i>
CoEH	<i>Contemporary European History</i>
CQ	<i>China Quarterly</i>
CWH	<i>Cold War History</i>
D&S	<i>Diplomacy & Statecraft</i>
DBFP	<i>Documents on British Foreign Policy</i>
DBPO	<i>Documents on British Policy Overseas</i>
DH	<i>Diplomatic History</i>
EcHR	<i>Economic History Review</i>
Econ.	<i>The Economist</i>
EHQ	<i>European History Quarterly</i>

FRUS	<i>Foreign Relations of the United States</i>
HJ	<i>Historical Journal</i>
HS	<i>Historical Studies</i>
HSR	<i>Historical Social Research</i>
HT	<i>History Today</i>
IA	<i>International Affairs</i>
IHR	<i>International History Review</i>
IO	<i>International Organization</i>
IR	<i>Imperial Review</i>
JAfH	<i>Journal of African History</i>
JAH	<i>Journal of American History</i>
JBS	<i>Journal of British Studies</i>
JCH	<i>Journal of Contemporary History</i>
JCWS	<i>Journal of Cold War Studies</i>
JEH	<i>Journal of Economic History</i>
JEIH	<i>Journal of European Integration History</i>
JICH	<i>Journal of Imperial and Commonwealth History</i>
JMIS	<i>Journal of Modern Italian Studies</i>
JPA	<i>Journal of Public Administration</i>
JSS	<i>Journal of Strategic Studies</i>
JTS	<i>Journal of Transatlantic Studies</i>
KS	<i>Kokusai Seiji</i>
MAS	<i>Modern Asian Studies</i>
MEES	<i>Middle East Economic Survey</i>
MES	<i>Middle Eastern Studies</i>
MI	<i>Modern Italy</i>
PIW	<i>Petroleum Intelligence Weekly</i>
P&P	<i>Past and Present</i>
PR	<i>Polar Record</i>
RIS	<i>Review of International Studies</i>
TCBH	<i>Twentieth Century British History</i>
TJSF	<i>The Journal of Social Forces</i>
TRHS	<i>Transactions of the Royal Historical Society</i>
TRINA	<i>Transactions of the Royal Institution of Naval Architects</i>
TS	<i>Turkish Studies</i>

NOTE

1. Unless otherwise noted, all books are published in London.

LIST OF FIGURES

- Fig. 7.1 Main exports of the dominions in the 1930
(% of total exports) (Canada Yearbook, 1943–44.
Official Yearbook of the Commonwealth of Australia,
1932; New Zealand Official yearbook 1933;
B. R. Mitchell, International Historical Statistics:
Africa, Asia & Oceania 1750–1993 (3rd edition,
New York/Basingstoke: Palgrave Macmillan, 1998)) 168
- Fig. 7.2 Dominion exports to Britain (% of total) (B. R. Mitchell,
International Historical Statistics: The Americas
1750–1993 (4th edition, Basingstoke:
Palgrave Macmillan, 1998); Mitchell, International
Historical Statistics: Africa, Asia and Oceania 1750–1993) 169
- Fig. 7.3 Dominion imports from Britain (% of total) 169

Introduction

John Fisher, Effie Pedaliu, and Richard Smith

On the eve of his departure from office in July 2016, Prime Minister David Cameron declared that the Foreign and Commonwealth Office (FCO) was now much more commercially minded than it was when he came to power.¹ ‘Six years ago’, he said, ‘I gave some very clear instructions to the Foreign and Commonwealth Office. To our diplomats and our staff overseas I said: you are also our trade envoys. To our embassies and high commissions I said: you are the shop windows for Britain.’² Back in 2010 the British Government declared that it intended to lead the country out of recession through an export led recovery, with British foreign policy becoming more commercially focused and British diplomats playing a role in facilitating this export drive.³ One of the FCO’s three foreign policy priorities, along with safeguarding the UK’s national security and supporting British nationals abroad, was to build the UK’s prosperity by increasing exports and investment, opening markets, ensuring access

J. Fisher (✉)
University of the West of England, Bristol, UK

E. Pedaliu
London School of Economics, London, UK

R. Smith
Foreign and Commonwealth Office, London, UK

to resources and promoting sustainable global growth.⁴ Many diplomats would say that it was ever thus; that every government invents commercial work when it comes into office. Diplomats have always had an important role in creating markets, both by removing barriers to trade and developing the international rules-based economic system, and also by supporting UK firms through the provision of commercial intelligence. But the target to effectively double the value of the UK's exports by 2020—to £1 trillion—revealed a scale of ambition not seen since the 1960s and 1970s when worsening balance of payment figures made exports a political priority and a number of high-profile inquiries—Plowden, Duncan and Berrill—pushed trade promotion up the Foreign Office agenda. The trade agenda has been elevated even further with the UK's decision, in a referendum of 23 June 2016, to leave the European Union (EU). Brexit will bring new opportunities for British trade but also huge challenges, with new trade agreements needed with other countries to replace those lost when the UK eventually leaves the EU, and an even greater emphasis is likely to be placed on government support.

This fresh emphasis on commercial objectives once again brings into focus the relationship between the Foreign Office and commerce. This volume looks at aspects of this question as it considers the interface of British foreign policy and commerce in the twentieth century. The century saw a change in the attitude of Foreign Secretaries and their staff, at home and overseas, towards commercial interests; sometimes willingly, often reluctantly. It saw institutional and structural changes in how economic and commercial work was handled both within the Foreign Office and embassies, and within Whitehall more generally. It saw Britain having to come to terms with a century of industrial and economic decline, relative or otherwise. The century also saw trade and commerce becoming an inseparable element of foreign and security policies, whether dealing with Germany and Japan during the 1930s or the Soviet bloc during the Cold War.

* * *

Governments have always acknowledged the importance of trade and commerce to Britain. 'British policy is British trade' declared Pitt the Younger.⁵ In a Commons debate on the consular establishment in 1842 Disraeli argued that any distinction between political and commercial interests 'was fanciful and arbitrary; incapable of definition, and defying analysis'.⁶ But the exact limits and nature of assistance rendered by government to British commercial interests overseas are more problematical.

For much of the nineteenth century the Foreign Office took a narrow view of its responsibilities towards British trade and investment. It believed that its primary function was to secure equal opportunities for British trade in the markets of the world rather than assisting individual merchants.⁷ This reluctance to intervene came partly from the prevailing orthodoxy of the day: the policy of free trade and economic *laissez-faire*, which deemed that British merchants should be left to prosper by their own skill and initiative. It also stemmed from the fact that the aristocratic diplomatic class had come to consider commercial activity as something beneath their status. This stigma continued even as recruitment opened up to the professional middle classes. Postings where the work was seen as being predominantly commercial in character, rather than political, such as in Latin America, were viewed less as a stepping-stone in a career path than a tombstone.⁸ A Commercial Department was established in the Foreign Office in 1865 but was underpowered in terms of resources and support and relied heavily on the Board of Trade, the department responsible for commercial policy, for advice.⁹ In addition, British consuls also had a principal duty to protect and promote British trading interests overseas by ‘fair and proper means’, but the consular service was underpaid and understaffed and its performance varied in different parts of the world. Furthermore, the range of functions consuls were expected to perform grew steadily during the nineteenth century to cover notarial, shipping and state duties.¹⁰

The issue of state support became of increasing concern from the 1870s when Britain’s early industrial lead began to wane and manufacturers and traders faced increased competition from other countries. The UK share of world export of manufactures peaked during that decade at around 46 per cent but this fell to 28 per cent by 1913.¹¹ Periodic inquiries saw the diplomatic and consular service face calls for better support to be made available to the commercial community. The Foreign Office began appointing commercial attachés in 1880 and by 1914 there were eight of them, based in Paris, Constantinople, Tokyo, Peking, Frankfurt-on-Main and three in London (covering Austria-Hungary, Italy and Greece, Russia, and Spain and Portugal).¹² But their duties were broad and their remits were wide, and they still did not include direct assistance to individual traders.¹³ A Royal Commission on the Civil Service reported in 1914 and recommended reforming the consular service and making better use of commercial attachés, but these changes were delayed due to the outbreak of the First World War.¹⁴

During the war the Foreign Office became intimately involved with economic issues through the blockade of the Central Powers, first through the Contraband Department and later the Ministry of Blockade, which was nominally under the control of the Foreign Office and staffed by its personnel.¹⁵ Its administrative head was the indefatigable Sir Eyre Crowe, whose father, Sir Joseph Crowe, had been the first commercial attaché. The dislocation of British export trade during the war, increased competition from the USA and fears of a post-war German trade revival meant that the recovery of trade was a matter of urgency. The issue of commercial intelligence, both its collection abroad and its dissemination at home, became of paramount importance too. It was obvious to Crowe, and others, that commercial affairs could no longer be separated from normal diplomatic work as had been the case before the war.¹⁶ However, the Foreign Office and the Board of Trade clashed over whether the promotion of commercial interests overseas was part of foreign or commercial policy. The Board of Trade suggested that the consular service and the commercial functions of embassies and legations should be transferred to them, prompting the Foreign Secretary to write to the President of the Board of Trade that the Foreign Office should not be abolished without a hearing.¹⁷ Businessmen feared that commercial issues would be too isolated from political concerns if the work was concentrated in the Board of Trade and thought the Foreign Office was best suited to dealing with commercial questions in foreign countries, if the commercial side of the Foreign Office could be developed along more efficient lines.¹⁸

In 1917 a committee was appointed to investigate the problem, but the committee split over the question of collating and distributing commercial intelligence. Some of its members wanted the function to be transferred to the Foreign Office on the basis that it was in the national interest that those in charge of foreign affairs were kept in close and constant touch with commercial requirements. Others argued for the status quo, believing that closer co-operation between both departments could overcome the problems of dual control.¹⁹ Yet it was this dual system that the business community saw as the worst feature of the old system and the underlying cause of nearly all the inefficiency and the lack of energy they complained of.²⁰ A compromise solution was adopted with the creation of a Department for Overseas Trade (DoT), jointly controlled by the Foreign Office and the Board of Trade, with the remit to improve the promotion of British trade abroad and the dissemination of commercial information at home.²¹ The Department had an Overseas and a UK Division. The former was subdivided geographically and responsible for administering overseas

services and collating economic and commercial information received; whilst the latter analysed reports from abroad from the point of view of benefiting industries at home. However, instead of unifying and simplifying commercial procedure all three departments simply overlapped.²²

Due to the unsettled state of affairs a committee was appointed in 1919, headed by Lord Cave, to determine the future of the system. The committee heard evidence from Sir Auckland Geddes, the President of the Board of Trade, who advocated the creation of a new ‘Ministry of Commerce’ combining both the DoT and the Consular Department with the Board of Trade. Sir Eyre Crowe, who returned from the Peace Conference in Paris specially to give evidence, recommended that the DoT be transferred to the Foreign Office, thus combining foreign trade with foreign policy. Representatives from the Chambers of Commerce and the Federation of British Industries (FBI) expressed the view that separating commercial from political work would be disastrous. Due to its prestige abroad the best policy would be for the Foreign Office to be ‘commercialized’ and to take control of foreign commercial policy. However, the Cave Committee merely confirmed the status quo and recommended that the present system of dual control continue but that a standing committee should be established to facilitate discussion between all three departments. The consular and commercial departments of the Foreign Office should be transferred to the DoT along with the commercial diplomatic service (created in 1918 to replace the commercial attaché service).²³

Despite the best of intentions, the post-war reforms served to increase the separation between trade and foreign policy. The Foreign Office became increasingly estranged from commercial work. The DoT now oversaw the commercial diplomatic service (CDS), which operated in foreign countries, and the trade commission service (which had operated in Dominion countries from 1908) although their instructions were issued in the name of the Foreign Secretary and the President of the Board of Trade respectively. Officers in the CDS were recruited from the consular service or business and were attached to British missions. Officers held titles corresponding to those in the Diplomatic Service—commercial counsellors and secretaries—but were described as being ‘of’ rather than ‘in’ the Diplomatic Service,²⁴ reinforcing the impression that trade was on a separate, lower level to political issues. The CDS took responsibility for commercial matters from their colleagues in the Diplomatic Service. To a number of officials in the newly amalgamated Foreign Office and Diplomatic Service this was unfortunate. Years of dealing with blockade issues had seen the Foreign Office work in a ‘sympathetic cooperation

with the responsible managers of overseas trade' and economic work had proved a 'satisfying field of activity and a more tangible touch with realities and personalities' than the old diplomacy.²⁵ Some diplomats jumped ship to continue in this type of work. The first director of the FBI was Roland Nugent, who had worked in the Foreign Trade Department of the Foreign Office. The Overseas department of the FBI was headed by Guy Locock, a career diplomat whose last post had been at the DoT. But there were many others to whom it came as a relief and who were content to return to the conduct of 'old' diplomacy. As diplomat Harold Nicolson put it, the new commercial service allowed diplomats to rid themselves 'of an embarrassing, and sometimes uncongenial, task to which they knew themselves unfitted'.²⁶

Having lost out to the Board of Trade/DoT over commercial diplomacy the Foreign Office also faced competition from an assertive Treasury in the field of financial diplomacy.²⁷ When the Foreign Office tried to show an interest they were rebuffed. In 1929 the Foreign Secretary submitted a paper to Cabinet on the subject of foreign trade and finance which questioned the City of London's policy of making foreign loans without regard to the interests of foreign trade. However, circulation of the memorandum was stopped, at the insistence of the Treasury, who clearly felt this was an encroachment by amateurs on their policy area.²⁸ This sentiment went both ways and in the Far East it led to an uncomfortable scenario where attempts by the Foreign Office to maintain equidistance between Japan and China were undermined by the Treasury, which was convinced of the need and practicability of securing a rapprochement with Japan. In 1934 the formation of an economic relations section within the Foreign Office reflected its growing need for a firmer grasp on economic issues after having been sidelined from dealing with issues such as war debts, reparations and the gold standard. Victor Wellesley had first called for the establishment of a politico-economic intelligence department in 1931 so that the Foreign Office might better appreciate economic developments on the conduct of foreign affairs. Despite resistance from the Treasury, as previously noted, an economic relations section was established and heads of missions were instructed to increase liaison between their commercial and political staffs and to make renewed efforts to mix with business and financial circles. The resulting intelligence was to be written up in periodic 'E' dispatches and processed by political departments.²⁹

By 1936, a process of amalgamating the General, Levant and Far Eastern branches of the Consular Service had been completed. But the

Foreign Office remained resistant to amalgamating consular with diplomatic services, and it rejected calls for more regular promotion from the Consular to the Diplomatic Service. Austen Chamberlain commented in 1925 ‘that the functions of the two services are in many respects quite dissimilar’.³⁰ A general indifference to consular services remained in the Foreign Office and underlying snobberies died hard.³¹ However, the Second World War spurred changes which saw the end of the DoT and the reuniting of commercial and diplomatic work. A White Paper of 1943 saw the commercial diplomatic service and the consular and diplomatic services amalgamate into one Foreign Service. All future entrants would receive training in economic and commercial affairs as well as languages and history. Every officer would serve in consular, commercial, and diplomatic posts, as well as the Foreign Office, and would have the opportunity to rise to the highest grades.³² In a statement in the Commons, Foreign Office Minister Richard Law noted that: ‘The day has quite clearly gone forever when the diplomat can concern himself solely with those fascinating questions of high policy and leave the bread and butter questions of economics to more vulgar minds.’³³ The Board of Trade absorbed the rump of the DoT in 1946 and retained responsibility for the trade commission service operating in Commonwealth countries. This state of affairs continued until 1965 when a new diplomatic service was formed comprising the Foreign Service, the Commonwealth Service and the Trade Commissioner Service.

By the mid-1950s it was estimated that a third of Foreign Office work was preponderantly economic, commercial or financial in character. The Foreign Service was described as ‘the front line of the Board of Trade in foreign lands’ for the purposes of both ‘economic study on the spot and active negotiation’.³⁴ In London an Economic Relations Department in the Foreign Office dealt with general economic questions. Foreign Service officers were told that the help they were being called upon to give to economic and commercial interests abroad was ‘a vital national service’. On the economic side they were expected to report on trade and economic trends, cultivate contacts with foreign government officials, and engage in inter-governmental negotiations on financial, economic and commercial matters. On the trade side they had to give prompt, practical and efficient service to British exporters—namely by putting importers in touch with British exporters; by assisting exporters to assess market possibilities, to find reliable agents and to comply with local regulations; and to protect them against discrimination and bureaucratic delays.

By the 1960s greater competition in traditional markets and declining competitiveness, coupled with the decline in 'invisible' income (due the loss of international investments during the Second World War), brought recurrent balance of payment problems. When the Plowden Committee looked into British representation services overseas in the early 1960s, they were clear that trade work required the greatest emphasis. 'Economic and commercial work has now assumed a position of fundamental importance,' the report stated: 'It must be regarded as a first charge on the resources of the overseas Services.'³⁵ Commercial work, they thought, should attract 'the brightest and the best' and all future ambassadors and high commissioners should have served in a commercial capacity and have first-hand knowledge of export promotion and what it entailed.³⁶

The Plowden Committee made an explicit link between an independent foreign policy and a strong economy, and the FCO paid renewed attention to international economic and industrial questions. Members of the Diplomatic Service were seconded to industry, the City, the Treasury and the Bank of England. The Foreign Office was also represented, along with the Board of Trade, on the British National Export Council set up in 1964.³⁷ George Brown, one of the more economically minded Foreign Secretaries (1966–8), complained that the Foreign Office needed an economic department which could stand up to and argue with other economic departments of government on equal terms.³⁸ A number of functional departments were established dealing with trade relations, export promotion, oil, finance, energy and technology to build expertise in these areas. The FCO also acquired a team of economists following the merger with the Commonwealth Office.³⁹ At the end of the 1960s, the Duncan Committee restated Plowden's message that Britain's present economic situation meant commercial work was 'the most urgent task of our overseas representatives'.⁴⁰ It was suggested that after the maintenance of peace and security the FCO should give precedence to commercial objectives in the day-to-day conduct of relations with other countries. Other aims could not be pursued satisfactorily if the balance of payments problem was not rectified. The Committee recognized that the leading role naturally lay with industry, but stressed that official services had a part to play in increasing Britain's earnings abroad—'the urgency of the task is beyond question'.⁴¹

In the wake of Plowden and Duncan, state support for British exporters flourished. By the time the Central Policy Review Staff (CPRS) reviewed

Britain's overseas representation in 1977, economic work and export promotion across government (which they considered priority functions) accounted for 31 per cent of total net expenditure, against 10 per cent for foreign and defence work.⁴² Within the FCO the same functions accounted for 30 per cent of the 1975–6 FCO budget.⁴³ The CPRS Report identified as many as 14 government departments with a hand in commercial policy. The Board of Trade and successors retained general responsibility for commerce, industry and overseas trade and in particular commercial relations with other countries; imports and exports; tariffs; industrial development and statistics of trade and industry at home and abroad. The department was subject to many changes in the 1970s but its Commercial Relations and Exports Division (CRE), established in 1949, provided continuity.⁴⁴ CRE Division 1 dealt with overall commercial policy and its management within international organizations. It worked with the FCO Trade Policy Department on questions of multilateral commercial policy, tariffs and non-tariff barriers. CRE Divisions 2–5 were organized on a geographical basis, managing bilateral negotiations and relations. FCO geographical desks were in regular contact with the relevant CRE divisions, receiving copies of the same telegrams and consulting on replies. Diplomatic staff effectively operated on behalf of CRE overseas in commercial matters.⁴⁵ Responsibility for export promotion abroad fell to diplomats but at home promotion work was performed by the Export Development and Services Division of the DTI, which acted as the link between industry and FCO posts. It had close contact with the FCO Export Promotion Department.⁴⁶ Another important player was the Export Credits Guarantee Department (now UK Export Finance), established in 1919 to help re-establish international trade after the First World War by granting credit insurance for British exports. By the early 1970s it was providing credit for around 35 per cent of British exports.⁴⁷

Plowden's wish that all future senior members of the Diplomatic Service would have first-hand experience of commercial work was realized in the 1970s when it became part of the career structure for fast-streamers, who consequently went into commercial jobs in increasing numbers.⁴⁸ Commercial work was no longer seen as a hindrance to career progression. In the mid-1970s, the ambassador in Tehran reckoned that he was spending as much as 80 per cent of his time on commercial work.⁴⁹ At the top level diplomats were helping large manufacturing companies to secure deals. After decades of protracted negotiations a deal in which the Indian Government agreed to purchase Hawk jets from Britain was finally

concluded by the British High Commissioner in New Delhi in a three-way conversation with the British Aerospace representative and the chief Indian negotiator.⁵⁰ But good firms did not necessarily need commercial advice or help from an embassy, preferring instead to know what was happening on the political scene or who the key government figures were in a country of interest.⁵¹ This often left an embassy dealing with firms who were insufficiently prepared for foreign markets or, if successful, were overwhelmed by the demand.⁵² Consulates also devoted large amounts of time to export work. In 1970 in the USA, the UK's biggest export market, export promotion work was transferred from Washington to a British Trade Development Office in New York. By 1972 it controlled 57 commercial officers in 16 subordinate posts, along with local staff.⁵³

There were still accusations from businessmen of amateurism and varying levels of service from post to post.⁵⁴ But officials were also often sceptical of business and its reluctance or inability to respond to the opportunities now being opened up by diplomats. Commercial secretaries would receive regular complaints about the way in which British companies failed to answer letters, failed to respond on set questions or were slow in supplying products.⁵⁵ The CPRS noted that one justification for the relatively high level of expenditure in the UK on export promotion was that 'contrary to the popular image of Britain as a trading nation, exporters are often surprisingly ignorant of what is required'.⁵⁶ By the early 1980s the balance between political and commercial work was under question, not least from an internal FCO report looking at reasons why the FCO failed to predict the revolution in Iran.⁵⁷ One official felt that Plowden, Duncan and Berrill had 'brainwashed' the FCO into believing that trade promotion was the most important element of the professional diplomat.⁵⁸ The arrival of North Sea oil in large quantities temporarily removed the balance of payments problem from domestic and also foreign policy. But the demand for assistance was still there: enquiries to embassies about market opportunities increased from 84,500 in 1982 to 120,500 in 1990.⁵⁹

At the end of the century things had turned full circle with the establishment of a joint non-ministerial government department—UK Trade & Investment (UKTI)—which had the lead responsibility within government for trade and investment services. It brought together the work of, and was responsible to, the FCO and the Department for Business, Innovation and Skills (BIS), and drew upon staff and support from both parent departments. It worked closely with the Regional Development Agencies and with the trade promotion and inward investment organizations of the devolved administrations. UKTI provided business with a network of trade