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# The Geopolitical and Economic Impact of the Smoot-Hawley Tariff Act on the Outbreak of World War II

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**Abstract:**
The Smoot-Hawley Tariff Act, as one of the most protectionist tariff policies in American history, triggered a tariff war that greatly disrupted the international trade system and relations at the time, leading to serious geopolitical crises and economic turmoil. And these geopolitical and economic changes have an indelible relationship with the subsequent occurrence of World War II. The reasons for the enactment of the Smoot-Hawley Tariff Act. Against the backdrop of the global economic depression and collapse of the trade system caused by the Smoot-Hawley tariff law, the economies of Germany and Japan collapsed, and domestic society experienced turmoil, providing an opportunity for fascism to come to power; The relative disadvantage of Germany and Japan in terms of resources and the number of colonies led them to embark on geopolitical and economic expansion to alleviate their own economic crisis. At the same time, due to the domestic economic depression caused by the tariff war, Britain and the United States mainly focused their energy on domestic affairs. In international relations, they began to prioritize their own economic interests and chose appeasement policies because they had significant economic interests with fascist countries.

**Keywords:** Smoot-Hawley tariff law; tariff war; World War II; geopolitics; geo-economics.

## 1. Introduction

The Smoot-Hawley Tariff Act of 1930 is a protectionist law passed by the United States in 1930. The implementation of this bill will raise the tariff rates on 20000 imported goods to the peak level in US history, using trade protectionism to maintain domestic industrial interests and market stability, and alleviate the economic pressure exacerbated by the Great Depression. However, this highly protectionist measure has had significant negative effects at the international level. On the international relations level, after the implementation of this bill, tariff barriers were built in the US market, inflation of goods in multiple

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countries intensified, national economic interests were damaged, and it caused widespread dissatisfaction in the international community, leading to tension in relations between countries. In the field of international trade, as a response to the US tariff policy, multiple countries have taken retaliatory tariff measures, leading to the widespread establishment of tariff barriers worldwide and causing a sharp decline in international trade volume. The original trade system and geopolitical economic pattern are gradually being dissolved.

The exploration of the geopolitical turmoil caused by the Smoot-Hawley tariff law has the following meaning. In theoretical terms, the current academic research on the geopolitical impact of the Smoot Hawley tariff law focuses more on the impact of the tariff war on the international trade system and the deterioration of international relations, and more on the direct results of the tariff war. However, the international impact of the 1930 tariff law showed a clear diffusion and deepening phenomenon, which increased economic pressure on various countries while reflecting economic issues in the choice of national diplomatic strategies, changing the geopolitical and economic environment at that time and providing a greenhouse for fascist regimes to come to power and develop freely, laying hidden dangers for the outbreak of World War II. Therefore, studying the geopolitical and economic changes caused by the tariff law can not only further improve the research content of the impact of the Smoot-Hawley tariff law, but also add the factor of geopolitical and economic changes to the study of the causes of World War II, enrich the research results of the causes of World War II, and provide a new research path for this issue.

## 2. Literature Review:

There have been some achievements in the academic community regarding the impact of the Smoot Hawley tariff law on geopolitics and economics. According to its research content, it can be mainly divided into studies on the impact of tariff wars on foreign trade and comprehensive studies on international relations. As a foreign economic policy, tariffs often have their impact first reflected in the economic field, leading many scholars to study the changes in geo economics from the perspective of the economic impact of the Smoot Hawley tariff law. HUNSTAD et al. pointed out that the United States raised tariffs to protect domestic agriculture and employment, triggering countermeasures from other countries, leading to trade wars, and causing the collapse of the global trading system [1]. Mitchner K and Wandschneider K elaborate on the impact of the 1930s tariff war on the collapse of the trade system, pointing out that the tariff war increased trade costs, reduced international trade volume, and decreased exports to each other. On this basis, the outbreak of the currency war led to a further decline in international trade volume, and the establishment of new trade blocs caused the original trade system to be fragmented. However, some scholars have raised objections to the reduction in international trade volume caused by the tariff war [2]. Douglas A. Irwin believes that the trade war triggered by the Smoot-Hawley Act did indeed affect trade flows between the United States and its trading partners, but at that time, deflation and reduced national income had a more significant impact on the decline in US trade. Therefore, tariffs were not the direct cause of the transformation of the original geopolitical economic system caused by the trade crash [3]. But in addition to its impact on the foreign trade sector, high tariffs increase commodity prices, reduce their market competitiveness, and affect the economic interests of trading countries. This conflict of interest will intensify bilateral conflicts and lead to the reconstruction of international relations and geopolitics. Some scholars have conducted extended research on the economic conflicts caused by tariffs: Anjan Goswami believes that the 1930 Tariff Act not only destroyed domestic industries and international trade, but also triggered countermeasures and retaliation from other countries, causing economic losses to the United States and exacerbating diplomatic tensions [4]. L. Sheng and D. Felix associated the international economic depression caused by the tariff war with the rise of fascism, believing that economic difficulties weaken the confidence of democratic governments in economic management, leading Germany and Japan towards fascist regimes and increasing geopolitical instability in Eurasia [5]. Shiro Armstrong and Danny Quah believe that "Smoot-Hawley" is the result of economic weaponization, an economic protection policy for national interests, but it led countries towards protectionism and gradual closure, resulting in the breakdown of existing relationships and the outbreak of World War II [6]. The current academic research on the impact of the Smoot-Hawley tariff law on geopolitical economy is more focused on the damage caused by the tariff law to the international trade system and the deterioration of international relations caused by protectionism in the tariff war. Some scholars also link the damage caused by the tariff war to geopolitical economy with the outbreak of World War II. However, overall, there is still room for further research and supplementation on the specific geopolitical and economic changes caused by the tariff war, as well as the relationship between these changes and the outbreak of World War II. Therefore, this article will focus on the geopolitical and economic changes brought about by the tariff war, and explore its relationship with the outbreak of World War II, providing geopolitical and economic explanations for the reasons for the outbreak of World War II and offering new research ideas for this topic.

## 3. Tariff War and Causes of the Smoot-Hawley Tariff Act:

### 3.1 The Agricultural Difficulties in the United States at that time:

In the later stages of World War I and the brief period after, due to factors such as the expansion of European market demand, domestic agricultural revolution, and government policy guidance, American agriculture entered a glorious era. But behind the brief prosperity lies a serious crisis. One of them is overproduction. During World War I, the increased demand for agricultural products led to price increases, which intensified the speculative mentality of most farmers, who believed that producing agricultural products would definitely make a profit. As a result, they purchased a large amount of land to expand production, leading to a rapid increase in the number of farms and farmland in the United States, an increase in grain production, and an oversupply of agricultural products. The application of technology further exacerbates the problem of surplus. The advancement and use of agricultural machinery and the popularization of pesticides have rapidly improved production efficiency, further increased output, and exacerbated the existing supply-demand inequality. The second is the tightening of the international market. After the end of World War I, European agricultural production resumed, leading to a decrease in demand for American agricultural products, a reduction in export volume, a decrease in demand, and a decline in agricultural product prices. This significantly reduced farmers' income after 1920, and in the 1920s, agricultural net income was even lower than before World War I [7]. Agriculture was in a slump and required official tariff protection. The third is a large amount of debt. Against the backdrop of declining profits and income in agriculture, many farmers are unable to repay the loans they previously took out to expand production, nor are they able to operate farms with increased operating costs due to the introduction of tractors and other equipment, resulting in a large amount of debt. Many farmers eventually go bankrupt, rent farms, or continue to borrow to support their production business models, which increases the vulnerability of agriculture.

Debt, overproduction, and reduced international market demand led to a decline in agricultural profits and industry fragility in the United States in the 1920s, making it a core industry that needed protection, forcing tariff reform to lean towards agricultural protection.

### 3.2 Political Factors for Tariff Approval:

In the context of declining agricultural development, agricultural protection has become the core issue of the US economy and an important part of the two parties' efforts to win over voters in the election. The Republican Party is more proactive in addressing agricultural issues in the general election. During the campaign, candidate Hoover repeatedly promised to establish tariffs to save the current state of American agriculture and gain support from agricultural states to enter the White House. After his successful election, Hoover took the initiative to promote the establishment of protective agricultural tariffs by convening special meetings and delivering speeches to advance the bill. But in the specific implementation process, the congressional vote showed a tug of war among interest groups. In May 1929, Holly submitted a bill, which was quickly passed by the House of Representatives due to the Republican majority. However, the Senate Finance Committee's unanimous increase in tariffs on manufacturing and agricultural products caused dissatisfaction among agricultural state legislators, and the increase in tariffs on industrial products was not passed [8]. Due to conflicting interests within the Republican Party, Republicans and Democrats in agricultural states formed an "anti tax alliance" to vote on reducing industrial tariffs. But the lobbying of protective interest groups led to a "mutual vote in favor" in the congressional vote, resulting in the restructuring of the original "anti tax alliance", the reversal of lowered industrial tariffs, and the satisfaction of the interests of industrial states, thus achieving the expansion of the tariff bill. At this point, the industrial states also moved towards supporting the passage of tariffs, which led to the final passage of the tariff bill by both houses of Congress on June 13 and 14, 1930.

The final passage of the bill was also closely related to Hoover's personal political needs. In addition to fulfilling his campaign manifesto, Hoover was eager to pass the Flexible Tariff Act at the time, which established a tariff advisory body outside Congress to use agency investigations as the basis for tariff adjustments, and to give the final decision-making power on tax rates to the President. However, as the essence of the regulation is the president's acquisition of the power to set tariffs, members of Congress believe that the regulation violates the constitutional authority of Congress and therefore criticize it.Hoover retaliated strongly by vetoing the new tariffs and began lobbying lawmakers. Especially the wavering Grundy and David Reed, who had a strong demand for the increase in manufacturing tariffs in the tariff bill, while Hoover needed the passage of flexible tariff provisions in the bill to limit party politics, so both sides were in need of the quick passage of existing tariff provisions. There-

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fore, Hoover and the Secretary of the Treasury met with Reed to convince him that the unstable tariff law had benefit caused the two to vote again in support of the legislation, leading to the Senate passing the Smoot-Hawley Tariff Act. In order to fulfill his campaign manifesto, Hoover officially signed a bill on June 17, 1930, which introduced the most protectionist tariff policy in the United States and opened the curtain on the global trade war.

Therefore, the tariff bill aimed at protecting agriculture, under the lobbying of interest groups and the influence of domestic political operations, evolved from an agricultural protection measure to a trigger for the global trade war. Triggering a trade war internationally, exacerbating the deterioration of international relations and geo-economic restructuring under the Great Crisis, and plunging the international economy and politics into a tense situation.

## 4. Geopolitical and Economic Changes under the Smoot-Hawley Tariff Act

On October 24, 1929, under the influence of laissez faire policy, the foam economy in the United States finally collapsed and gradually developed into a global crisis due to overcapacity, rampant speculation and financial credit expansion. In the context of the global economic recession, the enactment of the Smoot-Hawley Tariff Act led to the construction of high tariff trade barriers by the United States against all countries around the world, resulting in a contraction of international trade and an impact on the export driven economic model. This forced countries to impose high tariffs to safeguard their domestic economies, thus creating a vicious cycle in international trade. To alleviate the crisis, the existing international geopolitical alliance and economic system can only be restructured, and another way can be found to counter the unilateralism of the United States. During this process, some countries embarked on the path of external expansion, and domestic fascism gradually rose. However, the world's major powers, trapped in domestic economic problems, did not exert much restraint on it, which led to the outbreak of World War II.

### 4.1 Opportunities and Reasons for the Rise of Fascism:

#### 4.1.1 Geopolitical and economic transformation in Germany:

After World War I, Germany entered the Weimar Republic era, and the unique economic situation and model of the republic were significantly affected by the US tariff war, ultimately leading to its downfall and giving the fascist regime an opportunity to come to power. As a defeated country in World War I, Germany had to pay significant war reparations, and the government had to print a large amount of money to meet the country's needs in the face of a large fiscal deficit. But this behavior undoubtedly increased Germany's inflation and put the overall economy in crisis. In order to enable Germany to continue paying war reparations without causing its own collapse, countries around the world led by the United States actively promoted the Dawes Plan and the Young Plan, providing loans to Germany to promote its economic recovery and development. Under the introduction of foreign investment led by the United States, the German economy has gradually entered a period of stable development and has shown outstanding performance in international trade. Germany's import and export volume accounted for the largest proportion in the world compared to the United Kingdom and the United States, surpassing pre World War I levels in 1927 and ultimately reaching its peak in 1929. Although some cases were in deficit, its import and export trade accounted for 14.9% and 17.9% of the gross domestic product from 1925 to 1929, respectively, making it an important component of the Weimar Republic's economy. Under the prosperous foreign trade, there is hidden Germany's economic dependence on the United States. Apart from the large amount of American credit and investment introduced by the Dawes Plan, in the field of economic and trade, the trade between Germany and the United States occupies a large part of Germany's foreign trade system. The mutual transaction volume between the two countries can reach an average of 645 million US dollars per year, accounting for 10.7% of Germany's foreign trade [9]. The significant proportion of foreign trade has further deepened the existing dependence on the US economy due to borrowing. But with the enactment of the Smoot-Hawley Tariff Act, the United States built equal trade barriers against all countries, reduced imports of foreign products, and rapidly reduced its trade volume with other countries. Meanwhile, due to the high tariff barriers of the United States, many countries around the world have implemented measures such as tariff countermeasures and decoupling from the gold standard to protect their domestic economies, gradually shattering the existing international trade system and making exports increasingly difficult. In this context, the significant decline in foreign trade, which accounts for a large part of the German economy, has made it difficult for Germany to pay the tariffs under the Young Plan to reach previous levels, making it unable to pay and the national economy on the brink of bankruptcy. At the same time, the low exports brought about by high tariffs led to a decrease in foreign demand for German industrial and agricultural production, a decline in enterprise capacity, and a large number of farm bankruptcies. This wave of unemployment gradually began to expand to various fields, causing the original unemployment caused by the Great Depression to continue to worsen. From 2.6 million in 1929 to over 6 million in 1932, the unemployment rate reached 30.8%, with a peak of 8 million people, accounting for 43.8% of the total labor force [10]. The wave of unemployment and declining national income during the tariff war led to the collapse of the Weimar Republic's domestic economy, a decrease in public trust in the government, and a precarious state of governance. In the worsening of the crisis, the Weimar Republic government led by Br ü ning's handling of the crisis further exacerbated the crisis of governance. Its implementation of the governing philosophy of "prioritizing foreign policy" led to the escalation of economic difficulties in order to get rid of the "Young Plan" and implement deflation domestically. However, its policy of serving foreign policy domestically was slow to progress due to the "failure to find foreign loans" and the "postponement of the Lausanne Agreement Conference" in diplomacy, causing a sharp decline in the credibility of its own government and losing the trust of important groups such as the president and defense forces, leading to the downfall of the government in 1932. The continuous deterioration of the economy and the incompetence of foreign policy brought the Weimar Republic close to collapse, and gave the Nazi Party, which was promoting the liberation from the Treaty of Versailles, the opportunity to come to power.

Before the election, the Nazi Party had already propagated through domestic economic difficulties, promising everything that all classes pursued, which led to its continuous development in various sectors of society. Especially for the large-scale unemployed population, their promise to "completely break free from the Treaty of Versailles, revive the German economy, and provide work and bread for everyone" led to a continuous increase in supporters and gained the trust of the middle class, monopoly capitalists, and Juncker nobles affected by the tariff war and the Great Depression. Their continuous funding provided the Nazi Party with capital to promote Hitler, and the number of Nazi party members and parliamentary seats soared. As a result, in the 1933 elections, Hitler was elected as the head of state of Germany, and the fascist regime came to power. The geopolitical landscape in Europe shifted towards a situation of mutual checks and balances between Britain, France, the Soviet Union, and fascist regimes. Geopolitical security was directly affected by the expansionist government's rise to power, laying a great hidden danger for the outbreak of World War II thereafter.

After the Nazi Party centered fascist regime officially came to power, revitalizing the German economy and emerging from the economic depression became its top priority at present. In addition to handling domestic economic issues correctly, due to the fragmentation of the global trading system and the high tariff barriers built by various countries, Germany had to break out of the original global trading system and the trade system and economic model that relied heavily on the United States in the past to reduce the impact of the tariff war and Great Depression caused by the Smoot-Hawley Agreement on Germany. To achieve this, it is necessary to reconstruct one's own geopolitical and economic structure, decouple from the US and trade system, and protect the domestic economy.

In terms of domestic policy adjustments, the Nazi Party began to control foreign exchange and impose strict restrictions on capital circulation in order to reduce the large trade deficit that Germany had already experienced in international trade and the decline in exports caused by the tariff war, as well as the worsening of the Mark depreciation problem caused by the Great Crisis. And in 1934, the "New Plan" policy was implemented, which stipulated that if foreign exchange was needed for payment abroad in foreign trade, an application for a "foreign exchange license" must be submitted first before proceeding. To further strengthen foreign exchange management, Germany has established the "National Foreign Exchange Allocation Bureau" and set up branches in various regions to minimize the use of foreign exchange, thereby easing the pressure on Germany's fiscal expenditure. In addition, the Nazi government also established a "settlement system" with multiple countries in foreign trade, in which importers paid in marks and included this amount in the settlement account, and exporters withdrew the funds obtained from the settlement account. If there is an imbalance, the settlement account shall record the amount that one party to the agreement should charge the other party. Through this barter method, foreign exchange outflows and the need for gold settlement in trade were avoided. The gold standard tended to collapse, and the demand for gold exports from the United States by Germany and the world trading system decreased. Germany began to establish a trade network that bypassed the United States, gradually reducing its dependence on the US economy and moving towards economic independence. This laid the foundation for future military preparedness oriented economic policies to reduce the impact of foreign economic factors

In terms of international policy, Germany has had to construct a new geopolitical and economic system due to the continuous expansion of domestic economic development, especially military industrial development, which has led to an increasing demand for raw materials and markets in international trade. The collapse of the existing foreign trade system, which was dominated by

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the United States, was caused by the tariff war. Therefore, the expansion of the geo economic and political fields based on the theory of "living space" began, laying the foundation for the comprehensive outbreak of World War II in the future. Firstly, Germany will expand its economic sector to Southeast Europe, as this region is not only geographically close to Germany, but also has convenient transportation and abundant mineral resources, which can supplement Germany's production raw materials. Furthermore, under the impact of the major crisis and tariff war, Southeast Europe has experienced significant economic losses and urgently needs to expand its foreign trade. Due to the global economic crisis, European and American countries have also tightened their grip on domestic affairs, gradually reducing their economic and political control over Southeast Europe, making it the best choice for Germany's economic expansion. In such an economic vacuum, Germany began to increase its trade plan with Southeast Europe in 1933, and the trade volume between the two sides also grew rapidly at this time. In 1933, Germany's total export value to Southeast European countries reached 190.6 million Imperial Marks, while its total import value from Southeast European countries was 236.4 million Imperial Marks. By 1936, the size of Germany and Southeast Europe had doubled compared to 1933, with export and import values reaching 455.2 million and 505.4 million imperial marks, respectively [11]. After the proposal of Germany's second "Four Year Plan" in 1982, the trade volume continued to grow. The trade agreements signed between Germany and Southeast European countries between 1937 and 1938 led to a sharp increase in trade volume between Germany and Southeast Europe, making it the most important trading partner of Southeast Europe. At the same time as Germany's foreign trade system was restructured, domestic military enterprises harvested production materials from Southeast Europe, enabling rapid expansion and preparation for war, laying the foundation for launching a war. And its dominant position in the field of trade led Germany to start using economics to achieve geopolitical goals. On the basis of the "settlement system" settled in marks, Germany's high price acquisition policy has tilted the trade tendency of Southeast European countries towards Germany, but it has also led to an increase in commodity prices in Southeast European countries, resulting in a decrease in international market competitiveness and a greater dependence on the German market. As Southeast Europe, which had just emerged from the economic crisis due to Germany, feared that Germany would cut its trade and replace it with other markets, plunging itself into another economic crisis. It could only deepen its economic dependence on Germany and try to maintain political consistency with Germany in exchange for German markets, showing a pro German trend. Therefore, in the context of continuous foreign aggression and expansion by German fascism, Southeast European countries became unwilling or afraid to join forces with Britain and France to resist Germany, causing a geopolitical divide in Europe. The rise and development of German fascism in the Balkans were not interfered by other countries. Even Bulgaria, Romania, and Yugoslavia openly joined the fascist camp after World War II, completely changing the geopolitical situation in Europe and providing economic and international political support for Germany to further expand its wars.

#### 4.1.2 Execution of Japan's aggressive expansion

In the 1920s, Japan adopted a "three ring trade" system that promoted the export of raw silk and cotton imports through rural sericulture and silk reeling industries, as well as the export of cotton textiles to the international market in exchange for foreign exchange. The foreign exchange was then used to purchase domestic heavy chemical industry raw materials and fuels to support domestic production, and the domestically produced industrial products were exported to colonies and semi colonies in exchange for the import of grain and production materials. But in such a trading system, the United States holds a significant share of imports and exports.According to statistics, Japan's total exports to the United States in the 1920s accounted for nearly 40% of its total exports, and imports even reached 30% of its own. Especially in the raw silk industry, the US market absorbs 90% of Japan's raw silk production and sells raw cotton to Japan to promote raw silk production, reflecting Japan's great dependence on the US in the field of foreign trade. The development of the raw silk industry in the field of foreign trade has also led to a significant increase in the number of sericulture farmers in Japan, from over 1.6 million in 1915 to over 2.2 million in 1930 [12]. Involved a large number of people in the entire industrial chain through the trade of raw silk, which played an important role in the Japanese economy. Due to the outbreak of the major economic crisis centered around the United States, the purchasing power of the United States itself rapidly declined due to the impact of the crisis, and the total foreign trade volume between the United States and Japan continued to decline. The tariff barriers built by the United States against Japanese goods under the Smoot-Hawley Tariff Act of 1930 added insult to injury to US Japan trade. The raw silk industry, which heavily relies on US foreign trade, has become one of the more serious victims. The decrease in US demand and export difficulties have led to a rapid decline in the export value and price of raw silk. The proportion of its export value to the total export value decreased from 42% in 1929 to 18% in 1934, and the decline rate of raw silk prices reached 81% [13]. The economic shock mentioned above caused a rapid decline in Japan's raw silk profits, resulting in domestic overproduction. About 50% of the silk spinning factories in the country have closed down and silk workers have been laid off. This has also made it difficult for agricultural sericulture farmers in the industry chain to make a living, leading to a sudden increase in farmers' debt and a crisis in the domestic economy.

As trade with the United States gradually stalled, Japan first attempted to dump cotton products into developing countries to compete with markets such as the United Kingdom, but this had little impact on foreign exchange earnings. In the context of the basic stagnation of international trade, Japan began to attempt to break away from its completely dependent economic structure on foreign trade and establish an independent economic system. But its domestic market and resources are limited, and it needs to expand its colonies outward to obtain the raw materials and commodity dumping market needed for expanding reproduction. Japan first sets its sights on Northeast China, which has geopolitical and economic advantages over itself. In the early 20th century, Japan established its privileges in Northeast China through special agreements multiple times during the Russo Japanese War and World War I, and invested in the construction of the Manchurian Railway as the center in Northeast China. According to statistics, by 1930, Japan's investment in Northeast China had reached 54% of its own foreign investment, while the trade volume between Northeast China and Japan accounted for 49% of Northeast China's total foreign trade established a certain economic foundation for Japan in China [14]. In addition, Northeast China has abundant grain production and coal and iron resources, as well as a relatively broad market, making it an excellent environment to fill the production raw material gap caused by Japan's reduction in foreign exchange; In Japan, the tight fiscal policies implemented by the then ruling Hamaguchi Cabinet in dealing with domestic economic issues and the lifting of monetary restrictions did not have a corresponding effect, causing the Japanese economy to continue to deteriorate. This diplomatic weakness led to the signing of the London Naval Agreement, which increased dissatisfaction among the military and the public. In the unstable foundation of government rule, right-wing forces in Japan and fascist organizations that flourished in the civilian and military sectors in the 1920s gradually emerged, and began to vigorously promote plans to invade Northeast China to alleviate economic problems. Among them, the "Manchuria Lifeline" theory advocated by diplomat Matsuoka Yoritomo and the "Occupy Northeast China to solve the Great Crisis" continuously promoted by the Japanese military fascist organization One Night Meeting, such as Itagaki Seishiro and Ishihara Kanji, established a set of external expansion theories in society that only occupying Manchuria can achieve Japan's reproduction, providing a public opinion environment for Japan's occupation of Northeast China. And further influence the Japanese government, becoming the mainstream attitude on the government side. In this context, Japan gradually embarked on the path of invading Northeast China, launching a military incident on September 18, 1931, and gradually occupying the entire Northeast region within six months, establishing a puppet regime called Manchukuo, and establishing colonial rule in Northeast China.

After completely occupying Northeast China, Japan conducted extensive capital exports, established factories to plunder the mineral resources of Northeast China, and dumped large-scale industrial products into Northeast China, making it an important part of its product market. By 1936, the export volume to Japan had accounted for 69% of the total export volume of Manchukuo, and the import volume to Japan had accounted for 84% of the total import volume of Manchukuo, increasing Japan's share in foreign trade in Northeast China to the largest extent [15]. Manchuria, along with other Japanese colonies such as Korea and Taiwan, gradually became a place for Japan to obtain raw materials and export products. In order to further control the economy of Manchuria, Japan implemented a policy of exchanging the Japanese yen for the Manchukuo currency in 1935, expanding the dominance of the Japanese yen to Manchuria. At this point, an economic group that uses the Japanese yen as a medium and holds a dominant position in the economic zone, without imposing tariffs on each other, has been preliminarily established. Japan was able to monopolize resources and markets in the Asian region and its own colonies, gradually establishing an autonomous economic system. And the geo-economy, which had already leaned towards developing countries in Asia to a certain extent, has undergone a complete transformation. It has begun to establish its own currency group organization like other capitalist countries in Europe and America, conduct trade within its own colonies, and form an exclusive trade system.

In Japan, due to the success of the September 18 Incident, the prestige of Japanese military fascism among the people continued to rise, attracting a large number of people's support, gradually pushing the fascist movement to its climax, and gaining support from the old zaibatsu due to the convergence of interests. On this basis, fascism gradually embarked on the path of seizing control. The occurrence of the "May 15th" coup resulted in the death of Prime Minister Inuyoshi, and the military demonstrated a clear resistance to the party cabinet during the subsequent political system restoration process, leading to the establish-

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ment of a "national unity" cabinet composed of Admiral Saito Minoru and Okada Keisuke, declaring the demise of Japan's party cabinet system. Under the rule of this cabinet, there was a split between the control faction and the imperial faction within the military and army. Politically, they were also restrained by figures such as Nishiyuanji Gongwang, Saito Minoru, and Takahashi Kiyoshi, making their authoritarian rule impossible to achieve their goal of expanding the military and preparing for war. However, the "February 26 Incident" that erupted with soldiers sent by the Imperial Way resulted in the deaths of ministers such as Saito Minoru and Takahashi Kiyoshi, who had previously served as checks and balances on the military, and the power of political checks and balances dissipated. Within the military headquarters, the military coup also provided an opportunity for the control faction to suppress the Imperial Way faction. The control faction launched a "purge" movement within the military, gradually eliminating the Imperial Way faction from the core of the army and enabling them to basically control the army, achieving unity. The obstacles to the military's pursuit of authoritarian rule were gradually removed, and after the formation of the Hiroyoshi Hirota cabinet, Japan completely embarked on the path of expanding its military and preparing for war. From then on, a dictatorial fascist regime gradually emerged in Asia, and its expansionism intensified the geopolitical tension in East Asia at that time. The gradual contraction of the United States also reduced the power that constrained Japan, leading to the earliest exposure of East Asia to the aggression of Japanese fascism.

## 4.2 Insufficient Intervention in Fascism Under Economic Downturn

### 4.2.1 Britain's appeasement policy

Since the end of World War I, the British economy has been in a period of decline compared to before the war, and the major crisis and tariff war originating from the United States have made the British economy even worse. The reduction in the international market caused by tariff barriers led to a significant decline in the total industrial output of the UK, resulting in an unemployment rate of 3 million people. In 1931, the UK experienced its first foreign trade deficit, and the economy was in a difficult situation. And it faces the same problem as Germany and Japan, which is to break away from the post-war trade model that relies on the United States to reduce the impact of the tariff war on itself and build a new geo-economy. But unlike Japan and Germany, Britain had already occupied and owned large colonies and autonomous territories during the Victorian era, and could form a pound economic circle without the need for external expansion. Therefore, in November 1931, Britain officially promulgated the Emergency Import Duty Regulations, which also built tariff barriers to counter the extreme tariff policies of the United States. And from June 12th to July 27th of the following year, an economic conference was held in Ottawa, Canada with various autonomous territories. The Ottawa Agreement was passed, establishing a "preferential tariff system within the empire" and officially forming a regional trade circle with the pound as the main currency. At this point, Britain's foreign trade began to shift towards the pound trade circle, and the original geopolitical economic model was transformed. Even with policies such as trade circles in place, the economic crisis and tariff war still had a significant impact on Britain's domestic economy and politics, ultimately leading to a foreign policy inclination towards appeasement towards fascism. Firstly, in the context of economic downturn, Britain's military spending was relatively insufficient compared to other countries. From 1933 to 1938, Britain's military spending was 1.2 billion pounds, while Germany's was 2.86 billion pounds and Japan's was 1.26 billion pounds during the same period. Between 1934 and 1938, although British military spending increased to a certain extent, with a growth rate of 25%, Germany's growth rate during the same period was 47%, and Japan's was 45%, resulting in a significant gap between the inherently inadequate British military and fascist countries in terms of both military and equipment numbers [16]. Lacking the backing to use strong measures to restrict fascist expansion, it shifted to implementing appeasement policies. In addition, the deterioration of economic factors has also brought about changes in domestic politics. Due to a large number of unemployed people, especially in industrial sectors such as coal, metallurgy, and shipbuilding, the unemployment rate continues to rise, leading to continuous protests and strikes by workers in the country. The British government has had to devote a lot of effort to dealing with domestic issues and reduce its focus on limiting fascist expansion. Meanwhile, under the economic damage caused by the tariff war and the Great Depression, how to protect the country's economic interests and restore the country's economy to its original level has gradually become a top priority for the British government. Therefore, it began to develop foreign trade and exchange of interests with fascist countries. This is particularly evident in the trade between Britain and Germany. In 1936, the import and export trade volume between Britain and Germany accounted for 3.9% and 4.5% of Britain's foreign trade, respectively [17]. However, after that, the trade volume between Britain and Germany rapidly increased, and in 1938, Germany became Britain's fifth largest import trading country [18]. In the Asian region, in order to protect its interests in colonies such as Hong Kong, Britain negotiated with Japan and handed over all tariffs in the Chinese occupied areas to the Japanese government. Under the reconstruction of the relatively large Anglo German trade system and the exchange of economic interests with Japan, Britain often incorporated considerations of damaging its own economic interests into its restrictions on fascist expansion, resulting in incomplete restrictions on fascism and ultimately developing into a policy of appeasement, which led to its indifferent attitude towards many events of Germany's foreign expansion later on.

**4.2.2 Neutrality policy of the United States:**

As the initiator of the tariff war, the United States also suffered from the backlash of the Smoot Hawley tariff bill on its own economy. Many countries have also imposed retaliatory tariffs and established currency blocs to reduce their share of trade with the United States, causing a rapid decline in US foreign trade and thus affecting the domestic economy. During this period, the gross domestic product of the United States decreased to 50% of its original level, the once proud industrial output value also decreased by three-quarters, the total export value decreased by 69%, and nearly 15 million people lost their jobs [19]. This made adjusting the national economy and implementing new policies to overcome the economic crisis the top priority of the government at the time, and the handling of international affairs was relatively passive; The United States was not unaware of the activity and rise of fascist regimes, but rather judged this phenomenon in conjunction with its own economic interests. While fascist countries continue to expand their military and prepare for war, their demand for imported military equipment and war related goods rapidly increases, and they have a relatively large and active market. The United States can leverage its geopolitical advantage of being far away from the European and Asian continents to engage in trade of war supplies such as arms and food with fascist countries and conflicting parties before the war, in order to stimulate the export of domestic products, alleviate the crisis at that time, and give the international policies in the new policy the title of protecting national economic interests, thereby attracting voters' support for the government; In addition, the United States has a considerable degree of economic interest in Europe, not only having a large amount of trade with Europe, but also having significant capital in domestic enterprises in Europe. The protection of the above economic interests requires a relatively stable international political environment. During the period when Europe was disrupted by the Great Crisis and relations between countries were tense, the United States adopted a relatively neutral attitude, allowing fascist regimes to develop freely. This created another force in Europe that mutually consumed and balanced with the socialist Soviet Union and the British and French countries, resulting in a relatively stable situation in Europe and providing a stable market and capital export environment for the United States, gradually overcoming economic difficulties. Under the economic depression, safeguarding national economic interests became the top priority for the United States at that time and was reflected in its foreign policy. But this starting point also led the United States to gradually move towards a neutral stance with greater appeasement in its judgment of the situation in Europe, which was officially signed into law as a basic strategy by President Roosevelt in 1935. And this laissez faire attitude not only allowed fascist countries to recklessly engage in geopolitical and economic expansion, infringing on the sovereignty and territorial integrity of other countries, but also continuously expanded their military and prepared for war through trade with the United States. Under the policy of neutrality, fascism gradually gained an international environment and material foundation for further external expansion, leading it to launch a larger scale expansion and armed conflict, known as World War II, which brought human society into a catastrophe.

# 5. Conclusion:

The tariff war triggered by the Smoot Hawley tariff law is an escalation of economic conflicts among capitalist countries, resulting in the fragmentation of the world market and the formation of isolated trade blocs in the economic field. However, the worsening impact of the tariff war on the Great Crisis provided opportunities for fascist regimes in Germany and Japan to come to power. Their expansionist and aggressive nature exacerbated the geopolitical security crisis of neighboring countries and made them the primary targets of fascist countries' external expansion before and during World War II. At the same time, the disruption of the existing trade system caused by the tariff war has led to the reconstruction of the trade system in most countries. However, the closed international environment, coupled with Germany and Japan being at a disadvantage in terms of their colonies and domestic resources compared to Britain and the United States, made it impossible for them to completely alleviate the economic crisis through the domestic market. As a result, both countries chose to expand outward to gain new markets and raw material resources. But the consequences of expansion led to further geopolitical crises, as Southeast Europe gradually became a pro fascist force under Germany's economic aggression and association, breaking the original geopolitical situation in Europe, reducing resistance to fascist expansion, and indirectly promoting the opening of the European battlefield in World War II; Japan, on the other hand, resolved its economic crisis through external

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aggression and had a slight impact on domestic politics, gradually increasing the fascist influence of the military and successfully coming to power, laying the foundation for the subsequent war.

However, major capitalist countries such as Britain and the United States, due to the sluggish domestic economy in the tariff war, had to overcome the crisis as the primary goal of their governments at that time. This has taken away most of the energy of the British and American governments, making it difficult to comprehensively contain fascist geopolitical expansion; In addition, the goal of overcoming the economic crisis has made one's own economic interests the top priority for countries when dealing with international relations. In the trade system and economic structure reconstructed by Britain and the United States, fascist countries played an important role, which made it impossible to fully implement restrictions on fascism due to concerns about the damage to existing economic interests, thus implementing appeasement strategies. In addition to the common points mentioned above, due to the economic damage caused by the tariff war, there was insufficient development of domestic military equipment in the UK, which prevented it from having sufficient strength and confidence to restrict the expansion of fascist countries; The United States, on the other hand, chose to allow fascist development to balance Britain, France, and the Soviet Union in order to ensure the stability of the European situation and ensure the stable existence of its own trade market. This allowed fascism to expand abroad without restraint, and its aggressive ambitions gradually expanded, ultimately leading to greater geopolitical conflicts.

In summary, the tariff war not only led Germany and Japan to gradually follow the path of fascism and external expansion, but also resulted in insufficient and incomplete containment of fascist countries by Britain and the United States. This led to the rapid growth of fascist forces in the 1930s, and their external expansion became increasingly intense, eventually developing into World War II.

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