

Book symposium

doi:10.1017/S1474745609004297

The Genesis of the GATT

by Douglas A. Irwin, Petros C. Mavroidis, and Alan O. Sykes
Cambridge: Cambridge University Press, 2008

To examine the recently published book on the origins of the General Agreement on Tariffs and Trade (GATT), co-authored by the legal-economic team of Irwin, Sykes, and Mavroidis, I turned to three noteworthy experts on the international trading system. This book symposium brings together reviewers from economics (Tim Josling), law (Joel P. Trachtman), and trade policy (Patrick Low) in which I asked each to report on the new scholarship from their own perspectives and comparative advantage.

CHAD P. BOWN, *Book Review Editor, World Trade Review*

What an appropriate time to revisit the origins of the GATT and its main principles. International economic diplomacy is currently grappling with the way in which institutions can be amended or reinvented to reflect the new realities of a multipolar world. Emerging economies are being (perhaps with some reluctance) allowed to sit at the top table. The Doha Round drags on with compromise being difficult to find among 153 members, many of whom consider that their interests are not being effectively considered. Diplomats and scholars are contemplating ways of modifying the negotiating process to allow piecemeal progress among countries representing a ‘critical mass’ of trade in a particular sector. Meanwhile regional and bilateral trade agreements proliferate as countries find this an easier way to gain market access; by contrast, non-reciprocal preferences seem to be on the way out. Developing countries increasingly demand a more elevated role for trade rules that they argue will encourage their development. Behind all these issues is the question of whether the rules devised 60 years ago are still as relevant in the new situation. That present multilateral trade system is in large part the legacy of the discussions between the US and the UK over the period 1942–47. The rethinking of trade rules and institutions that is currently underway could lead in the next decade to significant changes in the international economic order.¹

The first chapter of *The Genesis of the GATT* takes the reader back to those remarkable days of creative tension between the newly emerging global power, the US, and the declining hegemon, the UK. Both wanted a rule-based trade system that would prevent a repeat of the protectionist response to the economic crisis of 1929, but the UK wanted scope to retain its preferences for the Dominions. Churchill, hampered by

¹ However, it should be recalled that a previous attempt to create a ‘New International Economic Order’ in the 1970s, in the wake of sharp oil price increases, had little impact.

the empire loyalists on his Wartime Cabinet, stuck to the position that the UK could not unilaterally abandon imperial preference. Cordell Hull, supported by Roosevelt, argued that this was an essential part of the construction of the post-war order, and managed to insert a clause to that effect (interpreted differently on both sides of the Atlantic) in the terms of the (1942) Lend-lease agreement and the Atlantic Charter. The authors take us through the cable traffic and draft agreements that accompanied this important decision, as well as the way in which it influenced the subsequent wording of the GATT.

Economists will particularly relish the debate between John Maynard Keynes and James Meade. Meade was clearly (and thankfully) the intellectual father of the GATT. Keynes, whose main input was on the monetary discussions at Bretton Woods, seems to have been a hindrance in the GATT discussions. The disagreement between the two great economists (Meade received the Nobel Prize in 1977: Keynes died before the economics prize was initiated) turned on the effect of exchange rates on the balance of payments. Keynes wanted to maintain quantitative import controls for balance of payments management: he did not think that exchange rate movements would do the trick (a view that later became known as exchange rate pessimism).

The second chapter traces the textual changes in the GATT draft through the three Preparatory Meetings. This section of the book will prove invaluable as a reference for those interested in the early development of the main articles of the GATT, though it lacks the contextual material of the previous chapter. It would, for instance, have been interesting to know who requested the Review Session in 1954–55 and the Haberler Report of 1958. Some of the matters dealt with at that time were procedural ‘tidying up’ after the failure of the ITO to be ratified. But other issues, for instance the role of developing countries and the virtual exclusion of agriculture from the full GATT disciplines, were of political importance.

This thorough tracing of the main principles of the GATT through successive drafts yields some interesting reminders of the almost random nature of such a process. One interesting example is the authors’ finding that the inclusion of Free Trade Areas in Article XXIV (that allows for an exception to non-discrimination for free trade areas and customs unions) was almost an afterthought, inserted at the insistence of the US which was pursuing secret negotiations with Canada for an FTA. Moreover, the main reason for having an article exempting Customs Unions from non-discrimination was to allow for formation of the Benelux economic union (in 1948) and for a customs union between Syria and Lebanon. Later, the European Economic Community was to make full use of the exemption, but at that time the Treaty of Rome was still a decade away.

The third chapter discusses the economic reasoning behind the GATT (with a dash of political science). Why should countries bother to negotiate tariff reductions and to agree to restrictions on their own use of trade policy instruments? Unilateral tariff reductions combined with maximum flexibility to employ discretionary trade restrictions might seem a more logical choice for countries. The authors take us at a brisk pace through the main explanations: the prospect of enhancing gains from trade and exploiting monopoly trade positions, pursuit of specific domestic political objectives by governments, using external political commitments to ward off special interests, hegemonic stability and the production of global public goods, and the presumed benefits

to world peace and stability of an open trade system. Each of these (as the authors point out) can play a role: they can indeed be additive. The importance of each of these reasons for establishing a set of multilateral trade rules changes over time, and differs among countries. So we should keep all these analytical approaches in our tool-box.

In a more integrated global economy, however, many of these explanations look dated. At root, all these explanations for trade agreements rely on models that implicitly treat trade as sales from one country to another. In a world where so much trade is among branches of the same firm, or is a consequence of long supply chains, trade policy takes on an additional dimension. As seen by the private firm, government involvement usually adds to transactions costs: removal of tariffs, harmonization of regulations, and the reduction of uncertainty become the appropriate goals of trade negotiations. So the focus of much of recent trade policy has been on the regulatory impediments to trade rather than on tariffs. This of course modifies the analytical conclusions of trade models, as harmonization increases trade without a loss in tariff revenue but raises issues as to whether consumers gain from the increase in trade. The literature on European integration, particularly on the benefits of the Single Market, seems to offer a better basis for examining why governments are encouraged by their private sector to devise agreements that reduce the costs of government activity, both through tariffs and different regulatory regimes.

The book is intended as a prelude to a series of studies that will explore in much greater detail the evolution of the trade system. As such, it seems appropriate to frame the questions raised by the current book as a wish-list for later volumes in the series. What topics might one wish to see covered in these other volumes? Among the many candidates for such a list, three in particular come to mind for this reviewer: the implications of the decision to separate trade from the international monetary system, the impact of the parallel development of preferential trade arrangements, and the strange case of the vanishing 'international commodity agreements'.

The book documents the somewhat artificial separation in 1946 of commercial policy from international monetary policy. Obviously, there are good institutional reasons why this division of labor occurred. In the UK, the Treasury and the Bank of England negotiated on exchange rate systems while the Board of Trade dealt with commercial policy. In the US, the Treasury handled the Bretton Woods talks and the State Department the GATT discussions. But this separation of monetary and real trade policy is of course an illusion. Exchange rates can have impacts on trade flows that are much more significant than tariff levels. And (absolute) tariff levels may be nearly irrelevant to trade flows if exchange rates can adjust to maintain external balance. So it would be instructive if a future volume in the series could take a close look at the trade regime and the international monetary system in parallel to see the extent to which the interface has been managed over the years. This could be useful for present deliberations: the concerns about the use of exchange rate policy by China, for instance, are unlikely to evaporate soon.

Another issue that would be ripe for consideration in a future volume is the parallel development of regional trade agreements. Obviously, there has been a vast literature on the economics of regional and bilateral trade agreements (usually referred to as preferential trade agreements, to emphasize the key aspect, their inconsistency with the non-discrimination principle). Less frequent has been an examination of the impact on

the development of the multilateral system itself of these parallel institutions and agreements. One impact is clear from the current book. Active participation in the development of the post-war trade system by (Continental) European diplomats and economists seems to have been non-existent. Of course, they were busy constructing an alternative trade system, based on regional economic and political integration. The Benelux countries had a head-start, adding the Netherlands to the 1922 Belgium-Luxembourg Economic Union. France and Italy contemplated a customs union in 1948 (though it was never consummated). The diplomatic umbrella for these activities was the Organization for European Economic Cooperation, set up to administer Marshall Aid funds. So the US was financing the construction of a Europe based on the same discriminatory principles that it was trying to outlaw in the GATT. Similarly, sectoral integration (exemplified by the European Coal and Steel Community in 1951) was seen to be a viable method of encouraging trade: several plans for a European Agricultural Community (the Green Pool, the Charpentier and Pflimlin Plans, and the first Mansholt Plan) were debated at this time. The eventual Common Agricultural Policy of the EEC survives as a monument to this alternative structure for a sectoral trade regime.

A less weighty but still interesting issue is that of international management of commodity markets. It is clear that trade diplomats in the 1940s saw international commodity agreements (ICAs) as a pivotal part of the trade regime. Keynes, apparently, was more upset that his ideas for international commodity stabilization (which he considered as the fourth pillar of the post-war economic system) were rejected than at the loss of his scheme for an international reserve currency (the *bancor*). ICAs already had the support of the UN, and in many places in the GATT there is a special clause that ensures that these agreements are not restricted. In reality, there were only a couple of ICAs (for wheat and sugar) that existed at the time of the GATT. The high point of the movement for ICAs came in the 1970s, when commodity exporters took encouragement from the success of OPEC. But the 'Integrated Programme for Commodities' advanced by UNCTAD failed the test of relevance to the main trading powers and receded to a footnote in trade diplomatic history. It would be interesting to document this rise and fall of an idea with such appeal to a large number of governments.²

The project of the American Law Institute to explore the logic of the GATT is off to a good start. There are plenty of issues to cover in later volumes that have direct bearing on current problems.

TIM JOSLING, *Stanford University*

The Genesis of the GATT (Genesis) is a timely work of economic, political, and legal history, with important lessons for the present period. In a time of economic crisis and threats of protectionism, it is useful to recount, as *Genesis* does, the remarkable process of multilateral liberalization that began with the GATT.

² It is interesting that in the current Doha Draft Agricultural Modalities paper (10 July 2008) the idea of commodity agreements is again endorsed, but with a relaxation of the obligation to structure these with participation from both importers and exporters. It seems unlikely that this clause will remain in any final version of the Modalities.

Genesis is an exciting diplomatic and intellectual history of the negotiation of the GATT in the 1930s and 1940s. The US Secretary of State during a portion of this period, Cordell Hull, is one protagonist in the early negotiations, arguing in favor of economic freedom and declaiming that discrimination causes war: if goods do not cross borders, soldiers will. It is worth quoting from Hull's memoirs a thought that is inspiring today:

I reasoned that, if we could get a freer flow of trade – freer in the sense of fewer discriminations and obstructions – so that one country would not be deadly jealous of another and the living standards of all countries might rise, thereby eliminating the economic dissatisfaction that breeds war, we might have a reasonable chance for lasting peace. (quoted in *Genesis*, p. 9)

On the other side is the great economist John Maynard Keynes, arguing that the most-favoured nation ('MFN') rule of non-discrimination is outdated nineteenth-century laissez faire dogma, and that planning and trade restriction are necessary for development, and for full employment. While many states' response to the financial crisis of 2008 is and will be Keynesian in monetary terms, it is to be hoped that states do not turn to Keynesian trade policy.

This in itself is high drama, and stimulating intellectual history. It also is an occasion for nostalgia, as the public servants of the early twentieth century show a concern for and adherence to ideas, and an insulation from shorter-term political influences, that seems enviable today. Their goals seem to have been peace and welfare, and their discourse followed these shared goals. Indeed, among the negotiators were some of the best economic minds of the time: in addition to Keynes, participants included Nobel Prize winner James Meade and Lionel Robbins of the London School of Economics. Perhaps crisis leads to the employment of men and women of ideas.

However important and engaging this intellectual history, the reason that the three eminent authors of *Genesis* – an economic historian and two trade law scholars – engage in this study is to inform today's debates about trade.

In this book review, I will focus on three aspects of *Genesis*. First, I will examine the relationship between the debate recounted in *Genesis* and modern debates regarding the role of trade restrictions in development. The debate between Hull and Keynes continues today, with different protagonists: Dani Rodrik or Joseph Stiglitz playing the role of Keynes, and Jagdish Bhagwati playing the role of Hull. Second, I will examine the implications of *Genesis* for our understanding of the relationship between economic theory and WTO law. Third, I rush into an area that the wiser authors of *Genesis* feared to tread, and speculate on the uses of *Genesis* for review and rectification of the GATT, and in dispute settlement. An understanding of the roots of GATT law can assist us in revision and rectification of GATT: if we disagree today with the economic foundations of particular provisions of GATT, we must at least question the continuing utility of those provisions. In this regard, this book is part of a broader American Law Institute project to critique WTO law. Other work in this project has focused on WTO law as it has been interpreted and applied in particular cases. *Genesis*, by contrast, focuses on the GATT treaty structure in broader terms. In addition, to the limited extent to which WTO dispute settlement is concerned with the original intent behind the provisions of GATT, *Genesis* will assist in identifying that original intent.

***Genesis* and modern debates regarding the role of trade restrictions in development**

As early as 1946, developing countries wanted to use restrictive measures to protect their infant industries (*Genesis*, pp. 76, 78). Australia joined with India to demand a developing country exception allowing the imposition of quantitative restrictions to foster industrialization (*Genesis*, p. 79). Along similar lines, developing countries, joining Keynes, questioned the utility of a most-favoured nation rule of non-discrimination.

One of the useful roles that *Genesis* plays is to impeach modernist arrogance. It does so by showing how similar the debates of the 1940s are to those taking place today. The positions of Cordell Hull, Harry Hawkins, and William Clayton regarding the growth benefits of liberalization are not so different from the position of Jagdish Bhagwati today. Similarly, the positions of John Maynard Keynes and Raoul Prebisch are not far from those of Dani Rodrik or Joseph Stiglitz today. The Hull/Hawkins/Clayton/Bhagwati group focus on trade economics and global welfare, while the Keynes/Prebisch/Rodrik/Stiglitz group focus on development economics and local welfare. Hull/Hawkins/Clayton/Bhagwati focus on increasing volumes of trade, while Keynes/Prebisch/Rodrik/Stiglitz are interested in dynamic import substitution, or at least fostering of local industries through protection. The first group seems more aligned with a Washington consensus-type approach, while the latter would focus on a local customized industrial policy. Finally, the first group supported most-favoured nation type non-discrimination, while the latter group supported imperial preferences, as a kind of predecessor to the modern generalized system of preferences.

Implications of *Genesis* for an understanding of the relationship between economic theory and WTO law

As the reader will recall, it was Keynes himself who said that a ‘practical man, thinking himself immune from the world of ideas, is really in the thrall of some defunct economist’. If this is true, we can learn about the formulation of policy by examining the rate of diffusion and adoption of economic ideas. This is also part of the implicit constructivist premise of *Genesis*, that by learning about the ideas that influenced Keynes, Hull, and their colleagues, we can understand their behavior. Indeed, *Genesis* is part of the ALI’s broader Project on World Trade Law, which seeks to compare existing WTO law and jurisprudence to modern economic knowledge.

One of the main concerns of *Genesis* is to explain the motivation of the tariff reduction commitments contained in the GATT when it was entered into in 1947. What is the purpose of this explanation? The intent of the original drafters (even of the GATT 1947, as opposed to the GATT 1994) would only be relevant to interpretation of the GATT under limited circumstances. However, from an economic standpoint, the original motivation, to the extent that it is erroneous, may confirm a current analysis that shows a particular commitment no longer makes economic sense.

The terms of trade motivation of states in connection with GATT, developed in economic theory by Harry Johnson and expressed in his 1953 work, ‘Optimum Tariffs and Retaliation’, and further developed by Kyle Bagwell and Robert Staiger in more

recent scholarship, suggests that states set their tariffs in order to divert rents from exporters to the importing state through the use of ‘optimal tariffs’.¹ Only states that have market power are capable of affecting prices through their tariffs, so only states that have market power can seek rents in this way. The terms of trade theory would suggest that the GATT was negotiated with a view by states to protect their ability to use tariffs to divert rents to themselves, and to diminish the ability of other states to do so. In this theoretical perspective, tariff negotiations are characterized by a prisoner’s dilemma among states with the market power to benefit from optimal tariffs.

A volume of trade-based motivation for GATT, consistent with the fundamental theorem of welfare economics, would assume that it is best for all states, including developing states, to reduce tariffs in order to increase volumes of trade and therefore to increase welfare.

Much depends on how the evidence is appreciated. The principal supplier style of negotiations used in the early GATT years suggests that terms of trade power mattered, but the fact that countries without market power were included in the GATT suggests that terms of trade power was not the principal, or at least the only, consideration. Of course, the terms of trade-based theory was first articulated by Harry Johnson in a 1953 paper. But it is still possible, even to be expected, that the theory followed the practice.

Genesis suggests that statements by developing country representatives to the effect that they wished to increase the prices of their commodity exports provide ‘limited support’ to the terms of trade hypothesis (*Genesis*, p. 183) And yet, these statements may simply suggest a desire for greater welfare, rather than negotiations motivated by terms of trade theory. A clearer argument along the following lines might have been made. Developing countries, cognizant of their limited market power, would like to enter into commodity price coordination agreements in order to be able to exercise collective market power. In fact, the research question suggested by this line of argument, which would help to validate terms of trade theory, would ask whether we see states with little market power banding together through various forms of agreement, including commodity cartels or preferential trade agreements, in order to establish market power.

On the other hand, expanding volumes of trade seems an equally plausible motivation. The evidence developed in *Genesis* suggests that it is at least plausible that negotiators were motivated by the noble goal of increasing volumes of trade. Part of this evidence is simply the reduction of volumes of trade during the Great Depression. The authors take this as suggestive that the US and UK may have been motivated to pursue a multilateral agreement in order to stem the decline in world trade.

A volume of trade-based motivation, perhaps characterized by a collective action problem, may also be consistent with a prisoner’s dilemma, with a somewhat different payoff structure. Volume of trade concerns thus also provide a rationale for agreement, and provide a rationale for an agreement that includes states without market power. Indeed, developing countries seem to have participated actively in the negotiations.

¹ Harry Johnson (1953–4), ‘Optimum Tariffs and Retaliation’, *Review of Economic Studies*, 21(2): 142–153; Kyle Bagwell and Robert W. Staiger (2002), *The Economics of the World Trading System*, Cambridge, MA: The MIT Press.

How does this debate relate to the connection, stressed by Hull, between trade and peace? It depends on an understanding of what causes war. Is it the discrimination involved in the use of terms of trade power inconsistently with the MFN principle that causes war, or is it simply the welfare effects of trade restrictions resulting in reduced volumes of trade?

It is at least possible that different states, and even different lobbies within different states, would have different motivations: different ideas about the relationship between cause and effect. So, when we discuss motivations, it is necessary to recognize that treaties, like legislation, are produced in a Bismarckian sausage factory, and reflect a reconciliation of diverse interests and ideas.

Uses of *Genesis* for rectification of WTO law and for dispute settlement

How does the history of the GATT negotiations provided by *Genesis* affect WTO law and WTO dispute settlement? As mentioned above, WTO law is the product of diplomatic negotiation. One of the types of arguments used in diplomatic negotiation is couched in terms of welfare economics: diplomats argue that the treaty should reflect efficiency. But there are other types of arguments, including arguments based on distribution, based on power, based on fairness, and based on domestic political limits. *Genesis* shows clearly that in the 1940s welfare economics was a source of arguments deployed in discourse about the rules of the world trading system. Welfare economics still is part of the discourse at the WTO today. Any comparison of existing law with economic knowledge is bound to find some disparity. There will be times, and dimensions, in which the law falls behind economic knowledge. More significantly, there are political barriers to the realization of economically optimum arrangements.

A careful consensus-based evaluation of WTO law against the principles of welfare economics would go a long way toward disciplining the political obstacles to economic efficiency. This is the most important possible outcome of the ALI project. But could it also be true that the current state of economic knowledge fails to identify or understand some of the forces and motivations that cause the law to be written as it is: could it be that in some dimensions the economic analysis has failed to keep up with political and legal facts? This point is captured in the old joke about the economist remarking that a proposition ‘may be clear in fact, but does it work in theory?’ This type of disparity appears to characterize the negotiation of GATT, before Harry Johnson articulated his terms of trade theory. To what extent does political action, and lobbying, reflect economic and political reality in ways that economists have not yet identified, or proven? This is a rich source of research agenda: when behavior fails to follow our theory, we should first examine whether it is our theory that requires adjustment.

Even if economic analysis may sometimes fail to keep up with reality, the ALI project will bring welcome critique that will help us to understand the disparities and to evaluate them. However, this possibility suggests that the ALI project cannot on its own be a basis for revision of WTO law. Rather, its analysis must be mediated through a political process that weighs and responds to these gaps between the understandings of welfare economics and the operation of WTO law.

Furthermore, in WTO dispute settlement, the original intent of the drafters is not necessarily a relevant consideration. *Genesis* provides evidence of the object and purpose of the GATT 1947 in the 1940s, and GATT 1994 (the restated GATT 1947 that became part of the new WTO treaty in 1994) must be interpreted in light of its object and purpose under Article 31 of the Vienna Convention on the Law of Treaties. However, travaux préparatoires and the circumstances of the conclusion of the GATT would only be taken into account under Article 32 of the Vienna Convention if the meaning otherwise found is ambiguous or absurd.

Conclusion

The *Genesis* project is an important advance in our understanding of the history of GATT, and of the role of economic argument in the formulation of international trade law. It is a useful book for students, for scholars, and for policy-makers. It will no doubt be influential in continuing negotiations over amendments to the GATT/WTO regime.

JOEL P. TRACHTMAN, *The Fletcher School of Law and Diplomacy, Tufts University*

An invitation to learn from history authoritatively told is always tempting. This book by Doug Irwin, Petros Mavroidis, and Alan Sykes is just such an invitation and it is on the whole an excellent piece of work. The volume falls into three separate parts. Chapter 1 is a rich and careful account of the early, mostly bilateral negotiations between the United States and Britain that eventually led to the birth of GATT. Chapter 2 takes up the story from a legal perspective and discusses the evolution of the GATT text from the London Conference in 1946 through to New York, Geneva, Havana and finally the 1954–55 Review Session, some six years after the GATT had entered into force. The third chapter is a brief account of selected conceptual frameworks for thinking about the motives and means of international co-operation in trade matters.

We relish history because it allows us to link the present to the past, to draw comparisons and to learn. Some comparisons can be perversely comforting, when it is apparent that those who went before had no greater success in addressing some of the challenges that still press on us today. Others can be straightforwardly comforting, when one sees that we might have done better over time at dealing with some issues. Although the realities of any period embody their own specificities, it is striking how often a sense of *déjà vu* creeps in when we think about yesterday and today.

The early post-war history of attempts to build cooperative international economic arrangements shows how hard it is to fashion agreements even when one is tempted to think that the conditions for doing so must have been highly propitious. War had ravaged societies and institutions, creating an urgent need to act. There was no room to argue that it would be pointless to try to fix what was not broken – a refrain we are much more familiar with today. That reality should have galvanized governments, but seemingly it did not stem the need for prolonged stop–start, occasionally rancorous negotiations over several years in the mid-1940s in order to secure an agreement. This

should not make us any more comfortable with today's long delays in multilateral trade negotiations, or render more persuasive the supposed solution of only undertaking short and narrowly focused bursts of negotiated exchanges – a proposition that is blissfully blind to the importance of trade-offs among divergent parties. But at least we are reminded that drawn-out negotiations are not merely a modern affliction.

Moreover, those early negotiations were between a few talented officials and politicians who were largely like-minded. More precisely, much of the action leading up to the creation of the GATT was between the United States and the United Kingdom, with other nations influencing the proceedings periodically from the sidelines, and the negotiations were conducted by intellectually gifted individuals of the likes of James Meade, Clair Wilcox, and others. So the parties: (i) were few in number, (ii) held similar views around a common purpose, and (iii) focused on a narrow set of issues. How do today's realities stack up against these conditions? Clearly, the growth in numbers in the GATT and later in the WTO has added a complicating dimension. This can perhaps be exaggerated when we consider that many of the WTO's 153 Members rarely engage directly in the negotiations, either operating through coalitions, or calculating that national priorities are not well served by the expense of sustained engagement. Nevertheless, larger numbers and more varied interests must be accommodated to a greater degree today than was necessary back then.

Although there were some significant nuances, the United States and the United Kingdom basically shared a vision of what the post-war trade order should look like and how it should operate. Such differences as there were partly reflected philosophical questions about the role of the state in a market economy, with post-war Britain more wedded than the United States to governmental engagement. But the common purpose was to open up the channels of trade in the aftermath of 1930s protectionism and wartime disruption. The sharpest difference was essentially of a temporal character. The United States was determined to rid the trading system of imperial preferences and the United Kingdom wanted a rapid reduction in high US tariffs. This disagreement was never satisfactorily settled because other factors drove the decision to roll out the GATT. With an expanded agenda and many more players, it is no longer so easy today to divine a common purpose. Managing fundamental differences of view about what should be on a multilateral negotiating agenda is a modern-day challenge. And with more voices to be listened to, even differences of a temporal nature – such as who should do what and when by way of trade-opening or the adoption of rules – take on a complexity that cannot easily be papered over.

A bigger question is how to deal with larger numbers in terms of the necessary minimum set of players that must settle among themselves before an agreement can go forward. While some influence was exerted by third parties such as Australia, Brazil, Canada, France, and India, the GATT was largely a two-country design. In later years, it was often said that agreement between the United States and the European Communities was a necessary and sufficient condition for agreement on a trade deal. Then agreement between the two became a necessary but insufficient condition, with the growth in influence of a range of other countries. Today various informal inner circle combinations are tried, enjoying differing degrees of legitimacy among the broader membership. But within these larger groupings of up to seven or eight countries, every single player has effective veto over a settlement, and even after that,

the enterprise is not entirely risk-free in terms of possible reactions from parties outside the inner circle. All this, of course, represents shifts in relative power and the dilution of hegemonic international relations.

The continuing dilution of hegemonic authority – in recent times that of the United States – is sometimes lamented and identified as a primary cause of difficulty in settling today's differences. What the Irwin *et al.* history of the birth of GATT reminds us is that even when American hegemony was at its height, the United States did not have everything its own way. Furthermore, the somewhat sentimental notion of a good citizen-hegemon funding the public good of international cooperation and taking care of the common weal is tarnished by the reality that the citizen will be fashioning the world, if not in her own image, then at least in service of her vision of what should be. This is not a stable equilibrium in an inevitably changing world. So while larger numbers and more balanced power relationships might make it harder to cut deals, yearning for a legitimate and unchallenged presiding authority that rules with a fair and firm hand is more an exercise of imagination than a recollection of past reality.

The third element noted above in the characterization of the circumstances surrounding the birth of GATT concerns the range of issues covered. The primary objective was to bring down tariffs and substantially eliminate non-tariff barriers on manufactured goods. Agriculture was set aside, and no-one was thinking of trade in services, intellectual property rights, or any of the growing number of 'trade and' issues that festoon today's trade agenda. Moreover, much of what was in the GATT besides its first three articles dealing with non-discrimination (MFN and national treatment) and the consolidation of tariffs was intended either to protect the conditions of competition defined by these core obligations or to provide controlled exceptions to the obligations. Nobody had yet thought of the distinction between border and behind-the-border measures. Yet even with this much narrower focus, agreement did not come easily.

Two other features of the early history of post-war cooperation deserve mention. First, even in the context of a comparatively narrow agenda and few players, inter-agency differences and distinct personal visions complicated the articulation of national positions. In the case of the United Kingdom, for example, it often made a difference whether Meade or Keynes was exerting influence, or whether it was the Board of Trade or the Foreign Office that was making the running. The multi-faceted character of the 'national' interest has become a great deal more complicated, where numerous government agencies claim a stake in the issues on the negotiating table and where non-state actors also engage more actively than in the past. Effective internal co-ordination carries a far higher premium today than it did in the past.

Secondly, reliance on 'constructive ambiguity' in negotiations has been with us from the outset, and perhaps the early experience carries lessons that could have been learned. Article VII of the 1942 Mutual Aid Agreement contained language that allowed the United States and the United Kingdom to pedal contradictory versions of what had been agreed on the question of abolishing imperial preferences. This only generated difficulties later, contributing to mistrust and recriminations in subsequent stages of the negotiations that led to the establishment of the GATT. One might make a comparison here with the ambiguous interpretations of whether the so-called Singapore Issues had been incorporated in the original negotiating mandate for the

Doha Round. The presence of ambiguity in negotiated texts – which in this context is assumed to be deliberate rather than the product of an inadvertently under-specified contract – raises a difficult question. Obfuscation on particular issues might be a reasonable price to pay for securing a larger agreement. But would it be better to acknowledge explicitly an unresolved issue and set it aside, rather than indulge in a kind of subterfuge that will have to be unravelled later? No easy answer suggests itself, but the question is worth asking.

This reviewer derived greater utility from Chapter 1 than either of the subsequent chapters. Chapter 2 contains some relatively mild repetition of material contained in the previous chapter and the two could have been better integrated. Chapter 2 systematically traces the sources of GATT provisions through earlier negotiating processes and documents. While this is useful, the ‘assessments’ under each provision could have been more deliberative and less *staccato* in tone.

The consideration of different rationales for the GATT in Chapter 3 is interesting as far as it goes. But in selecting terms of trade considerations, the political economy of committing internationally under trade agreements and foreign policy factors as the three motivations for cooperation, this chapter leaves much unexplored. Both political science and legal literature have a good deal to say about this question. A more complete treatment and literature review of the subject matter of Chapter 3 can be found in the WTO World Trade Report 2007, which carries the sub-title ‘Six Decades of Multilateral Trade Cooperation: What Have we Learnt’? This report was mentioned in a footnote on page 119, but did not make it into the list of references at the end of the volume.

Setting aside these minor quibbles, this book is a fine contribution to our understanding of the origins of the trading system. In addition to the wealth of detail it offers, we are provided with a timely and welcome reminder that the ‘golden age’ of international cooperation is mythical. International cooperation has never been easy. Acknowledging this should banish the defeatism one occasionally detects in commentaries about the limited capacity of governments today to forge cooperation across national frontiers. But it does seem that one lesson in particular from the history of the GATT deserves a final mention. This concerns the all-too-easy temptation to pretend that compromise is capitulation, and to turn those famous negotiating red lines into the enemy of progress. If the United States had not seen an imperative in closing the GATT deal despite obtaining far less than it wanted from the British on preferences, post-war commercial diplomacy would probably have taken a very different course. On the other hand, the ITO proved to be a bridge too far, and perhaps not only for the United States. It is all a matter of balance, and of remembering that no negotiation is the last one.

PATRICK LOW, *WTO Secretariat*