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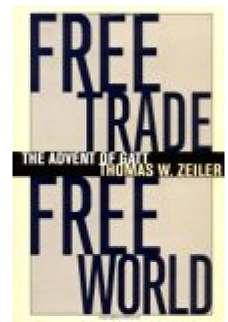
Thomas W. Zeiler. *Free Trade Free World: The Advent of GATT.* Chapel Hill: University of North Carolina Press, 1999. xii + 288 pp. $39.95 (cloth), ISBN 978-0-8078-2458-0.



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One of the world's most misunderstood organizations sits on the glistening shore of Lake Geneva, in Geneva, Switzerland. Its 450 international civil servants toil in a former palace. Despite their tony digs, they have little power or clout. The World Trade Organization (WTO) is a member driven organization. Its 132 members meet to develop rules to govern trade among nations. Decisions at the WTO are not made by these officials, but by consensus among all members. And consensus is not quickly or easily arrived at.

At this writing, the WTO is some four years old, but it has a little known history. It was built on a multilateral trade agreement, the GATT (General Agreement on Tariffs and Trade), established in 1948. The GATT was supposed to be a temporary measure, superseded by a formal international organization to govern trade. This organization, the International Trade Organization (ITO), not only included the GATT's agreements on commercial policies (tariffs, quotas, exchange controls and other border measures that can distort trade) but also rules on economic policies that could also distort trade such as employment policies or business practices.

The ITO was the most comprehensive international agreement ever negotiated. In my opinion, it made the WTO look simple. Had it been approved, the ITO would have required Congress to change some U.S. laws and regulations–beyond the traditional turf of trade policy. But Congress never voted on the ITO. Republicans and Democrats alike were preoccupied with the spread of Communism throughout Eastern Europe, instability in Asia, hunger throughout the world, and inflation in the United States. President Truman made NATO and the Marshall Plan his legislative priorities in 1948-1949 and did not press for its approval. He was satisfied with the achievement of the GATT.

This is a complicated history and it gets more complex. The U.S. Congress also never approved U.S. membership in the GATT. The GATT was built on America's reciprocal trade agreements act, first passed by the Congress in 1934, during the Great Depression. With this law, for a limited period, Congress granted its traditional authority to make trade policy to the Executive in the hopes that bilateral trade liberalization would yield economic growth. The GATT was tailored to fit the limitations of this legislation as well as Congressional reluctance to cede control over trade policy either to the Executive or to a formal international organization. This act allowed the United States to negotiate bilateral trade agreements that mutually reduced border measures such as tariffs that distorted trade. The GATT then generalized these agreements among its contracting parties. They were called contracting parties because the authors of the GATT, in particular State Department official John Leddy, recognized that Congress would not like the term "members." Moreover, the United States accepted the GATT's provisions only insofar as it did not interfere with its existing laws. As a result, the United States could continue to protect and subsidize its agricultural producers without breeching the very trade agreement it had created. To reiterate, the trade agreement used to reduce protectionism allowed protectionism and was built to accommodate protectionism. And the trade agreements act did not allow U.S. policy makers to convene discussions about the many other policies (such as labor or competition policies) that distorted trade among the United States and its trade partners. Thus, the GATT was not built on a very stable foundation, because the trade agreements act had to be renewed every couple of years. Until 1995, when the United States joined the WTO, the GATT was simply a trade agreement, a club, because the reciprocal trade agreements act did not authorize the executive branch to sign a treaty or build an international organization.

Tom Zeiler, an associate professor in the history department of the University of Colorado at Boulder, has worked hard to shed light on this complicated history in his new book, *Free Trade, Free World: The Advent of GATT*. Knowing that the historians of foreign economic policies have not focused on the GATT, Zeiler tries to fit its history into American foreign policy. This is an important objective. He argues that this multilateral trade agreement was "designed to ensure American values and security, not just profits" (p. 2). And he argues that "by liberalizing trade while protecting domestic economies–a bargain consistent with U.S. trade law, practice, and history–GATT facilitated American foreign economic and diplomatic objectives" (p. 5). GATT was flexible, because it facilitated a global compromise on free trade and protection. And thus, Zeiler concludes, because GATT was a protectionist/free trade compromise, GATT endured.

Zeiler reviewed archival documents in the United States, Canada, Great Britain, and Australia. Thus, he examined policy makers' view of the same policies and decisions with many different perspectives. By so doing, he has raised the bar for other historians attempting to assess the development of economic internationalism. But Zeiler's research is also incomplete. He ignored the views of other important nations such as the Netherlands, France or Brazil which were also involved in the development of the GATT and the ITO.

Zeiler's book focuses on how "free trade" theory and tools had to accommodate political reality. He believes that the U.S. was thwarted in achieving "free trade" by foreign policy realities–the economic and political problems of her allies; the Cold War, etc. But "free trade" was never a goal of U.S. policy makers or U.S. business. There is no evidence in the State Department files that the policy planners sought free trade as a goal. And the best evidence of this is the tools they used to encourage trade (trade agreements). The GATT (and all trade agreements) are not designed to free trade–but to regulate it. Such trade agreements regulate how entities may trade and how nations may protect. They help forge "freer trade" but free trade is nonexistent. There are always times (whether to protect consumers from unsafe food or producers from dumped imports) that nations must protect. And in democracies, there is always strong pressure for protection. Thus, the U.S. led global efforts to free trade while protecting its textile, sugar and steel industries, among other sectors. (The design of the GATT, as noted above, makes this clear).

Zeiler's model hamstrings both his analysis and his presentation of the characters in this complex story. He lumps business, labor, and government leaders into two camps: protectionists or free traders. Because he presumes that "free trade" was the only goal of the postwar planners, he underplays other objectives valued by postwar planners such as Harry Hawkins (a foreign service officer) and Clair Wilcox (an economics professor serving the government). These equally important goals were to prevent a revival of the Great Depression and to find ways to encourage full employment. He also mischaracterizes the views of senior leadership as pure free traders. Will Clayton, a businessman who served in government as the senior Undersecretary of State responsible for trade, and President Harry S. Truman had very different views about balancing trade and other economic policies. And they had very different views about how best to encourage trade while encouraging employment. Yet he lumps these four men into the same category: free traders. For example, he describes Clair Wilcox as "steeped in free trade doctrine" (p. 71). Wilcox was more concerned with full employment than with ensuring market access for American capitalists. (One can get this understanding by interviewing one of his former students–William Diebold–or by reading Wilcox's own views in his Charter for World Trade.) Or Zeiler cites Truman as committed to free trade (p. 75). But in none of his writing did Truman show how much he valued "free trade." He never went to any of the trade agreement conferences; and he made little effort to defend trade agreements before Congress. Even businessmen Will Clayton was not a doctrinaire "free trader." Why simplify their complex views if the goal is to enlighten the reader into the development of U.S. trade policy?

Zeiler also misunderstands the relationship of the GATT (an agreement governing commercial policies such as tariffs, quotas, and exchange controls) and the broader ITO, which was designed to subsume it. The ITO failed to gain broad U.S. support because it was so comprehensive–it included rules governing employment, business practices, and investment. It clearly was designed to regulate both border measures (the traditional stuff of trade policy) as well as national policies that can distort trade. Thus, it affected national sovereignty and was bound to be controversial, as the WTO is today. Those people advocating for the ITO and the GATT were creating rules and defending rules that delineated how nations could protect. Thus, it is illogical to call them "free traders." They were trade policy realists–freer trade, not free trade was always the goal. But Zeiler persists in believing "free trade undergirded a Free world" (p. 180).

This review was very difficult for me to write. Tom Zeiler is a superb researcher, a good writer, a solid analyst, and a friend, who has generously given of his time to critique and improve my own work. His first book, *American Trade and Power*, developed new insights into Kennedy Administration foreign economic policy. However, we must await additional studies of the global development of the GATT to understand its evolution and limitations.

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