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Francine McKenzie. "GATT and the Cold War: Accession Debates, Institutional Development, and the Western Alliance, 1947-1959." *Journal of Cold War Studies* 10.3 (Summer 2008): 78-109. DOI: 10.1162/jcws.2008.10.3.78. <http://dx.doi.org/10.1162/jcws.2008.10.3.78> .

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Reviewed by **Alfred Eckes**, Ohio University

Reviewed by **Douglas A. Irwin**, Dartmouth College

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In discussing the General Agreement on Tariffs and Trade (GATT), the forerunner of the World Trade Organization (WTO), scholars often emphasize its role as a negotiating forum for multilateral trade liberalization, or as a set of rules for international trade. Such interpretations usually gloss over the international political dimensions of trade diplomacy and conclude that GATT focused on its goal of lowering trade barriers without regard for Cold War pressures. In this excellent article, based on multi-archival research and oral interviews, Francine McKenzie, a Canadian historian, challenges the conventional view, and places the history of GATT in the context of large geopolitical conflicts.

She concludes that between 1947 and 1959 Cold War politics regularly intruded on GATT's domain, reshaped its mission, and influenced the development of the institution. Cold War influences were particularly visible as GATT considered prospective members – some eighteen countries during this period. McKenzie claims the U.S. State Department, in pushing membership for West Germany, Italy, and Japan over the reservations of European allies, used trade policy to advance its foreign policy goals of integrating those former enemies into the market-driven international economy. Fearful, for example, that Japan might go Communist, the U.S. pushed its application for membership successfully. As a result, Japan joined GATT without opening its market to GATT trading partners, a political decision that was to have adverse consequences for the trade liberalization process.

The influence of Cold War politics was most visible in decisions involving Communist-bloc countries. The U.S. worked to keep the People's Republic of China out of GATT after the collapse of the Chinese Nationalist regime in 1949. With GATT approval it also revoked tariff benefits for Czechoslovakia in 1951. After the death of Stalin, central European countries like Poland, Hungary, and Yugoslavia sought to join GATT even though as state-trading economies they hardly met the stated criteria for membership. GATT's executive secretary, Eric Wyndham-White, supported the initiative, recognizing that a more universal membership could strengthen the multilateral trading system and heighten GATT's relevance. Poland and Yugoslavia gained observer status in 1959, but because of the suppression of the Hungarian Revolution in 1956, Hungary's observer status was delayed until 1966.

Early debates in GATT over membership for the People's Republic of China, and the Soviet Union and its satellites, have fascinating contemporary analogues. The U.S., as noted above, blocked China in 1949 fearful of its disruptive influence on the world trading system. More than a half century later China would gain the benefits of nondiscriminatory trade, and assured market access for its exports, as a member of the WTO system. But, in 2008 China chose to throw its influence behind India to block a compromise in the Doha Round of multilateral negotiations. This move, marking a shift in power from the developed countries to the emerging economic powers, has called into question the future of the multilateral trading system and accelerated the trend toward regional trade arrangements. In another historical irony, the Soviet Union, which initially chose economic isolationism over engagement in the GATT system later applied for membership in the GATT-WTO system. However, Moscow's decision to invade Georgia in 2008 has revived longstanding concerns about Russia's fitness for membership. The U.S. and Europe worry about Russia's lack of respect for the independence and territorial integrity of neighbors, and note that its economy does not yet conform to WTO requirements.

I generally like McKenzie's article and consider it a significant contribution to the literature, but it does magnify the significance of the Cold War. Yes, the Cold War and international politics intruded on GATT, but it would be wrong to conclude that GATT, as I think McKenzie understands, was consumed by the Cold War machinations. GATT negotiators pushed forward on tariff liberalization, and gradually extended the international trade regime's responsibilities from tariff liberalization to harmonizing and removing non-tariff barriers. While the Cold War set back GATT's aspirations to universal membership, the rise of regionalism in Europe, Asia and the Americas would also challenge, and eventually weaken, the multilateral system.

McKenzie's revisionism opens the door for other reassessments of GATT orthodoxy. Over the years GATTophilia has produced a mountain of publications—particularly from economists and legal scholars. They claim the GATT program of multilateral trade liberalization brought prosperity to the West and helped win the Cold War. It

established the legal foundation for the new age of globalization and offshore outsourcing. The GATT enthusiasts often ignore the inconvenient facts that many of the countries that gained the most from the GATT system were the least integrated into it—economies like China and Japan which feasted off GATT-inspired export opportunities but restricted access to their home markets. And, of course the GATT/WTO system brought few obvious benefits to the poorest of countries, because the multilateral negotiators never managed to roll back agricultural protectionism in the rich countries.

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Review by **Douglas A. Irwin**, Dartmouth College

Francine McKenzie has written a valuable article reminding us that international trade arrangements set up after World War II were not immune from Cold War politics. She contends, rightly, that most scholars have studied the General Agreement on Tariffs and Trade (GATT) in isolation from the Cold War tensions of the era. And yet as she shows, many of the particular developments that shaped the GATT can only be understood with the East-West divide in mind.

This was true even from the start of the early postwar efforts to reconstruct world trade. The U.S. State Department had ambitious plans for a comprehensive, multilateral code on trade policies that it hoped would include the Soviet Union, even as late as 1946. The Soviet Union was invited to attend the 1947 Geneva meeting that established the GATT, but it never responded to the U.S. invitation.¹ In retrospect, U.S. officials were probably relieved that the Soviets never responded because they would have been very unhelpful in the effort to foster an expansion of international trade based on limiting government involvement in international trade. (The later problems with China and Czechoslovakia described by McKenzie underscore this point). But the State Department did not want to be seen as deliberately excluding the Soviets.

As McKenzie discusses, but could have elaborated on, the diplomatic end-game at the Geneva conference was dictated in large part by emerging Cold War politics. The summer of 1947 saw rising American fears about the political consequences of weak Western European economies. The concern that European electorates could turn to elect Communist-dominated governments to address the economic crisis was one of the factors leading to the Marshall Plan. The British withdrawal from Greece and Turkey had led to the Truman Doctrine earlier in the year. All of these dramatic events of early 1947 were on the minds of American policy makers as the Geneva meeting was drawing to a conclusion. When the lead U.S. negotiator, Will Clayton, whose famous cable in early 1947 was the impetus for the Marshall Plan, notified the State Department of British intransigence and asked for instructions, Under Secretary of State Robert Lovett made it clear to Clayton that foreign policy considerations were paramount. In particular, the President and the State Department were concerned that a failure at the conference would further weaken Britain's economic and political position in the world and

¹ In Moscow, in early 1946, George Kennan of the U.S. State Department requested a meeting to discuss Soviet participation in the upcoming conference. Soviet officials never granted this request and never responded one way or another to the U.S. invitation, despite the fact that their delegates had participated in the UN Economic and Social Council discussion of the resolution-on-trade conference and voted for resolution. The State Department was skeptical that the Soviet Union, given the state monopoly control on foreign trade, could participate in a useful way in the tariff negotiations. Still, despite the lack of response from Soviet officials, the State Department decided to include the USSR on the list of countries with which it intended to negotiate, leaving the door open for their participation (*Foreign Relations of the United States 1946*, I, 1354-1355).

strengthen that of the Soviet Union.²

If scholars of trade policy have ignored or downplayed such developments, not all political scientists have. Joanna Gowa, in a series of papers and a book, *Allies, Adversaries and International Trade* (Princeton University Press, 1994), has noted how international trade creates national-security externalities and this is the purpose of trade-liberalizing agreements among allies. The gains from trade strengthen the economies of countries that choose to liberalize their trade together, and therefore alter the power relationships between these partners and their rivals. Therefore, countries will prefer to liberalize trade with allies to internalize the security externalities arising from trade and restrict trade with adversaries. Her theory provides a framework for thinking about U.S. trade strategy at this time and seems to explain the post-World War II international order quite well.

McKenzie's paper is particularly important in drawing attention to the accession debates surrounding West Germany and Japan. America's allies were not happy about welcoming these former adversaries into a western trading alliance, not just because of lingering hostility as a result of the war but because they were sensitive to new competition from these countries. Yet the United States insisted that these two nations be included in the postwar trade arrangements. The fact that Britain and other countries continued to discriminate against Japan's trade for many years after its 1955 accession to the GATT illustrates how other countries put domestic economic politics above national security considerations, whereas the United States was in a strong enough situation to emphasize the latter.

It would be very useful for students of the trade politics of this period if McKenzie would extend her study into the 1960s and 1970s to see whether and how Cold War international politics influenced trade negotiations in that later period.

² Lovett noted that "we are attempting to give UK every assistance in getting over this difficult period and in avoiding irretrievable damage to their long-run position. Believe course of action leading to rupture trade negotiations inconsistent with policy we are following regarding financial agreement. (President referred to inconsistency our position if we should take alternative (3).) Important from point of view of successful relaxation convertibility and nondiscrimination provisions that some progress, even though slight, be made in commitment to reduce trade barriers. Believe alternative (3) likely to lead to strong resentment British public and considerable confusion and criticism in US. Would make more difficult consideration by Congress further assistance UK and Europe generally. As you know, UK Govt now under intense pressure from left-wing members Labor party to curtail sharply UK foreign commitments, reduce arm forces and to withdraw British forces from Greece and Italy. We are concerned over likelihood that USSR will exploit fully any such differences between US and UK just as they are now trying to capitalize on British weakness by increasing pressure throughout Eastern Europe and Near East. Consequently best course seems to be to get best agreement possible in present highly unfavorable circumstances and reserve part of our negotiating position for use at more propitious time by trimming our offers correspondingly. From standpoint of public and congressional opinion here the agreement of this kind we believe better than none, especially if made clear that present agreement only an initial stage in dealing with this problem." *Foreign Relations of the United States, 1947, I, 981.*

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