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GATT's Silver Jubilee

The 28th annual session, on the 25th anniversary of the General Agreement on Tariffs and Trade—GATT—ended with a discordant note. The already completed closing communiqué had to be reformulated because of the developing countries. They insisted that the draft committee for the Ministerial Conference of the 81 GATT-members, which will decide in September 1973 on the guidelines for the GATT-Conference adjourned to 1974, must get the concrete commission to deal with the developing countries' specific problems. Although this intervention virtually referred to the elimination of an informality only, it is symptomatic of the present situation of the GATT.

This organisation is no longer, as in the days of its establishment, a club of industrial nations among which there is a far-reaching identity of interests. Today it is characterised rather by the existence of competing economic blocs and interest groups between which the developing countries threaten to be choked.

As long as the leading position of the Americans in world trade was not disputed, the USA could afford to act as the champion of an extensively liberalised international commerce. Since today the EEC with its wide preferential area, and the economic power Japan, suspected because of its dynamics, have moulted from junior partners to rivals for trade leadership, also for the USA the defence of its national economic interests takes precedence.

Therefore it is not surprising if the developing countries' interests find attention only as long as they offer useful arguments for the strengthening of the competing blocs. And it would not be astonishing as well, if in their struggle for commercial leadership the big trading powers would also in future continue what they have often practised hitherto — to discuss at first among themselves in a bilateral dialogue the problems interesting them directly, or, respectively, to use rounds of multilateral negotiations only then as a forum of discussions, if they are, as e.g. the EEC, sure of their majority. Quite obviously this line of conduct does not agree with the intentions of the GATT aiming at multilateral policies.

Accusing lamentations about this state of affairs are, however, helping as little as mere words,

numerous as they are, to counteract the growing disintegration of world trade. What matters is the adjusting of the GATT, ailing as it is already at its 25th anniversary, to the changed conditions of international trade. The intended intensification of the most-favoured nation principle would be a medicine of only little effectiveness. For in view of the growing importance of customs unions, free trade areas and preferential systems, to which meanwhile 60 p.c. of the GATT-members belong, the most-favoured nation treatment plays a rather unimportant role.

The complete abolition of tariffs on industrial products proposed by Japan and the USA should present only a gloomy outlook for success in the sense of a further liberalisation. For apart from the fact that already now the spokesman of the EEC-countries made it clear that they do not give this subject any particular priority, the need of protection of certain countries and industries increases with every general abolition of trade barriers. Consequently new protectionist trends are being encouraged.

Of much higher importance is, however, the question whether the principles of free competition and equal treatment of all countries, that hitherto have been the very foundation of the GATT, can be advocated unreservedly also in future. For in view of the growing gap between the poor and the rich countries it may be very well questioned if the unlimited free trade so far did not prejudice more than promote the developing countries. The unadulterated principle of equal treatment regarding the abolition of trade barriers should expose these countries' timorously growing industries to such an international competition as they will not be able to face in the long run.

If in future GATT does not want to show up the absurdity of its existence, its members must realise two points: on the one hand, there will be only that many multilateral policies as the Big Three—USA, EEC and Japan—are prepared to admit, and, on the other hand, beloved principles like the equal treatment of rich and poor countries must be modified correspondently. The curing of symptoms will not help.

Hans-Gunther Schoop