

Editorial

THE GENERAL AGREEMENT ON TARIFFS AND TRADE has come to be regarded as one of the more effective of the international organizations, and there are several reasons for this. In the first place its members are contracting parties to the General Agreement, which is a legal code binding upon the participants laying down certain rules directed towards the liberalization of their mutual trade. The Agreement itself, which took effect in 1948, at a time when there was little international trade after the second world war, was specifically directed towards the elimination of tariffs and quotas. It dealt however with many other issues, and laid down the general principle of non-discrimination based on a universal most-favoured-nation clause.

Since then the General Agreement has been supplemented by a series of tariff negotiations, culminating in the Kennedy and Tokyo Rounds which expanded the obligations of the contracting parties in some fields, notably export subsidies, government procurement and standards. A formal addition was also made to the General Agreement, adding Part IV, of interest to developing countries, permitting special and beneficially discriminatory treatment towards them by the other members. Since then the focus of the organization has switched to the problems of the depression and the consequences on national trade policies. Numerous groups and committees have been set up, perhaps the most significant being the Consultative Group of Eighteen, in which the developing countries are fairly represented, and which keeps the work of the organization in general review. At the moment there is a high-level panel of seven experts from outside, under the chairmanship of Dr Fritz Leutwiler, President of the Bank of International Settlements, to study and report on the international trading system. GATT now has ninety contracting parties, the majority of them developing countries who have much to gain from it.

A further advantage enjoyed by GATT is that the text of the General Agreement has been regarded, like the IMF Convention, as one permitting a "soft law" approach. This enables the participants to suspend or vary their obligations, on the condition that this meets with a general consensus of the members, which is possible because the General Agreement is directed towards governments. This has lent flexibility to the Agreement which has enabled it to weather contemporary storms which might have resulted in the repudiation of a more rigid instrument, although at the same time it has enabled back-sliders (sometimes including the whole membership) to erode the strict terms of their obligations.

The operation of GATT has been further facilitated by the refusal of the Soviet Union to participate. Only Czechoslovakia, Hungary, Poland and Romania are present from the Eastern bloc. This has enabled GATT to proceed on the basis of a market economy approach, while imposing on its socialist members obligations to expand their trade by a fixed proportion to correspond with tariff reductions undertaken by the others. This may also have reduced

politization to a minimum. Had there been a stronger representation from Eastern Europe the need to find suitable compromises might well have impaired the functioning of GATT.

The failure of the United States to ratify the International Trade Organization led to the provisional implementation of the General Agreement on its own, with the result that GATT is not a full member of the United Nations family. An advantage here is that the secretariat is not subject to geographical pressures, and the Director-General and his staff can be chosen on the basis of competence alone. A Director-General who combines the rare qualities required can have a profound impact on the functioning of any international organization, and GATT has been fortunate to enjoy the leadership of its first director the late Sir Eric Wyndham-White and his two successors. It is due to them that successful strategies have been adopted, with the help of some very active national delegates, and which have kept GATT in its position of pre-eminence.

An excellent example of the successful technique adopted was the Ministerial Meeting held in 1982, at a time when protectionism was most threatening. A brief three-day meeting of ministers was organized (in fact lasting five days), which resulted in an uneasy and sometimes traumatic confrontation between the delegates, making them realize that they were not prepared to face a break-down of the established trading system. Instead of initiating an interminable discussion, they instituted a stand-still and gave themselves a breathing space by setting up a work programme of fact-finding and research. The results fall to be considered at the present annual meeting of the contracting parties, but the latter will meet in circumstances considerably more favourable than those of two years ago. The effectiveness of this process is in striking contrast to the conference of UNIDO IV, reported in the present issue of this Journal.

There is a good prospect that some progress will be made at the annual meeting, particularly in facing up to the many-headed hydra of the non-tariff barrier, and also towards the addition of the liberalization of services to the GATT repertoire. Another point to be noticed is that participants have been keen to strengthen the dispute settlement process in case of conflicts arising out of the interpretation of obligations under the General Agreement. The latest report, *GATT Activities in 1983*, showed that of the ten cases under consideration all involved at least one of the major trading groups, and four of these were between the European Community and the United States. It is to be noted that many of the recommendations of the panels to which disputes were submitted are already being implemented by the party found to be in default. There are also indications that the Director-General is taking initiatives on issues beyond those referred to him officially by the contracting parties, such as voluntary export restraint agreements.

If therefore some of the most significant issues in the world trading system are being dealt with in GATT rather than elsewhere this is largely because the organization is equipped and has armed itself with the means to deal with them. It is now in a position of some authority to be able to persuade countries to face issues which they are unwilling or unable to resolve by themselves.