12 Epilogue

Writing a concluding chapter to a study of contemporary history is like bringing down the curtain on a play that is still being acted. The temptation is to speculate on how the plot may unfold in later scenes. On the stage of international trade relations, most observers seem to expect that states will continue to be drawn ever more closely together. The shrinking of time and distance brought about by technological change, the spread of industrialization, and the rise almost everywhere of some form of capitalist society have combined to sustain the unending search of commercial enterprises for markets and sources of supply beyond national frontiers. This supports the belief that multilateral trade cooperation should continue to gather strength.

The history of trade relations since the mid–nineteenth century does not contest the influence of these large, impersonal forces in advancing trade cooperation. But if we follow the course of these relations from year to year or decade to decade, we know that cooperation has actually traced a very winding and uncertain path. Advances have been interspersed with periods of retreat. Even when governments have moved to enlarge their cooperation, they have everywhere done so in the face of opposition from particular interest groups at home. Severe recessions have been particularly fertile breeding grounds for hostility toward greater cooperation, and recurrent international financial crises–with abrupt contractions in capital flows and large realignments in exchange rates–have stirred up resentment of open trade and investment policies. Moreover, when governments have sought to negotiate trade agreements with each other, they have brought strong nationalist sentiments with them to the negotiating table. Each government has pressed single-mindedly for what it has perceived to be its own national interest, and all governments have feared that others might be taking advantage of them.

The first decisive steps toward the multilateral trade cooperation that we know today were taken in the mid–nineteenth century. In the balanced give-and-take of reciprocity, governments found a means to manage their mistrust of each other and to negotiate—if often cautiously and parsimoniously—mutually advantageous reductions in trade barriers. In agreeing not to treat each other any worse than they did any other trading partner, they almost inadvertently established links among their separate trade agreements. Together, these agreements formed an embryonic system of multilateral cooperation.

But the mutual trust was fragile, and the system was unstable. Governments often reverted to unilateral action; they raised trade barriers in defiance of their trade agreements, either in response to demands from domestic producing interests or because they suspected that their trading partners were not abiding by their agreements. Traders were consequently never safe from seemingly arbitrary interventions of foreign governments, which heightened business risks and constrained trade flows.

The first period of multilateral trade cooperation was abruptly brought to an end by the catastrophic outbreak of the First World War. The war radically altered the economic circumstances of the leading trading nations and their relations with each other. The restoration of stability in the exchange rate system—then seen to be so necessary for cooperation on tariff reductions—proved unattainable on a lasting basis, and the onset of the Great Depression dissipated any last hopes of restoring the trade regime. The difficult and tangled political and economic circumstances of the time, to which governments responded with sometimes ill-conceived policies, sharpened the mutual mistrust familiar among states and left each with no apparent option but unilateral action.

After the Second World War, multilateral trade cooperation moved onto a higher plane of mutual trust. The harsh lesson taught by the bitter experience of the interwar years was well learned. Led by the United States, governments set about deliberately to establish a framework of common institutions that would deter mutually destructive, unilateral behavior. In trade relations, their action took the form of a multilateral agreement embodying norms, rules, and procedures for trade conduct, which became the basis for the more elaborated and extended regime that we know today as the WTO.

Compared with the network of trade relations that prevailed before the First World War, this later phase of trade cooperation is distinguished by its intentionally multilateral character: it has been composed of multilateral rules and procedures to which countries have collectively consented. Its operation has depended on the conscious and common recognition of the mutual advantage to be gained from abiding by these agreed rules and procedures. While the public dialogue among governments has always been dominated by the noise of contentious bargaining or of accusations of bad faith, there has nevertheless been an underlying acceptance of a multilateral process of rule making. The emergent regime not only has facilitated the reduction of barriers to the flow of goods and services across national frontiers but also has progressively lessened the possibilities for governments to intervene in trade relations in ways that, from the point of view of others, appear arbitrary and unpredictable.

We have to recognize, however, that a regime intended to regulate the conduct of states in their trade relations is a fragile invention. Nations have remained independent entities, and there is no superior body empowered to enforce the rules. The most powerful trading nations, especially the United States, have from time to time used their power to cajole or threaten others into conforming with the rules; but as major participants with their own national interests, they have likewise been guilty of abusing their power by disregarding the rules themselves.

States have collectively sought to strengthen respect for the rules through the institution of a quasi-judicial process for the settlement of disputes, and a major value of the process is that it has helped to restrain countries from the kind of precipitate, unilateral action that often escalated into destructive trade wars in the nineteenth and early twentieth centuries. But the fact remains that adherence to the rules—including the dispute settlement process itself—has rested not on any powers of enforcement but on the respect that nations have been willing to accord the rules themselves. That respect has depended on their common perception that participation in the collective arrangement is in their own interest.

The great success of multilateral trade cooperation is that in the conduct of their trade relations, states have gradually accepted an increasing role for common rules in place of the ad hoc use of power. But there is an endless struggle within countries between the desire to act in their own immediate interest and the willingness to abide by common international rules. In changing economic conditions, powerful nations have sometimes found existing rules less acceptable than when they first agreed to them. Not only have they sometimes broken the rules, but they have unsurprisingly been inclined to urge on others new rules that best suit their own interest (and that may well appear eminently fair to them in the context of their own circumstances). When existing rules are disregarded or when new rules are deeply resented, the likely consequence is that other governments exercise their ingenuity in finding ways to sidestep their own formal obligations.

As it has so far developed, the multilateral trade regime can be characterized as a largely successful arrangement that allows the commercial enterprises of countries having some form of capitalist economic system to gain easier and more stable access to each other's markets and sources of supply. It has managed to accommodate within its set of rules and procedures a great many countries that differ widely in their levels of development, their social institutions, and their national aims and policies. Its success derives in large part from the fact that its rules and procedures have been relatively modest in their aim. They have focused on regulating relations among states in the mundane world of commercial activity and have not, for the most part, impinged on larger, noncommercial issues. In the very recent past, however, as negotiations about barriers to commerce have penetrated more deeply into the conduct of business within domestic markets, national sensitivities about the effects of the trade regime on noncommercial issues have more often come into play. The possibilities of conflict between the ever expanding trade regime and noncommercial national aims have thus increased. For instance, recent noncommercial issues on which national and commercial views have differed strongly include making pharmaceuticals available to HIV-infected persons in disregard of intellectual property rights and the protection of consumers against genetically modified foods.

Probably the most persistent dilemma of the multilateral trade regime is its uneasy relation with economic development. This dilemma has two facets. The first stems from the fact that developing countries are fiercely—and understandably—committed to the advancement of their own peoples and resources through the modernization of their economies. This aim has never been easy to reconcile with a multilateral trade regime whose overriding intent is to bring about progressively more open market access for foreign-owned products, services, or capital. The two conflicting aims can only be reconciled with as much good sense as possible.

Whereas the first facet of the dilemma turns around the issue of access to the markets of the developing world, the second is just the reverse. The economic success of many developing countries has intensified their search for access to foreign markets. The industrially more established countries, however, have repeatedly resisted the adjustments in their own economies that would make room for the products of more efficient producers from elsewhere, especially the newer producers in the developing world. The resistance has been most evident in such major industries as agriculture, textiles and apparel, and steel. The more powerful and established countries have manipulated the multilateral trade regime in support of their reluctance, and that manipulation has been a continuing threat to the regime's integrity.

As we enter the twenty-first century, many more developing countries are now members of the WTO—including the huge and powerful trading nation of China. It thus seems likely that sources of conflict between the commercial interests of the industrially more established countries and the developmental aims of the developing countries will come more frequently to the surface.

However, neither the issue of economic development nor the conflicts with social aims necessarily present insuperable difficulties. What has characterized the history of the postwar trade regime has been the largely pragmatic spirit in which its rules and procedures have been designed and applied. It is true that ideas of market efficiency, as expounded and advocated by mainstream economists, have been influential in guiding the formation of these rules and procedures. But it is also fair to say that the WTO and its predecessor, GATT, have not been vehicles for promoting a particular ideology of global free trade. Rather, an accumulating set of commercially oriented rules and procedures, collectively reached, have served to advance the trading interests of all the participating nations. Negotiators have generally recognized that national differences in aims and institutions must be respected if a consensus about these rules and procedures, so important for effectiveness of the regime, is to be sustained.