

# INFORMATION

GENERAL AGREEMENT ON TARIFFS  
AND TRADE  
ACCORD GÉNÉRAL SUR LES TARIFS  
DOUANIERS ET LE COMMERCE

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## GATT - THE FIRST FORTY YEARS

by Arthur Dunkel, Director-General of GATT

"In the first year that the General Agreement on Tariffs and Trade was in effect, 1948, the value of world trade amounted to some US\$57 billion. In 1986, it was worth more than US\$2,100 billion. Over the same period, the volume of trade in manufactured goods multiplied more than twenty times. That is a lot of trade to keep moving but, simply stated, that is exactly GATT's role.

"GATT can be regarded as providing the highway rules for world trade. Traffic will only flow freely if drivers not only agree on the rules of the road but actually obey them. The rules of GATT are simple in essence. They provide for non-discrimination, fair competition, the rational settlement of disputes, trade liberalization, the use of tariffs rather than quotas and so on. When they are permitted to work, world trade can expand in a healthy manner and traders and investors can make plans and take decisions with reasonable confidence and security. And consumers benefit also.

"The idea of a multilateral set of rules governing national trade policies and international trade relations was not new in the 1940s, but it was only after the great depression of the 1930s and the trauma of the

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second world war - which could be said to have had some of its roots in protectionist and nationalistic economic policies - that governments had the courage and ability to transform the idea into reality.

"The twenty-three countries which were the founders of the GATT believed that it was only a temporary arrangement which would give way quickly to a much more comprehensive International Trade Organization under the umbrella of the United Nations. In the event, the ITO never came about and, in its place, the GATT has survived - albeit on a provisional basis - until this day. From 23 countries, its membership has grown to 95 (accounting for nearly 90 per cent of world trade), with a number of countries negotiating their accession as I write. Credible multilateral trade rules are as attractive and critical to governments now as they were forty years ago.

"Naturally, the GATT has had its periods of achievement and its times of failure. However, the first twenty-five years of GATT's life were remarkable for the pace and extent to which tariffs and many quantitative restrictions were lowered and dismantled. It is no accident that that is the very period in which the world economy and world trade grew, on average, faster than at any other comparable period this century - in fact, some 5 1/2 and 8 1/2 per cent per year, respectively.

"In the past fifteen years, GATT nations have been unable to sustain the post-War success story. Many aspects of the world economy have gone awry: debt, exchange rate movements, major trade and budgetary imbalances, commodity and fuel prices, slower economic growth, and growing resistance to industrial change have all conspired in one way or another to hamper the pace of trade liberalization and trade growth.

"Indeed, the GATT system has been under attack. Not so much through open challenge as disregard of its precepts in the practical conduct of their policies by governments. Despite the lessons of history, some of the

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previously unchallenged principles of GATT have, on occasion, been forgotten in the largely fruitless search for quick, painless answers to deep-seated problems - problems relating, more often than not, to the need for industrial and social change.

"The GATT rules exist to help governments cope with change. If governments are unable to do so, and seek to block the process of change by protectionist means, then trade growth will slow down and with it the rise in living standards. That is exactly what has happened as some governments have sought relief through new forms of import restriction or attempted to give their traders a competitive edge through subsidies.

"But the trading world of the 1980s is, in any case, not that of the 1940s:

- high technology has revolutionized production processes and accelerated the pace of change of products available to the consumer
- for many countries services have begun to account for a high proportion of their foreign trade
- the rapid movement of capital around the world is having a significant effect on trade with investment and production decisions becoming increasingly "globalized"
- and while many developing countries remain poor and dependent upon single commodities, others have sprinted ahead to produce goods not just cheaply but with an unparalleled degree of technical sophistication.

"All these trends are bringing benefits for world trade but have made us think carefully about the adequacy of GATT in the new trading world. These and other considerations - related both to the opportunities and the

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challenges of present trends - underlay the decision taken in September 1986 to launch the Uruguay Round.

"While the GATT has completed, successfully, seven rounds of multilateral trade negotiations in the past, the Uruguay Round is unique. Certainly, it covers traditional areas related to market access like tariffs and non-tariff measures, including issues of special relevance to developing countries. But the Round will go much deeper than that. On one level, it will seek to tackle the problems which have tended to erode confidence in the system - for instance, trade in agriculture, textiles and clothing, the 'safeguard' rules on emergency import protection, and subsidies. At a second level, it will seek to make the GATT more responsive to developments in the trading environment - through possible institutional changes and through the exploration of new issues like the trade aspects of intellectual property rights and of investment. And, at a third level, the single political undertaking of the Uruguay Round includes an important negotiation on trade in services.

"The GATT is in a fortunate position in that it has the chance - through the Uruguay Round - to re-forge its own future. We are in the midst of a process from which will emerge a new trading system for the 1990s and beyond. Indeed, having reached forty, the GATT is now planning a particularly vigorous middle-age."

#### NOTE TO EDITORS

Arthur Dunkel has been GATT's Director-General since 1980. He is of Swiss nationality and was born in 1932. Educated in Lisbon, Portugal, Fribourg and the University of Lausanne, Switzerland, Mr. Dunkel began a career in the Swiss civil service when he joined the Federal Office for Foreign Economic Affairs in 1956. For some years he was responsible for OECD affairs and then for co-operation with developing countries, becoming his country's Permanent Representative to GATT in 1971. In 1976, Mr. Dunkel was appointed delegate of the Swiss Government for trade agreements with the rank of Ambassador Plenipotentiary. He led the Swiss delegation to the Tokyo Round and to negotiations in UNCTAD, before taking up his present post. Mr. Dunkel is married and has two children.

The GATT has had only three Directors-General in its forty years. Mr. Dunkel's predecessor was Mr. Olivier Long, also from Switzerland. The original Executive Secretary and latterly Director-General of GATT was Mr. Eric Wyndham White, an Englishman.

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