

The Trade Agenda

Free trade is one of the greatest blessings which a government can confer on a people.

LORD MACAULAY, QUOTED BY GEORGE BUSH SNR¹

One of the early US free trade proponents was William Lockhart Clayton, a successful businessman who headed the world's largest cotton brokerage firm with subsidiaries around the world. In 1936, Clayton had appeared on the cover of *Time* magazine as 'the epitome of the new American capitalist who operated on a global scale'. Clayton was a great believer in free trade because his business was based on international trade.²

To his critics, Clayton was a corporate reactionary whose brutal speculative tactics and endorsement of unbridled competition helped bring ruin upon the cotton farmer. As a world trader, he came under attack for continuing to sell to Nazi Germany and Imperial Japan long after the character of those regimes became obvious.³

Clayton promoted free trade as a businessman and then later as a US government representative and diplomat. Many US-based multinational companies, like Clayton's, were keen to gain access to world markets, particularly since their 'nearly exclusive access to large capital funds' gave them a competitive advantage in those markets. US administrations have therefore made free trade a top priority of international economic policy and have been keen to spread the free market message to foreign shores.⁴

Clayton argued that free trade was necessary to ensure world peace and, following World War II, he argued that economic collaboration would prevent war. While he was the US trade representative, his team managed to negotiate a tariff reduction agreement in 1947 between 18 countries. It was called the General Agreement on Tariffs and Trade (GATT).⁵

Clayton's ultimate goal was an International Trade Organization (ITO) that would remove barriers to global trade. The US government also envisaged such an organization when the World Bank and the International Monetary Fund (IMF) were set up in 1944. A charter for it was drawn up at a conference in Havana. However, there was serious business opposition to the idea, even in the US. Some

business people were suspicious of an international bureaucracy that would lay down the rules of trade. Others feared the loss of tariffs and subsidies that protected their business.⁶

Many developing countries were also unconvinced of the benefits of enforced free trade, noting that the nations that had successfully industrialized had protected their own industries during development. Latin American countries saw the ITO charter as a way to ‘serve the interests of the United States and damage the legitimate aspirations of the Latin American countries’.⁷

Advocates used anti-communist propaganda to promote the ITO. Secretary of State Dean Acheson told a House Committee on Foreign Affairs hearing that the US was ‘engaged in a struggle between two ways of life’ – free enterprise and communism – and the ITO charter could ‘immeasurably strengthen us and other freedom-loving nations’.⁸

The growing compromises emerging from the negotiations angered US business advisers to the negotiations, including representatives of the National Association of Manufacturers (NAM) and the Chamber of Commerce, who began to oppose the ITO. Elvin Killheffer from the Chamber of Commerce labelled the charter ‘a vast invasion of the free enterprise principle’ and *Fortune* magazine claimed that the charter did nothing to promote free trade, but ‘merely registers and codifies the worldwide conflict between freer trade and economic nationalism’ and is ‘one of the most hypocritical state documents of modern times’. It is difficult to know whether such indignation was genuine, given that one US representative suggested that ‘because the charter was being attacked from the left, he would talk to some friendly delegates to see whether they might criticize it from the right, thus allowing the United States to take the middle ground’.⁹

Despite Clayton’s public relations efforts, including obtaining ‘the endorsement of 125 business executives, educators and other prominent individuals’, the charter failed to get Congressional approval in the US and efforts to promote an ITO failed. All that was left was the GATT, and Clayton turned his efforts to getting more signatories to the GATT and broadening and deepening its scope. GATT became ‘both a set of rules and a negotiating forum’.¹⁰

A series of *ad hoc* secret negotiating rounds followed, designed to foster free trade – that is, the removal of trade barriers such as tariffs and export bans – through setting rules for international trade and settling trade disputes. It was argued that if trade was unimpeded by trade barriers and tariffs, global economic growth would be accelerated and each country would prosper as a result.

Since 1947, there have been eight official rounds of negotiations to update the GATT rules. The last round – the Uruguay Round – began in 1986 in Uruguay, with 108 countries represented. Prior to the Uruguay Round, tariffs had been reduced by 75 per cent. Business leaders hoped that the Uruguay Round would achieve further significant reductions and also address non-tariff barriers to trade.¹¹ In 1989, the Australian Industries Assistance Commission noted: