World Trade Review (2006), 5: 1, 1–30 Printed in the United Kingdom
© *Kerry Chase* doi:10.1017/S1474745605002624

Multilateralism compromised: the mysterious origins of GATT Article XXIV

KERRY CHASE*

Department of Political Science and Fletcher School of Law and Diplomacy, Tufts University

Abstract: The GATT treaty's loophole for free trade areas in Article XXIV has puzzled and deceived prominent scholars, who trace its postwar origins to US aspirations to promote European integration and efforts to persuade developing countries to endorse the Havana Charter. Drawing from archival records, this article shows that in fact US policymakers crafted the controversial provisions of Article XXIV to accommodate a trade treaty they had secretly reached with Canada. As a result, the free trade area exemption was embedded in the GATT–WTO regime, even though neither the Havana Charter nor the US–Canada free trade agreement was ever ratified. Theoretically, the case is an important example of how Cold War exigencies altered the policy ideas of US officials.

1. Introduction

Article XXIV of the General Agreement on Tariffs and Trade (GAT) has been a source of vexation and puzzlement since the treaty's inception in 1947. This clause exempts free trade areas and customs unions from the obligation to accord most-favored nation (MFN) treatment in international trade. To its critics, Article XXIV is 'extremely elastic' (Curzon, 1965: 64), 'unusually complex' (Dam, 1970: 275), and 'full of holes' (Bhagwati, 1993: 44) due to language that is full of 'ambiguities' and 'vague phrases' (Haight, 1972: 397). Haight (1972: 398) impugns Article XXIV as an 'absurdity' and a 'contradiction', while Dam (1970: 275) brands it 'a failure, if not a fiasco'.

Scholars have long debated whether Article XXIV should be written differently, with Bhagwati (1991: 76–79), McMillan (1993), Krueger (1999), and others proposing changes in the rules for regional trading arrangements, while Lawrence (1996) instead calls for more effective enforcement of the existing provisions. What is clear is that the implementation of Article XXIV has not worked well in practice. In the GATT's 47-year history, only one working

* Correspondence to: Department of Political Science, Tufts University, Medford, MA 02155. Email: k.chase@tufts.edu
Thanks to James Mathis, Tony Smith, and Sevan Terzian for helpful comments on earlier drafts. The faculty Research Awards Committee at Tufts University funded my research at the US National Archives, and the staff at Archives II in College Park, Maryland, assisted me with locating records.

Table 1. Free trade areas and customs unions under Article XXIV

	Number notified to the GATT/WTO	Yearly average	Working parties convened	Reports adopted	Reports drafted but not adopted
GATT, 1948–1994					
Free trade areas	26	0.6	26	15	11
Customs unions	9	0.2	9	9	0
WTO, 1995–2004					
Free trade areas	128	12.8	82	0	60
Customs unions	5	0.5	5	0	2

Source: Compiled from 'Regional Trade Agreements Notified to the GATT/WTO and in Force as of 4 January 2005', available at http://www.wto.org/english/tratop_e/region_e/summary_e.xls.

party determined that a regional trading arrangement had satisfied Article XXIV,[1] yet none were found to be incompatible with GATT rules. A former GATT Deputy Director General complained, 'Of all the GATT articles, this is one of the most abused, and those abuses are among the least noted' (World Trade Organization [WTO], 1995: 63). The Leutwiler Group's 1985 report to the GATT Director General similarly noted:

> The exceptions and ambiguities which have thus been permitted have seriously weakened the trade rules. They have set a dangerous precedent for further special deals, fragmentation of the trading system, and damage to the trade interests of non-participants … GATT rules on customs unions and free trade areas should be examined, redefined so as to avoid ambiguity, and more strictly applied. (WTO, 1995: 63).

The Uruguay Round Agreements produced a 'Memorandum of Understanding on Article XXIV' and created a Committee on Regional Trade Agreements to conduct reviews under the WTO. Since then, free trade areas and customs unions have flourished, but a lack of consensus within the working parties has consistently prevented effective monitoring and enforcement of GATT rules for regional arrangements. As a result, the WTO has yet to adopt a single report on Article XXIV compliance, as shown in Table 1.

Throughout this inauspicious history, Article XXIV's origin and rationale have confused prominent scholars. At postwar conferences, accepted wisdom maintains, the United States assertively advanced multilateral principles and repudiated preferential trade. In this view, US officials accommodated insistent demands to allow latitude for regional arrangements for two reasons: they worried that Britain and developing nations would abandon the talks, and they wished to remove obstacles for European integration.

1 This was the 1993 customs union between the Czech and Slovak Republics, two countries that had been joined together as an independent state for the previous 75 years.

These arguments are incomplete. Drawing from archival records, this article shows that the United States did not compromise multilateral ideals to promote European integration or placate Britain and developing countries. Rather, US officials had secretly negotiated a trade treaty with Canada, and they pushed behind the scenes to amend the Havana Charter to allow free trade areas, a concept introduced at Havana. Their successful effort to shape global trade rules to accommodate the US–Canada trade treaty – which, fate would have it, was never signed or ratified – produced the curious text of Article XXIV that puzzles analysts to this day.

The story behind Article XXIV is not of merely historical interest; theoretically, it provides an illustration of how policymakers update or change prevailing normative views. In this account, I focus on the purposeful actions of individuals – officials in the US State Department – to explain why postwar trade rules shifted from a rigid, customs union-only stance to a more flexible standard that also sanctioned free trade areas as exceptions to MFN. My argument is that the opportunity for a trade treaty with Canada and concerns about national security led US officials to relax their causal belief that trade discrimination bred political conflict and their principled belief that discrimination was morally repugnant. Though it is methodologically challenging to evaluate the policy impact of ideas and human agency in a single case, the analysis establishes a temporal association between the change in ideas and the shift in policy position, and then demonstrates that officials justified the new policy stance based on these new ideas.

The next section details the drafting history of Article XXIV in the postwar conferences that culminated in the Havana Charter and reviews prominent explanations for why the United States compromised multilateral principles and accepted provisions excusing free trade areas from MFN. Section 3 situates the argument in a theoretical context. Sections 4 and 5 present archival evidence to demonstrate how US–Canada trade negotiations shaped the Havana Charter. Section 6 links changes in trade rules for preferential arrangements to shifts in thinking among key State Department officials. Section 7 evaluates alternative explanations, and Section 8 concludes.

2. Drafting Article XXIV

The GATT's origin lies in the State Department's 'Suggested Charter for an International Trade Organization' (ITO), released in September 1946. The Suggested Charter's first article proposed as its central tenet unconditional adherence to the MFN clause.[2] Toward the end, Article 33 noted a lone exception

2 Pursuant to a compromise with Britain in the 1945 'Proposals for Consideration by an International Conference on Trade and Employment', Article I allowed certain colonial preferences to remain in effect, pending negotiation. At Geneva, certain preferences in force between neighboring territories as of July

permitting 'the union for customs purposes of any customs territory and any other customs territory' (US Department of State, 1946).

Notably, this customs union provision was not grouped with the MFN clause in Article 1. Rather, it was part of a pro forma article defining the term 'customs territory'. Customs territories, not countries, would be the constituent bodies of the ITO, and the passage was designed to clarify that the Charter would apply to countries with separate tariff structures, even if they were under common sovereignty (as in a colonial system). Traditionally, customs unions had been treated as distinct territorial entities; because of their political status, MFN commitments did not apply to them (Viner, 1950: 5–14). At the time, there was 'no case of a customs union on record that was not accompanied or quickly followed by complete political unification', so merger into a larger customs area represented 'the first step towards a complete economic and political union' (Haberler, 1949: 433). Customs integration therefore 'was seen more as a question of frontiers and customs jurisdiction than as a commercial arrangement involving discrimination in the treatment of trade' (Haight, 1972: 392). Simply, this was an exercise of sovereignty that did not require an exception to MFN.

The State Department had debated giving the ITO broad authority to discipline even customs unions. A wartime planning memo doubted 'that all customs unions … merely because they involve the creation of a larger free-trade area within a single tariff structure, necessarily tend to promote international trade'. If the ITO were to review proposed customs unions on a case-by-case basis, the memo noted, 'we may in the future oppose any that we deem to be against the best interests of the United States or against the general program of the United Nations'.[3] This led the State Department to include provisions to regulate customs unions in its initial drafts of the proposed ITO Charter. The first condition was that the 'external trade barriers of the union shall not be higher than the average for the constituent territories'. Second, to preclude tariff assimilations in empires, a member could not unite with 'the customs territory of any area politically dependent upon it'. Third, countries forming a customs union would have to submit a proposal to the ITO, which would 'make recommendations to the contracting states as to the attitude they should adopt toward it'.[4]

These provisions, however, did not appear in the more simplified Suggested Charter that formed the agenda for the ITO negotiations. Revisions to the Suggested Charter's Article 33 at the London and Geneva conferences of 1946–47 broadened its scope to include 'interim agreement[s] … for the attainment of a

1947 were added to this list of exemptions. However, preferential arrangements covered in this 'grandfather clause' could not expand existing margins or introduce new preferences.

3 'Summary of the Interim Report of the Special Committee on Relaxation of Trade Barriers', 8 December 1943, and 'Report of the Subcommittee on Regional Preferences and Customs Union', 19 August 1943, RG 59, Records of Harley A. Notter, Box 53. Archival records cited herein appear in the Appendix.

4 'Draft Multilateral Convention' (Article XXIX), 19 February 1945, RG 59, 560.AL/2-1945.

Table 2. Timeline of the customs Union-free trade area exemption

Treaty or draft	Date	Article number	Exemptions from MFN
Suggested Charter	September 1946	33	Customs unions only.
London Draft	November 1946	38	Customs unions only.
New York Draft	February 1947	38	Customs unions only.
Geneva Draft	October 1947	42	Customs unions and interim agreements to form customs unions.
Havana Charter	March 1948	44	Customs unions, free trade areas, and interim agreements to form customs unions and free trade areas.
GATT	March 1948	XXIV	Identical to Havana Charter Article 44.

customs union'. This clause was added in recognition that countries could not instantly proceed to full customs union. But a proviso was inserted: tariffs and other trade barriers could not be 'higher or more stringent' than at the pre-union stage; and countries forming a customs union had to provide 'a definite plan and schedule' for its attainment (US Department of State, 1947). The revised version, Geneva Draft Article 42, represented a more rigid stance against trade discrimination than had been previously applied: while deviation from MFN was permissible in transition to customs union, the ITO could block proposed unions that threatened either to raise external trade barriers or languish at an interim stage.

Compared with Geneva Draft Article 42, GATT Article XXIV extended broad exemptions for myriad arrangements short of full customs union (as table 2 shows). Three critical additions require explanation. First, Article XXIV placed free trade areas on par with customs unions as exceptions to the MFN rule. While the customs union clause had been a longstanding convention, the free trade area text was novel. Even the expression 'free trade area', Viner (1950: 124) writes, was 'introduced, as a technical term, into the language of this field by the [Havana] Charter, and its meaning – must therefore be sought wholly within the text of the Charter'. Moreover, free trade areas, as defined, only had to eliminate barriers on 'substantially all the trade' between their members.[5]

Second, Article XXIV excused not just free trade areas, but also 'interim agreement[s]' to form free trade areas. The reason for interim agreements in

5 The stipulation was the same for customs unions, which had to liberalize 'substantially all the trade' between their members, 'or at least … substantially all the trade in products originating in such territories'.

the customs union case had been that customs harmonization entailed sharing sovereignty; this could be prolonged as constitutions were amended, institutions formed, and agencies created. Because free trade areas merely involved the elimination of border barriers, these kinds of transitional considerations did not apply. Yet interim agreements for both customs unions and free trade areas were given 'a reasonable length of time' to reach fruition.

Third, Article XXIV required customs unions to compensate nonmembers for tariff increases. No such obligation technically applied to free trade areas. While the general exhortation 'not to raise barriers to the trade of other contracting parties' concerned both customs unions and free trade areas, members in the latter case retained sovereign rights to implement tariff changes after the free trade area had been formed.

In sum, the text of Article XXIV is puzzling: the standards for free trade areas were lax and, once formed, they arguably faced less rigorous regulation than customs unions. Indeed, it is puzzling that free trade areas were recognized at all. As Haight (1972: 394) explains, placing free trade areas 'substantially on a par with customs unions' was 'a grave departure in policy'.

The provisions at issue were the GATT's inheritance from the 1948 Havana Charter. At Geneva, it was agreed that the Havana Charter's final text would supersede the corresponding articles in the GATT. At the first session of GATT contracting parties, this act was perfunctorily completed and Article 44 of the Havana Charter (so numbered because two articles had been added to the Geneva Draft) became GATT Article XXIV.

The origins of Article XXIV and its rationale have confused analysts since the GATT's inception. Contemporaries such as Gardner (1956) and Viner (1950) and recent studies by Odell and Eichengreen (1998) and Goldstein and Gowa (2002) suggest that where the United States compromised certain principles at Havana, it did so to win the support of other states. While these works cast light on some of the loopholes inserted in the Havana Charter, I argue that they do not explain the broad changes to GATT rules on regional arrangements that US officials mysteriously accepted.

Why was multilateralism compromised?

Were the exceptions in the Havana Charter due to 'the ineptitude of the [Truman] Administration – or to the bad faith of foreign governments?' Gardner (1956: 377) asked in *Sterling–Dollar Diplomacy*. His answer emphasized both. The State Department's main postwar priority was multilateralism. In practice, this involved a set of distinct but related objectives: ending imperial and regional trade preferences; reducing tariffs and quotas; restoring a system of currencies fixed in value to gold; and eliminating foreign exchange controls. Of these goals, non-discrimination took precedence, and US officials dogmatically 'pressed formal undertakings for the elimination of Imperial Preference, quantitative restrictions, and discrimination of all kinds'. Britain resisted and asserted its right to continue

trade preferences and policies for full employment. This mix of US miscalculation and British intransigence produced 'an elaborate set of rules and counter-rules that … satisfied nobody and alienated nearly everybody' (Gardner, 1956: 379).

Viner (1950) examined preferential arrangements specifically in *The Customs Union Issue*. The key postwar US objectives, he argued, had been a 'rehabilitation and strengthening' of the MFN principle and the elimination of trade preferences – these goals US officials 'supported, and supported tenaciously'. Yet there was the discrepancy that the Havana Charter allowed easier escapes from MFN than previously had been accepted, or indeed than had existed in the Geneva Draft. 'Where the final Charter departs from … or seriously compromises' US objectives, Viner (1950, 110–111) asserted, 'it must generally be attributed to the insistent demands of other countries to which the American negotiators felt obliged to make concessions if agreement was to be reached'.

Other accounts support this accepted wisdom that the need to build consensus compelled US officials to compromise multilateral principles. According to Odell and Eichengreen (1998: 183), the key to understanding the Havana Charter lies in 'the story of US concessions to keep Britain from exercising the imperial option'. If British officials thought the ITO would overly constrain policies to maintain full employment, they could abandon the talks and instead deepen links with the Commonwealth. By comparison, 'the United States did not have any obvious regional alternative for achieving its trade-related geopolitical goals' (Odell and Eichengreen, 1998: 183). In this sense, the exceptions for customs unions and free trade areas were part of the 'embedded liberal' compromise to reconcile US multilateral principles with Britain's and Europe's need for domestic stability (see Ruggie, 1982: 397–398).

A related claim is that US officials conceded to free trade areas because they wished to encourage European integration rather than thwart it. If the Havana Charter had raised too many obstacles to regional integration, Odell and Eichengreen (1998: 192–193) suggest, European countries would have spurned the ITO. Bhagwati (1991: 65) concludes, 'US tolerance of [free trade areas] seems to have been motivated by a presumption that European stability would be aided by economic integration and therefore the latter must be supported.'

Other accounts emphasize pressure from developing countries such as Lebanon, Syria, Argentina, and Chile to permit regional arrangements short of full customs union. That is the assessment of both Haight (1972: 393–394) and Mathis (2002: 37–42), and the WTO (1995: 8–9) advances this explanation in its report *Regionalism and the World Trading System*. In this vein, Goldstein and Gowa (2002) argue that the United States accepted free trade areas to make its commitment to an open, rule-based trading system credible. For small countries anxious about the possibility of opportunistic US behavior, the option to band together in trading blocs represented an 'insurance policy' to counter US power. Thus, the US concession on free trade areas was 'part of the package of concessions granted to developing countries' at Havana – an early form of special and differential

treatment to persuade these countries to join the trade regime (Goldstein and Gowa, 2002: 164–166).

In short, the conventional view maintains, the United States had to compromise certain principles because it wanted the ITO to succeed more than did its partners in the endeavor. This explains why several provisions of the GATT expansively departed from the State Department's Suggested Charter. But it does not solve the mystery of Article XXIV, the clause that has inspired the most intellectual criticism and puzzlement. Understanding why the GATT sanctioned free trade areas and imposed so little discipline on their formation requires a fuller picture of postwar US objectives and an appreciation of how an unexpected political opportunity – a trade treaty with Canada – transformed the US position on preferential arrangements.

3. Ideas and policy change

Existing explanations suggest that US officials at the Havana Conference made whatever concessions were necessary to assuage the concerns and secure the approval of dissenting countries at the talks. In these accounts, changes in bargaining stance were a matter of strategy. As Zeiler (1999: 143) puts it, US diplomats 'traded principles for expediency in Havana. If [they] had not done so, the talks would have broken down'. While conceding that negotiating strategy motivated many US concessions at Havana, this article contends that on preferential arrangements the ideals and principles of State Department officials significantly shifted in a matter of days. This shift, and at its core the development of the free trade area concept, changed international trade rules forever.

In the typical course of policymaking, the need to build domestic coalitions constrains the spread of ideas: the adoption of a new policy approach depends on the constellation of private interests, the institutional setting that mediates their interactions with state officials, and the leadership skills of policy agents. Gourevitch (1989: 87–88) explains, '[t]o become policy, ideas must link up with politics – the mobilization of consent for policy … Even a good idea cannot become policy if it meets certain kinds of opposition, and a bad idea can become policy if it is able to obtain support.'

Politics mattered, to be sure, in the ITO project – so much so that interest group pressure and Congressional dissent eventually doomed the Havana Charter. But the ITO and the GATT were not a single undertaking, and the GATT was not contingent on the Havana Charter's ratification: the negotiations proceeded on separate tracks, and by prior agreement the GATT subsequently inherited the Havana Charter's general articles. Rules designed for the ITO therefore found their way into the GATT, a three-year interim treaty that required no Congressional ratification or public consent. In short, the GATT was more insulated from domestic politics than the ITO; and the ITO could fail and yet key provisions still survive in the GATT.

Another important feature of the negotiations at Geneva and Havana is that the US delegation operated largely free of supervision. Though the Havana Charter would have to be presented for Senate ratification, Congress did not monitor discussions on specific treaty articles, and there was no legal requirement to consult industry or labor groups. Even State Department principals exercised little oversight. Assistant Secretary of State William Clayton, the lead US negotiator at Geneva, complained that 'he found considerable difficulty in getting … authorities at Washington to take any … interest in the Charter, their attention being … entirely devoted to Marshall Aid' (Aaronson, 1996: 94). When the Havana delegation appealed for some reaction from Secretary of State George Marshall, it was told that Marshall 'hadn't been bothering anybody, so … that means that he is satisfied with the way things are going'.[6]

These political factors created substantial room for the ideas of individual policymakers to leave their stamp on postwar trade rules. A large body of work has examined the role of ideas in the policymaking process. One set of studies seeks to establish that ideas, or 'beliefs held by individuals', exert important influences on policy to counter rationalist views of ideas as masks for self-interested motives. In these accounts, ideas are most likely to affect policy when they provide 'road maps' that specify relationships between means and ends, when they prescribe strategic behavior in situations with no equilibrium, and when they become encased in institutions (Goldstein and Keohane, 1993). Another area of scholarship (Legro, 2000) attempts to specify conditions under which political agents may succeed in altering prevailing ideas and the policy measures derived from them. In this approach, ideas shift through a process of collective consensus that the established belief structure produces undesirable results (collapse), followed by convergence around a 'replacement set of ideas' (consolidation). Unanticipated external shocks with unfavorable consequences often provide a necessary trigger for such shifts (Goldstein, 1993).

A key shared belief of postwar US policymakers was multilateralism. The multilateral ideal, Ruggie (1992: 586) writes, 'served as a foundational architectural principle on the basis of which to reconstruct the postwar world'. Simply, it was 'a deep organizing principle of international life' built on the norms of nondiscrimination, indivisibility, and reciprocity (Caporaso, 1992: 601–602). In economic matters, the goal of multilateralism was to end the discriminatory practices inherent in imperial and regional preferences, import quotas, and currency controls. Gardner (1956), Ikenberry (1992), Zeiler (1999), and others have demonstrated the State Department's tenacious commitment to these goals. Though this coterie was not an 'epistemic community'[7] in the strict sense – these

6 Oral History Interview with Winthrop G. Brown, Harry S. Truman Presidential Library, available at http://www.trumanlibrary.org/oralhist/brownwg.htm.

7 Haas (1992: 3) defines an epistemic community as 'a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area'.

officials were diplomats, lawyers, and Wall Street professionals, not scientists or technical experts – the group shared common beliefs and attitudes about how to build a peaceful and prosperous postwar world.

In part multilateralism reflected a set of 'causal beliefs'. According to Goldstein and Keohane (1993: 10), causal beliefs provide 'road maps' or prescribed strategies to achieve particular goals. Causal beliefs are the easiest to change because policymakers may update their ideas about cause–effect relationships based on new information. In its causal form, the multilateral ideal rested on the premise that multilateralism promoted peaceful international relations, while preferential trade produced division and conflict. Cordell Hull, the Secretary of State from 1933–44, regarded 'trade discrimination … as the handmaiden of armed aggression', and his Undersecretary Sumner Welles insisted, 'one of the surest safeguards against war is the opportunity of all peoples to buy and sell on equal terms' (Gardner, 1956: 8, 19). US plans for postwar reconstruction echoed this ethos. One memo noted:

> The elimination of tariff preferences and all other forms of discriminatory trade treatment has been a longstanding and fundamental objective of United States commercial policy. The United States has persistently sought to eliminate preferences not only because of the serious dislocation and injury which their inauguration and continuation have caused to world trade and economic well-being, but also because they have created intense international political frictions, sometimes out of all proportion to their economic importance.[8]

Thus, multilateralism as a causal idea was a method for promoting cooperation and tranquility by freeing the world of empires and exclusive trading arrangements.

A set of 'principled beliefs' fortified the multilateral ideal. Principled beliefs are normative ideas derived from basic moral canons. While they are more rigid than causal beliefs, changes in principled beliefs tend to have more profound consequences because they can provoke comprehensive shifts in value systems (Goldstein and Keohane, 1993: 9). Scholars have linked the commitment to multilateralism to progressive values like freedom and social justice. After the war, Woods (1990: 15) writes, 'multilateralism [represented an] ideological alternative to communism on the one hand and fascism on the other. It was a uniquely American strategem that combined humanitarian ideals with free enterprise and the profit motive.'

For US policymakers, multilateral ideals were dogma, not merely causal maps, and their promotion was a crusade. Multilateralism included a moral element in that it defined the terms of good citizenship in the world community: equality was conciliatory and fair; discrimination was offensive and disrespectful. In a meeting

8 'Position of the United States with Regard to Preferences in the Forthcoming Trade-Barrier Negotiations', 27 August 1946, RG 43, Box 119.

on dissolving imperial preferences with British officials at Geneva, Assistant Secretary Clayton had 'contrasted this iniquity with the purity of a customs union and left the first impression … that the United States regarded anything short of a full customs union as being equivalent to sin' (Hart, 1989: 32–33). Nondiscrimination, Gardner (1956: 20) observes, was 'a vital element in the moral armament of the democratic world'.

If US officials maintained a firm commitment to multilateralism, how was this ideal so easily compromised in the free trade area provisions drafted at Havana? Two puzzles stand out. First, studies find that collectively held ideas tightly constrain elite behavior because they are resistant to change, and amending them risks a high cost to public officials' reputations (Snyder, 1991). Second, unanticipated external shocks and bad outcomes are regarded as necessary conditions to dislodge ingrained beliefs (Legro, 2000; Goldstein, 1993).

In this case, neither condition was present. Rather, the drafting of Article XXIV demonstrates that ideas, even deeply held principled beliefs, are malleable when they are not deeply institutionalized, and when policy officials need not sacrifice reputations in a public about-face. While unanticipated external shocks and negative outcomes may be sufficient to trigger ideational shifts and resultant changes in policy, these conditions are not necessary if institutional constraints are weak and policy can be made in secret.

Critics of the importance of ideas and beliefs in policymaking contend that ideas operate as mere 'hooks' or 'intellectual rationales for material interests' (Jacobsen, 1995: 285). But material US interests did not change between November 1947 (when the US delegation prepared to defend the customs union-only rule at the Havana Conference) and January 1948 (when the State Department drafted the clause on free trade areas). Nor is there any indication that private interests called for the free trade area exemption. To the contrary, the provision, like many of the loopholes in the Havana Charter, harmed the prospects for Senate ratification by alienating pro-trade groups such as the National Foreign Trade Council.[9]

The evidence instead shows that the US position on preferential arrangements changed because an inner circle of State Department officials revised their views of how the organization of trade relations affects national security. Scholars such as Pollard (1985), Leffler (1992), Eckes (1995), and Zeiler (1999) have forcefully advanced the thesis that the Truman administration's efforts to build a peaceful world order drove its economic diplomacy. The ensuing sections of this article likewise demonstrate how postwar security concerns shaped a previously unexplained feature of the GATT, the exemption for free trade areas.

9 Among the Council's gripes when the group came out against the ITO was that it 'strongly opposed … the establishment of new preferential arrangements except as a means to the creation of a complete customs union among countries located in the same geographic area' because there was 'no place in a world of order and peace for arrangements under which certain countries discriminate against other members of the world community of nations' (National Foreign Trade Council, 1950: 65–66).

4. The US–Canada free trade agreement

At the GATT treaty's signing in Geneva on 30 October 1947, an accord between Canada and Britain dissolved each country's obligation in the Ottawa Agreements not to reduce or eliminate trade preferences for the other (Brown, 1950: 252–253). The previous day in Washington, Canadian officials had proposed a liberalization of tariffs on US–Canada trade. The Canadian government wanted a trade treaty 'even if it necessitated a major readjustment and reorientation of Canada's international economic relations', Tariff Board Chairman Hector McKinnon told US officials.[10]

This demarche sparked five months of negotiations for a trade agreement that was never signed, ratified, or publicly acknowledged. These talks in turn inspired significant changes to the Havana Charter – which itself failed to win ratification. The confluence of the two episodes remade GATT Article XXIV, which today survives as part of the world community's commercial constitution in the WTO. Archival records illuminate how this happened.

From customs union to free trade

State Department officials initially brushed off the Canadian initiative. The Truman administration lacked the authority to negotiate with Canada under the 1947 Trade Agreements Act, which meant that a trade treaty would have to garner two-thirds Senate support – a formidable task given implacable Republican hostility to the proposed ITO. Moreover, resistance to the tariff cuts negotiated at Geneva made it 'a most inopportune time to present such a treaty to Congress'.[11] The State Department therefore shunned any mention of trade discussions with Canada, because publicity could lead to 'exaggerated press reports' that might 'stir up Congress unnecessarily'.[12]

Canadian officials were not proposing free trade or anything like it; they merely wanted a free listing in the US tariff code for key exports such as plywood, lumber, fish, and cattle, or at least deeper cuts than had been achieved at Geneva. Canada needed to expand exports to the United States to avert a currency crisis: its reserves of dollars and gold, totaling $1.24 billion at the start of 1947, were falling by $100 million per month because exports to Britain were being financed on credit, while imports from the United States drained hard currency.[13] Canadian officials were reluctant to devalue the parity with the US dollar established in 1946, so they asked the United States for a $750 million loan. With Congress soon to consider the European Recovery Program (ERP), the State Department demurred that it could offer 'no magic cure', since large loans were 'not to be had for the asking in Washington these days', nor could it guarantee that ERP funds would be available

10 'United States–Canada Trade Relations', Memo, 29 October 1947, RG 59, 611.4231/10-2947.
11 'Canadian Dollar Problem', Memo, 29 November 1947, RG 59, 842.5151/11-2947.
12 'Customs Union with Canada', Memo, 18 December 1947, RG 59, 611.422/10-2649.
13 Telegram from Atherton to State Department, 11 September 1947, RG 59, 842.5151/9-1147.

for offshore purchases of Canadian goods.[14] Canada's government responded by instituting quotas and excise taxes on certain US imports and placing restrictions on personal travel in the United States. But these were temporary palliatives: if Canada could not earn hard currency on sales in Europe, eventually it would have to export more to the United States to finance needed imports.

After refusing Canadian entreaties for tariff reciprocity on the grounds that public and Congressional approval would be difficult to secure, the State Department countered in December by proposing a customs union. Canadian officials decisively rebuffed the suggestion: customs union with the United States would provoke charges that Canada sought to disband the Commonwealth; moreover, Canada could not compromise national sovereignty by entering an unequal arrangement with its larger neighbor.[15]

With customs union unthinkable, US officials seized another idea: 'a special form of customs union under which there would be substantially free trade between the two countries but each would retain its separate tariff *vis-à-vis* third countries'.[16] It could not be called a customs union, since 'the connotation of the word 'union'… would make difficulties on the Canadian side'.[17] But free trade without a common tariff system would safeguard Canada's autonomy and allow it to maintain long-standing preferences for the Commonwealth. On New Year's Eve, Woodbury Willoughby, Associate Chief of the Division of Commercial Policy, dined with John Deutsch of Canada's Department of Finance 'to sound him out on a strictly confidential and personal basis as to whether the Canadian Government might be favorably disposed to entering into a modified type of customs union'. Willoughby's memorandum continues:

> I emphasized that we were in no sense expounding a Departmental position; that on the contrary the matter had not even been discussed with top officials. Mr. Deutsch said that he would give careful consideration to the proposal and discuss it with a small number of officials. He said that the subject would be political dynamite in Canada and secrecy must be carefully preserved.[18]

State Department officials had compelling reasons to honor this request to keep the discussions quiet. To be sure, they did not want press attention to stir a Congressional inquiry or provide lead-time for interest groups to mobilize. But there was an additional motive for secrecy:

14 'Canadian Dollar Problem', RG 59, 842.5151/11-2947.

15 After a briefing on 'commercial union', Canadian Prime Minister Mackenzie King confided in his diary, 'the word "commercial" would soon be dropped in political discussions and the campaign be on the question of union with the States' (Pickersgill, 1970: 260).

16 'Customs Union with Canada' (18 December 1947), RG 59, 611.422/10-2649.

17 'Removal of Trade Barriers between the United States and Canada', Memo, 27 April 1948, RG 59, 611.422/10-2649.

18 'Customs Union with Canada', Memo, 31 December 1947, RG 59, 611.422/10-2649.

> deviation from the orthodox customs union … would not conform to that part of the definition of a customs union in Art. 42, par. 4 of the Charter and Art. XXIV, par. 4 of GATT which specifies that substantially the same tariffs and other regulations of commerce must be applied by each of the members to the trade of third countries.[19]

As stipulated in Geneva Draft Article XV, it was possible to seek special permission for preferential trade with Canada by a vote of two-thirds of ITO members, but '[t]his procedure … would be cumbersome and uncertain' due to the rigid criteria the United States had demanded to hold the line against new trade preferences. Instead, US officials resolved to pursue an amendment to the Havana Charter 'modifying the customs union provisions to permit the special type' of system the State Department was entertaining. Paul Nitze, Deputy Director of the Office of International Trade Policy, therefore instructed the head of the US delegation at Havana, Clair Wilcox, 'to keep our Canadian problem in mind' and find a way to adapt global trade rules to the endeavor at hand.[20]

There was a problem, however: taking a firm stand against preferences at Havana while simultaneously negotiating a preferential arrangement with Canada would appear hypocritical. Though Nitze wanted to 'try … without attracting too much attention to cause a minor amendment of the ITO Charter',[21] the significance of such a shift would not escape the delegations seeking broad exceptions for new preferences. As Willoughby cabled Wilcox on 7 January, 'Proposal by US or Can. to amend Art. 42 likely to evoke conclusion we expect to use it thus creating public relations problem.' State Department officials had drafted language to permit 'free trade areas' as an exception to MFN, but the US delegation could not offer it. 'Perhaps [it] could be planted with delegation from third country to sponsor', Willoughby suggested.[22]

At Havana on 8 January, the Lebanese and Syrian representatives submitted an amendment to exempt from MFN rules regional groups that eliminated restrictions on mutual trade without establishing a common customs system. This provided the opening wedge for the United States to push its desired exemption for free trade areas.

5. Free trade areas: the Havana compromise

The State Department's plan was to stage-manage the Lebanese and Syrian proposals, while appearing disinterested in their outcome. In the process, US

19 'Customs Union with Canada' (18 December 1947), RG 59, 611.422/10-2649.

20 'Customs Union with Canada' (18 December 1947), RG 59, 611.422/10-2649.

21 'Possible Customs Union with Canada', Memo, 23 December 1947, RG 59, 611.422/10-2649.

22 Telegram for Wilcox and Leddy from Willoughby, 7 January 1948, RG 59, 611.422/10-2649. The US delegation could not propose amendments, Willoughby concluded, because 'I did not see how we could reverse our position on the preference provisions of the Charter'. 'Customs Union with Canada', Memo, 7 January 1948, RG 59, 611.422/10-2649.

officials had three goals. First, they wanted the free trade area exemption to include interim agreements, so that free trade would not have to be established immediately. Second, they wanted a provision that free trade areas only had to eliminate customs restrictions on 'substantially all' trade – not all trade – so that protection for sensitive items could be retained. Third, they wanted to ensure that clauses banning tariff increases against third countries applied only at the time a free trade area was formed, and did not operate indefinitely. The US delegation was instructed to build on French amendments to the Lebanese and Syrian proposal to craft language to Washington's liking.[23]

The strategy worked exactly as intended: the United States was able to broker a compromise to allow leeway for free trade areas, but still turn back sweeping exceptions for new preferential arrangements that developing nations wanted. The US delegation provided critical input into the text, but left sponsorship of key amendments to France.[24] On 31 January, Wilcox cabled Washington: 'Discussion proceeding satisfactorily on French proposal to include, in Article 42, free trade areas as well as customs unions. There appear to be good prospects for an agreement.'[25] Ten days later, three areas of disagreement on the Havana Charter remained, the first of which was 'more latitude on new preferences, customs unions, free trade areas'.[26]

In the meantime, Canadian officials returned to Washington on 18 February to finalize the text of the free trade agreement. To prevent leaks, discussions were limited to a handful of US officials; a planning memo trenchantly warned, '[u]ntil the necessary amendment of the Charter has been effected, and the Havana conference over, security requirements preclude the expansion of this group'. The State Department even had a cover story ready in case reporters noticed the Canadian negotiators in town:

> Every effort will be made to keep their trip secret; however, if their presence is discovered, it will be stated that they are here to talk about problems arising out of the Havana conference, the meeting of GATT countries at the end of the conference and related matters.[27]

By 10 March, a draft treaty had been completed. Willoughby anxiously cabled Havana: 'Favorable progress project discussed my top secret communications to you make it imperative present Art. XXIV GATT be amended so as to correspond with new Havana Charter Art. 42 relating customs unions and free trade areas.'[28]

23 Telegram for Wilcox and Leddy from Willoughby, 19 January 1948, RG 59, 611.422/10-2649.

24 'Summary Report No. 42, January 28 Meetings', Telegram, 29 January 1948, RG 43, Box 150.

25 'Summary Report No. 43, January 29 Meetings', Telegram, 31 January 1948, RG 43, Box 150.

26 Telegram for Clayton and Brown from Wilcox, 10 February 1948, RG 59, 560.AL/2-1048.

27 'Suggested Timetable and Procedures for Preparing for Negotiations of Modified Customs Union with Canada', Memo, 16 February 1948, RG 59, 611.422/10-2649.

28 Telegram for Wilcox from Willoughby, 10 March 1948, RG 59, 611.422/10-2649.

Within days the final disputes were resolved and the Havana Charter was prepared for the signing ceremony, which occurred on 23 March.

The US–Canada trade treaty, and the planning behind it, illustrate why the State Department wished to adjust trade rules for preferential arrangements. The treaty's text and annexes were less than 100 pages, as officials sought to develop a comprehensive, simple agreement that would be easy for the public to understand, difficult for interest groups to modify, and impossible for the Senate to defeat. Yet political considerations demanded transitional protection, exceptions, or exemptions for certain products. These complicated measures in turn required changes to the Havana Charter to ensure that the ITO allowed room for this 'modified type of customs union'.

Interim agreements

The State Department's Plan A envisioned immediate free trade with Canada, with all tariffs and quotas eliminated at the treaty's execution. But speed was both asset and liability, as one memo tersely noted: 'Pro: Striking, brilliant move arousing acclaim by its drama. Would mean maximum speed in economic integration. Con: Would involve maximum economic disturbance. Probably would be turned down by Congress.'[29] Plan B, in contrast, would eliminate tariffs and quotas in stages over ten years. While this would limit adjustment costs, and hence minimize domestic opposition, it lacked the public relations benefits of a quick, decisive move to free trade; the favorable effects on Canada's balance of payments would be muted; and appeals for exemptions or temporary protection would flood the US Tariff Commission. The intermediate course, labeled Plan A(2), was a variation on Plan A with five-year transitional measures or special exceptions for the industries likely to mobilize the strongest opposition to free trade. By splitting the difference, this plan 'would have much of the appeal and rapid, broad-scale economic integration of proposal [A] and would be much easier to get through Congress'.[30]

With transitional arrangements, there was a danger of 'heavy special pressures from industries wanting to have their products receive exceptional treatment'.[31] US officials resolved to exempt as few products as possible to deter lobbying for special measures, reduce complaints of arbitrary or unfair treatment, and obviate the need for complex annexes. Exceptions were rejected if Senate votes were unlikely to be swayed; thus, import-sensitive products such as aluminum, zinc, frozen blueberries, silver fox furs, barley, oats, rye, lumber, and book paper were to be immediately exposed to free trade. Still, anticipated adjustment costs were a major barrier to winning two-thirds support of the Senate, particularly because the Republican majority regarded projects to liberalize trade with great suspicion. Stiff opposition was expected from Senators with rural constituents near the Canadian

29 'Treaty Articles', Memo, 16 February 1948, RG 59, 611.422/10-2649.
30 'Treaty Articles', RG 59, 611.422/10-2649.
31 'Treaty Articles', RG 59, 611.422/10-2649.

border: potato growers in Maine, Minnesota, and North Dakota; dairy farmers in Wisconsin, Minnesota, New York, and Vermont; Atlantic fisheries in Massachusetts and Maine; and cattle herders in Montana, North Dakota, and South Dakota.[32]

As a result, special measures were crafted to neutralize groups likely to issue the most forceful objections. Five-year transitional quotas were planned for potatoes, cattle, calves, groundfish fillets, milk, cream, and butter, with provisions to restore barriers if imports interfered with domestic price or income supports.[33] Though these exceptions violated Geneva Draft Article 42, one memo noted, 'Steps are being taken at Havana … to modify the Charter so as to permit reciprocal tariff arrangements such as we have in mind.'[34]

'*Substantially all*' trade

Even with transitional protection, certain products could not be liberalized at acceptable political cost. In particular, Section 22 of the Agricultural Adjustment Act established strict quotas for wheat and wheat flour, commodities that Canada produced in abundance. These quotas were exempted from the trade treaty, as were seasonal quotas on many fruits and vegetables. Antidumping and countervailing measures against Canadian goods also were to remain in force.[35]

Because the United States intended to retain protection on certain imports from Canada, it was critical that free trade areas not require total free trade. As a result, US negotiators were instructed to push for language in the Havana Charter stating that free trade areas would have to liberalize 'substantially all the trade' between their members.[36]

External tariffs

A third issue was to ensure that the Havana Charter allowed countries in free trade areas to retain full tariff autonomy. Under the rules for customs unions, members had to apply 'substantially the same duties' to other-country trade. But Canada could not adopt the US tariff code because such a great sacrifice of national sovereignty – which would have required raising tariffs against the Commonwealth for goods that the United States taxed at a higher rate – was politically intolerable. Authorization for the State Department to adjust MFN tariffs through bilateral negotiations with Canada was likewise out of the question; after all, Congress would have 'torpedoed' the GATT treaty at the first

32 'Possible Opposition to Canadian Pact in US Senate', Memo, 30 March 1948, RG 59, 611.422/10-2649.

33 'Discussion of Plan A', Memo, 27 March 1948, RG 59, 611.422/10-2649; 'United States Transitional Quotas', Memo, 2 April 1948, RG 59, 611.422/10-2649.

34 'Proposed Tariff Reciprocity Arrangement with Canada', Memo, 22 January 1948, RG 59, 611.422/10-2649.

35 'Proposed Trade Pact between the United States and Canada', Memo, 22 March 1948, RG 59, 611.422/10-2649.

36 Telegram for Wilcox and Leddy from Willoughby (19 January 1948), RG 59, 611.422/10-2649.

opportunity, one official had noted (Zeiler, 1999: 122). Thus, it was imperative that the provisions for free trade areas not require the harmonization of external trade practices.

If Canada and the United States were to maintain independent tariff systems, they needed to ensure that disparities in external tariffs did not allow the benefits of mutual free trade to leak abroad. US officials sought to limit trade deflection by adding third-country content requirements to prevent outsiders from exploiting gaps in the external tariff wall. State Department planners recognized that determining third country content would be a difficult task for customs authorities, particularly when finished products such as wool fabrics and aluminum were composed of inputs that were duty free in Canada but heavily taxed in the United States.[37] Yet the scope for potential abuse of content rules was not fully appreciated, as the records of the Havana Conference provide no evidence that the issue was raised at all. GATT Article XXIV therefore inherited no multilateral discipline on the use of so-called rules of origin.[38]

A related problem was the stipulation in the Geneva Draft that external tariffs in customs unions should not be 'on the whole higher or more restrictive than the general incidence of the duties' in the pre-union period. The 1947 Trade Agreements Act did not authorize such commitments in trade treaties, and Congress would never ratify provisions that precluded future adjustments in US tariffs. As a result, the addition of the phrase 'at the formation' made ITO–GATT rules prohibiting tariff increases in free trade areas immediate rather than indefinite. Moreover, while most provisions for customs unions were extended to free trade areas, a clause allowing third countries to seek compensation for tariff increases applied only to customs unions, not to free trade areas.

The challenge in relaxing the rules on tariff increases in free trade areas was to 'effectively control the traditional abuses in preferential systems and at the same time permit the achievement of the obvious economic benefits of regional economic unity'.[39] US officials wanted the Havana Charter to allow full tariff autonomy for countries in free trade areas, and yet still make clear that free trade area formation 'shall not constitute occasion for increase in tariffs and other trade barriers against third countries'.[40]

37 'Third-Country Content in US–Canadian Free-Trade Arrangement', Undated memo, RG 59, 611.422/10-2649.

38 The only mention of rules of origin in the GATT treaty was in an unrelated interpretive note to Article VIII ('Fees and Formalities Connected with Importation and Exportation'), which stated that 'the production of certificates of origin should only be required to the extent that it is strictly indispensable' (GATT, Text of the General Agreement, Annex I, Notes and Supplementary Provisions, ad Article VIII, Paragraph 2, available at http://www.wto.org/english/docs_e/legal_e/havana_e.pdf http://www.wto.org/english/docs_e/legal_e/havana_e.pdf). This left contracting parties to employ origin requirements as they saw fit, an omission that was not addressed until the Uruguay Round Agreement on Rules of Origin.

39 'Customs Union with Canada' (18 December 1947), RG 59, 611.422/10-2649.

40 Telegram for Wilcox and Leddy from Willoughby (19 January 1948), RG 59, 611.422/10-2649.

The solution was to amplify a passage on 'the desirability of increasing freedom of trade' into a broad exhortation for preferential arrangements to avoid raising external trade barriers. The French delegation drafted this text for inclusion in Article 1, but over France's opposition it was moved to the first paragraph of Article 44. Following this clause was another general statement 'that the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories'. Finally, this paragraph was linked to the clause exempting customs unions and free trade areas with the addition of the word 'therefore' (later changed to 'accordingly') at the head of paragraph 2 (Haight, 1972: 393–396; Viner, 1950: 112–115).

The US–Canada free trade agreement's demise

The motives for the free trade area exception in the Havana Charter are evident: it was written to conform to the secret US–Canada trade treaty. Ultimately the ITO never was established, as opposition from 'protectionists' and 'perfectionists' caused the Havana Charter to languish before the Truman administration quietly withdrew it from Senate consideration after the 1950 election (Diebold, 1952). But the rules for regional trading arrangements drafted at Havana survived in the GATT and remain in force today in the WTO.

The US–Canada free trade agreement never became law either. Though Prime Minister King had 'indicated his approval of the plan' when presented with the draft treaty,[41] as his retirement neared he grew preoccupied with his legacy in office, his mental and physical fitness for a strenuous campaign to ratify the treaty, the future prospects of the Commonwealth, and the territorial designs of the United States toward Canada. Cuff and Granatstein (1977: 477–480) detail King's growing irritability about the trade talks in spring 1948. On 1 April, just one week after the Havana conference's end, Canada's ambassador in Washington abruptly suspended plans for a ceremonial treaty signing set for May. Canadian Minister of Trade and Commerce C.D. Howe told US officials to wait out King's final months in office – which earned him a severe upbraiding when the Prime Minister found out (Bothwell and Kilbourn, 1979: 218–220). In his diary King complained that his advisors had 'got it into their heads' that free trade would alleviate Canada's currency problems and had tried to 'force the hands of the Government … without the least knowledge of the political side of matters'. It was all an 'absurd idea', the Prime Minister inveighed privately (Pickersgill, 1970: 272–273).

6. Explaining the shift in US policy

The preceding section demonstrates how the synergy between negotiations in Havana for the ITO Charter and secret discussions in Washington for a

41 'Proposed Elimination of Trade Barriers between the US and Canada', Memo, 1 April 1948, 611.422/10-2649, RG 59.

US–Canada trade agreement facilitated the exemption for free trade areas in the GATT. The US delegation arrived at Havana with a strict view that tariff preferences should be permissible only for customs unions and interim agreements to form customs unions; it left supporting a treaty that sanctioned free trade areas, a concept not previously recognized in international law, as an acceptable departure from MFN. In the intervening months, the prospect of a treaty with Canada that would have to stop short of a customs union caused the State Department to modify its stance on tariff preferences.

The shift in the US stance on preferential arrangements can be traced to Nitze, who conceived the free trade area idea in the hope that it would be 'sufficiently bold and striking to fire the imagination of the people and force favorable action by Congress'. Nitze appreciated that his 'proposal involve[d] basic changes in policy and raise[d] many problems with respect to our attitude toward preferences'. But he believed that 'some formula could … be devised in the orientation of the ITO' to accommodate the sort of arrangement the United States sought to establish with Canada.[42] This conviction pushed the policymaking process toward a rapid shift in the principles underlying the US negotiating position at Havana.

A number of institutional factors made policy change easier to accomplish. For one, there were few agents involved in the policymaking process: Nitze, four staff members in the Division of Commercial Policy, the chairman and vice-chairman of the US delegation at Havana, and one other State Department official. This group of eight formulated policy in total secrecy, and it did not require advance authorization from the political appointees at the top of the State Department hierarchy.

In addition, abhorrence for trade preferences, though pervasive in official circles, had not been firmly encased in domestic institutions. The Trade Agreements Act, which had been renewed five times since its passage in 1934, established MFN and reciprocity as core tenets of US policy, but this legislation merely authorized the negotiation of reciprocal trade treaties, not the creation of multilateral rules or an ITO. Likewise, the prohibition on preferential arrangements short of customs union had been advanced in State Department draft charters dating to 1943 but was never formally debated in public or written into US law.

More puzzling than how the stance on trade preferences was changed is why it changed. According to Goldstein (1993: 12), policy agents are most likely to reevaluate core ideas after extant policy choices have been de-legitimized; this stimulates a 'period of search', followed by 'experimentation' and finally 'institutionalization'. Legro (2000: 264) explains:

> When adhering to ideational prescriptions, the collective expectation is that events will match, that prescribed action will bring desirable consequences and proscribed action undesirable consequences. When the consequences of

42 'Customs Union with Canada' (18 December 1947), RG 59, 611.422/10-2649.

> experienced events do not match expectations of what should happen, there is pressure for collective reflection and reassessment.

Yet from fall 1947 to spring 1948, there was no external shock that proved old ideas wrong. Nor was there any discernible shift in the global balance of power, national leadership, bureaucratic positions, the partisan balance, or domestic coalitions.

Inside policymaking circles, however, official views on national security were evolving. By early fall 1947, the Truman administration had concluded that a Soviet invasion of Europe was unlikely in the foreseeable future; instead, the Soviet regime would use political and economic means of subversion. The immediate task was to prevent local communist parties from exploiting conditions of poverty and deprivation. In responding to this challenge, the administration deployed economic measures such as the Marshall Plan in an effort to avert the need for a military commitment to Europe. Even as Romania and Czechoslovakia fell into the communist orbit in winter 1948, the United States stood aside from mutual defense talks and initially declined to formally associate with the Brussels Treaty. Economic confidence building was regarded as the key to European security, not military mobilization.

As part of this approach, Leffler (1992: 17) writes, 'the Truman administration tried to mold multilateral political agreements and supranational institutions for the purpose of luring core industrial nations into an American-led community'. At Geneva and Havana, its primary objective was to demonstrate cohesion among market-oriented, democratic nations in the face of the Soviet threat. The Canadian trade initiative caused US officials to recognize that preferential arrangements could be employed to serve this larger Cold War strategy. This realization led policymakers to revise their beliefs about multilateralism. Previously, they had preferred a rigid MFN clause so the benefits of trade would be non-excludable: exclusion was repugnant, and it aroused hostility. But after the Canadian proposal, they concluded that international trade institutions, whether multilateral or regional, cemented political bonds among noncommunist countries, deepened commitments to the capitalist model, and mobilized a united front against the Soviet Union. Trade liberalization and supranational rulemaking signaled solidarity; failure to agree, in contrast, exposed disunity and irresolution.

Theoretical work suggests that preferential trade among military allies produces positive 'security externalities' by creating surplus wealth that can be invested in military capabilities (Gowa and Mansfield, 1993). Other studies find that states joined together in preferential arrangements are less likely to go to war (Mansfield and Pevehouse, 2000). In late 1947, State Department officials came to regard free trade areas in precisely these terms. In their new vision, trade agreements, both multilateral and regional, served as institutional devices to promote interstate cooperation. Moreover, they believed, the economic benefits of increased trade and market access through both multilateral and preferential arrangements would strengthen the defense capabilities of GATT members.

These attitudes are evident in State Department memos, which emphasized the political and strategic advantages of the free trade agreement. Willoughby placed the pact in the larger context of 'US moves for closer cooperation among the democracies' and argued for 'immediate action' due to the 'widespread popular concern over Russian policy'.[43] A planning paper for briefings with Senate leaders further explained:

> The proposed pact … would have widely recognized political and strategic implications. Politically the pact would be recognized as a bold step towards closer cooperation between two great democratic nations. It would be construed as paralleling for North America the economic aspects of the Western Europe Treaty … Strategically the pact would strengthen the industrial potential of the US and Canada and would assure free access to each other's resources in case of attack.[44]

Another memo noted: 'Following closely upon the formation of the Western European union for economic and military cooperation, the logic of North American economic cooperation will have increased force.'[45] Officials also expected that a US–Canada free trade area would 'give impetus to Western Europe customs union'.[46]

Thus, State Department officials concluded that the geopolitical goals involved in forming the ITO could accommodate preferential arrangements. Despite their hatred of colonial preferences and dedication to MFN rules, they came to regard free trade areas as instruments to achieve broader trade liberalization than was possible multilaterally and promote economic and political unity against the Soviet threat. Nitze noted: 'If … the Arab League or Western Europe were to adopt such unions, we are inclined to believe that the net effect would be beneficial.'[47] A new causal logic emerged, one in which free trade areas were an efficient means to open trade, an assertion of shared commitment to markets over state control, and an institutional device to promote cooperation. This vision gained instant approval in administration circles because it served the geopolitical needs of the moment given the uncertain security situation with the escalation of the Cold War. In short, the belief that preferential trade short of customs union should not be permitted was modified based on new information and a viable competing policy idea that 'good regionalism' (free trade areas) could be compatible with international peace and stability even if 'bad regionalism' (imperial preferences) was not.

In this political calculus, the material benefits of free trade with Canada were an implicit attraction – albeit a secondary one – for State Department officials. To be

43 'Proposed Pact with Canada', Memo, 30 March 1948, RG 59, 611.422/10-2649.

44 'Proposed Pact between US and Canada – Discussion with Senators Vandenberg, Taft, and Millikin', Undated memo, RG 59, 611.422/10-2649.

45 'Proposed Elimination of Trade Barriers between the US and Canada', RG 59, 611.422/10-2649.

46 'Plan I', Memo, 1 March 1948, RG 59, 611.422/10-2649.

47 'Customs Union with Canada' (18 December 1947), RG 59, 611.422/10-2649.

sure, 'knitting the two countries together', a briefing paper noted, had been 'an objective of United States foreign policy since the founding of the Republic'.[48] But other than one passing reference to 'business groups that would profit' in Nitze's seminal memo, the planning papers make no specific mention of firms or lobby groups that either lobbied for or were expected to support the free trade agreement. Moreover, US officials acceded to Canadian insistence on transitional protection for automobiles, refrigerators, radios, and other products that US companies assembled in Canada with imported parts – so these industries would have had to wait five years to reap the full benefits of free trade.

Domestic politics nevertheless were a persistent concern because the prospects for ratification were uncertain. One memo estimated that 53 Senators would support the treaty and 30 others would oppose it, with the disposition of the remaining 13 unknown; another tally anticipated 16 nays based on industry interests and 7 more on ideological grounds, well short of the 33 votes needed to defeat the treaty.[49] Because of the secrecy surrounding the negotiations, no effort was made to mobilize public support for the agreement. Officials instead trusted that the 'political and strategic implications of the pact in the international field will clearly override the limited secular interests which are likely to oppose the pact on the grounds of possible injury'.[50] But because of the Canadian Prime Minister's last minute change of heart, things never got that far.

7. Competing explanations: exit threats and insurance policies

Conventional arguments attribute the laxity of GATT Article XXIV to British, European, and developing country pressure. To be sure, the British, European, Latin, and Arab representatives at Havana generally sought greater leeway for regional and preferential arrangements. Moreover, the French and Belgian delegations formally sponsored the amendments that led to the free trade area exemption, and these provisions did help to alleviate Lebanese, Syrian, and Iraqi concerns regarding the Havana Charter.

Nevertheless, the exemption for free trade areas was not crafted to accommodate European integration. To the contrary, US officials were determined that Europe form a customs union, not a free trade area, subject to the tougher provisions for customs unions. Nor were the new rules intended as an insurance policy for developing countries, as the Havana Charter was designed to discipline preferential arrangements short of free trade by placing these pacts under a separate section relating to Economic Development. Nor was the compromise on free trade areas an attempt to dissuade Britain from using its exit option. Simply

48 'Proposed Elimination of Trade Barriers between the United States and Canada', Memo, 8 March 1948, RG 59, 611.422/10-2649.

49 'Guesses on Probable Attitude of Senators', Memo, 22 March 1948, and 'Possible Opposition to Canadian Pact in US Senate', RG 59, 611.422/10-2649.

50 'Summary Statement', Memo, 16 March 1948, RG 59, 611.422/10-2649.

stated, GATT rules were written to allow flexibility for the sort of preferential arrangement the United States was pursuing with Canada, while restricting the scope for potential abuse by Britain, Europe, and the developing countries.

European integration

The economic integration of Western Europe was a principal postwar goal of the US government and an important function of the Marshall Plan. US officials certainly did not want the ITO to stand in the way of measures to promote Europe's political unity and economic reconstruction. But neither did they want European integration to deteriorate into a 1930s-style preferential arrangement detached from the multilateral trading system.

Plans for European integration influenced one aspect of ITO rules for regional arrangements: the exception for interim agreements crafted at Geneva (see Wilcox, 1949: 71). The judgment of US officials was that European customs union 'would certainly be to our interest and equally certainly could not be achieved in a year, two years, or three years'. Customs union would require political integration, and political integration would take time. To ensure that Europe 'would actually carry it through and not simply have a series of corporatist arrangements', the United States insisted on the requirement to supply a plan and schedule, the prohibition against raising external tariffs, and the right of the ITO to block proposed arrangements that failed to meet these criteria.[51] Thus, the Havana Charter would permit the formation of a European customs union, but on rather strict terms.

Indeed, US officials resolved that European plans 'should receive close and continuing scrutiny to ensure that they are in accord with Charter principles and will not deteriorate into a system of indefinite regional preferences'. The State Department concluded that the plan and schedule for customs union would provide structure for the ERP, and it intended to use financial assistance to push Europe toward closer integration. Though policy planners recognized that customs union would be difficult, nevertheless they insisted that 'participating countries should be discouraged from adopting as part of the Recovery Program preferential arrangements of a non-customs union type'.[52]

In short, the United States was not prepared to tolerate an outcome short of full customs union. Moreover, European plans were fixed on customs union at the time that the ITO provisions for free trade areas were drafted. The work of the European Customs Union Study Group was well underway; and a month after the Havana Charter's signing, Article 5 of the Convention for European Economic Cooperation committed members to study customs union formation and work toward the rapid completion of the Belgium–Netherlands–Luxembourg customs

51 'Meeting of the American Delegation to the Havana ITO Conference', 17 November 1947, RG 43, Box 127.

52 'The European Recovery Program and the ITO', Memo, 6 October 1947, RG 43, Box 148.

union. The only decision at Havana to accommodate European integration was a clarification permitting ITO members to form customs unions with nonmembers, inspired by France's desire for a customs treaty with Italy (Brown, 1950: 242, 308). Though France and Belgium sponsored amendments for free trade areas – and US diplomats worked with the French and Belgian delegations to shape these proposals to their liking – the exceptions and safeguards in the Havana Charter had no relation to European integration per se.

Developing-country trade preferences

Another important consideration for US diplomats was that developing countries would have to broadly support the Havana Charter for the ITO to be viable. Fifty-six countries attended the Havana conference. By December, talk of an adjournment in mid-January circulated. In the end, delegates submitted almost 800 amendments to the Geneva Draft, with Latin American delegations proposing the most substantial changes. For the ITO to succeed, the US delegation had to concede enough to mollify the developing countries, without violating too many of the principles that motivated the endeavor's pursuit.

Pressure from developing countries to permit more extensive tariff preferences had been blunted at the London and Geneva conferences through special provisions in a new chapter on Economic Development, Article 15 of the Geneva Draft. This chapter 'was the only important concession made by the United States', US negotiator Wilcox reported to the State Department.[53] Yet the terms were onerous: countries could initiate tariff preferences only as needed for development or reconstruction; they had to be geographically contiguous or part of the same 'economic region'; and preferences had to be terminated within ten years, with the possibility of a five-year extension. Moreover, regional tariff groups had to remain open to accession by outsiders; they had to negotiate compensation with injured external parties; and, even then, they required the two-thirds approval of ITO members.[54]

At Havana, developing countries contesting the strict terms of Article 15 used the customs union provision as an outlet to secure leeway for tariff preferences. In particular, the Lebanese, Syrian, and Iraqi representatives wanted permission to pursue regional integration, but they felt that full customs union would be too difficult to establish.[55] US negotiators realized that adding an exception for free trade areas would satisfy the demands of the Arab states, and thereby blunt pressure for relaxing Article 15.[56] This made it possible to divide the developing

53 'Report of the United States Delegation to the First Meeting of the Preparatory Committee for an International Conference on Trade and Employment', 27 December 1946, RG 59, 560.AL/12-3046.

54 'Draft Report of the Drafting Committee of the Preparatory Committee of the United Nations Conference on Trade and Employment, January–February 1947', RG 43, Box 123.

55 Second and Third Committees, Joint Subcommittee of Committees II and III, Tariff Preferences, 24 December 1947, United Nations Conference on Trade and Employment, E/CONF.2/C.2&3/A/3.

56 'Summary Report No. 34, January 15 Meetings', Telegram, 16 January 1948, RG 43, Box 150.

countries in their efforts to modify provisions relating to tariff preferences and isolate delegations (such as Chile's) that sought a more permissive stance.

The US delegation's final report identified '23 amendments providing sweeping exceptions for new regional preferences', and added that defending the sanctity of MFN 'required the defeat of repeated attempts to permit, without prior approval by [the] ITO, the imposition of new tariff preferences to favor the development of new industries'.[57] More accurately, US negotiators carved out their desired exception for free trade areas, while ensuring that the amendments other delegations proposed would not weaken the rules against new preferences more than the United States could accept. 'Problem is to provide latitude for exceptions but not too much', Wilcox cabled the State Department at one point, as discussions to allow free trade areas progressed.[58]

Britain and the Commonwealth

The new provisions for free trade areas were least of all a concession to Britain. In fact, as the language of the free trade area exemption was finalized in the days before the Havana Charter's signing, British officials protested what they regarded as a double standard. From the start Britain had sought leeway for trade preferences in an attempt to hold together the system of Imperial Preference. But, while the Annex to Article I left these preferences intact pursuant to the compromise struck in the 1945 *Proposals*, British negotiators at Havana objected that the Commonwealth was blocked from forming new preferential arrangements, even as the same opportunities were opened for others.

For Britain, the exemptions for free trade areas and customs unions in Havana Charter Article 44 were of no use because members of the Commonwealth would never lift restrictions on 'substantially all' their trade or accept customs harmonization with Britain. British officials therefore focused their indignation on Article 15: allowing new preferences to promote reconstruction or development, they protested, was 'radically inconsistent with the "Washington Proposals" of December 1945'.[59] Their underlying objection was that Article 15 required countries forming preferential arrangements to be 'contiguous one with another' or at least located in 'the same economic region', which effectively excluded Britain due to the Commonwealth's geographic distance. As the US Ambassador in London cabled to Washington, 'British face serious political risk in Parliament unless way found in Article 15 meet requirement that Commonwealth must be able to be regarded as an economic region under paragraph 3(a)' (US Department of State, 1976: 881).

57 'Official Report of the Chairman of the United States Delegation to the Havana Conference', Undated Memo, RG 43, Box 105.

58 Telegram for Willoughby from Wilcox, 15 January 1948, RG 59, 611.422/10-2649.

59 US Department of State (1976: 870). Wilcox shot back from Havana: 'So were earlier drafts of same article which UK delegates accepted in London and Geneva' (US Department of State, 1976: 876).

In the eleventh-hour discussions to assuage Britain's last objections to the Havana Charter, quantitative restrictions (Article 13) and foreign exchange controls (Article 23) proved to be greater sticking points than preferential arrangements under Article 15. The British delegation accepted an interpretive note to Article 15 that read, 'the organization need not interpret the term 'economic region' to require close geographical proximity if it is satisfied that a sufficient degree of economic integration exists between the countries concerned'.[60]. Thus, while Britain did not challenge the free trade area clauses in Article 44, neither was it involved in seeking this compromise.

8. Conclusion: credibility versus flexibility in Article XXIV

Recent studies demonstrate that exceptions to general trade rules are rationally optimal when policymakers are uncertain about the domestic effects of liberalization or the probability of future shocks to the national economy (see Goldstein and Martin, 2000; Rosendorff and Milner, 2001). But, if escape is too costly, these studies argue, states will adhere to rules even when doing so is harmful, and domestic support for liberalization may deteriorate; if there are too many loopholes and escape is easy, on the other hand, cheating will multiply and systemic norms will be undermined. Achieving the right balance requires that states pay a cost proportionate to the gains associated with future cooperation in return for the right to escape from prior obligations.

These principles behind escapes from tariff concessions apply equally to escapes from MFN under Article XXIV. Negotiators at Havana faced considerable uncertainty about the likelihood of future international shocks and what sorts of trade rules their domestic publics would accept; as a result, they sought leeway to deal with unforeseen contingencies. In other words, European and developing country delegations demanded flexibility because they were unsure of the economic and political costs of commitment to nondiscrimination.

Once US officials decided that a strict MFN clause was less desirable than previously thought, the barriers to forming preferential arrangements were lowered. Simply, they wanted states with similar economic and political preferences to be able to establish free trade areas. The calculation was that if preferential arrangements were too costly, countries would rarely form them, or worse they might generally ignore MFN obligations; inflexibly binding rules would produce a less than optimal amount of trade liberalization and political cooperation. In this context, customs unions were politically too difficult for most countries to form, given the loss of sovereignty and the costs of institutional creation. Alternatively, if the costs of forming preferential arrangements were too

60 United Nations Conference on Trade and Employment, Final Act and Related Documents, Annex P, Interpretive Notes, ad Article 15, Paragraph 4(a), available at http://www.wto.org/english/docs_e/legal_e/havana_e.pdf.

low, discrimination would multiply; too much flexibility would erode the MFN clause's credibility. Thus, imperial systems and the limited preferential arrangements popular among developing countries had to be blocked.

The solution was to exact a cost for countries to invoke escapes from MFN. First, the Article XXIV provision for free trade areas required total rather partial preferences. Free trade was costlier than partial preferences, so this rule would limit derogations from MFN among more protectionist members such as the British Commonwealth. Second, 'substantially all' trade had to be freed, which meant that not too many industries could be excluded – a barrier for Latin American countries that wanted preferential trade in specific manufactured goods. These groups would find it difficult to meet the conditions of Article XXIV, and preferential arrangements that failed these criteria would have to qualify under the more closely monitored provisions of Havana Charter Article 15. Thus, countries that wished to deviate from MFN would have to bear the domestic political cost of complete free trade within the preferential area.

In compromising multilateral ideals, US officials sought to promote the creation of regional arrangements that would complement the goals of the GATT and reinforce peaceful political relations among its members. Yet it is doubtful that the framers of Article XXIV fully appreciated its long-term consequences: regional arrangements have flourished of late, and countries have shown distinct favoritism for free trade areas over customs unions. If the GATT had included the customs union-only rule that the United States initially advanced, it might have deterred many of these regional arrangements from forming. Whether that would have been desirable will remain hotly debated.

References

Aaronson, Susan A. (1996), *Trade and the American Dream: A Social History of Postwar Trade Policy*, Lexington: University Press of Kentucky.

Bhagwati, Jagdish (1991), *The World Trading System at Risk*, Cambridge, MA: MIT Press.

Bhagwati, Jagdish (1993), 'Regionalism and Multilateralism: An Overview', in Jaime de Melo and Arvind Panagariya (eds.), *New Dimensions in Regional Integration*, New York: Cambridge University Press.

Bothwell, Robert and William Kilbourn (1979), *C. D. Howe: A Biography*, Toronto: McClelland & Stewart.

Brown, William Adams (1950), *The United States and the Restoration of World Trade: An Analysis and Appraisal of the ITO Charter and the General Agreement on Tariffs and Trade*, Washington, DC: Brookings Institution.

Caporaso, James A. (1992), 'International Relations Theory and Multilateralism: The Search for Foundations', *International Organization*, **46**(3): 599–632.

Cuff, Robert and J. L. Granatstein (1977), 'The Rise and Fall of Canadian–American Free Trade', *Canadian Historical Review*, **58**(4): 459–482.

Curzon, Gerard (1965), *Multilateral Commercial Diplomacy: The General Agreement on Tariffs and Trade and Its Impact on National Commercial Policies and Techniques*, London: Michael Joseph.

Dam, Kenneth W. (1970), *The GATT: Law and International Economic Organization*, Chicago: University of Chicago Press.

Diebold, William, Jr. (1952), 'The End of the ITO', *Essays in International Finance*, **16**, Department of Economics and Social Institutions, Princeton University.
Eckes, Alfred E., Jr. (1995), *Opening America's Market: US Foreign Trade Policy since 1776*, Chapel Hill: University of North Carolina Press.
Gardner, Richard N. (1956), *Sterling–Dollar Diplomacy: The Origins and the Prospects of Our International Economic Order*, New York: McGraw-Hill.
Goldstein, Judith (1993), *Ideas, Interests, and American Trade Policy*, Ithaca: Cornell University Press.
Goldstein, Judith and Robert O. Keohane (1993), 'Ideas and Foreign Policy: An Analytical Framework', in Judith Goldstein and Robert O. Keohane (eds.), *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change*, Ithaca: Cornell University Press.
Goldstein, Judith and Lisa L. Martin (2000), 'Legalization, Trade Liberalization, and Domestic Politics: A Cautionary Note', *International Organization*, **54**(3): 603–632.
Goldstein, Judith and Joanne Gowa (2002), 'US National Power and the Postwar Trading Regime', *World Trade Review*, **1**(2): 153–170.
Gourevitch, Peter A. (1989), 'Keynesian Politics: The Political Sources of Economic Policy Choices', in Peter A. Hall (ed.), *The Political Power of Economic Ideas: Keynesianism across Nations*, Princeton, NJ: Princeton University Press.
Gowa, Joanne and Edward D. Mansfield (1993), 'Power Politics and International Trade', *American Political Science Review*, **87**(2): 408–420.
Haas, Peter M. (1992), 'Introduction: Epistemic Communities and International Policy Coordination', *International Organization*, **46**(1): 1–35.
Haberler, Gottfried (1949), 'Economic Aspects of a European Union', *World Politics*, **1**(4): 431–441.
Haight, F. A. (1972), 'Customs Unions and Free-Trade Areas under GATT: A Reappraisal', *Journal of World Trade Law*, **6**(4): 391–404.
Hart, Michael (1989), 'Almost But Not Quite: The 1947–48 Bilateral Canada–US Negotiations', *American Review of Canadian Studies*, **19**(1): 25–58.
Ikenberry, G. John (1992), 'A World Economy Restored: Expert Consensus and the Anglo-American Postwar Settlement', *International Organization*, **46**(1): 289–321.
Jacobsen, John Kurt (1995), 'Much Ado about Ideas: The Cognitive Factor in Economic Policy', *World Politics*, **47**(2): 283–310.
Krueger, Anne O. (1999), 'Free Trade Agreements as Protectionist Devices: Rules of Origin', in James R. Melvin, James C. Moore and Raymond Riezman (eds.), *Trade Theory and Econometrics: Essays in Honor of John S. Chipman*, London: Routledge.
Lawrence, Robert Z. (1996), 'Regionalism and the WTO: Should the Rules Be Changed?' in Jeffrey J. Schott (ed.), *The World Trading System: Challenges Ahead*, Washington, DC: Institute for International Economics.
Leffler, Melvyn P. (1992), *A Preponderance of Power: National Security, the Truman Administration, and the Cold War*, Stanford: Stanford University Press.
Legro, Jeffrey W. (2000), 'Whence American Internationalism?' *International Organization*, **54**(2): 253–289.
Mansfield, Edward D. and John C. Pevehouse (2000), 'Trade Blocs, Trade Flows, and International Conflict', *International Organization*, **54**(4): 775–808.
Mathis, James H. (2002), *Regional Trade Agreements in the GATT/WTO: Article XXIV and the International Trade Requirement*, The Hague: TMC Asser Instituut.
McMillan, John (1993), 'Does Regional Integration Foster Open Trade? Economic Theory and GATT's Article XXIV', in Kym Anderson and Richard Blackhurst (eds.), *Regional Integration and the Global Trading System*, New York: St Martin's Press.
National Foreign Trade Council (1950), *Position of the National Foreign Trade Council with Respect to the Havana Charter for an International Trade Organization*, New York: National Foreign Trade Council.
Odell, John and Barry Eichengreen (1998), 'The United States, the ITO, and the WTO: Exit Options, Agent Slack, and Presidential Leadership', in Anne O. Krueger (ed.), *The WTO as an International Organization*, Chicago: University of Chicago Press.

Pickersgill, J. W. (1970), *The Mackenzie King Record, vol. 4: 1947–1948*, Chicago: University of Chicago Press.
Pollard, Robert A. (1985), *Economic Security and the Origins of the Cold War, 1945–1950*, New York: Columbia University Press.
Rosendorff, B. Peter and Helen V. Milner (2001), 'The Optimal Design of International Trade Institutions: Uncertainty and Escape', *International Organization*, **55**(4): 829–857.
Ruggie, John G. (1982), 'International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order', *International Organization*, **36**(2): 379–415.
Ruggie, John G. (1992), 'Multilateralism: The Anatomy of an Institution', *International Organization*, **46**(3): 561–598.
Snyder, Jack (1991), *Myths of Empire: Domestic Politics and International Ambition*, Ithaca: Cornell University Press.
US Department of State, Office of Public Affairs (1946), 'Suggested Charter for an International Trade Organization of the United Nations, Informal Commentary to Accompany Full Text', mimeograph.
US Department of State (1947), 'An Informal Comparative Analysis: Geneva Draft and New York Draft of the Charter for an International Trade Organization', mimeograph.
US Department of State (1976), *Foreign Relations of the United States, 1948, vol. I: General; United Nations, part 2*, Washington, DC: US Department of State.
Viner, Jacob (1950), *The Customs Union Issue*, New York: Carnegie Endowment for International Peace.
Wilcox, Clair (1949), *A Charter for World Trade*, New York: Macmillan.
Woods, Randall Bennett (1990), *A Changing of the Guard: Anglo-American Relations, 1941–1946*, Chapel Hill: University of North Carolina Press.
WTO (1995), *Regionalism and the World Trading System*, Geneva: WTO.
Zeiler, Thomas W. (1999), *Free Trade, Free World: The Advent of GATT*, Chapel Hill: University of North Carolina Press.

Appendix: Records from the US National Archives, College Park, Maryland

RG 43, Records of International Conferences, Commissions, and Expositions: Records of the International Conference on Trade and Employment–ITO.
RG 59, Records of the Department of State: Records of Harley A. Notter 1939–45, Records of Economic Committees 1940–46.
RG 59, Records of the Department of State: Central Decimal Files 560.AL, 'GATT–ITO, 1945–49'.
RG 59, Records of the Department of State: Central Decimal Files 611-422 and 611.4231, 'Commerce, US–Canada, 1945–49'.
RG 59, Records of the Department of State: Central Decimal Files 842.5151, 'Finance, US–Canada, 1945–49'.