

Understanding WTO

Introduction

- Pre-war depression “cured” by WWII - unlikely to be a regular economic policy option.
- Depression caused by protectionism.
- Depressions causes political instability.
- Political instability causes war
- Need to end protectionism

Introduction

- Since WWII, trade barriers have fallen
 - Avoid trade wars and depression
 - Trade has expanded rapidly
- Commercial disputes have arisen
 - Typically focused on specific policies
 - Have influenced trade laws
 - US & other nations

From ITO to GATT

The Bretton Woods Conference of 1944 recognized the need for a comparable international institution for trade to complement the International Monetary Fund and the World Bank.

Probably because Bretton Woods was attended only by representatives of finance ministries and not by representatives of trade ministries, an agreement covering trade was not negotiated there.

In early December 1945, the United States invited its war-time allies to enter into negotiations to conclude a multilateral agreement for the reciprocal reduction of tariffs on trade in goods.

From ITO to GATT

The United States Congress had granted President Harry S. Truman the authority to negotiate and conclude such an agreement. At the proposal of the United States, the United Nations Economic and Social Committee adopted a resolution, in February 1946, calling for a conference to draft a charter for an International Trade Organization (ITO).

A Preparatory Committee was established in February 1946, and met for the first time in London in October 1946 to work on the charter of an international organization for trade; the work was continued from April to November 1947.

Harry S. Truman, US President



From ITO to GATT

At the same time, the negotiations on the [General Agreement on Tariffs and Trade](#) (GATT) in Geneva advanced well and by October 1947 an agreement was reached: on October 30, 1947 eight of the twenty-three countries that had negotiated the GATT signed the "Protocol of Provisional Application of the General Agreement on Tariffs and Trade".

In March 1948, the negotiations on the ITO Charter were successfully completed in [Havana](#). The Charter provided for the establishment of the ITO, and set out the basic rules for international trade and other international economic matters.

From ITO to GATT

The ITO Charter, however, never entered into force; while repeatedly submitted to the US Congress, it was never approved. The most usual argument against the new organization was that it would be involved into internal economic issues. On December 6, 1950 President Truman announced that he would no longer seek Congressional approval of the ITO Charter.

In the absence of an international organization for trade, countries turned, from the early fifties, to the only existing multilateral international institution for trade, the "GATT 1947" to handle problems concerning their trade relations. Therefore, the GATT would over the years "transform itself" into a de facto international organization.

Summary of GATT Creation

- GATT: 1947-1994
- Initial idea: International Trade Organization (ITO – discussed at Bretton Woods)
- But the ITO failed
 - Charter drafted 1948
 - United States Congress failed to approve it
- Meantime, on 1 January, 1948 the GATT was signed by 23 countries

Initial members (1/1/1948)

Australia, Belgium, Brazil, Burma, Canada,
Ceylon, Chile, China, Cuba,
the Czechoslovak Republic, France, India,
Lebanon, Luxembourg, Netherlands,
New Zealand, Norway, Pakistan, Southern
Rhodesia, Syria, South Africa, the United
Kingdom, and the United States

GATT Trade Rounds

Seven rounds of negotiations occurred under GATT before the eighth round - the [Uruguay Round](#) - concluded in 1994 with the establishment of the [World Trade Organisation](#) (WTO) as the GATT's replacement. The GATT principles and agreements were adopted by the WTO, which was charged with administering and extending them.

GATT Trade Rounds

Year	Place/name	Subjects covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960- 1961	Geneva Dillon Round	Tariffs	26
1964- 1967	Geneva Kennedy Round	Tariffs and anti-dumping measures	62
1973- 1979	Geneva Tokyo Round	Tariffs, non-tariff measures, “framework” agreements	102
1986- 1994	Geneva Uruguay Round	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc	123

The GATT Negotiations



GATT Trade Rounds

In the early years, the GATT trade rounds concentrated on further reducing tariffs.

Then, the Kennedy Round in the mid-sixties brought about a GATT Anti-Dumping Agreement and a section on development.

The Tokyo Round during the seventies was the first major attempt to tackle trade barriers that do not take the form of tariffs, and to improve the system.

The eighth, the Uruguay Round of 1986-94, was the last and most extensive of all. It led to the WTO and a new set of agreements.

The Tokyo Round: a first try to reform the system

The Tokyo Round lasted from 1973 to 1979, with 102 countries participating. It continued GATT's efforts to progressively reduce tariffs.

The results included an average one-third cut in customs duties in the world's nine major industrial markets, bringing the average tariff on industrial products down to 4.7%.

The tariff reductions, phased in over a period of eight years, involved an element of "harmonization" — the higher the tariff, the larger the cut, proportionally.

The Tokyo Round: a first try to reform the system

In other issues, the Tokyo Round had mixed results.

It failed to come to grips with the fundamental problems affecting farm trade and also stopped short of providing a modified agreement on “safeguards” (emergency import measures).

Nevertheless, a series of agreements on non-tariff barriers did emerge from the negotiations, in some cases interpreting existing GATT rules, in others breaking entirely new ground.

In most cases, only a relatively small number of (mainly industrialized) GATT members subscribed to these agreements and arrangements. Because they were not accepted by the full GATT membership, they were often informally called “codes”.

The Tokyo Round: a first try to reform the system

They were not multilateral, but they were a beginning.

Several codes were eventually amended in the Uruguay Round and turned into multilateral commitments accepted by all WTO members.

Only four remained “plurilateral” — those on government procurement, bovine meat, civil aircraft and dairy products.

In 1997 WTO members agreed to terminate the bovine meat and dairy agreements, leaving only two.

Did GATT succeed?

GATT was provisional with a limited field of action, but its success over 47 years in promoting and securing the liberalization of much of world trade is incontestable.

Continual reductions in tariffs alone helped spur very high rates of world trade growth during the 1950s and 1960s — around 8% a year on average.

And the momentum of trade liberalization helped ensure that trade growth consistently out-paced production growth throughout the GATT era, a measure of countries' increasing ability to trade with each other and to reap the benefits of trade.

The rush of new members during the Uruguay Round demonstrated that the multilateral trading system was recognized as an anchor for development and an instrument of economic and trade reform.

Did GATT succeed?

GATT's success in reducing tariffs to such a low level, combined with a series of economic recessions in the 1970s and early 1980s, drove governments to devise other forms of protection for sectors facing increased foreign competition.

High rates of unemployment and constant factory closures led governments in Western Europe and North America to seek bilateral market-sharing arrangements with competitors and to embark on a subsidies race to maintain their holds on agricultural trade.

Both these changes undermined GATT's credibility and effectiveness.

Did GATT succeed?

The problem was not just a deteriorating trade policy environment. By the early 1980s the General Agreement was clearly no longer as relevant to the realities of world trade as it had been in the 1940s.

For a start, world trade had become far more complex and important than 40 years before: the globalization of the world economy was underway, trade in services — not covered by GATT rules — was of major interest to more and more countries, and international investment had expanded.

The expansion of services trade was also closely tied to further increases in world merchandise trade.

Did GATT succeed?

In other respects, GATT had been found wanting. For instance, in agriculture, loopholes in the multilateral system were heavily exploited, and efforts at liberalizing agricultural trade met with little success.

In the textiles and clothing sector, an exception to GATT's normal disciplines was negotiated in the 1960s and early 1970s, leading to the [Multifibre Arrangement](#). Even GATT's institutional structure and its dispute settlement system were causing concern.

These and other factors convinced GATT members that a new effort to reinforce and extend the multilateral system should be attempted. That effort resulted in the [Uruguay Round](#), the Marrakesh Declaration, and the creation of the WTO.

THANK YOU

