

INFORMATION

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

CENTRE WILLIAM-RAPPARD, 154, RUE DE LAUSANNE, 1211 GENEVE 21, TEL. ~~022 31 02 31~~ 022 39 51 11

GATT/40/4

WHAT IS THE GATT?

In essence, the GATT is no more - and no less - than a large group of countries who believe that their best economic interests are served through a trading system based upon open markets and fair competition secured through agreed multilateral rules and disciplines. They are bound together through a contract called the General Agreement on Tariffs and Trade - so they call each other "contracting parties".

The GATT is not a club that everyone can join merely by paying a cash fee. Countries negotiate their way in through complex and sometimes lengthy negotiations - securing benefits but offering them also to the other contracting parties. There is a sensitive balance of rights and obligations among the members.

Some 95 countries have become full contracting parties in the past forty years - all the industrialized (OECD) countries are members together with some 70-plus developing countries and several with centrally-planned economic systems.

Why do they bother? Largely because when the multilateral system has worked most effectively, world trade, economic growth and employment have reached their highest levels. As members of GATT, countries have a stake in the multilateral trade system and can influence it. They can seek to ensure that the GATT rules operate credibly. They can take part in negotiations which amend or extend the rules. And they can negotiate to

MORE

87-1594

40TH ANNIVERSARY, 30 OCTOBER 1987

maximise their trading advantages within the system - to end the unfair trading practices of others and to secure new opportunities for their exporters.

At the same time, an effective multilateral trade system should give governments the capacity to keep their own domestic markets open - or to liberalize them further. Experience shows that, in the long term, this is the only way in which private producers will attain the competitiveness to be successful overseas and, with that, the opportunity and confidence to expand their businesses through further investment.

While there are many complicated rules which make up the GATT and its associated agreements, there are relatively few, simple principles and objectives which underlie them.

Non-discrimination. There should be no special favourites and no particular victims associated with the trading policies of any country. This means that GATT members should not be subject to special trade restrictions which are not applied generally. More positively, it means that trade advantages negotiated between any two GATT countries must be immediately made available to all others - permitting small and poor countries to benefit substantially from GATT membership.

Fair competition. The General Agreement seeks to ensure that the world's exporters have the chance to compete with each other on fair terms. If dumping or subsidization takes place, then the GATT sets the basis on which a reasonable competitive balance can be re-established.

Protection limited to tariffs Although various new kinds of quantitative restrictions have become fashionable in recent years, the intention of the GATT (which is not a "free trade charter") is to permit protection almost solely through the least damaging and most transparent mechanism - the customs duty or tariff.

MORE

Trade liberalization. The GATT is not a static book of rules. It envisages perpetual effort by governments to negotiate new and better marketing opportunities for their companies. This has been achieved, particularly, through seven trade "rounds". It is currently being pursued through the eighth round, the Uruguay Round.

Special treatment for developing countries is an integral part of the GATT. Less-developed countries have some negotiating advantages and the possibility of securing special trading conditions with industrial countries. Nevertheless, they have been hit hard in recent years by protectionism in these countries.

Settlement of trade disputes takes place through a unique system developed over the lifetime of the GATT. This system has assisted the resolution of several hundred disputes.

Stability and predictability in trading conditions should be encouraged if GATT rules are observed. Tariffs, in particular, are often "bound" within the GATT contract. More generally, governments should be constrained from subjecting importers, or exporters, to constant changes in market access, import regulations, technical standards and so on.

Naturally, there are exceptions to many of these principles. Free-trade areas and customs unions are permitted, for instance, as are preferences for developing countries. Trade restrictions are sometimes permissible for countries in balance-of-payments difficulties, for national security reasons and in other circumstances. Short-term relief from rapidly-growing imports can sometimes be acceptable through the "safeguards" rule. A number of exceptions exist which apply specifically to agricultural trade.

END