

# INFORMATION

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

CENTRE WILLIAM-RAPPARD, 154, RUE DE LAUSANNE, 1211 GENÈVE 21, TÉL. ~~922 31 02 31~~ 022 39 51 11

GATT/40/3

## THE BIRTH OF THE GATT

Forty years ago, on 30 October 1947, as a war-torn Europe was beginning slowly to rebuild itself, 23 countries gave substance to a shared dream of a fair and open world trading system. In one great effort aimed at ensuring that the economic warfare and "beggar-my-neighbour" policies which had deepened the Great Depression and stoked the tensions of war would never recur, the first and only multilateral instrument governing commercial relations - the General Agreement on Tariffs and Trade (GATT) - was born.

GATT is now 95-members strong - although nearly 30 other countries, in fact, apply its rules - and has been credited for contributing to the longest period of rapid economic growth that the world has known in recent history. Yet, no other international organization has perhaps ever experienced the travails which GATT had to face at the beginning. In the first place, GATT was never intended to become an organization. It was designed to be just one of the several commissions of the International Trade Organization (ITO): an institution which never became a reality. In fact, the ITO would have covered several other areas, including employment, commodities, restrictive business practices and investment.

Attempts at multilateral trade co-operation go back to the unsuccessful inter-war conferences sponsored by the League of Nations. Midway through the Second World War, American and British experts met in Washington D.C. to flesh out the ITO idea. It was envisaged as the third leg in a triad of post-War economic organizations along with the

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International Monetary Fund and the International Bank for Reconstruction and Development. The US efforts, which provided much of the impetus behind the ITO and GATT, were animated by the philosophy of US Secretary of State Cordell Hull who once wrote: "I have never faltered, and I will never falter in my belief that enduring peace and the welfare of nations are indissolubly connected with friendliness, fairness, equality and the maximum practicable degree of freedom in international trade."

After the War, the ITO effort became a multilateral one. The newly-created Economic and Social Council of the United Nations in 1946 approved a US initiative calling for a conference to consider the creation of the ITO. It appointed a Preparatory Committee - members of which were to become the GATT founding fathers - to draft the ITO Charter.

When the Committee met in London for the first time late in the year, the United States along with other countries considered the idea of holding tariff-cutting negotiations among themselves in advance of the ITO. To govern these negotiations, they drew from the commercial provisions of the draft ITO Charter. This governing instrument - the draft of which was finalized in Lake Placid, New York in February 1947 - was to become the General Agreement.

In the spring of 1947, the Committee reassembled in Geneva to complete the ITO Charter draft. Independent of this official task under the UN mandate, the members, in seven months, completed some 123 negotiations on tariff reductions. The resulting 20 schedules containing the tariff reductions and bindings became an integral part of the GATT. They covered some 45,000 tariff concessions and about US\$10 billion in trade. The United States negotiators made full use of their 50 per cent tariff reduction authority. The US made concessions on import items worth \$1,766.5 million and in turn received concessions on their exports valued at \$1,192 million. The first GATT Round brought American tariffs to their lowest level since the comparatively moderate Underwood Tariff Act of 1913.

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GATT was a "trial marriage" of sorts when the 23 founding contracting parties - twelve developed and eleven developing countries signed it on 30 October 1947. Members had the right to withdraw upon just six-months' notice.

The GATT came into force on 1 January 1948 through the Protocol of Provisional Application which contained two limitations. The governments agreed to accept GATT obligations "provisionally" and, aside from the tariff concessions and the most-favoured-nation guarantee, they agreed to follow GATT rules only "to the fullest extent not inconsistent with existing legislations." GATT, in effect, was recognized as an interim measure whose continued existence was predicated on the establishment of the ITO.

In November 1947, delegations from 56 countries met in Havana, Cuba, to consider the ITO draft. The involvement of more countries, however, brought in new and often conflicting trade interests. The extent of disagreement can be gauged by the length of the meeting (the conference ended in March of the following year), and the number of amendments (602). Controversy ensued in the process of ratification, particularly in the United States. The business coalition that supported the Bretton Woods institutions attacked the Charter's many "exceptions" which allowed the continued existence of restrictive trade measures in other countries. In 1950, the United States officially announced that the ITO Charter would not be resubmitted for ratification in the US Congress. With the biggest trade market out of the picture, the ITO was doomed.

While ITO's fate hung in the balance, however, GATT continued its work. It conducted the second Round of multilateral trade negotiations in Annecy, France in 1949, the third Round in Torquay, England in 1950, and accepted the applications of more member states. It was served by a handful of staff which officially belonged to the Interim Commission of the ITO. With ITO's demise, there was good reason that GATT - without the

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constitutional or organizational underpinning of a mother organization - would find it difficult to survive.

Difficulties there certainly were. But the winds of trade expansion and liberalization were in GATT's favour. The principles on which its rules are based were grasped by willing governments which had no wish to repeat the mistakes of the previous 25 years. And so it has remained ... well, almost.

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