

General Agreement on Tariffs and Trade

Concept: General Agreement on Tariffs and Trade

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Description The General Agreement on Tariffs and Trade (GATT) is a multilateral trade agreement among autonomous economic entities (not necessarily countries) aimed at expanding international trade as a means of raising world welfare. The GATT was signed in 1947 as an interim agreement. Originally, the designers of the international trade system in the postwar period had wished to go further in institutionalizing a multilateral, rules-based trading system. They drew up the Havana Charter of 1948, with the intention of creating an International Trade Organization (ITO), which would have become a Specialized Agency of the United Nations System, similar to the International Monetary Fund and the World Bank. The Havana Charter failed because a number of countries refused to agree to it, most notably the United States of America.

Consequently, the interim GATT became the framework for the development of the international trading system. The Interim Commission of the ITO (ICITO), which was established to facilitate the creation of the ITO, subsequently became the GATT Secretariat. The members of the Secretariat had the responsibility for managing the agreement and organizing meetings of signatory countries related to its implementation. The cornerstone of the GATT has been traditionally the most-favoured-nation clause (Article 1 of the General Agreement), whereby any provision regarding imports and exports given to one signatory country must be extended to all other signatory countries. The original "contracting parties" to the GATT numbered twenty-three. By the end of the Uruguay Round, their number had grown to 128. Since the creation of the World Trade Organization in 1995, the number had grown to 146 by early 2003. In this respect, we can say that the multilateral system of rules included in the GATT has globalized extensively since 1948.