

# International Trade Organization

Organization: International Trade Organization

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Description In 1946 the United Nations convened a Conference on Trade and Employment to consider proposals backed by the United States and the United Kingdom to create an International Trade Organization (ITO). The ITO was slated to join the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund (IMF) as the third pillar of the post-war liberal international economic order. At the Conference, a preparatory committee was struck to draft a Charter for the new specialized agency, and as their work proceeded, major trading nations began to negotiate tariff concessions in a separate process. The following year these negotiations resulted in the General Agreement on Tariffs and Trade (GATT). As the GATT entered into force through a temporary protocol signed by twenty-three nations in January 1948, its backers assumed that it would form part of the more comprehensive agreement. In March of that year, the ITO Charter was signed by fifty-three nations at Havana. However, two years later enthusiasm had waned in several countries, and US President Truman indicated that he would not seek congressional ratification of the Havana Charter as it did not enjoy the support of the Senate or export-oriented corporations. With this move, the ITO's Interim Commission was left to administer the GATT, and subsequently became its Secretariat.

The ITO envisioned in the Havana Charter was designed to facilitate much more than commercial interests. Reflecting the objectives of embedded liberalism, the Charter contained many loopholes and escape clauses countries could use to ensure that commitments to liberalize did not undermine their obligations to maintain full employment. At Havana, discussions also focused on the ways to balance the expansion of trade with country needs such as the control of foreign investors, the maintenance of labour standards, infant-industry protection, and economic development. On the latter, participants talked about the means to ensure higher and more stable revenues for commodity exporting countries, foreshadowing the UN Conference on Trade and Development (UNCTAD) and the work of the Group of 77 (G-77). While participants at Havana wanted to foreclose a return to the irrational tariff escalation of the early 1930s, they endorsed a Charter enshrining a flexible approach to trade law that would have preserved their ability to pursue autonomous policies had it entered into force.

With the death of the ITO, major traders embraced progressive liberalization through the GATT, and free trade fundamentalism resurfaced in economic policy circles. Nonetheless, developing countries have

recently worked together at the World Trade Organization (WTO) to reassert the Havana Charter's vision through making use of the dispute settlement mechanism, and issuing their ultimatum at the 2003 WTO Ministerial Meeting in Cancun. In June 2004, a new consensus was reached at the Sao Paulo UNCTAD that the trading system had to allow policy space for development.

Suggested  
Reading:

**Drache, Daniel.** 2000. The short but significant life of the International Trade Organization (ITO): Lessons for our time. CSGR Working Paper No. 62/00. Centre for the Study of Globalisation and Regionalisation, University of Warwick, UK. (accessed 28 June 2005)

**Jackson, John H.** 1969. *World trade and the law of the GATT*. New York: The Bobbs-Merrill Company.