3. The General Agreement on Tariffs and Trade

The General Agreement on Tariffs and Trade (GATT) is an institution blessed with an objective that can never be achieved, namely free trade reciprocally negotiated. It is nevertheless uncertain whether it will show the same capacity for survival as the early Christian Church whose object, the perfectibility of mankind, has proved at least equally difficult to achieve.

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The implementation of a multilateral trade and payments system was facilitated by the establishment of the Fund and the Bank. It proved more difficult to reach agreement on the reduction of customs duties and the abolition of quantitative restrictions and discriminations, partly owing to the fact that these matters were more closely bound up with balance-of-payments equilibrium. In order to avoid a recurrence of the protectionism of the 1930s vigorous efforts were necessary to dismantle these various kinds of trade barriers. This chapter is devoted to the action taken in this respect within the framework of the General Agreement on Tariffs and Trade.

1. Origins

One of the aims of the Atlantic Charter (August 1941) and of the Lend-Lease Agreements (February 1942) was a world trading system based on non-discrimination and free exchange of goods and services. This explains why, as far back as 1943–44, discussions on postwar trade problems had already been held between Britain, Canada and the United States, but it was not until 6 December 1945 that the United States submitted a proposal.

This provides for the establishment of an International Trade Organization (ITO) which, as a specialized agency of the United Nations, would aim to achieve the gradual liberalization of trade, to combat monopolies, to expand the demand for commodities and to coordinate the countercyclical policies of the various countries.
In exchange for a loan of 3,750 million dollars from the United States, Britain undertook to restore the convertibility of sterling from 15 July 1947 onwards (see Chapter 1, 4C), abolish discrimination in foreign trade and cooperate in the establishment of the organization. After ECOSOC had expressed itself in favour of convening a conference, a preparatory committee was appointed and meetings of this committee took place in London from 18 October to 26 November 1946.

No agreement was reached on certain articles (including those relating to indirect forms of protection) of the London Draft Charter. A drafting committee, which included among its members the United States, Canada, the United Kingdom, France and the Benelux countries, was set up for the purpose of seeking another formulation for the points at issue. While this committee was drafting a new text at Lake Success from 20 January to 25 February 1947, the United States expressed a wish to engage in direct negotiations with the members of the committee.

Thus it was that two types of discussion were held simultaneously at Geneva in the spring and summer of 1947. From 10 April to 22 August the preparatory committee continued its work on a draft charter for the ITO, and from 10 April to 30 October bilateral negotiations took place among most of the states represented on the committee, to which other countries, including Brazil, Burma, Ceylon, Pakistan and Southern Rhodesia had now been added. The reciprocal tariff concessions which resulted from these negotiations were embodied in the General Agreement on Tariffs and Trade (GATT), signed on 30 October 1947, containing a provisional codification of trade relations among the signatory countries. By the terms of a protocol of 30 October 1947 the General Agreement was applied, from 1 January 1948, pending the entry into force of the ITO.

The charter for the ITO was discussed by delegates from fifty-six countries at the Havana Conference (21 November 1947—24 March 1948) which drew up the Havana Charter. By mid-1950, this charter had been approved by the parliaments of only two countries, Liberia and Australia. In the United States, it provoked so much criticism that in December 1950 President Truman withdrew the bill which had been laid before Congress. This meant that the establishment of the Organization was rendered impossible for the time being. The escape-clause-mindedness of the less-developed countries, Commonwealth preferences, the creation of COMECON and the OEEC were among the main difficulties preventing the approval of the Charter.

Meanwhile, a significant number of countries had already sought membership of GATT. At Annecy in April 1949, negotiations were opened among the twenty-three countries which were already GATT members and ten other countries (Denmark, the Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Sweden and Uruguay). In 1950 the validity of the tariff concession lists was extended for three years (until the end of 1953, but not for Brazil and Nicaragua), the accession of Austria, Peru, Turkey and