

International Trade Institutions

History and Evolution

World Trade Organization

- Created only on 1 January, 1995 by the Marrakesh Declaration
- The youngest international organization
- Successor to the General Agreement on Tariffs and Trade

Some History

- At end of World War II, internationalism was pursued to support peace
- To avoid conflicts based on nationalism
- Succeeded in creating:
 - *United Nations*
 - *Bretton Woods Institutions*
 - International Monetary Fund (IMF)
 - World Bank

Background Cont

- Third institution was to be International Trade Organization (ITO)
- Objective: avoid conflicts over trade and protectionism
- Havana Charter to create ITO concluded in March, 1948
- Was never ratified because of US Congress

Background Cont

- While negotiations underway, 23 participants negotiated to reduce and bind tariffs starting in 1946
- To give early boost to liberalizing trade and end protectionism of the 1930's
- Was agreed to liberalize one fifth ($1/5^{\text{th}}$) of world trade and adopt some trade rules in draft ITO Charter

Background Cont

- Package called the General Agreement on Tariffs and Trade (GATT)
- Entered into effect “provisionally” on 1 January, 1948
- “Provisionally” because Havana Charter was still being negotiated. Those applying GATT became known as Contracting Parties
- Remained in force until WTO created

Background Cont

- When Havana Charter failed, GATT became only multilateral instrument governing international trade
- Numerous negotiations were conducted under GATT to liberalize trade
- Eight in total up to Uruguay Round which created WTO

Background Cont

- GATT continues to exist today as a part of the WTO
- Basic principles of GATT also form basis for WTO

The General Agreement on Tariffs and Trade (GATT)

- Multilateral trading system created under GATT is over 50 years old
- GATT's basic pursuit of trade liberalization achieved through “rounds” of trade negotiations
- Early “rounds” dealt mainly with tariff reductions
- Later rounds added areas such as non-tariff measures, antidumping, etc

Results of GATT

- Exceptional growth of world trade
- Merchandize exports grew on average 6% annually.
- Total trade in 1997 was 14 times that of 1950.
- Last round (Uruguay Round) added new areas of services and intellectual property and created the WTO.

Results Of GATT Cont

- Tariffs were reduced to such low levels that in recessions, countries turned to other forms of protectionism.
- Market-sharing agreements (voluntary export restraint agreements) were used.
- Subsidies were used to encourage exports (particularly with agriculture exports).
- Technical barriers were used for trade protection.

Results of GATT Cont

- Realities of world trade also were changing.
- Trade was more complex and important.
- Services trade and international investment had expanded greatly.
- Vastly increased membership with new and different interest.
- Led to agreement to create a new expanded agreement to encompass all these matters.

Result of GATT Cont

- Uruguay Round concluded at Marrakesh brought WTO into existence
- Also created General Agreement on Trade in Services (GATS)
- Created Trade Related Intellectual Property Agreement (TRIPs)
- And much more

Multilateral and Regional Approaches

- In recent years a variety of bilateral and regional trading arrangements have emerged in addition to multilateral efforts at trade liberalization.
- The GATT provides specific rules regarding such arrangements. Similar rules exist for services.
- But in practice these have not constrained the growth of preferential arrangements.