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CENTER FOR INTERNATIONAL
TRADE & INVESTMENT



**Establishing the New Economic Order,
Introduction to the WTO and the
Multilateral Trading System**

Structure of the Present Lecture

In this module we go into quite some detail on the economic history that ultimately culminated in the establishment of the General Agreement on Tariffs and Trade (the forerunner to the WTO):

- We will discuss the interwar years and a number of developments like the Great Depression and the Reciprocal Trade Agreements Act;
- We will look at some of the planning that went on during WWII that set the stage for the treaty and institutional framework that would evolve thereafter;
- We discuss the negotiations that resulted in the General Agreement while at the same time examining the failure to establish the International Trade Organization.
- The genesis of the GATT as a multilateral trade agreement
- The functional role played by the General Agreement as both a substitute for an international treaty and a stand-in for an international organization ;
- How the General Agreement evolved historically to encompass ever more Contracting Parties, to govern a growing body of trade rules, and to achieve ever-greater trade liberalization;
- Finally we discuss the transition from the GATT to the WTO, particularly the Uruguay Round of Multilateral Trade Negotiations.

Part 1

The Interwar Years

Where to Start?

- When discussing the historical causes and antecedents of the GATT and then WTO, it is sometimes hard to know where to start.
- Certainly the [1916 Paris Economy Pact](#), enacted at the height of WWI and whose tenets were largely continued after the cessation of hostilities and the Treaty of Versailles laid the ground work for a lot of the discriminatory trade practices and restrictive trade measures especially directed against Germany and its WWI allies.
- The [Great Depression](#) and the global economic downturn that ensued, particularly the contraction in demand and the collapse of international trade flows also tell some of the story and instilled within policymakers in many countries the need to draft a post WWII economic order that would ensure full employment.
- Then there was the [1930 \(Smooth-Hawley\) Tariff Act](#) passed by the United States Congress, which effectively doubled tariffs on imports into the US and unleashed a slew of retaliatory tariff-raising by many industrialized and developing counties.
- Also worth mentioning is the [1934 Reciprocal Trade Agreements Act](#), which represented an important reversal in US tariff policy, and saw the United States become the cheerleader for expanding global trade on the basis of unconditional most favoured nation and by the exchange of tariff concessions. The 1934 RTAA was in effect the starting gun of what ultimately turned out to be another 60 years of trade liberalization.

1916 Paris Economy Pact

Commercial Policy and the War

By WILLIAM S. CULBERTSON



MUCH water has run under the bridge since August, 1914. Our thoughts have been swept from national into international currents. In former years we as a nation moved too sluggishly in the great stream of foreign affairs. We regarded diplomacy as beyond the shores of our every-day life. It was for experts alone. Our commercial policy was at times haphazard and experimental. We seldom thought it through in the light of world politics. But now, when the world is full of change, it is natural to consider modifying our traditional position. We have come to see that our foreign policy may be of even greater importance than our domestic policy, for in defense of the former we may be called upon to give billions of dollars, our lives, and the lives of our sons. Under the dramatizing influences of war we have come to realize the need of publicity, education, and general interest in foreign affairs.

The Constitution of the United States makes secret diplomacy difficult, if not impossible. All treaties must be ratified by the Senate before they become effective.

The establishment of the United States Tariff Commission is not by any means unrelated to the problem of publicity in our foreign commercial policy. Both the text of the law creating the commission and the debates attending its enactment show that the elected representatives of the people may expect the commission to gather and supply facts upon which to rear a sound, democratic commercial policy. In introducing the bill to create the commission, Mr. Rainey, its author, reviewed some of the commercial results of the war and added, "We have here no board, no group of men devoting their time exclusively to the consideration of

these great world questions." Senator Simmons pointed out in detail the breadth of the power granted the commission in the field of foreign affairs: "tariff relations between the United States and foreign countries"; "commercial treaties"; "preferential provisions"; and "conditions, causes, and effects relating to competition of foreign industries with those of the United States." Senator Gallinger's amendment, giving the commission power to investigate "economic alliances," was adopted, and Senator Weeks's suggestion that the commission have power "to investigate the Paris Economy Pact and similar organizations in Europe" was subsequently adopted by the framers of the bill.

THE PARIS ECONOMY PACT

In September, 1916, when Congress enacted the law creating the Tariff Commission, the resolutions of the Paris Economic Conference were fresh in the public mind. In June of the same year the representatives of Great Britain, France, Italy, and Russia had met at Paris and embodied in the now famous resolutions a commercial policy which is worthy of analysis as one of the early products of the war.

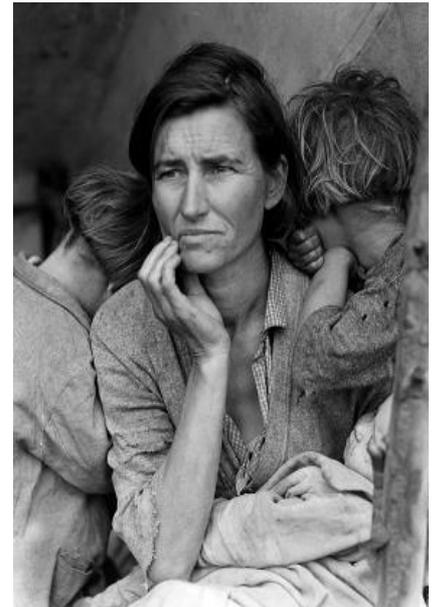
The resolutions adopted at the conference propose an economic war during an indefinite period (called the "reconstruction period") following the peace conference. Most-favored-nation treatment was to be refused to the countries of present enemies; that is, these countries were to be discriminated against; but recognizing that discrimination is a sword which cuts both ways, compensatory outlets were to be given to any ally whose commerce was injured. In addition to this plan to restrict the markets of the Central powers, the Allies proposed to deprive German indus-

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- The Paris Economy Pact was an international economic agreement reached at the Paris Economic Conference held from the 14th June 1916 in Paris, France. The meeting, held at the height of World War I, included representatives of the Allied Powers: Great Britain, France, Italy, and Russia.
- It provided that most-favoured nation treatment was to be denied the belligerent powers, and that German industry was to be deprived of raw materials. In addition to this, the commerce of the enemy powers was to be subject to either prohibitions or special regimes. Restrictions were also foreseen on German shipping.
- Click on the thumbnail to the left to download a short (7-page) article written in the early decades of the 20th Century on the state of international economic relations at the time.

The Great Depression

- The Great Depression was a very deep and protracted worldwide economic downturn that affected many countries, starting in 1929.
- The date most commonly associated as representing the start of the Great Depression was the Wall Street stock market crash of October 29, 1929, although stocks had been in steady decline since September of the same year.
- Many countries, both rich and poor suffered devastating effects in terms of a loss of productive output and a rise in unemployment. Unemployment in the US during the height of the depression rose to 25%. In Germany unemployment reached 26%, in Australia the corresponding figure was 30%.
- The Great Depression also had a catastrophic effect on world trade, which effectively declined 50% during the period in question. Many countries, in an effort to boost domestic production, imposed stringent restrictions on imports, with trade partners then retaliating in kind.
- Although some countries began to recover slowly by the mid 1930s, the Great Depression really only ended with the outbreak of WWII and the switch by many countries to wartime production.



The 1930 (Smooth-Hawley) Tariff Act



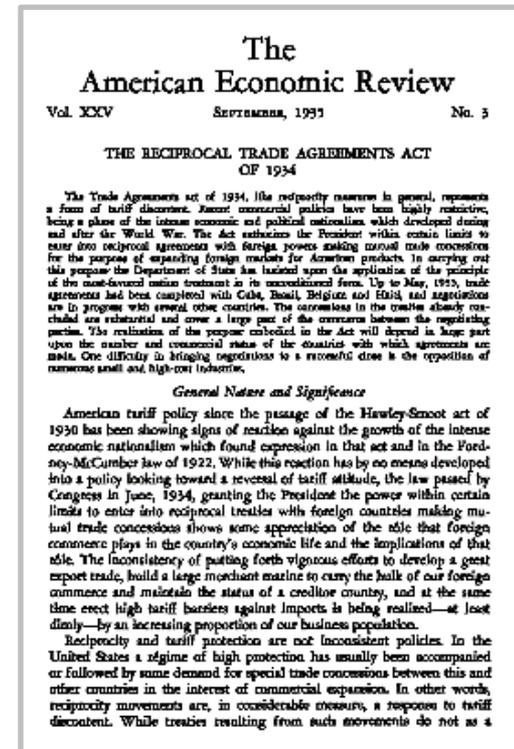
- The Tariff Act of 1930, otherwise known as the Smoot–Hawley Tariff (after the two Congressmen that sponsored the bill) was signed into law on June 17, 1930, and raised tariffs on imports into the United States on over 20,000 tariff lines.
- It caused outrage among many US trading partners who imposed retaliatory tariffs on US exports. This tit-for-tat protectionism and other restrictions on trade imposed due to the Great Depression led to global trade flows contracting by 50% in this period.
- The Smoot-Hawley Tariff led directly to the Ottawa Conference in 1932 at which the Imperial Tariff system was adopted (discussed later).
- It was first via the Reciprocal Trade Agreements Act (also discussed later) that these high tariffs began to be reduced in any systematic manner.
- One thing many people do not know is that Smooth Hawley is still the law of the land in the United States. The non MFN and non-preferential tariff rate that applies to imports from countries with which the US trades but does not have a trade agreement is still (in theory) the extremely high levels imposed in application of the Smooth Hawley Tariff.

The Reciprocal Trade Agreements Act | 1934



The Reciprocal Trade Agreements Act | 1934

- After the collapse of world trade following the Great Depression and Smoot-Hawley, the US State Department and President Roosevelt sought to encourage an expansion in world trade by means of entering into reciprocal (bilateral) trade agreements.
- The authority to do so was granted by means of the 1934 RTAA. Between 1934 and 1939, trade agreements were concluded using this authority with 19 countries: Belgium, Brazil, Canada, Colombia, Costa Rica, Cuba, Czechoslovakia, Ecuador, El Salvador, Finland, France, Guatemala, Haiti, Honduras, the Netherlands, Nicaragua, Sweden, Switzerland, and the United Kingdom.
- Click on the thumbnail on the right to download a PDF article about the Act written the year after it was passed.



Part 2

Economic Planning during WWII

From the Atlantic Charter to Bretton Woods

Planning for the Future | Post-WWII



The Post-WWI Economic Order – planning and conceptualization



- One of the earliest documents to lay out the post-WWII economic order was the 1941 Atlantic Charter, particularly paragraph 4, which states

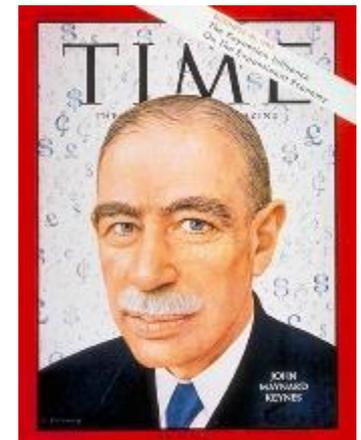
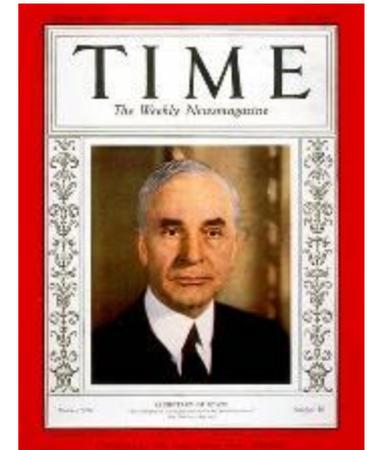
“Fourth, they will endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity”

- This language conceptualized much of the initial thinking (at least by policymakers in the United States) on how trade relations should function following the cessation of hostilities.

The Post-WWI Economic Order – specifying future terms

Another milestone in laying out the terms subject to which the post-WWII economic order was to function was the **Mutual Aid Agreement** between the United States and the United Kingdom signed in Washington on February 23, 1942. **Article VII** of this document read as follows:

“In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to **the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; ...**”



Bretton Woods



Bretton Woods Conference

- In the first three weeks of July 1944, as WWII still raged in Europe and the Pacific, delegates from 77 Allied nations met in Bretton Woods, New Hampshire to agree on the post WWII monetary and financial arrangements following the end of the War.
- The agreements signed at Bretton Woods established the International Monetary Fund and the International Bank for Reconstruction and Development (which became part of the World Bank Group).
- Other results from the Bretton Woods Conference included an adjustably pegged foreign exchange market rate system, and a requirement that currencies be convertible for trade related and other current account transactions.
- Click [here](#) to go to the Wikipedia page on the Bretton Woods System

Part III

Negotiations following WWII

From the 1945 Proposals to the failure of the ITO

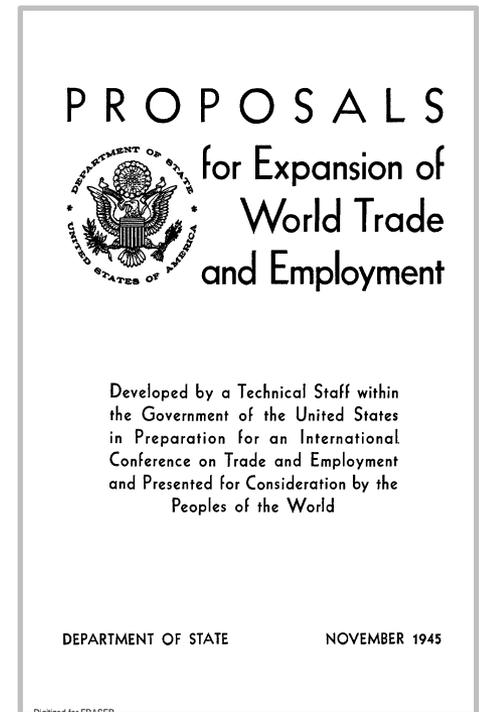
The Post-WWI Economic Order – The 1945 Proposals

- In December 1945, the State Department released its “Proposals for Expansion of World Trade and Employment”
- Under the title **“Proposal for Consideration by an International Conference on Trade and Employment; A. Need for International Economic Cooperation”**, the Proposal state, in paragraph 3, that:

“In order to reach the objectives of the Atlantic Charter and Article VII of the mutual-aid agreements, it is essential that the cooperative economic measures already taken or recommended be supplemented by **further measures dealing directly with trade barriers and discriminations** which stand in the way of an expansion of multilateral trade and by an undertaking on the part of nations to seek full employment. “

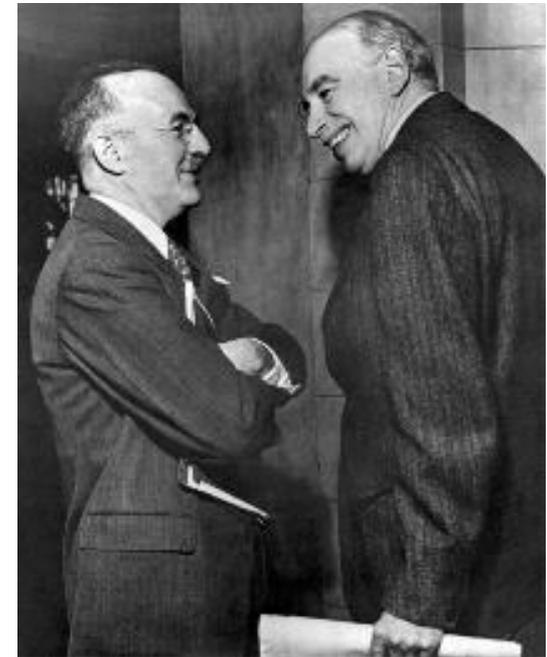
The Post-WWI Economic Order – The 1945 Proposals

- The 1945 Proposals was an important foundation document in that it laid out the thinking within the US State Department on how the post WWII Economic Order should be.
- The Proposals start from the premise that trade is something intrinsically good, and identifies four trends keeping world trade from expanding:
 - Restrictions imposed by governments;
 - Restrictions imposed by private combines and cartels;
 - Fear of disorder in the markets for certain primary commodities;
 - Irregularity, and the fear of irregularity, in production and employment.
- You can read more about what the US State Department understood under each of these four trends and what steps it proposed to mitigate them by clicking on the thumbnail of the Proposals to the right and downloading a PDF copy of the original document.



Then as now: a clash of ideologies | preferences versus non-discrimination

- Throughout the discussions that took place starting in 1941 (The Atlantic Charter) and running until 1945 (The Proposals) the United Kingdom and the United States were at loggerheads over whether the governing principle for international trade following the war should be non-discrimination or whether countries should be allowed to discriminate between different trading partners.
- This was an important issue for Great Britain because it benefitted from an important system of preferential market access known as Imperial Preference or the Ottawa Agreements. Several other significant trading nations benefitted as well, including Canada, New Zealand, South Africa, and Australia.



Then as now: a clash of ideologies | preferences versus non-discrimination

- Even after the GATT was founded on the principle of unconditional most-favoured nation, the tension between preferences and non-discrimination continued to play a defining role in the evolution of the multilateral trading system.
- This tension played itself out across a number of fronts, such as the challenge that the formation of the European Communities represented to the principle of non-discrimination on which the GATT was founded; or the demands by developing and least developed countries for special treatment, a significant element of which is preferential access to the markets of developed/industrialized countries.
- This tension is still very much felt today, as most trade and investment liberalization that is taking place at present is happening within the framework of free trade agreements, economic partnership agreements and similar arrangements that give preferential treatment to some at the expense of non-discrimination for all.

The GATT and the ITO | Two Tracks

- With the publication of the Proposals in December 1945, the US invited 15 countries to participate in a meeting to negotiate tariff reductions. Within a month 14 countries had accepted: Australia, Belgium, Brazil, Canada, China, Cuba, Czechoslovakia, France, India, Luxembourg, the Netherlands, New Zealand, South Africa, and the United Kingdom. Chile, Lebanon, and Norway were also invited somewhat later (this was the track that would ultimately lead to the General Agreement on Tariffs and Trade).
- Then, in February 1946, at a meeting of the Economic and Social Council of the United Nations, the US proposed a general UN conference on trade and employment. The UN agreed to move ahead and form a preparatory committee to prepare an agenda for such a conference.
- The UN Preparatory Committee for the International Conference on Trade and Employment henceforth became the forum for discussing both the ITO and conducting tariff negotiations

The UN Preparatory Committee | Three Meetings, Three Tasks

- The UN Preparatory Committee met three times, once in London in October–November 1946, again at Lake Success in New York State in January–February 1947, and a final time in Geneva in April–October 1947.
- It was entrusted with the three tasks of (1) drafting a charter for the International Trade Organization; (2) formulating common rules for the conduct of international trade; and (3) negotiating an initial round of tariff concessions.
- The 2nd of these tasks ultimately became the General Agreement, and the 3rd of these tasks was completed at the 3rd Geneva meeting.
- In December 1946 a meeting took place at Havana Cuba to adopt the ITO Charter

[Limited] Success of the GATT

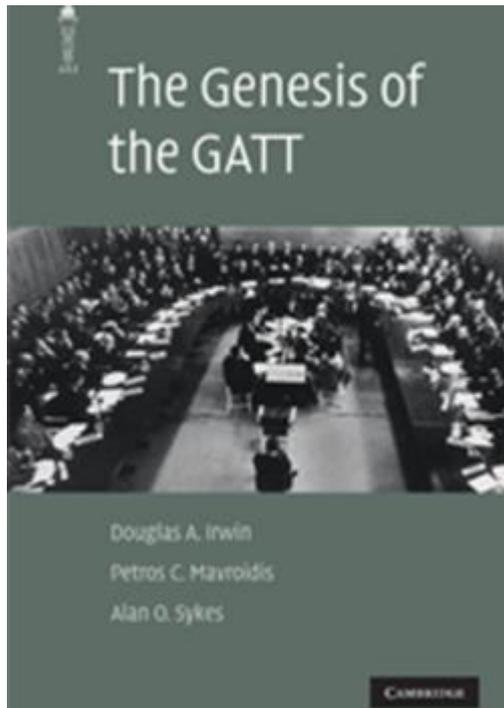
- One view is expressed by Irwin/Mavroidis/Sykes (2009):

“What had been achieved at Geneva? The finalization and implementation of the GATT text, [...], was a major accomplishment. The actual tariff and preference reductions, as well as the tariff bindings, were symbolically very important of the new direction in postwar commercial policy. In the first Geneva round, the 23 participating countries made no fewer than 123 agreements covering 45,000 tariff items related to about one-half of the value of world trade. But the reductions in duties were rather modest at the time, and many of those reductions had little effect on trade because quantitative restrictions and exchange controls remained in effect”
- Another view, expressed by President Truman, was that the results of the talks that culminated in the GATT represented “a landmark in the history of international economic relations”. The Canadian Prime Minister extolled the results as “the widest measure of agreement on trading practices and for tariff reductions that the nations of the world have ever witnessed”
- With the benefit of more than 60 years of hindsight we now know that the founding of the GATT and the exchange of initial tariff concessions was a bold and important first step on the road to much more significant trade liberalization over the ensuing decades, and eventually the establishment of the World Trade Organization in 1995.

[Temporary] Failure of the ITO

- The ITO had been called for by the 1945 Proposals and was intended to be a treaty and institutional structure to administer a body of global rules on trade and the tariff concessions agreed upon under the 1947 GATT negotiations.
- The ITO negotiations were successfully concluded in Havana in 1946 but for a variety of reasons the results of these negotiations were never ratified by the United States.
- No other country saw the utility of being in the ITO if the US was not a member and so the organization was essentially stillborn.
- Click [here](#) to download a copy of a lengthy (37-page) academic paper written in 1952 entitled “The End of the ITO” to read more about the demise of the organization.
- As it turned out, the GATT managed to survive and prosper without the supporting treaty and institutional structure that the ITO would have provided.
- The lacunae left in the wake of the ITO’s demise was ultimately remedied in 1995, with the establishment of the World Trade Organization.

Want to know more about the history of the GATT?



GATT Fifty Years Ago: U.S. Trade Policy and Imperial Tariff Preferences

Thomas W. Zeiler

*Department of History
University of Colorado at Boulder*

It is an absolutely beautiful day. The lake is very blue, the hills look like a picture postcard, and the only blots on the landscape are British preferences about which I spend most of the night dreaming!¹

Frustration within the American trade delegation at the inaugural round of the General Agreement on Tariffs and Trade (GATT) was understandable. In Geneva in the summer and fall of 1947, the British Commonwealth of Nations prevented the United States from putting its free-trade ideology into practice. Great Britain led the way in refusing to abolish the Ottawa system of Imperial tariff preferences. Winthrop Brown, the U.S. negotiator responsible for clinching an Anglo-American trade agreement after months of belabored talks, gave way to the United Kingdom.

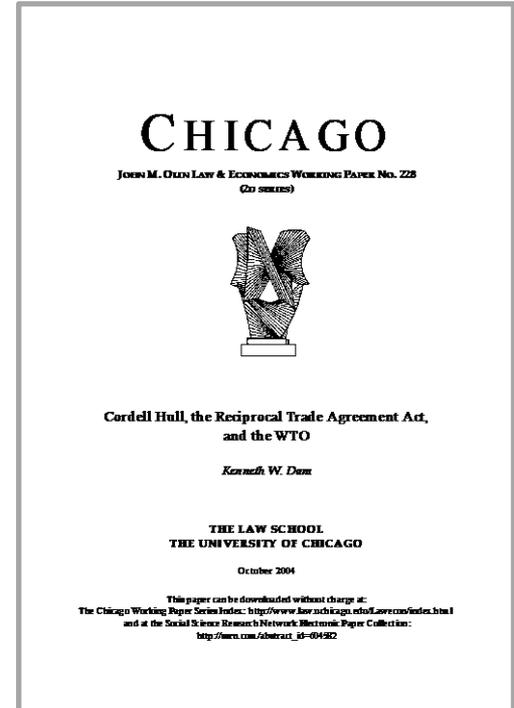
That American free traders were forced to compromise their rather idealistic objective of erasing discriminatory commercial practices, of which preferences ranked as a pernicious form, is surprisingly not an accepted view. Some judge the United States as a selfish winner in the world economy, a nation that forced open Britain to American exports [Kolko, 1990]. Others view the assault on preferences as naive dogmatism of State Department bureaucrats who, while enamored by free-trade theory, drained the economic strength of Cold War allies [Woods, 1990]. But the GATT negotiations actually signaled a defeat for the free traders.

Rather than being selfish or unrealistic, U.S. trade policy turned out to be wise. Fireworks against preferences fizzled in the face of political pressures and economic realities that were ultimately tied up in the strategic concerns of the early Cold War. President Harry S. Truman veered from the campaign to wipe out discrimination, as pursued by State Department ideologues, to serve a national security agenda. In doing so, the United States showed forbearance toward protectionism.

Few issues caused such acrimony between the United States and the Commonwealth as Imperial preferences. Secretary of State Cordell Hull, the champion of free-trade internationalism, took up the crusade against this

¹ Winthrop Brown to Wilcox, September 30, 1947, box 286, TIF.

BUSINESS AND ECONOMIC HISTORY, Volume Twenty-six, no. 2, Winter 1997.
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Before we go | a short movie lecture 35 mins “Architects of Globalism”



To prepare you for the next lecture | some reading!

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*The WTO and GATT:
A Principled History*

While the World Trade Organization in current existence provides its membership with forums for three interrelated functions—negotiation, illumination, and litigation—it is probably best known for the first of these. This chapter provides a brief overview of the negotiating forum of the General Agreement on Tariffs and Trade and its WTO successor, as well as how each has been used by the world's major trading nations since 1947.

Since the ultimate focus of this book is on developing countries and dispute settlement, it may appear strange to start with a topic that has little obvious relation to either. This chapter describes the relative success of the negotiating forum of the GATT—an agreement to which developing countries largely did not have a proactive contribution. A careful analysis of the origins of the GATT, as well as some of its later history, offers a tremendous number of lessons for developing countries and for the settlement of disputes. The underlying political and economic forces that create the incentives that shape trade relations between sovereign nations—be the countries developed or developing—remain relatively consistent over time. Thus the evidence from later chapters will substantiate that there is much to learn from the relative successes of the GATT and its negotiating history. These successes are particularly important to understand and appreciate given the extremely negative and pessimistic view that developing countries have of the current WTO bargain, which is described in chapter 2.

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- This short (12-page) paper by Chad Bown, kindly made available by Brookings, covers in very brief and accessible detail, the origins of the GATT and the WTO, as well as some important principles governing the functioning of the GATT/WTO System. Click on the thumbnail to download a PDF copy.

Part 4

The Genesis of a Multilateral Trade Agreement

From Protocol of Provision Application to functioning international treaty text

1947 | The Three-Ringed Circus

- The preparatory history of the GATT is intertwined with the efforts to set up the International Trade Organization or ITO (as discussed in Module 2).
- There were three parts to these efforts ([Jackson](#) refers to them as a “three-ring circus”)
 - One part involved drafting a charter for the ITO;
 - A second part was focused on achieving a multilateral agreement that would reduce tariffs on a reciprocal basis for all parties to it;
 - The third part was concerned with drafting the generally applicable clauses that would govern the tariff reduction obligations.
- The second and third parts were soon to become the General Agreement on Tariffs and Trade, whereas the first part, the charter for the International Trade Organization, would ultimately have to wait until 1995 (and the establishment of the WTO) until the outcome envisaged in this work was to finally become a reality

1947 | What to do with the GATT and Tariff Reductions?

- The GATT was thus originally intended to be a set of tariff reduction commitments that were negotiated bilaterally but then extended to all contracting parties by virtue of the most-favoured nation (MFN) clause (more on this below).
- These tariff reduction commitments were then to be appended to the general clauses of the agreement which would contain provisions on the application (and non-circumvention) of these tariff reduction commitments.
- It was only later (with the failure of the ITO), that the GATT was effectively “press-ganged” into functioning as a *de facto* international organization (more on this function of the GATT in the next section).
- With negotiations on the first two parts of the so-called “three-ring circus” already finished in 1947, but work on the ITO still to be completed at a conference scheduled to take place in Havana Cuba in 1948, this raised the question of what to do with the general clauses and the tariff reduction commitments. The answer was to have them enter into force immediately.

1947 | The Need for Speed in Implementation

- In 1947, the negotiators that had so painstakingly worked on achieving reciprocal tariff reductions and on drafting a set of general clauses governing these reductions felt that there were several reasons why they could not wait until after work had been completed at the planned ITO conference in 1948 for them to enter into force.
- One such reason was that if it became generally known that tariffs were coming down on a range of internationally traded goods, this might seriously disrupt trade flows as traders waited until such tariff reductions took effect before shipping their goods.
- Another reason was that the negotiating authority US negotiators were acting under at the time was about to expire in 1948 and they were not sure that this authority would be renewed.
- It is a fun historical fact that almost half a century later, in 1993, it was the same imperative of time running out on President Bill Clinton's negotiating authority that compelled negotiators to finish the Uruguay Round before this authority (known as "Fast Track") expired on 16 April 1994.

The Protocol of Provisional Application

- Another issue faced by many countries that were parties to these negotiations at the time, was the dilemma that both the GATT and the ITO would require parliamentary ratification before entering into effect.
- There was a great deal of reluctance by negotiators to ask parliaments to first vote to bring the results of the tariff negotiations and the negotiations on the general provisions into force in 1947, only to then go back to their respective parliaments a year or two later and ask them to vote again on establishing the ITO.
- The answer to this was to bring the GATT into force under something called the Protocol of Provisional Application or PPA.
- By this mechanism, eight of the twenty-three original contracting parties agreed to apply the treaty provisionally on or after 1 January 1948 while the remaining parties agreed to do so soon after.
- Although today this has all largely been relegated to the annals of historical trivia, the PPA did have one important implication for how the GATT would ultimately operate, and this was the way it “grandfathered” a considerable amount of essentially GATT non-compliant domestic legislation.

Grandfathering

- Parts I and III of the GATT were implemented under the PPA without any exception.
- However Part II of the GATT was only implemented to the extent it was compatible with existing domestic legislation.
- Part I of the GATT contains the General Most-Favoured-Nation Treatment provision (Article 1) and provisions governing the schedules of tariff concessions (Article 2). These are important provisions and core elements of GATT's success in achieving genuine trade liberalization over the 40 years it sought to do so.
- Part III of the GATT contains provisions that are largely procedural in nature with few substantive obligations.
- It is actually Part II of the GATT, comprising Articles III (National Treatment) thru XXIII (Nullification and Impairment – the dispute settlement provisions of the Agreement) that comprise the real “meat and potatoes” of the substantive obligations that limit the autonomy of contracting parties in the conduct of their trade relations.

Implications of the PPA and Grandfathering

- It was the grandfathering permitted under the PPA that allowed most governments to implement the GATT without parliamentary approval (since it required no amendment to domestic legislation).
- It was assumed the provisional nature of this authority would be remedied and put on a more permanent footing together with the subsequent ratification of the ITO.
- But because this never happened, the GATT remained a provisional agreement until it was adopted into the overarching treaty structure that is the WTO.
- Although the provisional nature of the GATT and the grandfathering of certain pieces of non-compliant domestic legislation did continue to exert their effects in subtle and complex ways throughout the subsequent history of the GATT, they also became less and less relevant over time as new legislation replaced the old (new legislation was not covered by the PPA exception) and many of the older non-compliant statutory provisions ceased to exist or became inoperative over time.
- Significantly, the WTO does not provide for any general mechanism by which to grandfather non-compliant domestic legislation similar to the way the GATT did with its PPA.

Part 5

The GATT as International Treaty

Tariff concessions, non-circumvention provisions and quasi-membership

Different Ways to Perceive the GATT

- In Part 2 of this presentation (where we are now), we look at the GATT in terms of both a set of **tariff reduction commitments**, as well as a generally applicable **code of conduct** that parties agree to adhere to in their trading relations with one another.
- Another way to look at the GATT is as an **international organization** that administered, interpreted and adjudicated disputes regarding the rules contained in the General Agreement (we discuss this more in Part 3 of this presentation).
- Yet another way to consider the GATT is as a **forum for negotiating** new rules, or achieving new levels of trade liberalization. This function is very similar to others that the GATT performed in its role standing in as an international organization, and is likewise discussed here primarily in the context of Part 3, with some overlap into Part 4 where we discuss the biggest and most ambitious negotiating round to have been concluded successfully under the auspices of the GATT, namely the Uruguay Round.

Tariff Reduction Commitments in the GATT

- Article II of the GATT (entitled “Schedules of Concessions”) sets out the substantive provisions governing the concessions GATT contracting parties have exchanged with one another to apply reduced tariffs on the trade of certain products.

Finally a Video prepared by the WTO | From GATT to the WTO



Over to you | your thoughts and reflections

- Many problems plagued the world after WWII, including widespread destruction and the need to rebuild whole economies, loss of agricultural production and widespread hunger across a devastated European continent, a massive dollar-shortage and critical balance of payments problems. If you had to think about some of the problems faced by the world today, what would they be? How do they compare with the problems the world faced in 1945 and the years immediately following WWII?
- In 1945 policymakers across the Allied countries set about setting up a number of institutions intended to oversee and manage the post WWII economic order, including the Bretton Woods Institutions, the GATT and the abortive ITO. To what extent do you think the international institutions that exist today are up to the task of dealing with some of the problems that face the world today? Is there a need for new institutions or rule-making and enforcement mechanisms?
- Thinking about the debates that raged about the abolishment of Imperial Preference in the years immediately following WWII and many instances that exist today of preferential market access, do you think preferences have been a force for promoting or restraining trade liberalization over the last 60 years.



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