BACKGROUND NOTES ON THE GENERAL AGREEMENT
ON TARIFFS AND TRADE

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Membership

There are thirty-seven contracting parties to the GATT, and — under special arrangements — a further three countries participate in the work of the CONTRACTING PARTIES. The GATT has world-wide representation and countries from every continent are members. As a whole, GATT member countries are responsible for well over 80 per cent of world trade.

The full list of countries which are contracting parties is given on the final page of these background notes.

At GATT sessions many non-member countries and inter-governmental organizations are represented by observers.

Aims and Achievements

The essential element of the GATT story is that since the Second World War, for the first time in history, countries have co-operated in lowering trade barriers between themselves and in accepting a code of practical rules for fair trading in international commerce. This co-operation has been on a world-wide, not a regional basis.

The GATT is an international agreement or contract whose objectives are (in the words of the Agreement):
(a) to help raise standards of living;
(b) to achieve full employment;
(c) to develop the world's resources;
(d) to expand production and exchange of goods;
(e) to promote economic development.

In order to achieve these objectives the Member countries of GATT have bent their efforts towards reducing existing barriers to trade. In particular they have attacked tariff barriers. As a result of four tariff bargaining conferences which have been held between 1947 and 1956 customs duties on tens of thousands of products, traded across the frontiers, have been reduced. It is estimated that, under GATT, tariffs have been reduced on products accounting for approximately half of world trade. GATT Member countries have also "frozen" customs duties over a wide area of trade so as to prevent them being increased suddenly; this has given the business world encouragement for expanding trade and developing markets.

GATT has helped to break down the network of governmental restrictions and prohibitions, which stifle the natural flow of imports and exports. Under GATT rules, countries that have no foreign exchange shortages or other legitimate justifications must get rid of their restrictions on imports. In particular, GATT has helped to break down restrictions on trade that discriminate against a particular country or group of countries and - especially in recent times - has contributed much to restoring a world-wide system of non-discriminatory trade.

GATT is encouraging the development of the economies of the less-developed countries by offering them special trade privileges. Those countries can
encourage their new industries by temporarily restricting imports in ways which would not normally be permitted under GATT.

GATT provides for each Member country to give the other members fair and equal treatment in trade and not to discriminate against any of them. This provision removes one of the major sources of discord among nations.

The GATT countries, when they meet, provide a forum where governments can discuss their trade problems and submit complaints arising from alleged breaches of the GATT code. If a Member country infringes the code the party claiming injury can ask for a hearing and the other GATT countries will examine the complaint in a round-table hearing and recommend a solution. This is a new development in international trade relations and in the eleven years of GATT's experience many complaints have been settled in this way which in earlier days would have ended in more restrictions on trade or other forms of economic warfare.

GATT has helped traders by reducing the "paper barriers" to trade. Rules have been drawn up to cut down the unnecessary filling of forms and other tiresome and expensive customs formalities which some governments insist on when goods are exported or imported. A Convention sponsored by GATT has made it simpler for merchants to send samples from one country to another.

How GATT operates

The contracting parties to GATT meet regularly to deal with business arising from the operation of the Agreement. Until 1959 they met once a year; however, since the spring of 1959 they are meeting twice annually in order to deal with the increasing amount of work to be done. These meetings - termed sessions of
the CONTRACTING PARTIES - are normally held at Geneva.

In order to deal with the work of preparing for and running the sessions, as well as for specified tasks between the sessions, the contracting parties have established a secretariat which consists of a number of specialists together with a small administrative staff, placed under the direction of an Executive Secretary. Since the inception of GATT in 1948 the Executive Secretary has been Mr. Eric Wyndham White (United Kingdom).

The operation of GATT is financed through payments by governments which are contracting parties or which are associated with the work of GATT. The scale of contributions is assessed in relation to the share of each member with the total trade of the contracting parties. The total amount of contributions assessed for 1959 amounted to approximately $560,000.

History and Origin

The starting point of the story lies in the Atlantic Charter (1941) and the Lend-Lease Agreements (1942) in which the wartime allies bound themselves to seek together a world-trading system based on non-discrimination and aimed at higher standards of living to be achieved through fair, full and free exchange of goods and services. In pursuit of this aim, long before the end of the war, the United States, the United Kingdom and other important trading countries among the United Nations discussed the establishment of international organizations to tackle the post-war problems of currency, investment and trade. The International Monetary Fund and the International Bank for Reconstruction and Development were established at Bretton Woods Conference before the end of the war. But for various reasons, the Charter for the International Trade
Organization (ITO), which was intended to be the third agency to operate in a specialized field of economic affairs, was not completed until March 1948.

While the Charter for the ITO was being worked out, the governments that formed the Preparatory Committee (appointed by the Economic and Social Council of the United Nations to draft the Charter) agreed to sponsor negotiations aimed at lowering customs tariffs and reducing other trade restrictions among themselves, without waiting for the International Trade Organization itself to come into being.

This was encouraging evidence of the seriousness of purpose of the countries engaged in drafting the ITO Charter and a constructive step towards carrying out one of its main purposes. Thus the first tariff negotiating conference was held at Geneva in 1947, side by side with the labours of the Committee which was preparing the ITO Charter. The tariff concessions resulting from these negotiations were safeguarded under the terms of a multilateral agreement called the General Agreement on Tariffs and Trade. It was signed on 30 October 1947 at Geneva and came into force on 1 January 1948. Originally the GATT was accepted by twenty-three countries.

It soon became evident that no acceptance of the Charter for the ITO - the Havana Charter - could be expected until the position of the United States towards the establishment of the ITO was made clear. With the indication in December 1950 that the Charter would not be submitted again to the United States Congress, the attempt to establish the International Trade Organization was abandoned.
The GATT was intended as a stop-gap arrangement, pending the entry into force of the Havana Charter and the creation of the International Trade Organization. But, as events have worked out, GATT has stood alone since 1948 as the only accepted international instrument which lays down rules of conduct for trade on a world-wide basis, and which has been accepted by a high proportion of the leading trading nations.

Recent Developments and Future Tasks

The overall picture of trade trends which is presented in the annual reports of the GATT secretariat on International Trade, led the CONTRACTING PARTIES, at their twelfth session in November 1957, to review the prospects for international trade. At the conclusion of this review — in which Trade Ministers of many countries took part — it was found that on the whole, the outlook was reassuring, as the experience of recent years had been one of steady expansion. However, to a number of governments there appeared to be some disturbing elements which merited careful investigation. They cited in particular the prevalence of protectionism in international trade in agricultural and food products, and the building-up of large stocks of these products which have no outlet through the normal channels of trade; sharp variations in the prices of primary products accompanied by wide fluctuations in the export earnings of primary producers, and finally the failure of the export trade of the under-developed countries to expand at a rate commensurate to their growing import needs. The CONTRACTING PARTIES therefore established a panel of expert economists to analyse all these problems. This expert panel published its report in October 1958 under the title Trends in International Trade, known as the Haberler Report.
Upon the basis of this report the CONTRACTING PARTIES decided in November 1958 to launch a programme for trade expansion comprising three broad areas of action. The first is a further general round of negotiations for the reduction of tariff levels; the second, an exhaustive examination of agricultural policies, directed towards a lessening of the harmful effects of agricultural protectionism on international trade; the third, a special enquiry into the difficulties which face the expansion of trade of the less-developed countries, with a view to increasing the export earnings of these countries.

At their fourteenth session in May 1959, the CONTRACTING PARTIES established a time-table for the Tariff Conference. It will open in September 1960 at Geneva. The first phase, up to the end of the year, will be largely concerned with the new customs tariff of the European Economic Community. The second phase, which will take place in 1961, will consist mainly of a further general round of negotiations looking towards tariff reductions on a world-wide basis.

The second aspect of the GATT programme for trade expansion will be tackled from September 1959 onwards in a series of examinations (or "confrontations") which will focus on the agricultural policies of member countries and the effects of such policies on international trade. Each member country will consult in turn and the task will extend into 1960.

The problem of helping the less-developed countries to increase their export earnings is being tackled on a different basis. The trade prospects for a number of the major exports of the less-developed countries are being examined on a product-by-product basis; at the same time the obstacles tending to hinder an increase in trade, such as high customs tariffs, internal taxes and so on, are being elucidated.
Another aspect of GATT's recent work is the consultations which have been held by some GATT Member countries and the European Economic Community. These Member countries fear that the association of the overseas territories of the Six Member States with the European Economic Community will lead to damage to existing patterns of international trade and that, in particular, countries producing tropical products will suffer accordingly. Consultations have already been held on problems of trade in coffee, tea, cocoa, tobacco and bananas, and further consultations dealing with other products are envisaged.

Application of Article XXXV to Japan

In September 1955 Japan acceded to the General Agreement and at that time a number of contracting parties invoked Article XXXV, thereby refraining from undertaking GATT obligations towards Japan. Consultations between Japan and the governments concerned were initiated and at each session since that time the Government of Japan has reported on the situation.

At the present time there are fourteen contracting parties which invoke Article XXXV, namely: Australia, Austria, Belgium, Cuba, France, Ghana, Haiti, Luxemburg, Federation of Malaya, Kingdom of the Netherlands, New Zealand, Federation of Rhodesia and Nyasaland, Union of South Africa, and the United Kingdom.

At the fourteenth session in May 1959, the leader of the Japanese delegation once again reminded the CONTRACTING PARTIES of the anomalous situation still obtaining in the General Agreement in respect of Japan and said that during the past six months there had been no notable change in the situation. It was agreed that this matter should be placed on the Agenda of the fifteenth session at Tokyo.
GATT Publications

Each year the GATT publishes an annual report, which follows a regular pattern. Part I analyses recent developments in the structure of international trade and in the flow of goods between different parts of the world. Part II examines developments in the commercial policies of governments such as customs tariffs, quantitative restrictions on imports and exports, export promotion, disposal of surpluses and so on. Part III is an account of the activities of the contracting parties in the period under review. The latest volume in this series is *International Trade, 1957-58*, English and French editions. Price $2.00.

In addition the GATT secretariat publishes a variety of volumes of a more technical character, the most important of which are those in the *Basic Instruments and Selected Documents* series. These record the formal decisions of the contracting parties, the important committee papers and so forth. Normally one volume per year is published in this series, in English, French and Spanish editions.

Of world-wide significance was the publication in October 1958 of *Trends in International Trade* (known as the Haberler Report) which formed the basis of the GATT programme for the expansion of international trade. This is available in English, French and Spanish. Price $2.00.
### List of Countries which are Contracting Parties to the GATT

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In addition, under special arrangements, the following countries participate in the work of the contracting parties:

- Cambodia
- Israel
- Switzerland