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## INTERNATIONAL TRADE ORGANIZATION (ITO)

### Functions

As provided in the Havana Charter, the objectives of the International Trade Organization are:

to assure a large and steadily growing volume of real income and effective demand;

to increase the production, consumption, and exchange of goods;

to help promote industrial and general economic development, particularly of those countries in the early stages of industrial development;

to encourage the international flow of capital for productive investment;

to further the enjoyment by all countries on equal terms of access to the markets, products, and productive facilities needed for their economic prosperity and development;

to promote the reduction of tariffs and other trade barriers and the elimination of discriminatory treatment in international commerce;

to enable countries, by increasing opportunities for their trade and development, to abstain from measures disrupting world commerce and reducing employment; and

to facilitate the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices, and commodity policy.

### Origin

On 18 February 1946 the Economic and Social Council of the United Nations decided to call an International Conference on Trade and Employment. At the same time, the Council established a Preparatory Committee to prepare, for consideration at the Conference, an agenda and a draft charter for an International Trade Organization. The Preparatory Committee first met on 15 October 1946 and completed its work on the draft charter on 22 August 1947.

The United Nations Conference on Trade and Employment, held at Havana from 21 November 1947 to 24 March 1948, drew up the final text of the charter (officially known as the "Havana Charter"). Fifty-four of the 56 countries participating in the Conference signed the Final Act of the Conference, which authenticated the text of the Havana Charter.

### Organization

The ITO, as provided in the Havana Charter, will work through a Conference, an Executive Board, and a staff headed by a Director-General.

The Conference, which will be the policy-making body of ITO, is to be composed of representatives of all members of the organization; each member will have one vote.

The Executive Board is to consist of eighteen members, including eight members of chief economic importance and other members elected by the Conference to represent the different degrees of economic development found within the membership of the organization.

### INTERIM ARRANGEMENTS AND POSTPONEMENT OF ITO

The Interim Commission (ICITO) established by the Havana Conference, composed of 52 countries which approved the resolution establishing it, held its first meeting in Havana on 20 March 1948 and elected and delegated its powers to an Executive Committee of eighteen members. The Executive Committee met in Havana on 24 March 1948 and again at Geneva from 25 August to 15 September 1948.

The main task of the Interim Commission was to prepare the ground for the first session of ITO, including a plan of work for the first year of the Organization, the budget, the site for ITO headquarters, relations with the United Nations, the specialized agencies and other inter- and non-governmental organizations. The bulk of this task - so far as events could be foreseen - was completed in 1949, and since that time the secretariat of the ICITO has been almost entirely occupied with the performance of duties for the Contracting Parties to the General Agreement on Tariffs and Trade (GATT).

In view of the delay in receiving acceptances of the Havana Charter the Executive Committee, at a special session held at Annecy, France, in August 1949, agreed to postpone its third meeting, scheduled for September 1949, until a date when the entry into force of the Charter and the holding of the first ITO Conference were more imminent. By the end of 1950 the Havana Charter had been accepted by Liberia and - conditional upon acceptances by the United Kingdom and the United States - by Australia. The Swedish Riksdag authorized Sweden's adherence at the discretion of the Foreign Minister. No acceptances had been deposited with the Secretary-General of the United Nations. On 6 December 1950 the United States Department of State issued a statement of policy indicating that the Havana Charter would not be submitted again to the United States Congress. It subsequently became evident that the establishment of ITO would be indefinitely postponed.

It may be noted, however, that on 13 September 1951, at its thirteenth session, the Economic and Social Council established an ad hoc Committee on Restrictive Business Practices to prepare proposals on methods for implementing the principles set forth in Chapter V of the Havana Charter. The Committee has held three sessions and is expected to present its recommendations to the Council in 1953.

### THE GENERAL AGREEMENT ON TARIFFS AND TRADE

While the charter for ITO was in course of preparation, the members of the Preparatory Committee decided to proceed with tariff negotiations among themselves instead of waiting for the Organization to come into existence, thereby promoting one of the most important objectives of ITO. The Preparatory Committee also sponsored the discussions which led to the formulation of the General Agreement on Tariffs and Trade (GATT). The tariff negotiations were held at Geneva from 10 April 1947 to 30 October 1947 when the 23 participating countries signed a Final Act which authenticated the text of the GATT.

The countries which completed tariff negotiations at Geneva in 1947 and subsequently became contracting parties to the GATT were: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxemburg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, Union of South Africa, United Kingdom, and the United States. Although Pakistan, Syria, Burma, Ceylon and Southern Rhodesia were not members of the Preparatory Committee, these countries participated in the tariff negotiations, owing to their close economic connection with certain members of the Committee. In the tariff negotiations, Benelux (Belgium, Netherlands, Luxemburg), took part as a Customs Union, as did also Lebanon-Syria.

The Geneva tariff conference was the first of three, the two others taking place in 1949 at Annecy, France, and in 1950-1951 at Torquay, England.

### Tariff Conferences and Accessions to GATT

In the first series of tariff negotiations at Geneva in 1947 a total of 123 bilateral sets of negotiations were completed among the 23 participating countries. They covered more than 45,000 tariff items. The second series of tariff negotiations, held at Annecy from 11 April to 27 August 1949, was on a smaller scale and resulted in the completion of 147 bilateral agreements covering some 5,000 items and the accession to the GATT during 1950 of a further nine countries: Denmark, Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua and Sweden.

The third series of tariff negotiations held at Torquay from 28 September 1950 to 21 April 1951 resulted in the completion of 147 bilateral agreements covering some 8,700 items and the accession of Austria, the German Federal Republic, Peru, and Turkey. The accession of Korea, Philippines and Uruguay has been delayed.

During 1950, Indonesia became a contracting party in its own right; the Nationalist Government of China notified its withdrawal effective 5 May 1950; the Central People's Government of China has not yet defined its position. Lebanon and Syria notified withdrawals on 25 February and 6 August 1951 respectively. Liberia notified its withdrawal in May 1953.

In summary, in June 1953 there were 33 countries adhering to the GATT and some 58,000 tariff rates had been reduced or stabilized. Seven sessions of the Contracting Parties to GATT had been held.

#### Structure and Functions of GATT

GATT is an international trade agreement. The tariff concessions resulting from the three tariff conferences are incorporated in the Schedules of GATT. The Agreement contains provisions to protect the tariff concessions: that is, for preventing them from being nullified by trade restrictions imposed by governments to protect their national trade and payments. These provisions include rules regulating the use by the parties to the Agreement of quantitative import and export restrictions, internal taxes, and so on, as well as arrangements for consultation and for joint discussion and settlement of differences arising out of the administration of the Agreement. The obligations accepted by the contracting parties to the Agreement provide an agreed set of rules governing their commercial relations, and the sessions attended by their representatives provide a forum for the discussion and settlement of complaints and other problems in the commercial field.

The governments which have become contracting parties are applying the Agreement provisionally either under the Protocol of Provisional Application or under the Annecy Protocol or the Torquay Protocol. These legal instruments have enabled the contracting parties to bring the new tariff rates into effect, to establish most-favoured-nation treatment among themselves, and to follow the commercial policy rules laid down in the general provisions of the Agreement. Contracting parties which apply the Agreement provisionally are not required to amend existing legislation or to promulgate new legislation in order to adhere more closely to the Agreement. They are expected, however, not to enact any new legislation that is inconsistent with it. In signing the Protocol of Provisional Application, or the Annecy or Torquay Protocols, a contracting party accepts a commitment to apply Part II of the Agreement (which represents approximately the commercial policy chapter of the Havana Charter) "to the fullest extent not inconsistent with existing legislation", and, in addition, undertakes to observe the principles of the Havana Charter "to the fullest extent of its executive authority".

### Sessions of the Contracting Parties

The Agreement requires representatives of the contracting parties to meet from time to time to give effect to those provisions which require joint action. Seven sessions of the Contracting Parties had been held up to the end of 1952. The First Session took place at Havana in March 1948, during the closing weeks of the United Nations Conference on Trade and Employment; the Second Session at Geneva from 16 August to 14 September 1948; the Third Session at Annecy from 8 April to 13 August 1949; the Fourth Session at Geneva from 23 February to 3 April 1950; the Fifth Session at Torquay from 2 November to 16 December 1950; the Sixth Session at Geneva from 17 September to 26 October 1951; the Seventh Session at Geneva from 2 October to 10 November 1952.

At each successive session of the Contracting Parties to the GATT the number and complexity of the questions discussed has tended to increase. Nevertheless sessions have so far been maintained on a basis of six weeks' intensive work annually while a smaller intersessional committee has dealt with urgent problems between sessions. The sessions are broadly concerned with items which arise out of the operation of the GATT - or which are brought up as violations of the GATT rules of fair trading on the one hand, and - on the other hand - matters which are suggested by the governments (or non-governmental agencies) as being appropriate for practical discussion in the GATT forum.

At the Seventh Session for example, as one of their obligations under the GATT, the Contracting Parties held consultations on the import restrictions which they apply to safeguard their balances of payments and monetary reserves. The request of Japan for permission to negotiate for accession was discussed and was referred to an Intersessional Committee. The Contracting Parties reviewed the status of the South Africa - Southern Rhodesia Customs Union and the Nicaragua - El Salvador Free-Trade Area; and they granted permission to Ceylon to extent its protection for domestic industries.

At the Seventh Session the experiment of a Panel on Complaints - a small group of neutral assessors which heard both parties - was successfully tried out for the settlement of complaints of GATT violations. Most of the differences brought before the Contracting Parties have been satisfactorily settled: in 1952, for instance, the complaint about the protective effect of the United Kingdom system of purchase tax was fully met by the complete revision of the system. But, as at the end of 1952, several complaints remained unsolved, notably the infringement of the GATT by the United States by its restrictions on imports of dairy products. This case drew much hostile criticism and one affected government, the Netherlands, received permission to retaliate by reducing in 1953 her purchases of wheat flour from the United States.

Among other items of business completed in 1952 were three of considerable significance: first the waiver from certain GATT obligations granted to the six countries which comprise the European Coal and Steel Community, secondly the completion of a Convention for the Importation of Samples and Advertising Material duty-free (opened for signature on 1 February 1953) and a series of recommendations to governments designed to simplify formalities for importers and exporters, and thirdly a further step towards a practical scheme for lowering tariff barriers on a world wide basis. The granting of the waiver to the "Schuman Plan" countries will allow them to establish a common market for coal and steel; this involves the abolition as between the six countries of import and export duties and of quota restrictions on these products. The Samples Convention and other recommendations to simplify formalities springs from the wishes of the trading community expressed through the International Chamber of Commerce. Tariff barriers - in spite of the Geneva-Torquay-Annecy reductions - remain a formidable barrier to trade in many countries. For this reason a French proposal for lowering tariff barriers on a world wide basis by 30 per cent in stages is being subjected to prolonged technical study by an expert GATT working group.

The Eighth Session of the countries which adhere to GATT will be held at Geneva in September-October 1953.

OFFICERS. During the period 1948-1950, the Chairman of the Contracting Parties was L. Dana Wilgress (Canada). In March 1951, Johan Melander (Norway) was elected Chairman in succession to L. D. Wilgress; the Executive Secretary is Eric Wyndham White (United Kingdom).