

Nations that trade with each other are less apt to quarrel. This, and the idea that peace has a better chance in a prosperous world, led 23 countries, including Canada, to found the General Agreement on Tariffs and Trade (GATT) in 1947.

Almost half a century later, GATT completed the most important round of trade talks in its history. In April 1994, the Uruguay Round of Multilateral Trade Negotiations went a long way toward securing the fair and stable trading environment that is crucial to the development and prosperity of all nations. The Uruguay Round produced the most complete set of international trade agreements to date. Negotiations were long and difficult, but they were successful.

Liberalizing World Trade

From the start, the GATT's aim has been to liberalize international trade by reducing or removing obstacles to the free movement of goods and services among nations. These obstacles have been erected with the aim of protecting a domestic industry from foreign competition. A tariff barrier is simply a tax placed on an import to increase its price and make it less competitive with goods made locally. Non-tariff barriers are more creative and can take the form of quotas on the amount of a certain import that can be brought in, technical specifications that foreign producers would have great difficulty meeting, government subsidies to local producers to make their product cheaper than an import, complex customs regulations, or a host of other restrictions.

More recently, the GATT has worked hard to preserve the multilateral nature of the global trading system. It has done this by seeking to ensure that regional trade pacts and bilateral deals, such as the North American Free Trade Agreement, do not conflict with member countries' obligations to GATT.

The GATT was not created to last. It was seen as a temporary measure until a permanent international trade organization could be set up within the broader framework of the United Nations. However, the creation of a permanent trade body ran into opposition in the U.S. Congress. As a result, the existing interim GATT rules remained in place. After eight rounds of trade negotiations, the GATT has grown to become the central body governing world trade. The GATT was never given formal status as a specialized UN agency. However, it functions in the same manner and maintains close relations with other UN bodies.

Managing Trade Growth

The growth of the GATT system is explained, in part, by a spectacular rise in world production in the early postwar decades. This generated an increase in trade among industrial economies. Trade itself was made easier by the spread of new transport and communications technologies. Increased information flows, improved financial institutions and the growing interdependence of nations also worked to boost trade. The early rounds of GATT negotiations were successful in managing this growth in world trade along liberal principles. This had the effect of establishing the GATT system as the central body for setting and controlling international trade rules.



International Trade