**General Agreement on Tariffs and Trade**

The **General Agreement on Tariffs and Trade** (**GATT**) was a multilateral agreement regulating international trade. According to its preamble, its purpose was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis." It was negotiated during the [UN](http://en.wikipedia.org/wiki/UN) Conference on Trade and Employment and was the outcome of the failure of negotiating governments to create the [International Trade Organization](http://en.wikipedia.org/wiki/International_Trade_Organization) (ITO). GATT was signed in 1947 and lasted until 1994, when it was replaced by the [World Trade Organization](http://en.wikipedia.org/wiki/World_Trade_Organization) in 1995.

## GATT and the World Trade Organization

In 1993, the GATT was updated (*GATT 1994*) to include new obligations upon its signatories. One of the most significant changes was the creation of the [World Trade Organization](http://en.wikipedia.org/wiki/World_Trade_Organization) (WTO). The 75 existing GATT members and the [European Communities](http://en.wikipedia.org/wiki/European_Communities) became the founding members of the WTO on 1 January 1995. The other 52 GATT members rejoined the WTO in the following two years (the last being [Congo](http://en.wikipedia.org/wiki/Republic_of_the_Congo) in 1997). Since the founding of the WTO, 21 new non-GATT members have joined and 29 are currently negotiating membership. There are a total of 157 member countries in the WTO, with Russia and Vanuatu being new members as of 2012.

Of the original GATT members, [Syria](http://en.wikipedia.org/wiki/Syria)[[5]](http://en.wikipedia.org/wiki/General_Agreement_on_Tariffs_and_Trade#cite_note-5)[[6]](http://en.wikipedia.org/wiki/General_Agreement_on_Tariffs_and_Trade#cite_note-6) and the [SFR Yugoslavia](http://en.wikipedia.org/wiki/Socialist_Federal_Republic_of_Yugoslavia) has not rejoined the WTO. Since [FR Yugoslavia](http://en.wikipedia.org/wiki/Federal_Republic_of_Yugoslavia), (renamed to [Serbia and Montenegro](http://en.wikipedia.org/wiki/Serbia_and_Montenegro) and with membership negotiations later split in two), is not recognised as a direct SFRY successor state; therefore, its application is considered a new (non-GATT) one. The General Council of WTO, on 4 May 2010, agreed to establish a working party to examine the request of [Syria](http://en.wikipedia.org/wiki/Syria) for WTO membership.[[7]](http://en.wikipedia.org/wiki/General_Agreement_on_Tariffs_and_Trade#cite_note-7)[[8]](http://en.wikipedia.org/wiki/General_Agreement_on_Tariffs_and_Trade#cite_note-8) The contracting parties who founded the [WTO](http://en.wikipedia.org/wiki/WTO) ended official agreement of the "GATT 1947" terms on 31 December 1995. [Serbia](http://en.wikipedia.org/wiki/Serbia) and [Montenegro](http://en.wikipedia.org/wiki/Montenegro) are in the decision stage of the negotiations and are expected to become the newest members of the WTO in 2012 or in near future.

Whilst GATT was a set of rules agreed upon by nations, the WTO is an institutional body. The WTO expanded its scope from traded goods to include trade within the [service sector](http://en.wikipedia.org/wiki/Service_sector) and [intellectual property rights](http://en.wikipedia.org/wiki/Intellectual_Property_Rights). Although it was designed to serve multilateral agreements, during several rounds of GATT negotiations (particularly the [Tokyo](http://en.wikipedia.org/wiki/Tokyo) Round) [plurilateral](http://en.wikipedia.org/wiki/Plurilateral) agreements created selective trading and caused fragmentation among members. WTO arrangements are generally a multilateral agreement settlement mechanism of GATT

# General Agreement on Tariffs and Trade (GATT)

**General Agreement on Tariffs and Trade (GATT),** set of multilateral trade agreements aimed at the abolition of quotas and the reduction of [tariff](http://www.britannica.com/EBchecked/topic/583535/tariff) duties among the contracting nations. When GATT was concluded by 23 countries at Geneva, in 1947 (to take effect on Jan. 1, 1948), it was considered an interim arrangement pending the formation of a United Nations agency to supersede it. When such an agency failed to emerge, GATT was amplified and further enlarged at several succeeding negotiations. It subsequently proved to be the most effective instrument of world trade liberalization, playing a major role in the massive expansion of world trade in the second half of the 20th century. By the time GATT was replaced by the [World Trade Organization](http://www.britannica.com/EBchecked/topic/648636/World-Trade-Organization-WTO) (WTO) in 1995, 125 nations were signatories to its agreements, which had become a code of conduct governing 90 percent of world trade.

GATT’s most important principle was that of trade without discrimination, in which each member nation opened its markets equally to every other. As embodied in unconditional most-favoured nation clauses, this meant that once a country and its largest trading partners had agreed to reduce a tariff, that tariff cut was automatically extended to every other GATT member. GATT included a long schedule of specific tariff concessions for each contracting nation, representing tariff rates that each country had agreed to extend to others. Another fundamental principle was that of protection through tariffs rather than through import quotas or other quantitative trade restrictions; GATT systematically sought to eliminate the latter. Other general rules included uniform customs regulations and the obligation of each contracting nation to negotiate for tariff cuts upon the request of another. An escape clause allowed contracting countries to alter agreements if their domestic producers suffered excessive losses as a result of trade concessions.

GATT’s normal business involved negotiations on specific trade problems affecting particular commodities or trading nations, but major multilateral trade conferences were held periodically to work out tariff reductions and other issues. Seven such “rounds” were held from 1947 to 1993, starting with those held at Geneva in 1947 (concurrent with the signing of the general agreement); at Annecy, France, in 1949; at Torquay, Eng., in 1951; and at Geneva in 1956 and again in 1960–62. The most important rounds were the so-called Kennedy Round (1964–67), the Tokyo Round (1973–79), and the Uruguay Round (1986–94), all held at Geneva. These agreements succeeded in reducing average tariffs on the world’s industrial goods from 40 percent of their market value in 1947 to less than 5 percent in 1993.

The [Uruguay Round](http://www.britannica.com/EBchecked/topic/620178/Uruguay-Round) negotiated the most ambitious set of trade-liberalization agreements in GATT’s history. The worldwide trade treaty adopted at the round’s end slashed tariffs on industrial goods by an average of 40 percent, reduced agricultural subsidies, and included groundbreaking new agreements on trade in services. The treaty also created a new and stronger global organization, the WTO, to monitor and regulate international trade. GATT went out of existence with the formal conclusion of the Uruguay Round on April 15, 1994. Its principles and the many trade agreements reached under its auspices were adopted by the WTO.

The General Agreement on Tariffs and Trade (GATT) was a set of multilateral trade agreements aimed at the abolition of quotas and the reduction of tariff duties among the contracting nations. When GATT was concluded by 23 countries in Geneva, Switzerland, in 1947 (to take effect on Jan. 1, 1948), it was considered an interim arrangement pending the formation of a United Nations agency to supersede it. When such an agency failed to emerge, GATT was amplified and further enlarged at several succeeding negotiations. By the time GATT was replaced by the World Trade Organization (WTO) in 1995, 125 nations were signatories to its agreements. The organization proved to be an effective instrument of world trade liberalization, playing a major role in the massive expansion of world trade in the second half of the 20th century.