

GATT - The General Agreement on Tariffs and Trade

WTO - The World Trade Organization

GATT is a process that started in 1947. The original purpose of GATT was to encourage International Trade at a time when most of the world's economy stood devastated as a result of World War II. At that time, the United States produced nearly two thirds of all of the world's goods and services. GATT was a means through which the United States would help promote trade, investment and economic growth throughout the world. Over the years, GATT has been enhanced several times. The most current enhancement is The Uruguay Round, which began in 1986. On December 23, 1994, our government accepted the agreement that was the result of seven years of negotiation.

So what has this done? Short term, the following changes have already been implemented:

- Duties for many imported chemicals, pharmaceuticals and toys have been eliminated.
- Average Duties on imported articles will be reduced by 33% over the next five years.
- Most tariff reductions will be 'bound' and guaranteed not to increase.
- Non-tariff barriers will be closely scrutinized. These include Antidumping duties, Countervailing duties, licensing requirements, Consumer safety products.
- Increased enforcement of Trademark, copyrights and patent protections.

GATT has been replaced by an organization called the World Trade Organization or WTO. Eighty-five nations have ratified the agreement so far. The WTO is charged with settling the inevitable disputes that will arise between parties adhering to this agreement. The WTO is also charged with governing trade of services across national borders and the protection of intellectual property rights. Governments have the right, and indeed the duty, to take whatever measures are necessary to protect the health and safety of their citizens, the interests of consumers, the environment, or the quality of exports. GATT is to insure that the standards and regulation accepted by governments and the way they are applied do not have the effect of restricting or distorting trade.

AGREEMENT ON TEXTILES AND CLOTHING

The Multi-Fiber Arrangements (MFA) considered temporary when they were installed in 1957, have become fixtures since then. MFA is the umbrella that provides for Quota on the imports of most textiles and wearing apparel. Under GATT, in ten years, all non-GATT quotas are to be eliminated.

ANTI-DUMPING

GATT preserves the right of members to defend themselves against dumped imports. Some Importing countries have misused this trade barrier. Likewise, some Exporters have become experts in avoiding legitimate Anti-Dumping defenses. GATT attempts to clarify the rules under which Anti-Dumping practices are to be governed. Under the new agreement, the mere existence of dumping is not in itself a justification for applying countermeasures; it must be shown to be causing injury or threatening to do so.

No investigation will be initiated unless authorities have examined the application and determined that it has been made "by or on behalf of the domestic industry" as a whole. This phrase is interpreted as producers that account for at least 50% of output of the like product. Anti-dumping defenses now have a sunset clause. GATT limits the duration of any Anti-Dumping action to five years unless formal negotiations show that lifting the Anti-Dumping defense would result in a continuation or recurrence of dumping and injury to domestic business.

COUNTERVAILING DUTIES

The basic concept remains the same. Subsidies should not be used in ways that harm or threaten to harm one's trading partners. Specific types of subsidies are in themselves evidence of harm and can result in Countervailing duties being imposed. However, a countervailing action can be taken against a product only if a determination is made that it is being imported in quantities and conditions that cause or threaten to cause serious injury to the domestic industry concerned. Total duration of a Countervailing defense is eight years.

RULES OF ORIGIN

Essentially, the agreement has been on a three-year work program for the clarification of harmonized rules on Country of Origin determination. The Country of Origin should be the one where the good has been wholly produced or, if produced in several countries, the one where the last substantial transformation has been carried out as determined, for instance, by a change in the tariff classification.

INTELLECTUAL PROPERTY RIGHTS

Copyrights, Computer programs and databases, Trademarks and Patents are treated very seriously under GATT. GATT attempts to increase the value of these rights through worldwide protection.