

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF THE CONSULTATIVE GROUP OF EIGHTEEN TO THE COUNCIL OF REPRESENTATIVES

Introduction

1. This report is submitted to the Council of Representatives in accordance with the terms of reference of the Consultative Group of Eighteen which provide that the Group "shall submit once a year a comprehensive account of its activities to the Council" (document L/4204).
2. As agreed by the Consultative Group of Eighteen, the present report has been prepared and submitted by the Chairman of the Group on his own responsibility.
3. Since it last reported to the Council in November 1978 (L/4715) the Consultative Group of Eighteen has held two meetings: one on 23-24 April and the other on 22-23 October 1979. In addition, the Group held an informal, preparatory meeting at the working level on 9-10 July 1979.
4. The items on the agenda of these meetings were:
 - I. The GATT Work Programme
 - II. The future of the Consultative Group of Eighteen
 - III. Recent developments in trade policies and international trade.
- I. The GATT Work Programme
 5. Recognizing the need, after completion of the Tokyo Round, for vigorous pursuit of GATT's activities with a view to contributing toward improvement of international trade, the members of the Group devoted the major part of their deliberations to that topic.

6. They worked on the assumption that the CONTRACTING PARTIES would need to give as early as possible a clear guidance on the issue areas that should be taken up after the Tokyo Round.

7. At their ninth meeting in April 1979 the members of the Group had an extensive exchange of views on what should be the priority areas of GATT activities in the 1980s. The main points which emerged were the need for a vigorous and thorough implementation of the results of the Tokyo Round, the need to pursue the process of further trade liberalization, especially in relation to areas of interest for the trade of developing countries, and the importance of giving increased attention to the problems of structural adjustment and trade policy.

8. The secretariat, basing itself on suggestions of the members of the Group, compiled for the tenth meeting in October 1979 a list of issue areas for possible inclusion in the GATT Work Programme.

9. The deliberations of the Group at its tenth meeting showed a large measure of convergence of views on most of the suggested issue areas, while other items were thought to require further discussions in the Group, on the basis of documentation submitted by members and studies prepared by the secretariat.

10. The attached Annex A shows, under points 1 to 9, the topics which could be considered by the CONTRACTING PARTIES when they are prepared to adopt a Work Programme. The issue areas under point 10 would need further examination by the Group.

11. In its discussion on the GATT Work Programme the Group took up the question of safeguards. It was the view of the Group that the work in this area of the Multilateral Trade Negotiations should continue as a matter of urgency and that future efforts should centre on the Director-General's proposal submitted to the Council at its meeting of 25 July 1979 (document C/106).

II. The future of the Consultative Group of Eighteen

12. The Consultative Group was established by the Council in July 1975 for one year and its mandate was renewed in November 1976 for another year. In November 1977 the Council agreed to extend the Group's mandate until the end of the Tokyo Round and to take then a decision on the future of the Group. The Group, after having reviewed its own activities over the past four years, decided to recommend to the Council that it now be established as a permanent GATT body. It is strongly believed in the Group that the GATT should have at its disposal a small but representative group which would permit existing and emerging trade policy issues to be discussed in confidence among responsible officials from capitals, and thus facilitate an effective concertation of policies in the trade field.

13. The Group does not consider any substantive changes in its present mandate necessary. However, if it is established as a permanent GATT body, it would in the Group's view be appropriate to eliminate from its mandate the various references to the provisional character of the Group. The reference to the Trade Negotiations Committee would also no longer be necessary.

14. A proposed revised mandate, which is identical with the original mandate in document L/4204 except for the changes suggested above, is set out in Annex B.

III. Recent developments in trade policies and international trade

15. The Consultative Group took note of the secretariat reviews on recent trends in international trade and also of the information contained in the various surveys of developments in commercial policy. However, in view of the importance of the other items on the agenda there was relatively little discussion on this item this year.

ANNEX A

SUGGESTED ELEMENTS FOR THE GATT WORK PROGRAMME

1. Implementation of MTN results

High priority will have to be given by the GATT to the implementation of the results of the Tokyo Round of Trade Negotiations. This will require action in the following areas:

(a) Institutional structures and new mechanisms

The following structures will need to be established and mechanisms set in motion:

(i) All the multilateral agreements, with the exception of those on Customs Valuation and Government Procurement, will need to be implemented as of 1 January 1980. This will require the establishment of the various Committees envisaged by the Agreements as soon as legally possible so that such Agreements can become operational on time and can be properly and fully made use of. Informal meetings of several of the various Committees have already been held and others would be envisaged before the end of the year.

(ii) The tariff-cutting plans will have to be set in motion according to schedule and properly implemented.

(iii) The tariff concessions stemming from the Tokyo Round will have to be incorporated into the relevant schedules which should thus be brought up to date. In this connexion, it should be borne in mind that the present status of many GATT schedules is unsatisfactory. This situation may improve to some extent as a result of the decision to effect a general consolidation of schedules and to introduce a loose-leaf system. The task of keeping GATT schedules up to date would be greatly facilitated by the establishment of a supervisory body in the form of a Committee on Tariff Concessions, which would also supervise the staging of cuts.

(b) Co-ordination of the activity of the various committees established under the MTN agreements and adoption of appropriate procedures to provide adequate review of their operation by the CONTRACTING PARTIES

Procedures will have to be established to provide for timely reporting by the various committees to the CONTRACTING PARTIES so that the activities of the committees can be co-ordinated and form part of a coherent whole under the general guidance of the CONTRACTING PARTIES.

(c) Incorporation of the "Framework" agreement into the GATT structure

The CONTRACTING PARTIES will need to take action to incorporate the various elements of the "Framework" agreement into the legal framework of GATT and ensure that they become operational within both the General Agreement and the GATT as an institution.

2. Regular and systematic review of developments in the trading system

In the part of the "Framework" package dealing with "Surveillance" it was agreed to conduct reviews of developments in the trading system on a continuing basis. The CONTRACTING PARTIES should soon take action on this matter.

3. Multilateral agricultural framework

Participants in the Tokyo Round have agreed to recommend to the CONTRACTING PARTIES that active co-operation in the field of agriculture be pursued within the context of an appropriate consultative framework. The CONTRACTING PARTIES will address themselves to this issue before the end of 1979.

4. Export restrictions and charges

This issue constitutes another area of the "Framework" package where the participants have requested the CONTRACTING PARTIES to take action on a priority basis. In this context it should be noted that it was agreed in the "Framework" Group that there should be a reassessment of the GATT provisions relating to export restriction and charges "in the context of the international trade system as a whole, taking into account the development, financial and trade needs of the developing countries".

5. Continuation of the process of trade liberalization

The process of further trade liberalization must be pursued on a systematic and continuing basis, particularly in regard to products of export interest to developing countries and in areas such as tariff escalation and tropical products. Such an effort would enable the GATT to carry on the momentum of trade liberalization generated by the Tokyo Round. This exercise could be based on an up-dating by the secretariat of both the tariff study and the inventory of non-tariff measures which would give the profile of trade obstacles still remaining after the results of the MTN are fully implemented.

6. Structural adjustment and trade policy

In the context of GATT's continuing efforts to maintain and further the process of trade liberalization, the Consultative Group should continue to serve as a forum for consultations with respect to emerging problems in specific product sectors and in the international economy more generally and, as appropriate, explore the contribution that measures of structural adjustment involving necessary adaptations of patterns of trade and production might make to the maintenance of an open trading system. The secretariat could be expected to contribute through appropriate documentation to an examination of the problems to which the Group gives its attention.

7. Trade policy as development policy

The importance of continuing the effort to promote trade measures by both developed and developing countries with a view to effectively assisting the developing countries in their development efforts is recognized. Arrangements aimed at action on barriers affecting the trade of developing countries should be pursued, points 1 and 4 of the "Framework" text should be effectively implemented and the mandate of the Committee on Trade and Development should, without prejudice to any other provisions that might be made, provide for the effective examination of future protective action affecting developing countries' exports.

8. Trade negotiations among developing countries

The importance of a new round of trade negotiations among developing countries has been acknowledged. The CONTRACTING PARTIES may wish to follow developments in this area.

9. Technical assistance

The technical assistance activities of the GATT initiated at the outset of the Tokyo Round shall be continued and re-adapted to meet the requirements of the developing countries in the context of the new work programme. Such assistance, available upon request, will be continually geared to meet new demands which may arise.

10. Issue areas to be further examined by the Consultative Group of Eighteen

The Consultative Group should, based on documentation provided by its members or studies prepared by the secretariat, continue its examination of the following issue areas:

- (a) Trade in services
- (b) Increasing rôle of governments in production and trade
- (c) Minimum international labour standards
- (d) Rules of origin

ANNEX B

CONSULTATIVE GROUP OF EIGHTEEN

(DRAFT MANDATE)

The task of the Group is to facilitate the carrying out, by the CONTRACTING PARTIES, of their responsibilities, particularly with respect to:

- (a) following international trade developments with a view to the pursuit and maintenance of trade policies consistent with the objectives and principles of the General Agreement;
- (b) the forestalling, whenever possible, of sudden disturbances that could represent a threat to the multilateral trading system and to international trade relations generally; and action to deal with such disturbances if they in fact occur;
- (c) the international adjustment process and the co-ordination, in this context, between the GATT and the IMF.

In the pursuit of its task, the Group shall take into account the special characteristics and requirements of the economies of the developing countries and their problems.

The Group shall not impinge upon the competence or authority of the CONTRACTING PARTIES or of the Council and shall not assume, or detract from, any of the decision-making responsibilities of these two bodies or of the permanent GATT Committees.

The Group's membership of eighteen shall be balanced and broadly representative due regard being had to rotation of membership as appropriate.

The composition of the Group for the year 1980 shall be as follows:

Chairman: To be designated by members of the Group.

Membership: To be decided by the CONTRACTING PARTIES*

The attendance of alternates shall be provided for.

* Membership in 1979 was:

Argentina	India	Peru
Australia	Japan	Poland
Brazil	Malaysia	Spain
Canada	Nigeria	Switzerland
Egypt	Nordic country	United States
European Communities and their member States	Pakistan	Zaire

The Group shall ensure that, when a matter of particular importance to any contracting party is under discussion, that contracting party shall have the opportunity fully to present its views to the Group.

The Group may invite observers to attend during the discussion of an item on the agenda of a meeting.

The Group shall meet periodically as necessary.

The Group shall submit once a year a comprehensive account of its activities to the Council.