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GENERAL AGREEMENT ON TARIFFS AND TRADE

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 1979 (L/4869) the Consultative Group of Eighteen has held two meetings. The first one, held on 15 July 1980, was exceptionally convened at the level of local representatives, with the benefit of some officials from capitals. This was the first meeting of the Group after the decision of the CONTRACTING PARTIES adopted at their thirty-fifth session to establish the Consultative Group of Eighteen as a permanent GATT body. The second meeting, at the usual level of representatives from capitals, was held on 30-31 October 1980. In addition, an informal meeting at local level was held on 23 September 1980 to discuss the problem of structural adjustment.
4. The items on the agenda of these meetings were:
 - I. The current economic situation and its implications for trade policies;
 - II. Structural adjustment and trade policy;
 - III. The trade policy aspects of the North-South dialogue;
 - IV. Future work of the Consultative Group of Eighteen.
- I. The current economic situation and its implications for trade policies
5. Discussions under this item were carried out in the light of a short note prepared by the secretariat (CG.18/W/42) and the information contained in the various secretariat surveys of developments in commercial policy, including the press release (GATT/1271) containing the first chapter of GATT's annual report for 1979-80.

6. The Group exchanged views on current trends and prospects in the international economy and their implications for trade policies. Members agreed that it was essential, in the present persisting economic difficulties, to continue to resist protectionist pressures, and to make the fullest use of the opportunities and procedures which GATT offers for resolving trade problems.

7. In this context, the special difficulties of developing countries and, in particular, the problems stemming from their heavy debt burden were underlined. The payments position of such countries could be restored only through the expansion of their export earnings and any increase of protectionism would make this process very difficult. Consequently, it was indicated that new coherent proposals for the improvement of market access and the increase of trade flows were urgently needed.

8. Conversely, the point was made that the danger of protectionist action should not be exaggerated. Heads of Governments had stated their determination to avoid protectionism and were attempting to respond to their problems through macro-economic measures. The recession admittedly had serious repercussions in industrialized countries. It was noted, however, that the recession was caused by inflation and the energy crisis and that these problems could not be resolved through restrictive import measures.

II. Structural adjustment and trade policy

9. In the GATT Work Programme adopted by the CONTRACTING PARTIES at their thirty-fifth session the Consultative Group of Eighteen was requested to examine the question of structural adjustment and trade policy further and to advise the Council, and through it the Committee on Trade and Development, on the modalities for carrying out further work in this area, taking into account the continuing rôle of the Committee on Trade and Development. The Group was also expected to report on this issue through the Council to the thirty-sixth session of the CONTRACTING PARTIES.

10. For its discussion under this agenda item, the Group was provided with the following documentation:

- (a) A secretariat paper listing items for discussion (CG.18/W/37),
- (b) A paper distributed at the request of Ambassador Hill of Jamaica (CG.18/W/39), and
- (c) A second secretariat paper prepared in the light of the previous discussions (CG.18/W/41).

11. The discussions in the Group on this item revealed a wide consensus that the GATT had a rôle to play in the area of structural adjustment, although only tentative thoughts were expressed at this stage on what exactly the task of GATT in this area should be.

12. During the July meeting, the discussion was centred on the second secretariat paper (CG.18/W/41) which dealt with the process of structural adjustment, adjustment policies and the rôle of GATT in the area of structural adjustment. Although most speakers agreed with the secretariat's description of the adjustment process and adjustment policies, some members qualified the secretariat statements and analysis in the light of their own specific circumstances and their perception of the alternatives available.

13. On the procedural side, several members supported Ambassador Hill's proposal to establish a Committee on Structural Adjustment. Another suggestion was that the Committee on Trade and Development revive its Group of Experts on Adjustment Assistance Measures which last met in 1972.

14. At its meeting of 30-31 October, following further informal consultations, the Group decided to recommend to the Council that it establish a Working Party to elaborate specific proposals for the future work of GATT relating to structural adjustment and trade policy, including the nature and objectives of such work, in the light of the report of the Consultative Group of Eighteen and of the views expressed in the Council, as well as the discussions in the Committee on Trade and Development. It further decided to recommend to the Council that it invite the Working Party to report to it by March 1981. It was understood in the consultative group that the Working Party, in fulfilling its mandate, will bear in mind the provisions of the GATT, including Part IV, and that the Council, in its consideration of the Working Party Report, shall take account of the views expressed on the report by the Committee on Trade and Development and the Consultative Group of Eighteen.

III. The trade policy aspects of the North-South dialogue

15. This item was included in the agenda of the Group at its July session because certain elements of the GATT Work Programme adopted by the CONTRACTING PARTIES in November 1979 seemed clearly relevant to the North-South dialogue.

16. The discussion revealed that in the current uncertain state of the global negotiations it was as yet difficult to form a clear view of the nature of the contribution which might be made by the GATT. This would be easier to judge in the light of the results of the Special Session of the UN General Assembly convened to launch the global negotiations.

17. Various suggestions were made regarding the possible rôle of GATT in these global negotiations. The provision of technical support for negotiations on concrete trade issues was cited as an example, but it was made clear that the current state of GATT's own activities would be a determining factor in reaching a decision. It was also pointed out in this connexion, that a work programme which included the full implementation of the MTN results, further trade liberalization, an agreement on safeguards and the question of structural adjustment related to many of the objectives of the global negotiations. However, certain doubts were also expressed in this respect.

18. At the July session of the Group it appeared from the discussion that it would be premature at that stage to attempt to determine the possible contribution of GATT to the North-South dialogue, and it was left to the Group to return to this issue at a later meeting, in the light of progress in the global negotiations.

IV. Future work of the Consultative Group of Eighteen

19. At its July meeting the Group requested the secretariat to prepare short papers on four subjects:

- (a) trade in services;
- (b) export restrictions and charges;
- (c) restrictive business practices;
- (d) implementation of the MTN.

Moreover, one member promised a paper on dispute settlement and gave notice that he would be raising the subject of rules of origin.

20. On the basis of the secretariat papers circulated as documents CG.18/W/43-46 the Group had a first exchange of views on its future work programme. As to trade in services the Group agreed to keep the matter on its agenda and that the secretariat should pursue its study of this subject, focusing on the links between trade in goods and trade in services and on the relevance of the existing commitments under the General Agreement and the MTN codes for trade in services.

21. On Export Restrictions and Charges (CG.18/W/43) it was suggested by several members that further information should be collected on this subject by the secretariat and that it should remain on the Group's agenda. Others maintained that the question could usefully be examined only in the context of the world trade situation generally, and in parallel with an examination of access to markets. It was agreed that this would appear on the agenda of a future meeting, following the submission, by those proposing the discussion, of a paper setting out their objectives and the problems that need to be dealt with.

22. As to restrictive business practices, the Group agreed that, since the set of rules and principles on the subject agreed to in the UNCTAD had not yet been adopted by the General Assembly, the matter could be taken up at a later stage.
23. On the Implementation of the MTN (CG.18/W/46) it was agreed that this should remain on the Consultative Group of Eighteen's agenda, as a major item in the work programme of the GATT. The hope was expressed that participation by an increasing number of contracting parties in the agreements negotiated in the MTN would be facilitated by greater transparency in their operation.
24. As to rules of origin a proposal was made by one member to establish a Working Party under the Council to analyze the various rules of origin applied by contracting parties and their trade implications. Other members thought that a Working Party should not be established until further analyses had shown that rules of origin in fact presented serious trade problems. The Group agreed that the secretariat should prepare a factual note on the different rules of origin currently applied in international trade.
25. It was agreed to postpone any discussion of dispute settlement until a later meeting, pending receipt of a paper on the subject promised by one delegation.

