

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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

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" (BISD 26S/289-290).
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 (L/5387), the Consultative Group of Eighteen has held two meetings, on 5-6 May and 19-20 October 1983.
4. The subjects discussed at these meetings were as follows:
  - I Review of Developments in Trade Relations and Trade Policy since the GATT Ministerial Meeting (May meeting);
  - II The Relationship between Trade Policy and the International Financial System (May and October meetings);
  - III Implementation and present state of the Ministerial Work Programme (October meeting).

### I Review of Developments in Trade Relations and Trade Policy since the GATT Ministerial Meeting

5. At its May meeting, the Group considered developments in trade and trade relations since the Ministerial Meeting, more particularly the implementation of the political commitment contained in paragraph 7(i) of the Ministerial Declaration, together with the trade measures taken by contracting parties since November 1982; the closely related question of safeguards; and problems arising in the field of dispute settlement.
6. In connection with the commitment in paragraph 7(i) of the Ministerial Declaration to refrain from taking or maintaining any measures inconsistent with GATT, the proposal to consider its implementation in a special Council meeting had the support of the Group. Members of the Group agreed to recommend to their authorities that the obligation to notify trade measures should be strictly observed. It was noted that notification did not imply legality; the point was to give the Council an opportunity to check the consistency of measures taken with GATT obligations and the commitments accepted in the Ministerial Declaration.

7. In connection with the question of safeguards, the Group noted that in informal consultations under the chairmanship of Ambassador Ewerlof a good deal of light had been thrown on the nature and motivation of measures taken outside GATT provisions, thanks to the cooperative attitude of those participating in the discussions. This should enable the secretariat to complete a fuller picture of these measures and of their relationship with all relevant GATT articles - not merely Article XIX. Several members expressed concern at the slow rate of progress in resolving the safeguard, issue, which in their view would make it difficult to put a substantive report to the next Session of the CONTRACTING PARTIES.

8. In connection with problems in the field of dispute settlement, the Group agreed that members of delegations approached to serve on panels should do their best to be available and parties to disputes should not oppose nominations except for very compelling reasons. The independent status of panels members should be strictly respected. The secretariat would also be ready to inform interested delegations about developments in any consultations regarding panel membership or terms of reference. The view that greater transparency was needed in the composition of panels and their terms of reference was noted, and would be made known to the Chairman of the Council. There was also a general opinion that the Council should assume its responsibilities in handling panel reports and deciding how a dispute should be settled. That did not however absolve panels from their duties, which, in the first place, were to help the Council by submitting a good report. Another conclusion was that the secretariat should play a more active role in selecting panelists and providing them with all the necessary assistance in order to ensure good reports. The Group might wish to revert to this matter in the future to assess the progress made in securing more effective functioning of the dispute settlement procedures.

## II The Relationship between Trade Policy and the International Financial System

9. At the May meeting, the Group had before it a paper on this subject by the GATT secretariat (CG.18/W/74) the first part of which dealt with international financial problems and their connection with international trade, and the second part with cooperation between the GATT and the IMF. At the October meeting, the Group had before it a paper by the GATT secretariat (CG.18/W/76) the first of which dealt with trade policy and the international financial system, and the second part with action in the GATT framework. The Group also had before it the first chapter of the secretariat's report, International Trade 1982/83 (GATT/1340).

10. In the discussion which took place at the May meeting there was complete agreement on the importance of the links between trade policy and the health of the financial system. The secretariat's paper was found helpful and illuminating and with a few qualifications its analysis of the origins and scope of the problem of indebtedness, and of the importance of open markets as a contribution to its correction, was supported. Other major themes touched upon in the discussion were the scope for increased cooperation between the GATT, the Fund and the World Bank, and the forms which such cooperation might take, the possibility of improving the procedures of the GATT Balance-of-Payments Committee and extending the ambit of its concerns, and the difficulty of ensuring symmetry of treatment between indebted countries, or those in balance-of-payments difficulties, and creditor countries. The secretariat paper together with the record of the discussions, was circulated to all contracting parties.

11. At the October meeting, there was a consensus in the Group that, in view of the links between trade policy and the functioning of the international financial system, trade expansion and the maintenance and strengthening of a predictable and stable trading system could make a vital contribution to world recovery and in particular to the recovery of those countries which were in a difficult debt situation. In terms of the need to increase the flow of financial resources, it was recognized that this could only be part of the whole picture. Two major objectives had been considered as being essential by all the members of the Group. The first was to take very great care not to infringe the principle of multilateralism which was the basis of the GATT; the second, to ensure that trade problems and trade negotiations should be handled under the aegis of the GATT. All members had recognized the fact that through its standby or other arrangements, and also through its surveillance activities under Article 4 of the Articles of the Agreement, the Fund looked at the general economic policy of Fund members, and that as trade policy was part of the larger economic policies of members, through that approach the Fund was also looking at trade aspects. In the context of improved GATT/IMF cooperation, the GATT contribution could be to ensure that the Fund was made aware of trade policy problems for the purposes of discussion with its members and was also able to take better account of the trading environment confronting them. The GATT secretariat could give technical support to the Fund in its activities but should do so within the framework of its own competence and responsibilities in relation to the General Agreement. The most effective contribution the GATT could make to the resolution of trade and financial problems would be the energetic pursuit of its normal activities - the identification of trade problems, efforts to define solutions and help in implementing them. Attention was drawn to the importance of the work of the Committee on Trade and Development and of the forthcoming consultations regarding Part IV of the General Agreement. It was agreed that the Chairman of the Group should invite the Chairman of the Balance-of-Payments Committee to undertake discussions as to how the trading environment confronting consulting countries could be given greater weight in the Committee's deliberations.

### III Implementation and present state of the Ministerial Work Programme

12. This subject was also discussed at the October meeting. Several members stressed the importance of full compliance with the Ministerial decisions and pursuing the work programme in a timely fashion. Special reference was made to the need to strengthen and broaden the multilateral trading system and to make its operation as fair as possible. Some members suggested that work in certain areas such as dispute settlement and safeguards should be intensified. The Group agreed to examine at its next meeting the general issue of subsidies. It was agreed that the work programme should be implemented in full and lead as soon as possible to the development of constructive proposals, so that governments could take appropriate action.