

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

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 (BISD 26S/289-290). As agreed by the Group, the report has been prepared and is submitted by the Chairman of the Group on his own responsibility.

2. Since it last reported to the Council (L/5721), the Consultative Group of Eighteen has held three meetings, on 27-28 February, 13-14 May and 8-9 July 1985.

3. The Group's work in 1985, in all three meetings, consisted of an extended debate on the practical steps which might be taken to meet the need to further trade liberalisation and restore the integrity of the trading system. The focus of the February meeting was on the results to be expected from the 1982 Work Programme and the actions which governments might be prepared to take to promote the achievement of these results. The May meeting concentrated on the question whether it would be necessary or desirable to launch a new round of multilateral trade negotiations, or whether the trend towards protectionism and bilateralism could be reversed through efforts to secure the implementation of existing commitments and of the 1982 Work Programme. The July meeting discussed the written statements submitted by a number of contracting parties on the improvement of world trade relations and the proposed new round and the call, which appeared in a number of the written statements, for the convocation in September of a meeting of senior officials to enlarge the consensus on the subject matter and modalities of a new round. The note on this meeting (CG.18/28 of 17 July 1985) was distributed to all contracting parties.

4. All members of the Group expressed concern about the deterioration in the observance, and hence the efficacy, of GATT disciplines and the consequent erosion of confidence in the system. All agreed likewise on the need for prompt action to reverse this decline. There were different views, however, on the form such action should take. Those members who favoured the launching of a new round argued that nothing less would command the degree of political commitment, and provide the unmistakably positive signal, necessary to stop the erosion and eventual collapse of the multilateral system. There was still great need and scope for trade liberalisation and for strengthening and improvement of the GATT legal framework, but it was unrealistic to expect that this could be achieved, and the objectives of the Work Programme attained, without a comprehensive negotiation in which all participants could find advantage. Other members maintained that agreement to launch a new round would not carry conviction so long as the results of the Tokyo Round were not fully implemented and existing commitments - in particular under paragraphs 7(1) and 7(ii) of the Ministerial Declaration of 1982 - were not honoured.

5. Nevertheless, the divergences related to the content and timing, rather than the principle, of a new round. It was pointed out that developing countries, in the statement made on their behalf at the fortieth Session (L/5774), had indicated that, provided the Work Programme were first completed, they would be prepared to initiate a negotiation confined to trade in goods. Other members said that a negotiation from which services were excluded would not be sufficient: the Group discussed at some length the arguments for and against their inclusion. It was widely agreed, however, that there were many important problems in the traditional areas of GATT's work on which negotiated solutions were urgently needed: safeguards, subsidies, agriculture, tropical products and tariff escalation were among those most frequently mentioned.

6. In all three meetings this year reference was made to the inter-relationship between trade policy and policies in the monetary and financial area. It was suggested that in his contribution to the April meeting of the IBRD/IMF Development Committee the Director-General should make clear the concern of the contracting parties about the additional trade tensions stemming from monetary and macro-economic policies. At the same time, failure by the GATT to deal effectively with problems in the area of its own responsibility could not be justified by reference to problems outside its control.