

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

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CONSULTATIVE GROUP OF EIGHTEEN
REPORT TO THE COUNCIL OF REPRESENTATIVES ON THE
GROUP'S WORK IN 1987

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. In 1987 the Consultative Group of Eighteen has held one meeting, on 21-22 September. It discussed two questions: the current economic and trade situation in relation to the Uruguay Round and the other ongoing activities of GATT; and the future rôle of the CG.18. As background to the discussion of the first agenda item the Group had before it the first chapter of GATT's Report on International Trade 1986/87 (GATT/1419).
3. In an extended debate on the current economic and trade situation it was generally felt that the recent performance of the world economy and of international trade, and the medium-term outlook, were such as to give rise to a good deal of concern. Uncertainties stemming from the persistence of major disequilibria in the world economy, together with continuing tensions at the policy level - especially in the field of trade policy - were thought to be undermining the readiness of businessmen to invest in real assets and exacerbating protectionist pressures. Nevertheless, there were signs of a real, though tardy, response to the major exchange rate adjustments of the last years, and a number of governments had been able to follow tough economic policies without losing the support of their electorates. It was pointed out that the ability of governments to maintain such policies, as of other governments to pursue the liberalisation and opening up of their domestic economies, would depend crucially on the trade policy environment and on clear indications of progress towards success in regular GATT activities and in the Uruguay Round. It was recognised, however, that while trade policy had a very important rôle to play, improvements in the current trading environment would depend heavily on appropriate macro-economic policies.
4. It was widely felt that given the current environment, it was essential to push forward the Uruguay Round negotiations as rapidly as possible, even though the full results of the Round would show themselves only in the medium and longer term and could not be expected to resolve current tensions between governments. These should be dealt with by use of the existing mechanisms within the GATT framework, and by firm respect for the standstill commitment in the Punta del Este Declaration. Policy actions that could damage the trade system and the Uruguay Round should be avoided, and every opportunity should be taken to strengthen the confidence of economic operators, including through the implementation of early concrete results where possible.

5. In discussion of the future rôle of the CG.18 there was general agreement that the Group had an important rôle to play, as evidenced by the number of major initiatives which had received their first discussion in the Group. There was agreement that the Group's present mandate should be maintained, but it was suggested that the full range of possibilities for useful discussion implicit in the Group's mandate had perhaps not yet been fully exploited. It was agreed that the Group's next meeting should be held in the early months of 1988.