

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

CG.18/W/7
2 April 1976

Special Distribution

Consultative Group of Eighteen
Second Meeting
24-25 February 1976

TRADE MEASURES TAKEN FOR BALANCE-OF-PAYMENTS PURPOSES

List of Issues Raised at the Second Meeting of the Consultative Group of Eighteen

I. Justification of trade restrictions

In a monetary system characterized by widespread floating, is the resort to trade measures for balance-of-payments adjustment justified at all?

Even if trade measures imposed for balance-of-payments reasons are not justified economically, can one reasonably expect countries to refrain from resorting to such measures?

II. Need for reform of GATT rules

To what extent do existing notification requirements and procedures with respect to trade measures for balance-of-payments purposes need to be improved upon?

Would a legalization of surcharges and import deposits, on the basis of their balance-of-payments justification, restrain the use of such measures?

If such measures were to remain outside the scope of the provisions in GATT for balance-of-payments justification of trade restrictions but would continue to be tolerated in practice, would this lead to a decline in the confidence in GATT provisions generally and possibly hence, indirectly, to the more widespread use of restrictive measures?

III. Approaches to reform

Can the issue of procedural improvements and that of the amendment of the General Agreement be separated?

If so, should procedural improvements (which only require a decision by the Council) be made before any amendment (which requires legislative action in many countries)?

Can procedural improvements be made without assuming a certain outcome of negotiations on amendments?

In which forum should the reform be discussed? - in GATT or in the MTN, in which many countries participate who are not bound by the present and possibly also not by the future GATT rules though, as potential acceders, they may have an interest in the outcome of the reform.

Do the special problems of developing countries with regard to the use of trade measures for balance-of-payments purposes exclude efforts to improve GATT procedures in this area without waiting for more far-reaching reform?

IV. Procedural reform

Should all balance-of-payments cases be discussed in the Balance-of-Payments Committee, or should the present division of work between this Committee and ad hoc Working Parties be continued?

If the latter, on the basis of which criteria should the division of responsibilities be made?

Should the terms of reference of the Balance-of-Payments Committee be amended to include the review of surcharges and import deposits?

Should the Committee be empowered to ascertain whether its recommendation to remove restrictive measures have been implemented?

Should the Balance-of-Payments Committee or Working Parties be required to indicate the reasons for their decisions so as to create gradually a body of precedents that could guide governments planning balance-of-payments oriented trade measures?

Should the Committee or the Working Parties be left free to decide each case "on its merits" without indicating any reasons so as to ensure greater flexibility?

Is it necessary to define more precisely the purpose of the consultation in terms of the trade effects of the measures and possible alternative measures?

Should the Committee or the Working Parties discuss not only the measures taken by the consulting country but also the restrictive actions of other countries that may have given rise to the consulting country's measures?

Since it would be impossible to review the restrictive systems of all contracting parties in every balance-of-payments consultation, where should be the limit of such a broader review?

Balance-of-payments consultations are at present based on International Monetary Fund documentation, which emphasizes the monetary aspects of the measures taken. Should the GATT secretariat prepare in addition analyses of the trade aspect of the measures so as to permit their comprehensive evaluation?

V. Developing countries

Are the trade measures imposed by developing countries different in character both as to their causes and their effects from those imposed by industrial countries?

If so, in which way should the rights and obligations of developing countries differ from those of the developed countries in respect of trade measures imposed for balance-of-payments purposes?

If the causes of restrictive measures by developing countries are of a structural kind (e.g. stagnation of commodity markets), would it be useful to discuss the balance-of-payments situation without examining the underlying structural difficulties?

To what extent can the scope of balance-of-payments consultations with developing countries be modified or expanded to deal with such structural difficulties or with problems in export markets?

VI. Position of small industrial countries

To what extent does the position of small industrial nations need to be separately taken into account in discussions concerning such issues?

VII. GATT-IMF co-operation

Is the present "one-way" co-operation, under which the GATT consults with the Fund, but not vice versa, satisfactory?

Can those sections of government dealing with commercial matters, under the present co-operation procedures, make their views sufficiently heard in the monetary sphere or are they sometimes facing faits accomplis affecting commercial matters that originate in the Fund?

Would the decision-making procedures in GATT have to be improved before a "two-way" co-operation could be envisaged?