

CONFIDENTIAL

CG.18/10  
23 November 1979

Special Distribution

# GENERAL AGREEMENT ON TARIFFS AND TRADE

---

Consultative Group of Eighteen  
Tenth Meeting  
22-23 October 1979

NOTE ON THE TENTH MEETING OF THE  
CONSULTATIVE GROUP OF EIGHTEEN

22-23 October 1979

Introduction

1. The Consultative Group of Eighteen held its tenth meeting on 22-23 October 1979. An annotated provisional agenda was circulated in document CG.18/W/32 and a list of participants in document CG.18/INF/10.

Agenda

2. The Group adopted the following agenda:

- (1) GATT's future work programme
- (2) Future of the Consultative Group of Eighteen
- (3) Recent developments in trade policies and international trade
- (4) Other business

Later in the meeting the Group decided not to take up the third agenda item.

Opening remarks of the Chairman

3. The Chairman opened the meeting by stating that governments had shown remarkable resistance to protectionist pressures during the course of the Tokyo Round and that they had been helped in resisting these pressures by the fact that they were negotiating with one another. Now that the Tokyo Round had ended and economic uncertainties persisted protectionist forces were likely to increase and vigorous international action was needed to contain them. The most effective way of overcoming the protectionist forces was to implement without delay the results of the Tokyo Round and to establish the necessary framework for dealing with the remaining problems.

GATT's future work programme

4. On this agenda item the Group had before it the following documents:

- document CG.18/W/31, a note by the secretariat listing issue areas which the Group of Eighteen may wish to recommend to the CONTRACTING PARTIES for inclusion in the GATT Work Programme;
- document CG.18/W/33, a paper on rules of origin distributed at the request of the member from the United States;
- document CG.18/W/34, a paper also distributed at the request of the member from the United States on minimum international labour standards;
- and, finally, document CG.18/W/35, a note by the secretariat on the establishment of a Committee on GATT Schedules.

5. At the suggestion of the Chairman the Group discussed GATT's future work programme primarily on the basis of the list of issue areas proposed by the secretariat in document CG.18/W/31. A brief summary of the main comments made on the various issue areas is set out below.

6. Implementation of MTN results. Several members stressed the importance of an early and comprehensive implementation of the results of the Tokyo Round. The administrative and legislative steps to implement the MTN agreements should be undertaken quickly and the committees to be established under the codes should be set up as soon as legally possible.

7. The loose-leaf system for tariff schedules and the complementary establishment of a Committee on Tariff Concessions was supported by all members who addressed themselves to these matters. Some members thought, however, that this Committee should not be established as a permanent committee and should not be used as a forum for the discussion of non-technical issues. The establishment of the Committee, it was said, should not create the impression that the contracting parties lacked the will to implement faithfully the results of the tariff negotiations.

8. Many comments were made on the relationship between the MTN agreements and the General Agreement. It was said that the CONTRACTING PARTIES had the political responsibility to maintain the unity of the trading system, the financial responsibility to support the committees to be established under the agreements and the legal responsibility to ensure that individual contracting parties' rights under the General Agreement were not impaired in the implementation of the agreements. Several members stated that the CONTRACTING PARTIES did not have to approve or adopt the agreements but they should take note of them and accept their responsibilities in relation to them. Others believed that the CONTRACTING PARTIES should take some action

that would constitute endorsement of the results. A widespread view in the Group was that the emergence of two GATTs in certain areas, one of the contracting parties to the General Agreement and another of the participants in the MTN agreements, should be avoided. Procedures should be established that permitted the CONTRACTING PARTIES to review effectively the operation of the MTN agreements. One member thought that the secretariat note on "The Relationship between the Agreements Evolved in the Multilateral Trade Negotiations and the General Agreement" (Spec(79)21 of 17 October 1979) was a useful basis for discussion; another believed, however, that this note did not really come to grips with the heart of the issue, perhaps because it was based on the assumption that the issue of the relationship of the MTN agreements with the GATT was best dealt with in the light of the actual implementation of the MTN agreements. One member suggested that any problems be dealt with pragmatically by taking into account the practical and not the purely legal problems.

9. As to the implementation of the "Framework" agreements, one member suggested that the operation of the "enabling clause" be reviewed by the Committee on Trade and Development and that of the safeguard clause for economic development purposes by the Committee on Balance-of-Payments Restrictions. It was further suggested that the "enabling clause" be given a legal status comparable to that of other legal instruments negotiated in GATT. One member said that his authorities had submitted the clause to parliament in the same way as the other elements of the Tokyo Round.

10. Regular and systematic review of developments in the trading system. One member suggested that the modalities for the implementation of this part of the "Framework" package be discussed at the next meeting of the Group. Another member stated that the proper forum for such reviews was the Council.

11. Multilateral agricultural framework. All members who addressed themselves to this issue area expressed their readiness to play their part in the negotiation of the details of this framework. One member emphasized that the framework should not in any way limit the policies, considerations and attitudes which could be discussed.

12. Export restrictions and charges. One member said that this matter had long been of interest to his country. In his view a GATT working party to examine rules on export controls should be set up and the secretariat should prepare a study on export controls and their effects on trade flows. Another member stressed the importance of preserving, in any GATT effort in this area, the permanent sovereignty of States over natural resources. The need to take into account the resolutions of the UN General Assembly on the subject was stressed in this context. A view shared by members from both raw material exporting and importing countries was that the problems of access to supplies and that of access to markets were linked. One member doubted whether the question could be treated with an appropriate degree of seriousness at the present stage.

13. Continuation of the process of trade liberalization. One member said that an updating of the tariff study and the inventory of non-tariff measures would provide a solid basis for future work and would be in line with the forward-looking approach his authorities favoured. Another member cautioned that there might not be sufficient public support for another major round of trade negotiations in the near future; the immediate tasks could therefore only be of a preparatory nature. One member emphasized that, in the process of further trade liberalization, issues relating to industry and to agriculture should be placed on an equal footing.

14. Structural adjustment and trade policy. One member suggested that the secretariat prepare for the Council a study surveying adjustment problems of both developed and developing countries based on reports submitted by the contracting parties. He stressed that the issue was not one affecting only relations between developed and developing countries. In the view of another member structural adjustment had to be seen as a normal, on-going process. The main rôle of the GATT and its surveillance procedures was to ensure that governments did not obstruct this process. He acknowledged that structural adjustments favouring the exports of developing countries were urgently needed. He stressed, however, that such adjustments involved political, social and financial problems and that reasonable modus vivendi therefore had to be found. One member encouraged the secretariat to present frank findings and a position of its own on the subject. Another member regretted the failure of the Group and the secretariat to recognize that work on structural adjustment should be the centre piece of GATT activities in the coming years. Supported by another member he suggested that some machinery be established in GATT to promote policies and measures facilitating adjustment.

15. Trade policy as development policy. One member said that governments of both developed and developing countries did not consider the present state of affairs in the North-South dialogue satisfactory. One of the important functions of the Consultative Group should be to explore the problems in this field, to ensure that the misunderstandings are reduced to a minimum and to give everyone a better idea of what is politically and practically possible. The Group - small, informal and dispassionate as it was - could discuss in depth these questions without some of the disadvantages that were occasionally attached to larger and more emotional assemblies. He strongly believed that a frank, sympathetic and intensive North-South dialogue would have to start in the Group if the GATT and the world institutions which deal with trade were to survive in their present form.

16. In response to this suggestion one member said that, in his view, the developing countries did not need many dialogues. They needed negotiations and firm agreements and co-operation on equitable terms designed to reduce the enormous gaps between countries. Another member cautioned that GATT would need to gain wider acceptance before it could become the principal forum for the trade aspects of the North-South dialogue. One member welcomed the

proposal. He said that a discussion of the trade aspects of the North-South dialogue in GATT would present an opportunity to remedy what he described as the lopsidedness of the MTN agreements which catered essentially to the interests of the developed countries.

17. One member reaffirmed his authorities' interest in an active, balanced and constructive work programme for the Committee on Trade and Development, a programme that would bring the developing countries to a fuller participation in the GATT framework and that would demonstrate to all that the GATT can be an effective forum for dealing with developing countries' trade problems. One member expressed the view that the Committee on Trade and Development had so far had a negligible impact on the policies of the developed countries. Evidence was lacking of a serious commitment to Part IV of the General Agreement, in particular its standstill provisions. The Committee had now been exploring for years the question of how the situation could be improved. Proposals had been made regarding a standing committee of limited membership which might systematically review trade measures relating to Part IV on a country-by-country basis, but, regrettably, no consensus had been reached.

18. Trade negotiations among developing countries. There was general agreement in the Group that the CONTRACTING PARTIES should follow developments in this area. One member said this should be done in the context of the review of the operation of the enabling clause by the Committee on Trade and Development. Another member urged the GATT and the UNCTAD to collaborate in the forthcoming round of trade negotiations among developing countries.

19. Trade in services. Some members, pointing out that this was an important but complex matter and that the OECD was presently working on it, suggested that the OECD analyze the problem further before any work is undertaken in the GATT. Other members, while recognizing the need to avoid duplication of work, suggested that the secretariat might prepare a study to facilitate discussions at a later stage.

20. Increasing rôle governments in production and trade. Several members thought that a secretariat study outlining the problems in this area would be useful.

21. Fair labour standards. The member from the United States, referring to document CG.18/W/34 distributed at his request, reiterated his country's interest in minimum international labour standards. Another member assured the Group of a positive attitude on this subject but he thought that work in this area might distract the secretariat from GATT's immediate tasks. Other members similarly believed that the subject should not be given priority.

22. Several members said that they failed to see the relevance of the subject for GATT. The proposal of the United States might bring more discrimination than justice into world trade relations. One of these members,

pointing out that the reference in the General Agreement's preamble to the objective of "raising standards of living" could not legitimize discriminatory import restrictions, asked on which legal basis the United States intended to introduce the issue into the GATT. Another member, recognizing that his position deviated somewhat from that taken by others, welcomed the United States initiative provided the discussion began with an examination of the situation in a certain country where grossly unfair labour standards existed.

23. Rules of origin. The member from the United States called attention to his proposal to establish a working party on rules of origin which he had made in document CG.18/W/33. Several members declared their readiness to participate in a discussion on this topic, some of them noted however that more preparatory work needed to be done before the matter could be taken up in GATT.

24. Safeguards. In addition to the subjects listed in document CG.18/W/31 the Group discussed the question of safeguards. One member, supported by several others, said that the results of the MTN were inadequate without a safeguards code. This matter was particularly important in the present world economic situation and the risk of side-tracking the issue had to be guarded against. He therefore suggested that the Group endorse the proposal that the Director-General had made in the Council at its meeting of 25 July 1979 (C/M/106). Other members, while fully recognizing the need to move forward in this area and welcoming the Director-General's initiative, expressed reservations regarding the precise wording of the proposal. They could only accept it as a negotiating basis. Some of them also wondered whether it was appropriate for the Group to pronounce itself on a specific issue debated in another forum. After this exchange, the general view was that the Group should limit itself to asking the Chairman to report the position of the Group to the Council.

25. In concluding the discussion under this agenda item the Chairman noted that a large measure of convergence of views had appeared in the deliberations of the Group on the issue areas listed under points 1.-8. in document CG.18/W/31. As to the other points the consensus in the Group appeared to be that further reflection and examination would be needed with the help of documentation provided by members or studies prepared by the secretariat.

#### Future of the Consultative Group of Eighteen

26. The Chairman recalled that the Consultative Group had been established by the Council in July 1975 for one year and its mandate had been renewed in November 1976 for another year. In November 1977 the Council had agreed to extend the Group's mandate until the end of the Tokyo Round and to take then a decision on the future of the Group. The Council would therefore now have to decide whether to prolong the existence of the Group beyond the Tokyo Round and, if so, with what mandate. During the informal meeting of the Group in July all members had thought that the Group should become a permanent GATT body and that the Group should make a corresponding recommendation to the Council.

27. The Group confirmed the understanding reached in July. At the suggestion of the Chairman, the Group decided to recommend to the Council that the references in the Group's present mandate to the temporary status of the Group be eliminated but that, at this stage, no substantive changes be made in the mandate.

Other business

28. Annual report. The Group decided that its annual report to the Council should be prepared and submitted by the Chairman on its own responsibility.

29. Date of the next meeting. The Group decided that it would meet next on 3 and 4 March 1980 beginning at 3 p.m. on the third.