Consultative Group of Eighteen
First Meeting
24 and 25 November 1975

NOTE BY THE CHAIRMAN

Introduction

1. The Consultative Group of Eighteen held its first meeting on 24 and 25 November 1975. An annotated provisional agenda was circulated in document CG.18/W/1 and a list of participants in document CG.18/INF/1.

Chairmanship

2. It was agreed that the ordinary meetings of the Consultative Group should be chaired by the Director-General. The chairmanship of meetings of the Consultative Group held at Ministerial level would be decided upon when such meetings take place.

Agenda

3. The Group adopted the following agenda:

(1) Organizational matters;

(2) A review of the current situation in international trade and of recent trade policy developments with a view to initiating an exchange of views on:

(i) The contribution that the CONTRACTING PARTIES might make to encourage the pursuit of policies consistent with the purposes and objectives of the General Agreement and to the alleviation of current and foreseen problems in the field of trade;

(ii) The continuing rôle of the GATT in fostering and regulating trade relations between member governments;

(3) A review of the experience of the CONTRACTING PARTIES in dealing with trade measures taken for balance-of-payments purposes with a view to examining possible changes in the internationally agreed scope for trade measures for balance-of-payments purposes and for improvements in procedures for consultation and co-operative action with respect to such measures, including co-ordination with the IMF;
(4) Other business.

Organization 1 matters

4. It was agreed that, as regards future meetings of the Consultative Group, it would be the responsibility of the Chairman, in conjunction with participants in the Consultative Group and in accordance with its terms of reference, to decide to invite contracting parties which are not members or alternates to attend and participate in discussions on agenda items of particular importance to them.

5. An annotated provisional agenda would be circulated to members and alternates three weeks in advance of meetings, copies of which would be made available on request to other interested contracting parties.

6. It was agreed to revert at a later stage to a consideration of the matters in connexion with which, and the conditions under which, observers from other international organizations might be invited to attend during the discussion of an item on the agenda of a meeting of the Consultative Group.

7. It was agreed that the secretariat would, on its own responsibility, issue a concise confidential note in respect of each meeting, outlining in a succinct and non-attributable manner the main points made in the course of the meeting and recording any conclusions reached or the recommendations made. It was also agreed that members could request that a particular issue or statement be considered "off the record".

8. At the conclusion of each meeting the Group would decide whether to issue a press release which would be couched in very general terms.

9. It was agreed that in addition to the comprehensive account of its activities to be submitted annually to the Council, the Chairman would, as appropriate, report periodically to the Council on matters under consideration by the Consultative Group and on the outcome thereof. It was also agreed that the Chairman should inform the current thirty-first session of the CONTRACTING PARTIES that the Consultative Group of Eighteen had held its first meeting and outline the matters which it had discussed.

Review of the current situation in international trade

10. As background material the Group had before it the draft report of the Council to the Contracting Parties (document L/4254) as well as a summary, prepared by the secretariat, of recent trade developments (Annex to document CG.18/W/1).
11. Representatives of some industrialized countries noted that the difficulties currently confronting the international economic community could be regarded as radically different in their implications for the international trading system from those which had followed in the wake of the oil crisis. In the latter case it had been possible, through international and other action, to adopt measures to deal with what were essentially balance-of-payments difficulties and to seek solutions which minimized resort to protectionism. More recently, with widespread recession and inflation, in addition to continuing balance-of-payments problems, severe sectoral unemployment had created protectionist pressures in their countries which, from a political point of view, were difficult to resist, particularly if other countries were seen to yield to them.

12. Representatives of some developing countries said that their balance-of-payments difficulties continued to be of serious concern to them. These difficulties were of much greater magnitude than the current difficulties of the industrialized countries, and also reflected major structural problems in their economies. They believed, that developed countries had often successfully used consultation procedures to avoid imposing restrictions on imports from other developed countries, but had resorted to restrictive actions against textiles, footwear and other products of particular interest to developing countries.

13. It was generally agreed that, although there were some first signs of recovery, the coming months would be difficult; that the immediate aim must be to secure a strong revival of economic activity and international trade; and that there was an urgent need to follow policies of joint responsibility and mutual assistance through the better and more frequent use of the existing provisions of the General Agreement, including its Part IV. It was important that the existing degree of liberalization be safeguarded; trade restrictive measures and practices should be avoided to the maximum extent possible. There was widespread support for the view that special attention should be given to the GATT notification and information procedures, so as to ensure transparency of countries' trade measures and policies, and that full use should be made of the opportunities for prior consultation afforded by the General Agreement and in particular by paragraph (b) of the Consultative Group's terms of reference.

14. The situation of the developing countries, and in particular those most seriously affected by the crisis, called for particular account to be taken of their difficulties. Better and more rigorous application of the provisions of Part IV of the General Agreement, and particularly of its standstill provisions, were suggested as short-term means of assisting developing countries. Other action could also be taken quite rapidly to improve the various GSP schemes and to secure concrete benefits from the Multilateral Trade Negotiations, particularly in respect of tropical products. Some members of the Group, underlining the difference in nature of the problems facing developed and developing countries,
recommended the relaxation of restrictions on products of export interest to
developing countries and exemption of such products from any restrictions
contemplated. It was also suggested that the current economic situation might
actually be conducive to efforts to shift manpower and other resources out of
traditional into more dynamic sectors in developed countries so as to create, over
time, greater opportunities for the exports of developing countries which compete
in these traditional sectors.

15. Various suggestions were made as to the rôle which GATT could play in
fostering and regulating trade relations and in the reform of the structure of
international trade. Longer-term reform of the structure of the trading system
was being taken up in the Multilateral Trade Negotiations and in other fora but
it would be useful to start work in the Consultative Group by identifying short-
comings in the application of the existing GATT provisions, including the
provisions of Part IV, and to seek ways in which these provisions could be made
more operational. In this connexion, some members stated that GATT should be
given a stronger rôle in relation to commodities, prices and monetary problems
in order to take adequate account of the interests of all GATT Contracting Parties,
and in particular of the developing countries. Other members, however, urged
caution in expanding the rôle of GATT, believing that responsibility for dealing
with certain aspects of these problems could and should be left to other fora.

16. One suggestion in this regard was for the appointment of a group of competent
persons to consider the experience of the last twenty years and to make
recommendations on the further realization of the objectives and purposes of the
General Agreement. Other members of the Consultative Group felt that the problem
lay less in the General Agreement itself, which remained of unique value as a
contractual and multilateral instrument, than in the extent to which some of its
provisions were not fully observed, or properly utilized. Some members noted a
proliferation of international organizations working in the area of trade policy,
and stressed the need to co-ordinate efforts in order to avoid a dispersion of
responsibilities in the field of trade policy.

17. The Consultative Group agreed that the following three points, which were
neither exhaustive nor exclusive, should be taken up for more detailed discussion
at its next meeting:

(a) how more frequent and better use might be made of the possibilities for
consultations provided for in the General Agreement so as to enable the
Contracting Parties to face up to the difficulties likely to beset
international trade in the coming crucial months;
(b) how to make more effective use in the difficult current situation of the existing provisions of the General Agreement, and in particular of the provisions of Part IV, in order to mitigate the difficulties of the developing countries;

(c) the rôle of GATT, in the longer term, in relation to the general question of trade in commodities.

18. It was noted that the Group's views might soon be sought as regards the modalities of GATT's participation in other fora in which it was, or was likely to be, a member or observer. These were: the Task Force, of which GATT is a member, established within the United Nations family of organizations to discuss implementation of the operational parts of Resolution 3362 of the Seventh Special Session of the United Nations General Assembly; the ad hoc governmental committee on the restructuring of the economic and social sectors of the United Nations; and the four proposed Commissions, in which GATT is likely to have observer status, to be set up by the Conference on International Economic-Co-operation.

Trade measures taken for Balance-of-Payments purposes

19. The Group had before it the Note by the Balance-of-Payments Committee reviewing the work of the Committee over the period 1970-1974 (document L/4200). The Chairman of the Balance-of-Payments Committee, in a personal capacity, presented his views on a range of matters relating to the Committee's work.

20. Members of the Group discussed the lack of uniformity in treatment of various types of measures adopted for balance-of-payments purposes and the desirability of adopting a more uniform approach. They also discussed the adequacy of existing GATT procedures for a meaningful examination and surveillance of such measures. It was suggested that both the after-the-facts nature of the examinations carried out by the GATT and the division of responsibilities with the IMF in this field precluded an effective examination of the measures introduced by contracting parties. Although it was perhaps unrealistic to expect an ex-ante examination by the GATT, consideration might be given to improving the surveillance procedure looking toward a more effective implementation of GATT decisions, perhaps through an expansion of the Balance-of-Payments Committee's competence.

21. The Group agreed that there was room for improving the procedures and machinery for co-ordination between GATT and the IMF in dealing with trade restrictions and trade restrictive exchange measures. It considered that the Consultative Group, inter alia, might assist in this respect. It was suggested that the Consultative Group could facilitate co-ordination in national capitals
in discussions about international trade and monetary reform: discussions in the Group should move in parallel, and keep in close touch, with those taking place within the monetary field.

22. Some views were expressed regarding the value of GATT balance-of-payments consultations in certain situations confronting restricting countries. Several members of the Group, predominantly developing countries, stated that the traditional approach to trade measures taken for balance-of-payments purposes had not contributed to the alleviation of their structural balance-of-payments problems. It was suggested, in particular, that reform in this area should take into account the provisions of Part IV of the General Agreement, so that restrictions introduced should not apply to the trade of developing countries, and should also encourage measures to redress the structural problems affecting developing countries.

23. Another point raised was the relevance of examinations carried out by the Balance-of-Payments Committee in the context of trade restrictive practices introduced by countries other than those under examination. It was suggested that in such circumstances it was unreasonable to expect a country to submit to the discipline of Article XII when the problems and the protective measures it had adopted were caused by the restrictive policies of major contracting parties.

24. It was agreed that the Consultative Group should revert to the question of trade measures adopted for balance-of-payments purposes and to the relationship between GATT and the IMF at its next meeting in the light, inter alia, of the outcome of the 7-8 January 1976 meeting in Jamaica of the Interim Committee of the IMF; and that, in the meantime, the opportunity should be taken to reflect on the views expressed by participants on both the modalities and procedures of the relevant GATT provisions and also on the objectives sought to be attained. The suggestion was noted that participants might submit views in writing for the purpose of the discussion at the next meeting. It was also noted that there might be advantages in having a representative of the IMF present when this matter is taken up again.

Other business

25. The Consultative Group agreed that it would hold its next meeting on 24 and 25 February 1976.