NOTE OF THE FIFTEENTH MEETING OF THE CONSULTATIVE GROUP OF EIGHTEEN

1. The Consultative Group of Eighteen held its fifteenth meeting on 25-26 June 1981. The annotated provisional agenda was circulated in CG.18/W/52 and the list of participants in CG.18/INF/15.

2. The agenda was as follows:

1. The current economic situation and its implications for trade policies, and the future role of the GATT.

2. Recent developments in agricultural trade and market situation of major agricultural commodities.

3. Implementation of the results of the MTN.

Item 1. The current economic situation and its implications for trade policies, and the future role of the GATT

3. Referring to the Group's previous discussion of the state of the multilateral trading system, the Chairman recalled some of the factors which had led the Group to express concern about the current situation. They included the fact that certain problems had been left unresolved by the Tokyo Round, in particular the safeguards problem, and that some other important problems which may also be regarded as unfinished business, such as agriculture and structural adjustment, were yet to be adequately addressed. Another immediate concern of GATT was the renegotiation of the Textiles Arrangement, the conduct and the outcome of which could have repercussions on all the other activities of GATT. There was, in addition, a growing tendency to try to resolve trade problems bilaterally outside the GATT. All these factors had led to some loss of confidence in the multilateral trading system - to which there was nevertheless, in his view, no viable alternative. But the system could not function effectively if deprived of the positive support and commitment of the trading nations. The question therefore arose, what could be done in the GATT to reinforce a sense of purpose and of commitment to the multilateral trading system as the essential basis for the rational allocation of resources? In the light of consultations he had held, the Chairman said he sensed a growing consensus that the trading nations should give a clear and positive signal of their determination to confront the difficulties and challenges he had referred to. Such a signal might take different forms, but there appeared to be
strong support for the idea that a meeting of Ministers should be held under the aegis of GATT during 1982. While demonstrating the will of governments to keep the situation under control, such a meeting would provide an opportunity to review the problems at hand, to identify priorities and possible solutions, and to clarify ideas about the future rôle of GATT. He invited delegations to comment on this suggestion.

4. Most members of the Group welcomed the suggestion to hold a Ministerial meeting in 1982, as an opportunity to confirm at political level the will of governments to continue to support the multilateral trading system, as well as to affirm their determination to maintain a forward-looking attitude in the face of current economic difficulties. Those members believed that such a meeting would enhance the credibility of the trading system and of GATT's ability to cope with stresses in the system. They emphasized, however, that it was essential that the meeting should be well prepared and in particular that its purpose, and the results expected from it, should be clarified before it was called. In this connexion, several members stated that it should be clear that the meeting would not be called to launch a new round of negotiations.

5. One member doubted the advisability of proposing a Ministerial meeting in the framework of GATT at this juncture. Stressing that trade policy matters could not be considered in isolation from other aspects of economic and social development, in particular from the point of view of developing countries, he drew attention to the efforts being made in other fora to initiate global negotiations between developed and developing countries. In his view, it would be preferable to wait until the results of these efforts were known, as governments would then see more clearly what might be the purpose and the agenda of a GATT Ministerial meeting and how it might relate to discussions taking place elsewhere. He wondered, therefore, if the Group should make a recommendation at this stage on the holding of a Ministerial meeting, or if it should revert to the question at its next meeting, in the light of developments. This would provide adequate time for governments to reflect on the matter.

6. Several members presented suggestions regarding the issues which might be discussed at a Ministerial meeting. Among these, the need to tackle the problems unresolved by the Tokyo Round and to find ways of dealing with trade restrictions imposed or agreed outside the GATT system were mentioned by a number of members. Prominent among the unresolved problems mentioned were trade in agriculture, safeguards, structural adjustment, textiles and quantitative import and export restrictions. It was suggested that the adequacy of existing GATT rules and principles to deal with such issues would need to be examined. Reference was also made to the possible examination by
Ministers of the rôle of GATT with respect to other aspects of trade relations, such as trade in services, investment performance requirements, trade in aircraft and fisheries. Several members also suggested that the Ministerial meeting should devote particular attention to development issues with a view to facilitating greater participation of developing countries in world trade and in the GATT system. In this connexion some members suggested that the GATT should take into account discussions under way in other fora and that any preparations for the meeting should be conducted in co-operation with other organizations competent in related fields of activity.

7. Several suggestions were made concerning participation in a Ministerial meeting, some members proposing that it should be open to non-contracting parties. Various possibilities were discussed concerning the status of the meeting, which might for example be a meeting of GATT CONTRACTING PARTIES, possibly open to some non-GATT countries, or an open meeting held under the aegis of the GATT. The view was also expressed that the meeting should not be seen as a substitute for negotiations taking place elsewhere and should be in keeping with the character of GATT as a trade organization.

8. In closing the discussion, the Chairman noted that there was broad agreement to recommend that the CONTRACTING PARTIES should envisage convening a Ministerial meeting during 1982. That there was wide support for such an initiative had been apparent not merely during this meeting but also in his own talks with contracting parties not represented in the Consultative Group of Eighteen. The decision to convene the meeting could of course only be taken by the CONTRACTING PARTIES, who would also have to decide on its nature, composition and agenda. The Consultative Group of Eighteen had emphasized the need for thorough preparation, the main aim of which should be to define attainable objectives. Definition of the purposes of the meeting would also be a matter for the CONTRACTING PARTIES, but in his personal view a major purpose, apart from whatever might appear on the detailed agenda, would be to express at political level the will to check protectionism and to underline the urgent need to act effectively to this end. As for the process of preparation, it would be natural for the CG.18 to play a part in this, and he suggested that the Group should resume discussion of this question at its next meeting in order to develop its ideas on the nature, composition and agenda of a Ministerial meeting. In his view it would be important to bear in mind the contractual nature of the GATT and the strict limitation of GATT's competence to those international trade questions which could be embodied in legal undertakings by governments. It would be wrong to see the Ministerial meeting as competing or conflicting in any way with other international discussions covering a much wider range of issues. A Ministerial meeting in GATT would necessarily deal with trade matters, but with full awareness of the broader implications of these for the development of developing countries.
9. In the light of the broad agreement that it would be appropriate for the GATT CONTRACTING PARTIES to envisage convening a Ministerial meeting during 1982, the Group agreed to pursue its discussion at its next meeting, with a view to facilitating the task of the CONTRACTING PARTIES.

Item 2. Recent developments in agricultural trade and market situation of major agricultural commodities

10. Several members, while noting that agricultural trade was in principle governed by the normal rules of the GATT, said there were so many exceptions to the rules that agriculture in many countries was in effect largely sheltered from competition. Some members added that protectionism had continued unabated in this sector and that the results of the Tokyo Round had been disappointing. The meeting of ministers discussed earlier should be an opportunity to look at these problems. There was in particular a need to study the problem of subsidized exports and their destabilizing impact on world markets.

11. One member drew attention to the fact that the growth in agricultural trade during the last decades had been more apparent than real and suggested that the reason for this was the restraints imposed on agricultural trade. The time had come to reconsider national policies which had tended to lead to chronic surpluses and chronic high prices. His government had initiated the rationalization of his country's agricultural system and he hoped other contracting parties would do the same, in order to permit the market to operate on the basis of comparative advantage, and to put an end to a misallocation of resources which resulted in lower standards of food consumption world-wide. The aim should be not only to ensure appropriate enforcement of GATT rules, but to re-examine them as they apply to agriculture. Another member stressed that the restrictive practices of some countries weakened the resistance of other countries to internal pressures for protection in agriculture. Several members considered that the opening up of markets for agricultural products was necessary to promote the efforts of developing countries to develop their agricultural production.

12. One member said that the rôle of the GATT was important as a forum for permanent co-operation with a view to finding concrete solutions to agricultural trade problems. The group of countries he represented, which was the first importer and the second exporter of agricultural products in the world, had been involved on a continuous basis in agricultural negotiations of one form or another in the GATT. As a result, tariffs on 70 per cent of its agricultural trade had been bound, of which 20 per cent were bound at nil duty. It was important, however, to take into account the precise situation as regards rights and obligations in the GATT in the field of agriculture.
He recalled that export subsidies were allowed under certain conditions for agricultural products. Moreover, any contracting party had the right to protect its producers and consumers from world market fluctuations. He also drew attention to efforts made by his group of countries to facilitate developing countries' agricultural exports. While recognizing that problems still existed in the field of agricultural trade, he said that past experience had shown that it was always possible to find satisfactory adjustments within the GATT system. Other members were less satisfied with the way in which agricultural trade problems had been resolved in the past and they therefore underlined the need to have a close look at the place of agriculture in the GATT system as a whole.

13. In closing the discussion, the Chairman said that the Group would at a later stage carry out an in-depth examination of the various issues raised at this and the previous meeting. In the course of its continuing discussions of agricultural trade, the Group should gain a better perception of those aspects of the problem on which some practical conclusions could be reached. In the meantime the secretariat would update the factual documentation (CG.18/W/53) as appropriate.

Item 3. Implementation of the results of the MTN

14. Introducing this item, the Chairman said that its maintenance on the Group's agenda provided an opportunity to raise questions related to the MTN but not arising directly from their results, such as safeguards. He then gave a brief account of the acceptances of MTN instruments that had taken place since the circulation of document CG.18/W/54.

15. Members recognized the importance of increased participation in the results of the Tokyo Round for maintaining the universal character of the GATT system. Some members said, however, that the question of participation should be looked at in relation to the GATT as a whole and in particular to the benefits expected by developing countries. In this regard, they said that the degree of participation of developing countries may be linked to the adequacy of special and differential treatment for these countries, on which depended their ability to take on more obligations. One member said that it should be possible for developing countries to join the system in stages and for this purpose, more flexibility should be shown in the application of the rules than had so far been the case. Several members also pointed to doubts being created by different and sometimes unilateral interpretations given to the rules by major trading partners, and also to the difficulty of understanding all the implications of joining the MTN agreements due to the lack of transparency in the operation of these agreements. One member said that the
preparation of the Ministerial meeting referred to previously should provide an opportunity to examine the provisions of the MTN agreements from a policy point of view. For this reason it was useful to keep the item on the Group's agenda. In this regard, several members said that it was important to look at the implementation of MTN agreements from the standpoint of the results achieved by them in concrete trade terms.

16. One member drew attention to the difficulties related to the particular structure of their trade, which many African countries encountered in participating in the GATT system. He suggested that the GATT secretariat should accentuate its efforts in the field of technical assistance to assist these countries to take advantage of regional trade complementarities, as a means of facilitating their greater participation in the activities of the GATT.

17. Several members pointed to the unsatisfactory situation created by the existence of many unresolved issues after the Tokyo Round, in particular safeguards, quantitative restrictions and the problem of textiles. They said that these gave rise to a credibility gap which explained the hesitations of many countries in taking a more active part in GATT activities. One member said that the appropriate body to review the results of the MTN was the Council. He felt that there was still a predisposition in the Group to think only in terms of the interests of major trading partners, whereas major problems in the trade field were in fact created by such partners and not by developing countries.

18. Commenting on some of the points made in the discussion, the Chairman stated that in the secretariat's experience, the main obstacles to increased participation by developing countries in the MTN agreements were of an administrative and technical nature. This meant that the technical assistance activities of the secretariat might need to be reinforced and he invited delegations to take note of the budgetary implications of such increased efforts. It was clear, however, that the GATT could not substitute itself for other international organizations supporting the development efforts of developing countries and that it should limit its activities to its field of competence, that is, to the field of trade policy. There were a number of Committees in the GATT in which trade problems specific to particular groups of countries could be raised, but there were clearly certain areas in which the GATT did not have a special role to play, such as the conclusion of international commodity agreements. The technical assistance being given to developing countries should also aim to direct these countries' attention to the fields in which greater participation in GATT activities was likely to be of some practical benefit to them, so that unnecessary waste of effort was avoided. Regarding the effectiveness of MTN agreements, he said that the Group should reflect on ways
and means of evaluating their results in concrete economic and trade terms. In conclusion, he noted that there was broad agreement that the question of implementation of MTN results should be looked at as a whole. What was relevant was the effect of the Tokyo Round in modifying governments’ policies and behaviour in the field of trade.

Date of the next meeting

19. It was agreed that the next meeting should be held on 14-16 October 1981.