EXPANDED BALANCE-OF-PAYMENTS CONSULTATIONS UNDER ARTICLE XVIII

Note by the Chairman

1. After discussion at the twenty-fourth session, the CONTRACTING PARTIES agreed that "the consultations on the balance-of-payments and other trade and development problems of developing countries provided for in the General Agreement should give particular attention to the possibilities for alleviating and correcting these problems through measures contracting parties might take to facilitate an expansion of the export earnings of these countries". This conclusion was reached on an initiative of the Director-General designed to ensure that consultations held with developing countries might better serve to explore ways in which the policies of the country consulted and of other countries might contribute to the rapid and sustained growth of the export earnings of the consulting country and thus to the alleviation of its balance-of-payments problems.

2. The first Article XVIII consultation within the re-oriented framework took place in September this year with Ghana. With a view to assisting the Balance-of-Payments Committee, the secretariat prepared a paper (BOP/83/Rev.1 and Add.1) which supplemented the background material normally supplied by the International Monetary Fund for Article XVIII consultations with a detailed summary of the main features of Ghana's external trade, including notes on individual commodities, Ghana's export marketing and promotion arrangements and the possible contribution of other countries to the expansion of Ghana's export earnings. The paper thus helped to focus attention on specific measures that both Ghana and its trade partners might take to help achieve equilibrium through measures to improve productivity and ability to export as well as to reduce some of the pressures operating on Ghana's international payments.

3. The discussions of the Committee broadly followed the plan for Article XVIII consultations approved by the CONTRACTING PARTIES (Seventh Supplement, pages 97-98) but also provided for a full exchange of views on production, marketing and export prospects and possibilities in different sectors of Ghana's agriculture and industry with a view to finding ways of alleviating Ghana's balance-of-payments problems and reducing its reliance on certain types of restrictions. This included examination of both short- and long-term measures which might be taken by Ghana and her trade partners to augment available resources.

4. The broader framework in which the Article XVIII consultations with Ghana were held appears to have enabled the Committee to gain some useful insights on such matters as Ghana's problems in developing a diversified economy, improving agricultural productivity and in expanding exports through more efficient efforts both in production and marketing. It also enabled the Committee to take account of certain important factors affecting Ghana's balance-of-payments situation, such as
problems of productivity, access to markets, development of regional trade, as well as the scarcity of foreign exchange to meet existing debt burdens and essential import needs.

5. While this experience confirms the value of the initiative taken by the CONTRACTING PARTIES, it also suggests the desirability of adopting appropriate procedures for the preparation of the consultations, for the organization of the discussion and the subsequent handling of the report in order that both the consulting countries and other contracting parties may be able to benefit in full measure from the additional investment in time and effort involved. While the secretariat background paper proved valuable for the discussions in the Committee, it would be desirable in the future that similar papers be made available to contracting parties as well as to international organizations such as the IMF, the International Bank for Reconstruction and Development and others at least a month in advance of the consultations. It is also the view of many members of the Committee that, in addition to their normal representation at such meetings, to the extent possible, governments arrange for the presence at the consultations of appropriate country or commodity specialists who could be expected to analyze at expert level problems confronting the consulting country in such areas as tariff or import tax policies, policies for expansion or diversification of export production, organization of marketing arrangements, etc.

6. It is the Chairman's understanding that the expanded consultations are to continue to serve, and indeed better serve, the purpose of ensuring that the consulting country is moving towards overcoming its balance-of-payments difficulties in accordance with the provisions of Article XVIII. The reports on the consultations should, therefore, remain restricted documents in order to maintain the confidence of participating organizations and governments in the propriety of a frank and full exchange of views. The expanded purpose of the consultation with respect to needs of the consulting country and efforts to alleviate its problems through measures to expand external markets and export earnings makes it more necessary, however, that the Committee's conclusions and observations be widely available for the use of the consulting country in its discussions with trade partners and all those organizations or individuals who have responsibilities in the field of financial or technical assistance, promotion of productivity or effective organization of export promotion activities. To this end, it is suggested that the Committee's conclusions be summarized in a form suitable for derestriction and that the CONTRACTING PARTIES should be invited to take note of such conclusions and observations and that they, in turn, be asked to bring the report to the attention of governments and organizations concerned with the request that they inform the GATT secretariat of any action taken by them that might be relevant to the Committee's further discussion of these matters.

7. The more ambitious concept of the form and objectives of the expanded consultation imply certain auxiliary needs for modifications in existing procedures. With respect to the periodicity of consultations, greater flexibility will be needed than has been the recent practice. This would seem to
be permitted by the language of paragraph 12(b) of Article XVIII, which speaks of consultations "at intervals of approximately, but not less than, two years". It would not in all likelihood be possible to arrange a meaningful consultation with each of the GATT countries invoking Article XVIII:B (now sixteen) once every two years even if present GATT staffing arrangements permitted. In the present circumstances the maximum will be four to five per year. At a minimum it would appear desirable to have an explicit understanding that in case of substantial intensification of restrictions, a consultation would be held without delay on available information. In addition, it might be desirable to reach some understanding about a lengthening of the interval between consultations with a given country.

8. At the consultation itself, it may be desirable to modify the plan for the consultation so as to fit the expanded consideration of export prospects and possibilities better into a logical development of the country's overall position, adding a new heading to cover consideration of measures which other countries might take to ensure full realization of such possibilities. A draft outline of such a modified plan is appended. In order to ensure adequate discussion of all points, it should also be open to any member of the Committee to call on the secretariat for an explanation of its views on salient points covered by its study.

9. At the forthcoming meeting beginning 31 October the Chairman would welcome discussion of these and other points which members of the Committee may wish to raise concerning the expanded consultations as an aid to a better mutual understanding of how these expanded consultations can be made to yield the maximum in terms of constructive joint assistance to the developing countries. On the basis of these discussions the Committee might also wish to make appropriate recommendations to the CONTRACTING PARTIES.
Proposed Revised Plan for Article XVIII Consultations

1. Balance-of-payments position and prospects

Discussion conducted much as it has been in the past, to provide a survey of the situation from the external viewpoint, with brief discussion of various items in the account: trade, services, unilateral transfers, capital inflow.

2. Domestic policies for development, with special reference to trade expansion


3. External trade

General direction and composition of exports and imports.

Efforts to make most efficient use of foreign exchange resources.

Working of import restriction system (corresponding to Old III).

Import saving activities and prospects, including tariffs and taxes.

Problems of major export industries: price instability, consumption prospects.

Efforts at diversification: problems in establishing new export products (costs, access).

Government aids to trade: incentives to essential imports, organization of export promotion, use of technical assistance, efforts to promote regional trade, use of tariffs and taxes, equalization funds etc.

4. Contributions other countries could make to solution of problems

Reduction of trade barriers

Joining in regional arrangements

Amount and form of aid

Other

(variable according to country's particular needs: in the case of Ghana these would include need for a cocoa agreement, need for generous attitude of creditors in debt negotiations.)