

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/80

9 December 1970

Limited Distribution

Committee on Trade and Development

ADJUSTMENT ASSISTANCE MEASURES

Note on Proceedings Prepared by the Secretariat

1. The Group of Experts met on 30 November 1970 under the chairmanship of Mr. C. Canarp (Sweden). It had before it COM.TD/W/126 and Add.1 and 2 containing notifications submitted by governments and a secretariat background note circulated as COM.TD/W/130.
2. In reviewing the information provided by governments, the Group observed that there did not appear to have been many significant developments in the situation since the last meeting in May 1969. It was noted however that legislation was before the United States Congress which included certain major proposals for changes in the United States Adjustment Assistance programme.
3. Members of the Group from developing countries drew attention to the reference to adjustment assistance in the international strategy for the Second Development Decade recently adopted by the General Assembly of the United Nations. Developed countries had recognized the need to consider adopting and where possible evolving suitable programmes for assisting the adaptation and adjustment of industry and workers to facilitate increased exports from developing countries. They felt that this was a step forward by the international community which could contribute towards a solution of problems which hindered the liberalization of imports from developing countries. In this context, the work of the Group was particularly opportune and should be continued.
4. These members drew attention to a number of points to which the Group might give attention. There was in their view a need to obtain more detailed and concrete information than hitherto on the extent and type of authority available to each developed country to undertake adjustment assistance measures as well as quantitative estimates including an assessment of the financial outlays involved which would indicate the degree to which these measures were being used, especially in areas where barriers to imports from developing countries were not reduced or removed because of economic and social reasons. Governments of developed countries could also be asked to provide information on cases where adjustment assistance measures were applied to deal with increased imports including indications of the sources of these imports. In this connexion, the secretariat could be requested to suggest what type of further information could be made available by governments. The possibility of examining the nature of adjustment problems with regard to at least some of the products under examination in the Group on Residual Restrictions might also be looked into. Alternatively, a pilot study of a sample product could be undertaken to see whether a case-by-case approach would be feasible and useful.

5. These members also expressed the view that there was need to work out arrangements for concerted and co-operative use of anticipatory adjustments in individual sectors subject to high protective duties or quota restrictions. Adjustment assistance in such sectors should not be made to depend on evidence of difficulties resulting from increased imports. A further matter for consideration was the possibility of using adjustment assistance in situations where high tariffs were still maintained to protect particular industrial processes from competition from imports. They also stressed the rôle that adjustment assistance could play in avoiding excessive reliance on safeguard mechanisms during the operation of the generalized preferential scheme. Finally, another aspect for consideration was in their view the relationship between the problem of adjustment assistance and the growing co-operation, at industry level, between enterprises in developed countries and those in developing countries.

6. Members from developed countries agreed that the work of the Expert Group should be continued and that an exchange of information on activities in the field of adjustment assistance should be pursued in the Group. They also agreed that the secretariat should be requested to explore and make proposals on the kind of additional information which could be made available by governments on the operation of their adjustment assistance programmes. Some of these members expressed the view that in the process of exchanging information in the Group, developed countries with relatively small adjustment assistance programmes could be encouraged to broaden their scope. They felt that adjustment assistance was an important policy option for dealing with increased imports and that if countries were to adopt a more positive attitude towards the use of adjustment assistance measures they would contribute towards a better allocation of resources both at the world and national levels. Some members from developed countries gave their preliminary reactions to some of the points mentioned in paragraphs 4 and 5 above and stated their intention to revert to the other points on a subsequent occasion.

7. Some members from developed countries, commenting on the suggestion that information in quantitative terms should be given on the use of adjustment assistance, felt that in the majority of cases the adjustment assistance measures available in their countries were designed to achieve objectives which went beyond facilitating increased imports from developing countries. There would therefore be problems in relating information provided to situations of increased imports from developing countries. Some other members from developed countries who were in favour of obtaining more information along the lines suggested in paragraph 4 above felt however that the difficulties in providing the information in question may not be insurmountable.

8. Members from developed countries stated that while adjustment assistance had a useful rôle to play in facilitating solutions to difficulties in particular fields, the problems involved had to be considered on a case-by-case basis, since governments had to take into account varying situations in dealing with each particular problem, involving in some instances factors which had to be viewed in an international context and where governments could not act alone. As regards the proposal for a case study, the representatives of developed countries said that it was arguable whether a high direct correlation could be assumed between

growth in imports from developing countries and adjustment measures rather than a number of other relevant factors, such as market techniques. They further pointed out that as problems varied according to the sector or product involved, the lessons which would be gained from singling out a particular product for intensive study would not be suitable for general application. In addition, the Group would be faced with the invidious task of having to select individual products for such treatment. Such studies would of necessity have to be very detailed and it was questionable whether the limited results which are likely to be achieved would justify the resources which the secretariat and national governments would have to invest in such studies. One such representative said that he could not accept the points made by the representative of one developing country in relation to the Development Decade strategy.

9. Members from developed countries felt that a detailed discussion of the background to restrictions maintained on products being examined in the Group on Residual Restrictions should properly be carried out by that Group. Adjustment assistance in their view was only one of several tools which could be utilized in facilitating increased imports from developing countries and while the Group on Residual Restrictions could discuss all aspects having a bearing on the removal of restrictions, the rôle of the Expert Group was limited to adjustment assistance measures.

10. As regards the relationship of adjustment assistance to the implementation of the generalized preferential scheme, some members from developed countries felt that this question should only be considered when the system had been implemented and the operation of the various safeguard mechanisms had been observed in practice.

11. On the question of anticipatory adjustment assistance, members from some developed countries recalled that in previous discussions they had indicated that in their national economies reliance was placed on market forces to bring about structural adjustment and that the primary responsibility for effecting such adjustments lay with firms and enterprises. The main task of the government was to inform enterprises of developments in international trade and to lay down guidelines and targets. The political decision to grant generalized preferences could, for example, be considered as a guideline for industries to prepare themselves to adjust to a new situation.

12. The Chairman, in summing up the discussion, felt that the exchange of views on the suggestions for the future work of the Group had been useful. He observed that there was general agreement that the Group should continue to gather information along the same lines as in the past on the existence and use of adjustment assistance measures in developed countries and report as provided for in its terms of reference. In connexion with the suggestions that more detailed and concrete information than that provided hitherto should be obtained, it was agreed that the secretariat be requested to prepare, in consultation with the Chairman and interested delegations, proposals on the type of additional information which could usefully be made available by governments on the operation of their adjustment assistance programmes, and to submit these proposals for consideration at the next meeting of the Group.