

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W.6
3 March 1965

Limited Distribution

Committee on Trade and Development

MEASURES FOR ASSISTING ADJUSTMENTS IN
THE STRUCTURE AND PATTERN OF
PRODUCTION AND TRADE

Note by the Secretariat

At its meeting on 9 and 10 February 1965, the Committee on Trade and Development agreed that it would take up the examination of measures applied by industrialized countries for assisting adjustments in the structure and patterns of production and trade, to permit larger international trade in products of interest to less-developed countries and larger opportunities for imports. The Committee also agreed that, at its next meeting, it would discuss the arrangements to be made for the study of this matter on the basis of information and documentation supplied by governments and to be circulated by the secretariat.

Such information had been requested from governments of industrialized countries in December 1964, on the basis of recommendations made in this regard in Committee III and in Sub-Committee 2 of the Action Committee. The invitation to supply such information was renewed in GATT/AIR/449, dated 16 February 1965.

In response to these invitations, replies have been received from Belgium¹, the Netherlands, New Zealand, Switzerland, the United Kingdom and the United States. Relevant excerpts from these communications are set out below:

COMMUNICATION FROM THE NETHERLANDS

.....There exists no specific legislation in the Netherlands to give assistance in cases where structural adjustment is required. The structural adjustment that has taken place in the postwar period - which for the most part has consisted in the shift from agricultural to industrial occupation - has been spontaneous. Better overall working conditions in industry have generally been the reason why workers in agriculture have changed over to industrial jobs and why young people have taken up such jobs rather than farm jobs. This has forced agriculture to intensify mechanisation, which in its turn has reinforced the tendency outlined above.

¹Belgium has indicated that the information is being collected and will be supplied shortly.

The Government has encouraged this trend, by providing technical schools with courses according to the needs of the industries established in the neighbourhood. In cases where skills of too specific a nature are required, the Government gives subsidies to factory schools training for these skills.

For the sake of completeness - although one cannot speak of adjustment measures proper - mention may be made of the Government policy to stimulate industrialization in general, because the measures involved have certainly facilitated adjustment where necessary.

In order to encourage the establishment of industries in the country, sensibly spread over the whole of the territory, the Netherlands Government has designated certain areas as "stimulation areas". In each such area some municipalities are chosen as the most suitable to play the rôle of "development nuclei". In the development nuclei well located sites are made ready for the establishment of new factories, whereas for each stimulation area a programme to improve the infrastructure has been drawn up. This includes the construction or improvement of State, provincial and municipal roads and waterways. The national housing programme provides for the building in the stimulation areas of an extra number of houses, reserved for the workers in new industries.

On behalf of the development nuclei funds are made available to finance investment projects in the social and cultural spheres (village centres, theatre facilities, sports fields etc.).

Finally it should be pointed out that the absence of serious unemployment of any magnitude in the Netherlands since 1945 has contributed to the fact that the Netherlands Government has not been faced with serious adjustment problems. Consequently there has so far been no need to provide for specific legislation in this field.

COMMUNICATION FROM NEW ZEALAND

By letter dated 10 February 1964, the New Zealand delegation informed the secretariat that there are no measures in existence in New Zealand which could be regarded as adjustment assistance.

COMMUNICATION FROM SWITZERLAND

.....I consider that the recommendation by Committee III on this subject is not applicable to Switzerland. As you know, Swiss industry is highly specialized in the manufacture of quality products. This state of affairs

is imposed on us by natural conditions. Having no raw materials, Switzerland has had to devote itself to the processing and finishing of imported commodities. This also explains why, generally speaking, our industry is not in need of excessive tariff protection. As a result of the liberal trade policy which our Government has pursued for a long time past, the Swiss market is open to free competition in the field of industrial products. Access to this market is already largely assured for products imported from developing countries. My Government has, therefore, had no reason to take the measures indicated in paragraph 42 of the report of Committee III (L/2080).....

COMMUNICATION FROM THE UNITED KINGDOM

.....There is no legislation in the United Kingdom related specifically to the structural adjustment of British industry to take account of changing conditions in world trade.

Certain general measures covering e.g. regional development of industry, income tax allowances to encourage investment in new plant and machinery, and training programmes to review the skilled man-power needs of industry, have been introduced but these are not directly related to the adjustment assistance.

The only example of structural adjustment in a British industry falling within this survey is therefore the adjustment within the cotton textile industry under the Cotton Industry Act of 1959. This was an ad hoc scheme designed to assist the cotton textile industry to adjust to the changing world conditions and has been described in detail to the Cotton Textiles Committee. (In document COT/W/37, reproduced below).

The British Cotton Textile Industry

The broad history of contraction and re-organization of the British cotton industry over the past decade is well-known: it is illustrated in the attached chart.¹ This was a continuation of a process of contraction but has continued over a long period of time.

Since the Long-Term Arrangement was negotiated the processes of contraction and re-organization have continued and this note briefly indicates the nature of the changes which have been occurring.

¹A diagrammatic presentation of developments in production, imports, exports etc. appended to the document COT/W/37 is not reproduced here.

The Cotton Industry Act, 1959 provided Government financial assistance for scrapping of excess capacity and for re-equipment. The Government contributed two thirds of the compensation for scrapping excess capacity in the spinning, doubling and weaving sections of the industry and about a quarter in the finishing sector. The remainder was borrowed from the banks who are being repaid out of the proceeds of a levy on firms remaining in the industry. The total amount of compensation paid was £21.2 million of which £11.5 million has been paid by the Government and £9.7 million by the industry.

The Government also agreed to pay one quarter of the cost of approved re-equipment schemes, the remainder being paid by the firms concerned. Although purchase and installation of machinery had to be completed by 8 July 1964, not all claims for grant have yet been received. We believe that the total cost to the Government for re-equipment will be about £12 million.

In addition, there was a levy on firms remaining in the industry in respect of compensation payable to employees who became redundant as a result of scrapping and re-equipment under the Act. The cost so far is £4.5 million but it may be higher in the end.

Although the main schemes under the 1959 Act are now complete, firms in the industry have been continuing the re-organizing and rationalizing production and marketing. Productivity has been increasing and multiple shift-working has become more common. The contraction in production capacity has continued as the following figures indicate:

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Spindles in place (million ring equivalent)	8.7	8.0	6.7	5.9 ¹
Looms in place in Lancashire (thousands)	150	140	126	119 ¹
Production units closed (number)	72	61	73	38 ²
Persons at work (thousands)	194	178	165	162 ³

¹ Second quarter.

² From beginning of year until end September.

³ Mid-year.

These trends are likely to continue but prediction is very difficult partly because allowance has to be made for increases in productivity and because assumptions which may be fragile have to be made about trends in consumption in cotton textiles. Over the past year or two major producers of synthetic fibres have acquired substantial interests in the British cotton textile system and this is designed to bring about further modernization of both production and distribution.

COMMUNICATION FROM THE UNITED STATES¹

A. General Background. The Trade Expansion Act of 1962 authorizes the President to provide adjustment assistance to an industry, firm or group of workers upon a finding by the Tariff Commission that, as a result in major part of concessions granted under trade agreements, an article is being imported into the United States in such increased quantities as to be the major factor in causing or threatening serious injury to the industry, firm or workers producing a like or directly competitive product. Adjustment assistance may be provided to eligible firms and groups of workers of firms in an industry or limited to a particular firm or group of workers of a firm. Such assistance to eligible firms may be in the form of (a) technical assistance, including engineering, marketing and management advice; (b) financial assistance in the form of loans, guarantees of loans, or agreements for deferred participation in loans for land, plant, equipment and working capital; and (c) tax assistance in the form of special carryback of operating losses.

Adjustment assistance to groups of workers may be provided in the form of:

- (a) trade readjustment allowances in the form of cash payments during a period of adversely affected employment;
- (b) retraining of workers for other types of employment; and
- (c) relocation allowances to assist families in moving to an area where employment is available.

Adjustment assistance is intended to provide a means to enable domestic industries, firms and workers to adjust to import competition either by becoming more competitive in the same line of production or by moving into other fields of activity.

¹ Single copies of the documents referred to in the submission of the United States are available at the secretariat for consultation.

B. Procedures. A firm or group of workers seeking adjustment assistance must initially petition the United States Tariff Commission. The Commission must promptly make an investigation to determine whether the firm or group of workers is being seriously injured or threatened with serious injury within the meaning of the Trade Expansion Act. The Commission's investigation is limited to the situation of the firm or group of workers and does not encompass the entire industry. The Commission is required to hold public hearings in the course of its investigation if requested by the petitioner or any other interested party. It must take into account all relevant economic factors and report its findings to the President not later than sixty days after the date on which the petition is filed. Before the Commission can make an affirmative finding, it must determine (1) that the imports in question are entering the United States in increased quantities; (2) that the increased imports are due in major part to trade agreement concessions; and (3) that such increased imports are the major factor in causing or threatening to cause serious injury to a petitioning firm or unemployment or underemployment of a significant number of workers of a firm or subdivision of the firm in question. After receiving an affirmative report from the Tariff Commission with respect to a firm or group of workers, the President may certify that such firm or group of workers is eligible to apply for adjustment assistance. (This authority to certify eligibility to apply for adjustment assistance has been delegated by the President to the Secretary of Commerce in the case of a firm and to the Secretary of Labor in the case of a group of workers.)

An industry seeking relief must also initially petition the Tariff Commission. If upon concluding an industry investigation, the Tariff Commission makes an affirmative determination that increased imports are the major factor causing serious injury to an industry and that such increased imports are due in major part to trade agreements concessions, one of the remedies which the President may provide is adjustment assistance. Specifically he may provide with respect to such industry, that its firms may request the Secretary of Commerce for certifications of eligibility to apply for adjustment assistance and that its workers may request the Secretary of Labor for certifications of eligibility to apply for adjustment assistance.

I. Assistance to firms. Eligible firms may file an application for adjustment assistance with the Secretary of Commerce at any time within two years after the date of certification. Concurrently or within a reasonable time after filing a firm must present a proposal for its economic adjustment. Adjustment assistance is provided to the firm only after the Secretary of Commerce has determined the proposal (a) is reasonably calculated materially to contribute to the economic adjustment of the firm, (b) gives adequate consideration to the interests of the workers of the firm and (c) demonstrates that the firm will make all reasonable efforts to use its own resources for economic development. Technical assistance may also be furnished to a firm in the preparation of an adjustment proposal.

The Secretary of Commerce refers certified adjustment proposals for firms to such Federal agencies as he determines appropriate to furnish the technical, tax and financial assistance necessary to carry out the proposal. These agencies include the Departments of Commerce, Agriculture and Interior and the Internal Revenue Service in the case of tax assistance.

II. Assistance to workers. Workers may apply for adjustment assistance with State employment security agencies at any time within two years after a certification of eligibility of a group of workers has been made by the Secretary of Labour. The State employment security agency determines the eligibility of each individual under the standards of the Trade Expansion Act governing adjustment assistance to workers. Adjustment assistance is provided only after the State employment agency has determined the following conditions exist, among others (1) the individual's unemployment or partial unemployment began after the Trade Expansion Act became law, and after the date established in the certification by the Secretary of Labour as the beginning of the import - caused unemployment affecting his group; (2) the individual's unemployment began within a two-year period following the date on which the Secretary of Labour issued the most recent certification for his group; (3) the individual was employed by an import-affected firm or firms for at least twenty-six of the fifty-two weeks immediately before lay-off, and (4) the individual was employed a total of at least seventy-eight weeks in the three-year period immediately before lay-off.

State employment security agencies may provide qualified workers with (1) a cash allowance equal to 65 per cent of the worker's average weekly wage within a certain specified income limitation (\$65 in 1964) for a period normally limited to fifty-two weeks, (2) testing, counselling, training and job placement services, and (3) cash relocation allowances. Qualified workers may be determined to be eligible to receive one or all three forms of assistance.

C. Experience under adjustment assistance provisions. The Tariff Commission has completed nine investigations under the adjustment assistance provisions of the Trade Expansion Act. No affirmative findings of serious injury attributable to increased imports caused in major part by trade agreement concessions resulted from any of these investigations. Consequently no affirmative determinations of eligibility to apply for adjustment assistance have been made.

Four of the nine investigations were instituted at the request of firms seeking eligibility to apply for adjustment assistance. These investigations involved the following products: household chinaware, sodium gluconate, crude petroleum, and ceramic mosaic floor and wall tiles and glazed ceramic (other than mosaic) floor and wall tiles.

The remaining investigations were instituted at the request of five groups of workers seeking adjustment assistance. These investigations involved the following products: unmanufactured zinc, transistor radios, iron ore, cotton sheeting, and ceramic mosaic tile.

D. Legislation and rules. The general policy and procedure governing the provision of adjustment assistance to industries, firms and workers are laid down in Title III of the Trade Expansion Act. The rules and regulations which have been established to carry out the functions and responsibilities of the United States Tariff Commission, the Secretary of Commerce and the Secretary of Labour with regard to the provision of trade adjustment assistance are contained in the Code of Federal Regulations. In particular, the rules and regulations of the Tariff Commission are set out in Part 206 of Title 19, those of the Department of Commerce in Part 310 of Title 48, and those of the Department of Labour in Parts 410 and 411 of Title 48 of the Code.

Part 206 of Title 19 has been reproduced in the Tariff Commission publication Rules of Practice and Procedure, Part 310 of Title 48 in the Department of Commerce publication Rules and Regulations for Adjustment Assistance to Firms, and Parts 410 and 411 of that Title in the Title 48 of the Code of Federal Regulations as of 1 January 1964.

