

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Expert Group on Adjustment Assistance Measures

ADJUSTMENT ASSISTANCE MEASURES

Note by the Secretariat

1. At its seventeenth session in December 1970, the Committee on Trade and Development considered the secretariat note on the meeting of the Expert Group on Adjustment Assistance Measures which was held on 30 November 1970. The Committee recommended¹ that contracting parties should continue to give attention to the use of appropriate measures of adjustment assistance as one important means of adaptation to increased imports from developing countries. Governments should be requested to keep under review the possibilities of using either adjustment assistance measures or adjustment assistance programmes to this end and account should continue to be taken of these possibilities in the work of the Group on Residual Restrictions. The secretariat should also be asked to put up proposals on what additional information concerning the present use of adjustment assistance measures would be helpful in exploring the possibilities of broader use of these measures. The present note is intended to serve as a basis for discussion of this last point in the Expert Group.

2. The Expert Group's terms of reference, as adopted by the Committee on Trade and Development in March 1965, are:

to study the material set out in document COM.TD/W/6² and addenda, and, as appropriate, to gather additional material; and to report on the measures being applied or proposed to be applied, by industrialized countries for assisting adjustments in the changing structure and pattern of production, so as to permit an expansion of international trade in products of interest to less-developed countries and provide larger opportunities for imports from these countries.

3. Following discussion of the subject in the Committee on Trade and Development³ when certain suggestions were put forward, information on adjustment assistance measures has been requested from governments under the following headings:

(a) what measures of adjustment assistance were available under either general or specific legislation;

¹L/3487, paragraph 27

²Secretariat note of 3 March 1965 containing information on adjustment assistance measures supplied by governments.

³L/2614, 5 April 1966. See BISD Fourteenth Supplement.

(b) which of these measures could be used specifically for the purpose of providing larger opportunities for imports from developing countries;

(c) instances in which measures under (b) had been employed and the progress made in achieving the objective outlined in that sub-paragraph;

(d) indications as to programmes in hand, whether in the enactment of new legislation, or in the employment of measures already available in the field of adjustment assistance, to promote imports from developing countries.

4. During recent discussions in the Expert Group, proposals for further work related generally to the need for more specific information on the extent and type of authority available to each developed country to undertake adjustment assistance measures. Particular stress was laid on the need to have information on the degree to which available measures were being used, assessment of the financial outlays involved and the possible trade effects. To enable the Group to report more fully, the collection of information might include additional points incorporated under headings dealing with (i) measures available, (ii) measures applied, and (iii) the effects of such measures including the extent to which they have facilitated an expansion of trade in products of interest to developing countries and provided larger opportunities for imports from these countries.

.. Measures available

(i) Information on specific or general legislation concerned with adjustment assistance.

(ii) Main provisions of legislation and criteria for qualifying for adjustment assistance.

(iii) How are measures aimed at granting adjustment assistance initiated? Is there machinery available, either formal or informal, to anticipate the need for adjustment assistance or to make information available to industry which would enable it to consider the need for action?

(iv) To what extent is action initiated at the national level supported at the regional or municipal level?

(v) What agency or other authority decides on the need for adjustment assistance and what are the arrangements for administering the implementation of adjustment assistance programmes?

(vi) What methods of adjustment assistance are available?

(a) In what form is financial assistance provided (e.g. by way of grants, advances, guarantees, reduced interest rates, tax concessions, accelerated depreciation allowances)?

(b) Other forms, including labour policy involving e.g. social assistance, redeployment, retraining of labour.

- (vii) What are the sources of funds for adjustment assistance?
- (viii) Is consideration being given to the strengthening of available measures for adjustment assistance or the introduction of new measures having regard to such factors as continuing changes in the pattern of world trade including those which might result from actions to facilitate trading opportunities for developing countries?
- (ix) Where government or industry has tried to take systematic measures for facilitating adjustment and action has failed to materialize, what reasons have been attributed to the lack of action and what steps are being taken to make these measures effective in the future?

B. Measures applied

- (i) Where measures of adjustment assistance have been applied, is it possible to distinguish between their use for dealing with changes in import patterns resulting from trade negotiations etc. from the use made of them for assistance to industry to adjust to changes resulting from technological developments and other economic factors bearing on the industry's competitive position?
- (ii) The extent to which adjustment assistance measures have been taken or are being applied in specific geographical regions to encourage diversification away from the production of goods subject to import competition.
- (iii) Identify sectors of industry in respect of which adjustment assistance measures have been applied. To what extent are these sectors of interest to developing countries?
- (iv) To what extent, if any, is adjustment assistance used
 - (a) to facilitate trade liberalization in respect of items under restriction?
 - (b) to provide for larger market opportunities for products exported by developing countries?
- (v) Level of funds spent, showing separately amounts used for
 - (a) retraining of labour
 - (b) modernization of industries.

C. Effects of measures applied

- (i) Are there any instances where prior use of adjustment assistance has been followed by measures to reduce or eliminate import restrictions?
- (ii) Is any indication available of the impact of the adjustment assistance extended on the level and composition of imports from developing countries?

5. As discussed at the last meeting, the Group might wish to consider the above suggestions which involve the collection of information within a revised framework to provide for a more comprehensive and systematic presentation of material available on adjustment assistance.