

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Expert Group on  
Adjustment Assistance Measures

BACKGROUND NOTE BY THE SECRETARIAT FOR MEETING  
OF THE GROUP ON 30 MAY 1972

1. Since the Group was established in 1965, it has examined information on adjustment measures supplied by governments as required by its terms of reference. It has also reported to the Committee on Trade and Development on measures being applied or 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 opportunities for increased imports from these countries.
2. During the examination by the Expert Group, in May 1969, of the information supplied by governments, some members drew attention to the provisions of Articles XXXVI:9 and XXXVII:3(b). Under the latter, developed countries had undertaken to give active consideration to the adoption of measures, which might include measures to promote domestic structural changes designed to provide opportunities for increased imports from developing countries. In the view of members from developing countries, having regard to the principles and objectives of Part IV, it was thus incumbent on developed countries to make conscious or purposeful attempts to deal with their particular problems through internal adjustment.
3. With regard to the work of the Expert Group, the Committee on Trade and Development noted in its report to the twenty-sixth session of the CONTRACTING PARTIES that there was a trend towards the increasing use of adjustment assistance measures, sometimes specifically to deal with the problems of trade liberalization in particular sectors and more broadly as a means for adapting industrial structures to technological developments in a more efficient pattern of international specialization. It should be noted, however, that the Group is not concerned with government aids to production and investment not directly related to these objectives. Some members have drawn attention to the possibility of financial and fiscal assistance being used as a means of providing disguised subsidization to production.
4. At its meeting in November 1970 the Expert Group considered that additional information should be made available by governments on the operation of their adjustment assistance programmes. A questionnaire was drawn up for this purpose at the Group's meeting in May 1971. Details provided in response to the questionnaire

are contained in document COM.TD/W/152 and addenda 1 and 2. The main points have been summarized in COM.TD/W/162.<sup>1</sup>

Replies to the questionnaire

5. In examining the information provided by governments, members might wish to have regard to certain points which were emphasized by members from developing countries at earlier meetings of the Expert Group. These included the following:

- (a) There was 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. (This subject is covered in section A, paragraphs (i)-(v) of the questionnaire.)
- (b) There was a need for quantitative estimates including an estimate of the financial outlays involved which would indicate the degree to which 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. (Section A, paragraphs (vi) and (vii) and section B, paragraph (v) of the questionnaire concern the sources and forms of financial assistance as well as the level of financial outlays.)
- (c) Information might be provided in cases where adjustment assistance measures were applied to deal with increased imports including indications of the sources of these imports. (Sections B (measures applied) and C (effects of measures applied) of the questionnaire request information on the implications and effects of adjustment assistance on trade liberalization.)
- (d) There was a 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. (Governments were asked in section C, paragraph (i), to indicate any instances where prior use of adjustment assistance had been followed by measures to reduce or eliminate import restrictions.)

6. It will be noted from the replies received to the questionnaire and summarized in document COM.TD/W/162, that responding governments have provided fairly detailed information on certain aspects, for example on the legal authority and in certain cases on financial outlays, and only relatively limited information on certain other points such as the effects of adjustment assistance on the level and composition of imports from developing countries and the prior use of adjustment assistance. The Group might wish to give some consideration to possibilities for filling in such gaps in the information provided.

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<sup>1</sup>The following countries have so far replied to the questionnaire: Austria, Canada, Denmark, Finland, Italy, Japan, Luxembourg, New Zealand, Norway, Sweden, United Kingdom and United States. Information on certain other countries is contained in earlier documentation: Belgium (COM.TD/W/92/Add.9), Czechoslovakia (COM.TD/H/3), F.R. Germany (COM.TD/H/3), France (COM.TD/W/92/Add.4), and Netherlands (COM.TD/H/3).

Future activities of the Expert Group

7. While various views have been expressed on the rôle of adjustment assistance measures in the context of national policies and certain suggestions have been made in relation to further work of the Expert Group, little progress has been made beyond the collection and examination of information. Although some members have taken the view that this process of exchanging information could, in itself, encourage developed countries with relatively small adjustment programmes to broaden their scope, consideration could now be given to what further work the Group might be in a position to undertake to promote the use of adjustment measures for the purpose spelled out in its terms of reference.

8. For the purpose of facilitating consideration of future work, the following paragraphs summarize a number of suggestions and ideas put forward at previous meetings of the Group. The main points of view on those suggestions which have been discussed are recorded in the secretariat notes on proceedings, in particular document COM.TD/80 concerning the meeting of the Expert Group held in November 1970. In considering these suggestions and any other points which may be put forward the Group will, no doubt, wish to keep in mind its interest in adjustment assistance as a tool for speeding up trade liberalization in particular sectors of industry. In this connexion, reference may also be made to the discussion in the Group on Residual Restrictions in October 1970. This Group gave particular attention to the possibility of governments continuing to have recourse to the use of measures of adjustment assistance to deal with the social and economic problems that might underlie the maintenance of particular restrictions. The view was expressed that progress in the dismantling of restrictions might be expedited by more vigorous use of these measures.

- (a) The Group might explore the possible use of adjustment assistance in situations where high tariffs are maintained to protect particular industrial processes or particular lines of production from competition from imports, including the difficulties which could be alleviated through the use of such measures.
- (b) The Group might examine the nature of adjustment assistance problems with regard to at least some of the products under consideration in the Group on Residual Restrictions, including the availability of adjustment assistance and efforts to implement or supplement such measures.
- (c) A pilot study of a single product might be undertaken to see whether a case-by-case approach would be useful and feasible.
- (d) The Group might explore the rôle adjustment assistance could play in avoiding excessive reliance on escape clause action and other safeguard mechanisms during the operation of the Generalized System of Preferences.
- (e) The Group might explore appropriate measures for the adoption of adjustment assistance as an alternative to action which might be taken in certain circumstances to reduce or restrict the existing degree of liberalization for any product from a developing country.

- (f) The Group might examine the availability or effectiveness of adjustment assistance measures in relation to particular products or particular industrial sectors.
- (g) The Group might examine whether there would be advantages in governments considering arrangements for anticipatory adjustments before difficulties in individual sectors actually appear.
- (h) The Group might discuss the possibilities of concerted and co-operative anticipatory adjustments in certain industrial sectors, since adjustment measures might be facilitated in this way. Consideration might be given to a process for the exchange of information and co-operation between the countries concerned where it is believed that concerted action is required. The Group might wish to discuss whether such a process might help enterprises and labour to adjust to higher import levels in various sectors and consider any suggestions concerning the organization of an exchange of such information.
- (i) There are instances of growing co-operation at industry to industry level whereby production in developing countries is being geared to meet the requirements of developed countries through various forms of sub-contracting and other arrangements. The extent to which this can be facilitated by appropriate policy measures on the part of governments is likely to command increasing consideration. The Group might wish to examine whether, in the light of its terms of reference, this is a matter which could receive attention at the present time.

9. It has been suggested on a number of occasions in the Expert Group and elsewhere that one reason for the maintenance of high tariffs and import restrictions by some developed countries against certain items has been to protect domestic industry from the disruptive effects of imports, including imports from developing countries. Consideration might be given to how adjustment assistance could receive attention in the context of the trade negotiations envisaged for 1973.