

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/H/2
8 July 1965

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Group of Experts on Adjustment Assistance Measures

SECRETARIAT NOTE ON THE MEETING OF THE GROUP
OF EXPERTS ON ADJUSTMENT ASSISTANCE MEASURES

ON 29-30 JUNE 1965

1. At its meeting in March 1965, the Committee on Trade and Development established an Expert Group on Adjustment Assistance Measures with the following terms of reference¹:

- to study the material set out in document COM.TD/W/6 and Addenda, and, as appropriate, to gather additional material;
- 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 to provide larger opportunities for imports from these countries.

2. The Group met on 29 and 30 June under the Chairmanship of Mr. R. Allott (United Kingdom). Experts were present from:

Belgium	Sweden
Federal Republic of Germany	United Kingdom
India	United States
Italy	Yugoslavia
Pakistan	

Observers were present from Israel, Japan, the Commission of the European Economic Community, the International Labour Office and the OECD.

3. At its meeting the Group had before it, information supplied by the following countries:

Belgium (COM.TD/W/6/Add.4)	Sweden (COM.TD/W/6/Add.3)
Canada (COM.TD/W/6/Add.2)	Switzerland (COM.TD/W/6)
Fed. Rep. of Germany (COM.TD/W/6/Add.1)	United Kingdom (COM.TD/W/6)
Netherlands (COM.TD/W/6)	United States (COM.TD/W/6)
New Zealand (COM.TD/W/6)	

¹L/2410 page 4.

During the meeting the Chairman read a communication from the Government of Austria on adjustment assistance measures maintained by that country.¹ The expert from the United States provided information concerning adjustment assistance measures of a more general character maintained by the United States²; and the attention of the Group was drawn to a report by the OECD concerning the implementation of adjustment assistance by the United Kingdom in the field of cotton textiles.²

4. The Group also had before it a note prepared by the secretariat, on the basis of information available to it, on adjustment assistance provisions in certain countries and their possible relevance to the work of the Group. (COM.TD/H/W/1.)

5. The Group noted the information supplied by countries in response to the questionnaire circulated by the secretariat was far from complete, and agreed that, for this reason, discussions at the Group's first meeting could only be regarded as of a preliminary nature.

6. During the course of the meeting, experts, representing developed countries, provided supplementary information which is set out in the Annex to this note, on adjustment assistance measures applied in their countries.

7. Employing the secretariat note COM.TD/H/W/1 as a basis for its discussion, the Group proceeded to a general examination of the types of adjustment assistance legislation in force and the measures applicable under the legislation. Whilst recognizing the inadequacy of the information presently available on adjustment assistance legislation in force, and of measures applicable under this legislation, the Group considered in general terms the applicability of different types of adjustment assistance legislation in the context of its terms of reference.

8. A number of experts were of the view that usually, general legislation providing for the application of adjustment assistance measures in cases of economic dislocation would be adequate in cases where this dislocation was caused specifically by increased imports. In this connexion, attention was drawn to the ILO Recommendation and Convention 122 on "Employment Policy" and the relevant conclusions of the OECD, in both of which was embodied the concept of non-differentiation as to the cause of dislocation in providing adjustment assistance. The expert from Sweden suggested that the Group should endorse the findings of the ILO and the OECD in this regard. The observer of the ILO, speaking at the request of the Chairman, said that it was the view of her organization that to apply different adjustment assistance measures according to the cause of dislocation could lead to injustice for the worker.

¹COM.TD/W/6/Add.6.

²COM.TD/W/6/Add.5.

9. Experts from developed countries indicated that, whilst legislation on adjustment assistance specifically related to trade might be appropriate in the case of a country such as the United States, where the relative importance of trade was small, it was by no means clear that such trade oriented legislation would be appropriate or politically feasible in countries in which trade played a relatively larger rôle.

10. The expert from the Federal Republic of Germany pointed out that, although his country had only general adjustment assistance legislation, a large proportion of the funds allocated by the Federal authorities (42 out of DM74 million) have in fact been devoted to the textile industry which was of course sensitive to imports from developing countries.

11. Experts from developing countries stressed the importance of the particular problem posed by increasing imports from developing countries and suggested that special legislation, or special measures under existing legislation, specifically aimed at bringing about structural adjustment to overcome this problem, was desirable. They pointed out that the existence of the general adjustment assistance measures now in force had not prevented developed countries from raising new barriers to the imports of developing countries, some of them inconsistent with the provisions of the GATT. Even countries which enjoyed full employment had in the past resorted to restrictions.

12. The Group also noted the possibility of having legislation to cover adjustment assistance in a specific industry as did... the United Kingdom in the case of cotton textiles. It was observed, however, that, as far as cotton textiles were concerned, the question of adjustment assistance was being studied in another body of the GATT.

13. Experts from developing countries also underlined the urgency they attached to employing adjustment assistance measures not only to the rectifying of dislocation caused by actual imports, but also as a means of facilitating the transfer of productive factors out of items which less-developed countries would, in future, be in a position to supply.

14. It was pointed out, however, that there would be difficulties, both political and practical for governments in market economies, in bringing about structural adjustments in anticipation of future imports. On the practical side, it would not be sufficient for developed countries in considering the stimulation of anticipatory adjustments, to know that developing countries were planning to export an item, they would also need to be apprised of the extent of the competitiveness of these exports.

15. The expert from Sweden observed that in his country manpower legislation had been used to bring about transfer of labour in anticipation of future changes in the economic structure of the country. The expert from the United Kingdom cited his country's cotton textile legislation as an instance of anticipating the effects of imports from developing countries; and the expert from the United States remarked that funds available for the "Manpower Training Act" were not available for the training of labour for sensitive industries such as textiles. The United States representative also suggested that adjustment assistance measures provided for in the Trade Expansion Act were "anticipatory" in the sense that they were the political preconditions for the removal of barriers in a manner which would enable imports, and their impact on the market, to bring about adjustments in the United States economy.

16. The expert from Israel suggested that it would be germane to the Group's terms of reference to consider the employment of adjustment assistance to enable developed countries to transfer factors of production out of those industries presently exporting to developing countries items which the latter could themselves produce and, perhaps, as a further step, providing inducements to such industries to establish themselves in the developing countries.

17. It was emphasized by experts from developing countries that adjustment assistance measures should not be employed as a means of artificially stimulating productivity in the developed countries at the expense of imports from developing countries.

18. There was general recognition in the Group of the relevance, to the problem before it, of better information. In this connexion, the importance was stressed of obtaining information from developing countries as regards likely developments in their exports so that developed countries could, within the framework of the adjustment assistance measures at their disposal, act in anticipation of future imports. The Israeli expert suggested that a clearing house should be established by means of which developed countries could consult with developing countries on the latter's future export requirements, so as to take appropriate anticipatory action. He considered that it would also be desirable for the developed countries to consult with a view to taking joint action in connexion with their adjustment assistance activities. It was suggested in this connexion that a list could be drawn up indicating those items in which developing countries had a potential export interest. At the request of the Chairman, the representative of the Director-General described briefly the work undertaken, or in progress, in the GATT in the formulation of such lists. Committee III had drawn up three lists of products; and at present a Working Group, established by the Committee on Trade and Development, was examining additional products in which less-developed countries had indicated an interest in the context of Part IV of the General Agreement. Moreover, developing countries had indicated items of actual or potential interest within the context of the Kennedy Round. The Group agreed that the means of facilitating the flow of relevant information should be taken up again at its next meeting.

19. On a related point, concerning information, the Group concurred in the suggestion that national governments should endeavour to persuade both entrepreneurs and workers of the desirability of bringing about structural adjustments with a view to permitting a higher level of imports from developing countries.

20. The expert from India suggested that the secretariat should initiate case studies to gauge the adequacy of existing legislation, or measures applied under this legislation, to provide greater access to imports from developing countries. It was pointed out, however, that it would be difficult to draw any general conclusions in this regard from a limited number of case studies. The Group agreed that the secretariat should investigate the feasibility of undertaking such studies and should report to the Group at its next meeting. The expert from India also suggested that countries which had excepted certain items from their offers of linear cuts within the context of the Kennedy Round should examine further these items with a view to ascertaining whether in fact the employment of appropriate adjustment assistance measures might obviate the need to include them in their exceptions list at all.

21. As noted above, the Group was of the view that, in view of the limited information available to it, its present discussion should be regarded as of a preliminary nature only. It was agreed that an attempt should be made to elicit further information from developed countries on the adjustment assistance measures they maintained. The information required should relate to the following four points:

- (a) what measures of adjustment assistance were available under either general or specific legislation;
- (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 outlines in that subparagraph;
- (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.

ANNEXBelgium

The expert from Belgium informed the Group that his country maintained no specific adjustment assistance measures relating to trade but pointed out that, in view of the importance of trade in the Belgian economy, any structural adjustment undertaken under general legislation will inevitably have trade repercussions. In fact because the economy was so trade oriented, the application of such measures was often necessitated by changes in trading patterns.

European Economic Community

The expert from the Commission explained that the Social Fund could be used to remedy dislocations caused by imports from third countries. The Fund could be employed only at the request of the national governments of the Member States but the Commission could draw the attention of these governments to the facilities available under the Fund. On receiving requests for disbursements, the Social Fund acted in accordance with the procedures provided for in Articles 123 and 125 of the Rome Treaty. The recently established Committee on Medium Term Economic Policy was presently considering questions of economic structure and this work would evolve in the future. It was possible that at the end of the transitional period the Fund would be endowed with greater powers as regards the formulation of policy in connexion with adjustment assistance.

Federal Republic of Germany

The expert from the Federal Republic of Germany indicated that the Federal Government was considering new possibilities for the use of Adjustment Assistance Measures. It was likely, however, that such new measures would be applied under existing general legislation and would not relate specifically to trade.

Italy

The expert from Italy advised that his country had no overall legislation on Adjustment Assistance.

Japan

The expert from Japan explained that the legislation introduced in connexion with the "mothballing" of capacity in the textile industry had been necessitated by technological changes and modifications in the structure of Japan's domestic market but there could be no doubt that the measures would have trade effects.

United States

The United States expert commented that the Adjustment Assistance provisions of the Bill to bring into effect the agreement between the United States and Canada on automotive products were identical to those set out in the Trade Expansion Act, but that the conditions that needed to be fulfilled before these measures could be applied, were somewhat relaxed in the Bill. The view was growing in the United States that the conditions for Adjustment Assistance in the Trade Expansion Act were perhaps too rigid.