

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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WORKING PARTY ON STRUCTURAL ADJUSTMENT AND TRADE POLICY

Meeting on 20 October 1981

Note by the Secretariat

1. The Working Party on Structural Adjustment and Trade Policy held a further meeting on 20 October 1981. The purpose of the meeting was to provide an opportunity for delegations to pursue their discussion of the relevance of GATT Articles and instruments to the process of structural adjustment and to review progress in the elaboration of the secretariat study on changes in production and trading structures as well as in the collection of information on the experience of governments with regard to structural adjustment.

Relevance of Articles and instruments of GATT to the process of structural adjustment (L/5156)

2. One delegation stated that while the secretariat note contained in document L/5156 started from the right premise that GATT had made an important contribution to structural adjustment, it required some further elaboration in respect of the GATT provisions which are directly relevant to structural adjustment. Reference was made in this context in particular to the provisions which had, explicitly or implicitly, a bearing on the adjustment process. Article XIX was one such provision. During the MTN there had been discussion of certain aspects which seemed relevant to the task of the Working Party, for example, degressivity, time limits to be imposed on measures taken, relationship between safeguard measures and domestic action to advance the adjustment process. These might usefully be further elaborated and analyzed. Similar work could be done in relation to other provisions, e.g. Articles XVI and XXV.

3. Another delegation considered the secretariat note a good basis for further work in this field. At present it would not seem necessary to expand on the scope of the note. Such a decision could be taken at a later stage, if considered necessary. Work might be started, however, on GATT provisions making explicit reference to structural adjustment and particular attention should be paid to the question whether and to what extent these provisions had been respected by governments. These aspects should also be kept in mind by governments when preparing the information on their experience in the field of structural adjustment.

4. In the view of one delegation the secretariat note was comprehensive and showed clearly that GATT had a role to play in the field of structural adjustment by helping to preserve and improve an open international trading system. The note provided a good basis for further work and no further elaboration was necessary at this stage.

5. One delegation thought that, while the secretariat note was a good starting point for further work, it should also contain an assessment of

the adequacy of the relevant GATT provisions. Some elaboration would seem necessary in the section relating to distortion of competition. One should examine whether certain criteria were adequate as they stood, whether for instance Article XI:2(c) was precise enough or whether refinements were needed. One should also consider whether, apart from the specific criteria of these GATT provisions, other concepts which were important in this context like security, environment and social factors should be examined. An analysis of these features could lead on to a discussion on the economic efficiency of these concepts.

Secretariat study on changes in production and trading structures

6. The representative of the secretariat stated that work on the study had proceeded on the basis of the outline presented at the July meeting of the Working Party. The main emphasis had been put on establishing comprehensive, and internationally comparable, basic statistical series necessary to retrace the modifications in production and trading structures over time, on a world-wide scale where feasible. These calculations were now almost completed for production and employment by broad categories (services, manufacturing, mining and agriculture), for production and trade by main individual agricultural products, including fibres, and for production and trade by main mining products. In the case of the principal manufacturing branches the calculation of the basic statistical series on production, employment and trade were in good progress and would be completed soon. Work had thus been concentrated on the empirical basis needed for the identification of the major changes in production and trading structures over time, as regards both sectoral changes in individual countries or groups of countries, and changes in the geographical distribution, world-wide, of a given sector, branch or product. At the same time work was also in progress in order to bring out and examine various interrelated factors that played a major role in determining the observed changes in production and trading structures. As pointed out at the July meeting, any detailed analysis of the specific relevance of particular factors to changes in production and trading structures and of their relative weight encountered considerable conceptual and statistical problems. The study would nevertheless attempt to give, on an illustrative basis, indications of specific changes in such elements as consumption and productivity. There would also be a brief review of factors underlying some of the changes in production and trading structures, such as technological developments, investment flows, shifts in relative prices and in competitiveness, as well as government policies which could have some bearing on observed structural change. The representative of the secretariat concluded his statement by saying that the end of December 1981 was still the target for the completion of the study.

7. One delegation wondered how the secretariat study would be carried out as regards the geographical distribution of production and trade. It had been agreed earlier on that the work should take place within the context of the provisions of the GATT, as stated in section I of the Annex to L/5120. Equally, section II, paragraph (b) stated that an exchange of information and discussion on the experience of all contracting parties with regard to structural adjustment should take place. In previous discussions it had been stressed that no differentiation of countries based

on political considerations should be made. However, the secretariat study seemed to be following a political rather than a commercial or economic classification in singling out as one group of countries the "Eastern trading area". The GATT did not mention such a division of trading areas. It would therefore seem more useful if the study would only refer to GATT contracting parties.

8. The view expressed was supported by two other delegations. One of them considered that the grouping of countries should be based only on economic criteria, in particular on their level of development. Therefore, the grouping "Eastern trading area" should not appear in the proposed study. Some of the countries contained in this grouping should figure under developed countries while others should be included under developing countries.

9. In the ensuing discussion other delegations considered the grouping of countries basically satisfactory. Some delegations emphasized that the study should give as much and as detailed information as possible on major individual countries including important developing countries.

10. The representative of the secretariat pointed out that in preparing the study it was basing its work on GATT statistics and on statistical sources of the UN which distinguish among three main groupings, i.e. developing countries, developed countries, and centrally-planned economies and, within each grouping, geographical areas. For the purpose of the study, within each of these areas, countries would also be covered individually depending on their importance in relation to certain sectors of the study and on the availability of statistics. The secretariat was ready to discuss with delegations any problems which might arise in this respect and with the grouping of countries.

11. Referring to the use of the expression "important developing countries" (see paragraph 9 above) and to the methodological clarifications by the secretariat, one delegation expressed the view that no classification of developing countries in groups would be acceptable which had not been internationally decided in the appropriate fora, in particular the GATT. It added that the secretariat study should avoid any such classification, even by implication.

Exchange of information on the experience of all contracting parties with regard to structural adjustment

12. Several delegations indicated that work in their capitals on the collection of relevant information was progressing well and that they expected to be able to meet the agreed deadline of the end of this year for the written submissions to the secretariat.

13. One delegation distributed a note (Spec(81)50) as a contribution to the collection of information by governments. According to this delegation the note reflected the relevance of certain GATT Articles to structural adjustment as set out in the secretariat note L/5156 and provided an orientation with respect to the lines on which information could be provided for the purpose of a discussion of the issue of structural adjustment in GATT. It was not the intention to seek approval of the note

by the Working Party since it was presented at a rather late stage but it might be taken into consideration by any country that felt that it could help in the collection of information. The note might also be useful at a further stage when the information collected from the various countries would be assembled and examined in a systematic way.

14. Another delegation proposed that in view of the objective of the work to be undertaken, it would be useful if the information gathered by governments would cover to the extent possible also the following aspects in relation to structural adjustment: means and objectives of industrial policy and industrial development; the relevance and use of labour policy measures to increase movement of labour and to adapt to changes in competition; the role of wage policies; regional, social and security aspects; and government support to technical research and development as well as other actions to stimulate certain sectors or industries with a high growth potential.

15. One delegation suggested that the information should also contain a summary of the history of adjustment measures undertaken in each country since this would give an indication as to the possible success or failure of such measures. In this connexion the representative of Australia drew the attention of the Working Party to the report published in his country in March 1979 called "The report of the study group on structural adjustment" which included a study on the nature and extent of adjustment problems in Australian manufacturing industries as well as a study on the essential elements of a long-term policy to deal with adjustment problems. Another delegation stated that its notification would include material relating to the effects of the failure of other countries to adjust.

16. The Working Party confirmed the deadline of end of 1981 for contributions of governments to be sent to the secretariat and requested the secretariat to distribute the information received early next year.

Next meeting of the Working Party

17. The Working Party agreed to hold its next meeting on 18 and 19 February 1982 in order to take stock of the situation in the light of the secretariat study then available and the information received from contracting parties. A further meeting was scheduled for 9 and 10 March 1982 for a more detailed and comprehensive discussion and analysis of the issues.