

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## WORKING PARTY ON STRUCTURAL ADJUSTMENT AND TRADE POLICY

### Background Note by the Secretariat

1. At the Council meeting on 10 November 1980, the secretariat was requested to prepare a background document summarizing discussions in the Consultative Group of Eighteen which the Working Party on Structural Adjustment could use in its deliberations (C/M/144, pages 21-22).
2. The Consultative Group of Eighteen considered the question of structural adjustment and trade policy at its eleventh, twelfth and thirteenth meetings held in March, July and October 1980 respectively. A broad summary of these discussions is to be found in paragraphs 9-14 of the report submitted by the Chairman of the Consultative Group of Eighteen to the Council (L/5066). Since the matter was discussed comprehensively at the October 1980 meeting of the Group, a note prepared by the secretariat giving a detailed summary of the discussion at that meeting is attached.
3. The Committee on Trade and Development considered the question of work on structural adjustment and trade of developing countries at its fortieth, forty-first and forty-second sessions held in March, July and November 1980 respectively. The discussions at the fortieth and forty-first sessions of the Committee on Trade and Development are summarized in paragraphs 32-38 of COM.TD/104 and paragraphs 37-42 of COM.TD/105. A summary of the deliberations at the forty-second session of the Committee appears in paragraphs 45-47 of the Committee's Report to the CONTRACTING PARTIES (L/5074). Past activities of the Committee on Trade and Development in the area of structural adjustment, including the work of the Group of Experts on Adjustment Assistance Measures, are briefly described in Annex I of COM.TD/W/305.
4. For easy reference of members of the Working Party, the texts mentioned in the preceding paragraphs are annexed to this note as follows:
  - Annex 1: Excerpts from the minutes of the meeting of the Council held on 10 November 1980 (C/M/144 p.21-22);
  - Annex 2: Excerpts from the report of the Consultative Group of Eighteen to the Council (L/5066);
  - Annex 3: Note by the secretariat on the thirteenth meeting of the Consultative Group of Eighteen;

- Annex 4: Excerpts from the proceedings of the fortieth session of the Committee on Trade and Development (COM.TD/104);
- Annex 5: Excerpts from the proceedings of the forty-first session of the Committee on Trade and Development (COM.TD/105);
- Annex 6: Excerpts from the report of the Committee on Trade and Development to the CONTRACTING PARTIES (L/5074);
- Annex 7: Work programme of the Committee on Trade and Development; past activities of the Committee in the area of structural adjustment (COM.TD/W/305, Annex I).

ANNEX 1

Excerpts from the minutes of the meeting of the Council (C/M/144, p.21-22) on 10 November 1980.

19. Consultative Group of Eighteen (L/5066)

The Chairman recalled that the Consultative Group of Eighteen was required under its terms of reference to submit once a year a comprehensive account of its activities to the Council. The Report on the Consultative Group's activities in 1980 was circulated in document L/5066.

The Director-General, Chairman of the Consultative Group, presented the Report, which had been prepared, as usual, on his own responsibility. He said that its main feature was the section devoted to structural adjustment and trade policy, recalling that at the thirty-fifth session of the CONTRACTING PARTIES, the Consultative Group had been requested to advise the Council and through it, the Committee on Trade and Development on the modalities for carrying out further work on this subject.

He said that after a number of discussions about the nature of the adjustment process and of the rôle which the GATT could play in this field, the Consultative Group had decided to recommend to the Council that it should establish a working party, as indicated in paragraph 14 of the Report. The Consultative Group had further decided to recommend to the Council that it invite the working party to report to it by March 1981.

He said that the remaining subjects considered by the Consultative Group of Eighteen were the current economic situation and its implications for trade policies, the trade policy aspects of the North South Dialogue, and the future work of the Consultative Group.

The representative of Brazil made a suggestion, which was supported by the representatives of Argentina and Jamaica, that the Director-General prepare a background document summarizing discussions in the Consultative Group, that the working party could use in its deliberations. The representatives of Pakistan and Zaire commented on some aspects of the Report. The Director-General, noting that it had been prepared on his own responsibility, said that he had taken note of the comments. He stated that when the Report was presented to the CONTRACTING PARTIES at their forthcoming thirty-sixth session it would be possible to refer to some of the points that had been raised by representatives.

The Council agreed to establish a working party with a mandate to elaborate specific proposals for the future work of GATT relating to structural adjustment and trade policy, including the nature and objectives

of such work, in the light of the report of the Consultative Group of Eighteen and of the views expressed in the Council, as well as the discussions in the Committee on Trade and Development. The working party was invited to report to the Council by March 1981.

The Council took note of the understanding in the Consultative Group that the working party would bear in mind the provisions of the General Agreement, including Part IV, and that the Council, in its consideration of the working party report, should take account of the views expressed on the report by the Committee on Trade and Development and the Consultative Group.

The Council took note of the Report.

ANNEX 2

Excerpts from the report of the Consultative Group of Eighteen to the Council (L/5066).

II. Structural adjustment and trade policy

9. In the GATT Work Programme adopted by the CONTRACTING PARTIES at their thirty-fifth session the Consultative Group of Eighteen was requested to examine the question of structural adjustment and trade policy further and to advise the Council, and through it the Committee on Trade and Development, on the modalities for carrying out further work in this area, taking into account the continuing rôle of the Committee on Trade and Development. The Group was also expected to report on this issue through the Council to the thirty-sixth session of the CONTRACTING PARTIES.

10. For its discussion under this agenda item, the Group was provided with the following documentation:

- (a) A secretariat paper listing items for discussion (CG.18/W/37),
- (b) A paper distributed at the request of Ambassador Hill of Jamaica (CG.18/W/39), and
- (c) A second secretariat paper prepared in the light of the previous discussions (CG.18/W/41).

11. The discussions in the Group on this item revealed a wide consensus that the GATT had a rôle to play in the area of structural adjustment, although only tentative thoughts were expressed at this stage on what exactly the task of GATT in this area should be.

12. During the July meeting, the discussion was centred on the second secretariat paper (CG.18/W/41) which dealt with the process of structural adjustment, adjustment policies and the rôle of GATT in the area of structural adjustment. Although most speakers agreed with the secretariat's description of the adjustment process and adjustment policies, some members qualified the secretariat statements and analysis in the light of their own specific circumstances and their perception of the alternatives available.

13. On the procedural side, several members supported Ambassador Hill's proposal to establish a Committee on Structural Adjustment. Another suggestion was that the Committee on Trade and Development revive its Group of Experts on Adjustment Assistance Measures which last met in 1972.

14. At its meeting of 30-31 October, following further informal consultations, the Group decided to recommend to the Council that it establish a Working Party to elaborate specific proposals for the future work of GATT relating to structural adjustment and trade policy, including the nature and objectives of such work, in the light of the report of the Consultative Group of Eighteen and of the views expressed in the Council, as well as the discussions in the Committee on Trade and Development. It further decided to recommend to the Council that it invite the Working Party to report to it by March 1981. It was understood in the consultative group that the Working Party, in fulfilling its mandate, will bear in mind the provisions of the GATT, including Part IV, and that the Council, in its consideration of the Working Party Report, shall take account of the views expressed on the report by the Committee on Trade and Development and the Consultative Group of Eighteen.

ANNEX 3

NOTE ON THE THIRTEENTH MEETING OF  
THE CONSULTATIVE GROUP OF EIGHTEEN

Structural Adjustment and Trade Policy

The CONTRACTING PARTIES, in their Work Programme adopted at the end of the Multilateral Trade Negotiations, requested the Group to give advice on the modalities for carrying out further work in the area of structural adjustment and trade policy. This request was discussed by the Group at its last two meetings and at an informal meeting held on 23 September 1980. The secretariat had prepared for these Group meetings three background papers (CG.18/W/37, CG.18/W/41 and an informal paper dated 19 September 1980) and Ambassador Hill from Jamaica had submitted a proposal to establish a Committee on Structural Adjustment (CG.18/W/39). At the present meeting the Group continued its discussion, concentrating this time on the concept of structural adjustment, on the appropriate focus of future GATT work in this area, on the factors affecting the process of adjustment and on the institutional arrangements for further GATT work.

It was noted in the Group that the concept of structural adjustment was extremely wide. It could be used to refer to all changes in an economy, whatever their causes - be they domestic or external, policy or market developments - and whatever their effects - be they the dislocation of labour and capital or government interventions to prevent such dislocations. One view was that the GATT was not competent to deal with all causes and effects of structural adjustments. It had to focus from the beginning on those aspects of the problem that were related to its principal aims, namely the liberalization of trade within a contractual framework. For the purposes of further work in the GATT, structural adjustment should therefore be understood to mean the adjustment of established industries to competitive changes in international trade and this topic should be examined against the background of the rules of the General Agreement - in particular Articles XIX, XVI and Part IV - and the possible improvement of these rules.

Another view was that at this stage the adjustment process needed to be examined in its totality. Only after this had been done could it be determined which aspects of the process merited the GATT's attention. Further analyses might show that established lines of production rather than established industries were subjected to severe adjustment pressure. In the field of textiles, for instance, a large part of the structural changes during the past decades had consisted of shifts to new lines of production rather than new industries. Further analyses might also show that matters which were not covered in detail by the present GATT provisions deserved attention, such as export restrictions and charges, barriers to international trade in services, or trade performance conditions imposed on investors. None of these areas could a priori be excluded from consideration until an overall analysis of the adjustment process had been undertaken.

One member emphasized in this context, that as far as import policies were concerned, structural adjustment problems arose from trade liberalization, not protectionism. Moreover, structural adjustment had two aspects: it meant losing one job and obtaining another or abandoning one line of production and starting another. The negative and the positive aspects had to be seen together. For these reasons the examination could not be limited to protectionist measures and specific problem sectors. The adjustment process as a whole needed to be analyzed. The member also cautioned that, in an examination of adjustment problems in the light of the GATT rules, the complex interrelationships among these rules would need to be taken into account. Thus emergency action under Article XIX could sometimes be avoided through adjustment assistance to a particular industry, but such assistance could raise problems under the subsidy provisions of Article XVI and give rise to countervailing duties in accordance with Article VI. An analysis limited to particular GATT provisions would necessarily be incomplete.

Some members disputed the view that problems of structural adjustment were related to liberalization rather than protectionism. Protectionism in general tended to perpetuate the existence of inefficient production structures and this made the problems of adjustment more severe in the long term. The resort to protectionist measures reflected a failure of adjustment.

Several members stressed that the market was the most reliable and efficient mechanism for ensuring the continuous adaptation of an economy to new circumstances. The impressive adjustments that had taken place in the main economies in the past decades were brought about by private enterprises seeking the most profitable production methods and sites. It was the private sector, not the government, that had the primary responsibility for structural adjustment. Experience had clearly shown that, when governments did intervene in the adjustment process, they generally tried to slow it down for political reasons rather than to speed it up in response to economic considerations. These members concluded that the task of the GATT was therefore to ensure that governments did not create artificial obstacles to adjustment. Other members thought that governments could, and should, positively intervene in the adjustment process, in particular to make room for developing countries' exports, and that the GATT examination should therefore encompass not merely negative but also positive governmental measures. It was also remarked that, in an organization with as wide a membership as that of the GATT, a discussion on the relative efficiency of economic systems in ensuring prompt adjustments might not be appropriate.

Specific suggestions were made as to how further work in the GATT should proceed. One was that the secretariat might distribute a questionnaire on adjustment policies. On the basis of the replies discussions could be held, possibly country-by-country, with the aim of finding out which of the policies aimed at structural adjustments - such as social, sectoral, regional, and research policies - had proven to be practical or efficient. Another suggestion was to ask the secretariat to prepare a study which would examine in which sectors there were widespread and persistent trade restrictions. This would ensure an early focus on the sectors with the most serious unresolved adjustment problems. There were several members who emphasized in this context that structural adjustment was a problem affecting all countries and product categories. It should therefore not be approached as a North/South issue or one affecting industrial products only.



Following the Group's discussion the Chairman recalled that the immediate practical question before the Group was a procedural one: how should further GATT work on structural adjustment be carried out? He proposed that the Group recommend to the Council to set up a working party with the following terms of reference: "to elaborate specific proposals for the future work of GATT relating to structural adjustment and trade policy, including the nature and objectives of such work, in the light of the report of the Consultative Group of Eighteen and of the views expressed in the Council, as well as the discussions in the Committee on Trade and Development" The Consultative Group of Eighteen also recommended the Council to invite the working party to report to the Council by March 1981. The Group agreed to this proposal on the understanding that the working party, in fulfilling its mandate would bear in mind the provisions of the GATT, including Part IV, and that the Council in its consideration of the working party report, would take account of the views expressed on the report by the Committee on Trade and Development and the Consultative Group of Eighteen. (The Council accepted the Group's recommendation at its meeting of 10 November 1980).

ANNEX 4

Excerpts from the proceedings of the Fortieth Session of the Committee on Trade and Development (COM.TD/104).

Structural adjustment

32. In introducing this item the Chairman referred to paragraphs 17-19 of secretariat document COM.TD/W/305 which recalled that the GATT Work Programme provided that the Committee's activities should cover, inter alia, work on structural adjustment and the trade of developing countries. The document also noted that the Work Programme stated that the general question of structural adjustment and trade policy should be examined further by the Consultative Group of Eighteen (CG.18), which was to advise the Council, and also, through it, the Committee on Trade and Development on the modalities for carrying out further work in this area, taking into account the continuing rôle of the Committee on Trade and Development. To facilitate the consideration of this matter by the Committee, the secretariat had provided in Annex I of COM.TD/W/305 a summary of the Committee's previous activities in the field of structural adjustment. As further background, Ambassador Hill (Jamaica) made available as document COM.TD/103 a note he had circulated at the recent Consultative Group of Eighteen meeting proposing the establishment of a Committee on Structural Adjustment. Also in connexion with that meeting, the representative of the secretariat reported orally on the discussion on structural adjustment and trade policy.

33. The representative of the secretariat stated that the CG.18 had focussed mainly on the conceptual questions which arose in this area. Many representatives had expressed the view that structural adjustment was an ongoing process related to a number of factors. In this connexion, participants had noted the great complexity of the issues involved. It had also been noted that the GATT was concerned primarily with the trade aspects of the problem particularly in the context of its responsibility for maintaining and expanding trade liberalization. Among the points raised in the CG.18 discussion had been the relationship of adjustment policies to the framework of laws and regulations in each country, the capacity of governments to direct adjustment, the extent to which adjustment could be pursued as a deliberate goal of policy, etc., the rôle of information, the need for a global approach to the problem of adjustment and the desirability of structural adjustment extending to both industry and agriculture. The CG.18 had agreed that it would continue its examination of the matter in the light of the task conferred upon it by the GATT Work Programme, at its next meeting to be held on 15-16 July 1980.

34. Introducing his proposal (COM.TD/103) which remained before the CG.18, the representative of Jamaica stated that it had been circulated to the CG.18 in an attempt to focus attention on some of the practical issues with which GATT would have to come to grips if progress was to be made in dealing with trade aspects of the problem of structural adjustment. The operative paragraphs of the paper drew particular attention to the special responsibility of the developed countries to facilitate adjustment since they had the necessary resources and capability, and also, in doing so, to take

special account of the needs and problems of the developing countries. The proposal provided for the establishment of a Committee on Structural Adjustment to examine the situation regarding products being identified as being, or likely to become, sensitive to changes in the pattern of world trade as well as to examine the structural adjustment measures affecting such products, and to make recommendations as appropriate. Referring to Annex I of COM.TD/W/305 summarizing the work of the Expert Group on Adjustment Assistance Measures under the Committee on Trade and Development, he stated that the points listed in paragraph 4 were important ones that needed to be addressed. He stressed the need for work on structural adjustment in all fields, and referred to the attachment to his proposal containing certain points that needed to be considered in respect of agriculture, without prejudice to the consultations provided for in the GATT Work Programme aimed at developing active co-operation in the agricultural sector. In urging that his paper be approached in a spirit of co-operation, he expressed the hope that it would be found a useful contribution to identifying, through a process of consultation, the way forward in this area.

35. Some delegations of developing countries stated that, within the context of the GATT Work Programme, the Committee should deal with those aspects of structural adjustment that were relevant to facilitating increased imports from developing countries and avoiding the imposition of new obstacles to their trade. While welcoming the paper put forward by the delegation of Jamaica and urging that work be pursued with a view to reaching a decision on the basis of the proposal it contained, they suggested that in the meantime the Committee, having regard to its continuing rôle, should reactivate the Expert Group on Adjustment Assistance Measures which had been put in abeyance during the MTN. It was their view that the Expert Group should analyze developments in the field of adjustment and study problems on an industry-by-industry and country-by-country basis, focussing on steps that could be taken to facilitate exports of developing countries to developed country markets. These delegations also expressed the view that the deliberations of the CG.18 on structural adjustment should not impede a decision by the Committee to begin substantive work in this area, especially having regard to the consultative nature of the CG.18.

36. Delegations of developed countries stated that the general recognition of the importance of the issue of structural adjustment now existing in GATT was a positive development. They stressed that, in view of the complex nature of the problems in connexion with structural adjustment touching on a wide variety of interests and affecting all sectors and all countries, it was necessary to adopt a prudent approach to work in this area. Discussion of procedures or mechanisms could, in their view, be better taken up when conceptual issues and certain other basic considerations had been further clarified. They believed that the Committee could benefit from the work that was being undertaken in the CG.18 and suggested that the Committee revert to the question of its rôle on structural adjustment in the light of the advice provided by that Group. Some of these delegations welcomed the availability of the proposal reproduced in COM.TD/103 as a useful contribution to work in this area.

37. A number of delegations expressed doubts about the wisdom of reactivating the Expert Group on Adjustment Assistance Measures, since in their view neither the nature of such a Group nor its terms of reference could adequately respond to the wide-ranging social and political issues that would have to be dealt with. However, they were prepared to give the suggestion further consideration and revert to the matter at the next meeting of the Committee.

Chairman's summing-up

38. Following the discussions, the Chairman summed up as follows:

The discussion on structural adjustment has brought out the importance members of the Committee attach to this subject and to the rôle that GATT, including its Committee on Trade and Development, could play. As background to recent developments, we had the benefit of an oral report by the representative of the secretariat on the recent work of the Consultative Group of Eighteen with respect to structural adjustment. There was also available in document COM.TD/103 a proposal put forward by Ambassador Hill of Jamaica in the CG.18. Many delegations urged that the Committee should take up work expeditiously on those aspects of structural adjustment of relevance to trading opportunities for developing countries that would be complementary to the more general consideration of this subject being given in the CG.18. Having regard to the continuing rôle of the Committee in this respect a large number of delegations suggested that the Expert Group on Adjustment Assistance Measures should be reactivated as an immediate measure. Some delegations recalled that the Committee on Trade and Development had a work programme in this area and should be able to pursue it independently of consideration being given to structural adjustment elsewhere, at least pending agreement on any more broadly-based approach. In this connexion, suggestions were made that information on structural adjustment measures currently being applied should be collected and analyzed in the context of a sector-by-sector and country-by-country approach. A number of delegations were of the view that the complex and extremely important nature of the problems of structural adjustment as well as the social and political aspects involved pointed to the desirability of a prudent approach if effective progress was to be made and they therefore reserved their position on the proposal for the reactivation of the Expert Group at the present time. They believed it would be more appropriate for the Committee to revert to this matter in the light of the advice that the CG.18 was expected to provide on concepts and modalities for work in this area.

It would be my suggestion that consultations on these matters continue among delegations with a view to deciding at the next session of the Committee how best to proceed with this question having regard to the points made and the proposals before it including the proposal for the reactivation of the Expert Group.

ANNEX 5

Excerpts from the proceedings of the Forty-First Session of the Committee on Trade and Development (COM.TD/103).

Structural adjustment

37. The Chairman stated that at the March 1980 meeting of the Committee delegations had considered two proposals with respect to work on structural adjustment: one proposal concerned the establishment of a Committee on Structural Adjustment (COM.TD/103); and the other concerned the re-activation of the Expert Group on Adjustment Assistance Measures that was put in abeyance in the early stages of the Tokyo Round, pending agreement on any more broadly based approach. At that meeting, it had also been recalled that in the GATT Work Programme adopted by the CONTRACTING PARTIES it was indicated that the Committee on Trade and Development would have a continuing rôle to play in the field of structural adjustment and, in this respect, the Consultative Group of Eighteen was expected to advise it, through the Council, on the modalities for carrying out further work in this area. The discussion on these points was summarized in paragraphs 32-38 of the Committee's proceedings at its fortieth session (COM.TD/104).

38. Representatives of a number of developed countries reiterated their view that GATT had an important rôle to play in respect of the issue of structural adjustment, particularly in terms of the linkage between structural adjustment and trade policy. They further said that the issue was not related only to trade relations between developed and developing countries, but was of a global character affecting economic relations between all countries. It should therefore be considered in a broad perspective. There was a need to identify the specific rôle of GATT in this area, especially in the light of the work of other organizations, and, in determining modalities, to look also at related work in GATT. While recognizing the continuing rôle of the Committee on Trade and Development in this area, they urged that before taking any decisions on institutional questions, the Committee should await the advice of the Consultative Group of Eighteen on how this matter should be handled. In this connexion, they referred to the complexity of the issue and the need to avoid prejudging or duplicating the deliberations of other GATT bodies.

39. Some representatives of developed countries expressed the view that it would be useful for the discussions in the Committee and elsewhere in GATT to have more factual information on the structural adjustment that had taken place in recent years. These representatives noted that one of the driving forces behind structural change was international trade and the evolving pattern of comparative advantage. They believed that allowing trade to develop without commercial policy distortions was itself a forceful means of promoting structural adjustment of a kind which was desirable and conducive

to growth. GATT had made considerable progress over the years towards liberalizing trade, and was continuing to give attention to seeking ways and means of further reducing obstacles to trade in general and to the exports of developing countries in particular, as well as to safeguarding the liberalization that had already been achieved. As regards the area of adjustment measures, these representatives felt that it was generally recognized that measures to facilitate adjustment and mitigate the possible adverse effects of the adjustment process were called for in order to promote further liberalization and avoid new exceptions to a liberal trade régime. They believed that GATT had a rôle to play in contributing to the formulation of adjustment policies in the light of changing trade patterns. As to more far-reaching forms of adjustment action, intended to pave the way for expected changes in trade patterns or even to initiate changes in production and trade patterns, it was their hope that discussion in GATT of structural adjustment could generate increased awareness in governments of the problems and issues which might arise.

40. Representatives of some developing countries referring to the need to settle the institutional question stated that the proposals for the establishment of a Committee on Structural Adjustment and for the reactivation of the Expert Group on Adjustment Assistance Measures should be seen as complementary, the latter being an interim activity that could be subsumed within the work of the Committee on Structural Adjustment following its establishment. Some of these representatives did not accept that the deliberations of the Consultative Group of Eighteen on structural adjustment should prevent agreement on the work of the Committee on Trade and Development in this area, and recalled that in the GATT Work Programme it had been noted that the Committee's rôle in this respect was of a continuing nature. The task of the Consultative Group of Eighteen was to consider the overall perspectives, whereas the Committee was better suited to more specific consideration of the issue relating to the trade interests of developing countries. It was their view that work on trade liberalization and structural adjustment should advance side-by-side and be mutually reinforcing.

41. The representative of one developed country stated that his authorities had no particular views on the institutional aspects of work on structural adjustment, but felt that it was important to agree clearly on the areas and sectors to be covered in such work. He recalled that his country had long supported serious international co-operation in respect of structural adjustment problems, particularly in the area of agriculture. For many years his country had confronted the problems created by trade protectionist measures designed to support high-cost non-economic agricultural structures, and was fully aware of the difficulties in, and length of time required for, reaching understanding and co-operation in this area.

42. In his concluding remarks, the Chairman stated that all delegations had recognized the important rôle that GATT should play in the area of structural adjustment. He noted that different views had been expressed on the institutional issues. He believed that there was general agreement among members of the Committee that the Consultative Group of Eighteen should be requested to intensify its work on this matter, and that the Committee, in the light of any inputs from the Consultative Group, should be able to decide on the way it would pursue its continuing rôle in this area before the end of 1980.

ANNEX 6

Excerpts from the report of the Committee on Trade and Development to the CONTRACTING PARTIES (L/5074).

Structural adjustment

45. Taking into account that the GATT Work Programme provides that the activities of the Committee on Trade and Development should cover, inter alia, work on structural adjustment and the trade of developing countries, the Committee considered its continuing rôle on this matter, having regard to the advisory rôle assigned to the Consultative Group of Eighteen in respect of the general issues of structural adjustment and trade policy in the framework of GATT. The Chairman said that since the Committee had last met the Consultative Group of Eighteen had addressed this matter and had recommended to the Council (L/5066) that a Working Party be established to elaborate and report by March 1981 on specific proposals for the future work of GATT relating to structural adjustment and trade policy, including the nature and objectives of such work, in the light of the report of the Consultative Group of Eighteen and of the views expressed in the Council, as well as the discussions in the Committee on Trade and Development. It had been understood in the Consultative Group that the Working Party, in fulfilling its mandate, would bear in mind the provisions of the GATT, including Part IV, and that the Council, in its consideration of the Working Party report, would take account of the views expressed on the report by the Committee on Trade and Development and the Consultative Group of Eighteen. The Council, on 10 November 1980, had established the Working Party in accordance with the recommendations of the Consultative Group of Eighteen.

46. Representatives of some developing countries emphasized the importance of work in GATT on structural adjustment and the continuing rôle of the Committee on Trade and Development in this regard.

47. The Committee welcomed the Council's decision to set up a Working Party on structural adjustment. In this respect, it was noted that the Working Party was expected to give due consideration to the views and proposals on this issue submitted to the Committee on Trade and Development. With a view to giving further consideration to this matter in the light of the Working Party's report, the Committee agreed to revert to the question of structural adjustment and the trade of developing countries when the Working Party report was available to it.



ANNEX 7

Work programme of the Committee on Trade and Development (COM.TD/W/305).

ANNEX I

Past Activities of the Committee on Trade and Development  
in the Area of Structural Adjustment

1. The Committee on Trade and Development, following its establishment in 1964, decided to continue the work initiated in Committee III and the Action Committee on the rôle of adjustment assistance in promoting changes in patterns of trade and production aimed at providing larger openings for imports from developing countries, having regard to the provisions of Article XXXVII:3(b) and the interpretative note thereto. For this purpose, it set up a Group of Experts on Adjustment Assistance Measures with the following terms of reference:

- to study the material set out in document COM.TD/W/6 and addenda (data on domestic policies and legislation relating to adjustment assistance supplied by contracting parties), 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 Expert Group met on a number of occasions in the years 1965 to 1972. It was shortly thereafter put into abeyance since related issues were being taken up for negotiation in the MTN.

3. In its examination of adjustment measures, the Expert Group kept in view the way such measures were being used, or might be used, to provide greater scope for imports from developing countries. It found that while most developed countries had adjustment assistance measures of various types in force, generally adjustment assistance had not been used specifically for the purpose of dealing with difficulties caused by increased imports from developing countries, but had been conceived in most cases with a view to improving the overall domestic situation or to directing a re-allocation of resources without specific reference to competition from imports. In noting this conclusion, the Committee on Trade and Development, in its report to the twenty-third session of the CONTRACTING PARTIES in 1966, agreed that adjustment assistance could make some contribution to the solution of the

problem of creating greater access for the exports of developing countries. The Committee suggested that contracting parties participating in GATT bodies, such as the Group on Residual Restrictions and the Cotton Textiles Committee, should be invited to consider to what extent adjustment assistance could be employed in dealing with the issues with which those bodies were concerned. With regard to the later work of the Expert Group, the Committee was able to note in its report to the twenty-sixth session of the CONTRACTING PARTIES held in 1970 that there was a tendency towards an increasing use of adjustment assistance policies sometimes specifically to deal with the problems of trade liberalization in particular sectors and for adjusting to technological developments.

4. The Expert Group, taking the view that its initial phase of work on the collection, examination and organization of relevant information was sufficiently advanced, gave consideration to what further work the Group might be in a position to undertake to promote the use of adjustment measures for the purpose spelt out in its terms of reference. The Committee on Trade and Development at its twenty-first session in July 1972, in considering the various areas of work that had been suggested for the Expert Group, agreed that the secretariat should continue to update information on adjustment assistance and analyze the existing data provided by governments in more detail and that the proposal for a study in greater depth of certain technical aspects<sup>1</sup> of adjustment assistance be pursued. Suggested areas of work on which agreement had not been reached and which were on the table when the Expert Group was put into abeyance, included the consideration of the possible usefulness of an "early warning" system, the use of a procedure in the appropriate bodies, of notification and examination of detailed information on the use of adjustment assistance measures in relation to individual residual restrictions on products of export interest to developing countries, exploration of the use of adjustment assistance to avoid or minimize the need for resort to escape clause or other emergency action as well as to permit the relaxation of such restraints, the identification of sectors and areas where more positive efforts to use adjustment assistance with a view to further trade liberalization were desirable, and examination of the possibilities for undertaking a study on the effectiveness of adjustment assistance techniques in the process towards removal of trade barriers imposed in different countries in a particular sector.

5. While the Expert Group has not met since 1972, the question of structural adjustment has on occasion been further discussed in the course of the work of the Committee, particularly with regard to the examination of protectionist pressures as they affected the trade of developing countries.

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<sup>1</sup> These concerned problems relating to training, early placement of labour, job location etc., in the hope that the experience of different countries could be useful to others in improving the practical application of adjustment assistance measures.