

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5177

29 July 1981

Limited Distribution

WORKING PARTY ON STRUCTURAL ADJUSTMENT

MEETING ON 2 JULY 1981

Note by the Secretariat

1. At its meeting on 11 June 1981 the Council had adopted the report of the Working Party contained in L/5120 and had requested the Working Party to undertake the work as set out in the conclusions contained in the Annex to the report. The main purpose of the meeting of the Working Party held on 2 July 1981 was to organize its future work. To facilitate the first of the tasks set out in paragraph II of the Annex to L/5120, a note on the relevance of the articles and instruments of GATT to the process of structural adjustment had already been prepared by the secretariat and circulated in L/5156. The Working Party, therefore, dealt with the following main items: preliminary comments on secretariat note L/5156; study by the secretariat on the relationship between developments in trade and changes in production structures, as foreseen in paragraph II(a) of the Annex to L/5120; exchange of information on the experience of all contracting parties with regard to structural adjustment, as mentioned in paragraph II(b) of the Annex to L/5120; and date for a future meeting of the Working Party.

Relevance of the Articles and instruments of GATT to the process of structural adjustment

2. Most delegations which made preliminary comments on the note by the secretariat, document L/5156, considered it a useful and comprehensive summary of GATT provisions as they relate to structural adjustment. In their view, the note helped to provide a better understanding of GATT's rôle in this field and served to bring into greater focus the relevance of the obligations which contracting parties had under the GATT to the issue of structural adjustment. The view was expressed that it appeared from the note that GATT could best contribute to structural adjustment by continuing to play its important rôle in further liberalizing trade and in strengthening the open trading system. It was also suggested that positive structural adjustment could itself have a beneficial impact on trade liberalization and reference was made in this connexion to the specific provisions in the General Agreement and in GATT instruments on structural adjustment as indicated in the secretariat note. Some delegations said that in order to present a more balanced picture, the note, apart from describing the relevance of the provisions of GATT Articles and instruments to structural adjustment, might have contained information showing the manner in, and degree to, which these provisions had been implemented by contracting parties, as well as on their adequacy, equity and efficacy. It was also suggested by one delegation that the note could have dealt more fully with areas such as subsidies, safeguards and agriculture in which the

implementation of GATT provisions has not been adequate. Several delegations stated that they had not had enough time to study the note in detail and that they would comment on it at a later stage. It was suggested that the note might serve as a useful reference point for the future work of the Working Party. It was noted that the note could be commented on by delegations on future occasions.

Secretariat study on the relationship between developments in trade and changes in production structures (paragraph II(a) of Annex to L/5120)

3. The representative of the secretariat gave an oral explanation of the outline of the requested study (see Annex). He indicated that it was the intention of the secretariat to have the study ready by the end of this year.
4. In reply to questions and comments by delegations, the representative of the secretariat stated that services would be covered only in a rather general manner and only for production and employment; a specific breakdown in this area was not possible because of lack of data for most countries. The other economic sectors, however, i.e. mining, manufactures and agriculture, would be covered in more detail in the study. For trade, the study will deal only with exchanges of merchandise. He stated furthermore that the study would try to show shifts in production structures from one economic sector to another as well as shifts in the geographical pattern of production structures.
5. A number of delegations said that the outline appeared to respond broadly to the requirements of paragraph II(a) of the Working Party's mandate and expressed their support for the secretariat pursuing its work on this basis.
6. One delegation stated that work in this field should not be dealt with in abstract but should, in accordance with the mandate of the Working Party, be related to trade and trade policy. The focal point should be to define the rôle of GATT in connexion with structural adjustment. The study should therefore indicate developments in GATT since 1963 which had been aimed at facilitating structural adjustment, as well as the lack of such development, i.e. provide both a positive and negative picture. In the view of this delegation the outline of the study furthermore focused too much on past developments and did not take future developments sufficiently into account. Another delegation stated that the study, in addition to examining the effect of changes in trade on production structures, should also cover the reverse relationship and show the influence of changes in production structures on trade.
7. A delegation stated that the study to be produced was not to be considered as an end result of the work of the Working Party but as one of the background documents which should enable the Working Party to turn its

attention to the objectives set out in its terms of reference. While the aim was to examine the interaction between structural adjustment and trade policy, this had to be undertaken against the background of a better understanding of the nature of the adjustment process as a whole. In agreeing with these views, another delegation noted that trade policy would be considered in the study as one of the factors "relevant to these modifications" in production and trading structures.

8. Several delegations indicated that they might present comments on the points relating to the study bilaterally to the secretariat at a later stage. It was agreed that the secretariat, in undertaking the study, would remain in contact with interested delegations and would submit a progress report at the next meeting of the Working Party in the autumn.

Exchange of information on the experience of all contracting parties with regard to structural adjustment (paragraph II(b) of Annex to L/5120)

9. Members of the Working Party considered the way in which the intended exchange of views among contracting parties should be carried out. It was stressed by several delegations that the exercise should be a global one covering all contracting parties so that an overall assessment could be made of the situation in accordance with the Working Party's mandate as adopted by the Council at its meeting of 11 June 1981. It was furthermore stressed that when preparing their contributions for the exchange of information, governments should have in mind the objectives laid down in paragraph I of the Annex to L/5120.

10. It was agreed that the secretariat should invite all contracting parties to provide by the end of this year the information required in pursuance of paragraph II(b) of the Annex to L/5120, taking into account the objectives outlined in paragraph I of that Annex and the work already done.

Other matters

11. In accordance with the suggestion made at the forty-third session of the Committee on Trade and Development in March 1981 (COM.TD/107, paragraph 44), the secretariat paper "International Trade in 1980 and Present Prospects" (GATT/1285) was made available to the Working Party.

Next meeting of the Working Party

12. The Working Party agreed to hold its next meeting on 20 and 21 October 1981 for the purpose, inter alia, of reviewing progress in the elaboration of the secretariat study and the collection of information on the experience of governments with regard to structural adjustment. Delegations will also have an opportunity to pursue their work on the analysis and discussion of the relevance of GATT Articles and instruments to the process of structural adjustment, on the basis of the secretariat note, L/5156.

ANNEX

Oral Statement for the Meeting of the Working Party
on Structural Adjustment and Trade Policy of 2 July

Following the provisions of paragraph (a), Section II of the Annex to document L/5120, the secretariat has started to work on a study, mainly of an empirical nature, on structural changes in production, employment and trade and factors that may be relevant to these changes.

The actual shape of this study will be determined by comparable data on a world-wide scale, and the extent to which statistical problems relating to the sectoral composition of production, employment and trade can be dealt with.

The plan of the study is briefly as follows:

A. Geographic coverage

The study will cover, to the extent available statistics permit, each of the world's major countries and areas.

B. Time period

The period covered will go back to 1963. For some major aggregates, in order to avoid possible cyclical distortions, we will work with data for several individual years. For the more detailed examination by product categories, we will have to limit ourselves to the years 1963, 1968, 1973 and the latest available year, (generally 1979).

C. Product coverage

For production and employment we shall start from the structural changes for the economy as a whole, i.e. among the broad sectors of services, mining, manufactures and agriculture. For trade we shall deal only with exchanges of merchandise.

For agricultural and mining products the study will cover the main products entering world trade. The basic manufacturing categories are those given in the statistical publications of the United Nations, which are the only ones that provide comparable data for all world areas.

The data on trade will be made as comparable as possible with the categories of production. Where relevant to major modifications in trade structures, more disaggregated data on trade will be provided.

To the extent possible the study will refer to various factors that could generally be regarded as having a rôle in reflecting changes in production and trading structures. Among the factors that could be mentioned are, for example, demand, investment, productivity, technology, relative prices and competitive advantage. However, any detailed analysis of the specific relevance of particular factors to particular developments and their relative weight is likely to encounter considerable conceptual and statistical problems. Likewise, the specific impact of particular policies and measures on changes in production and trade may not be capable of measurement, though government policies will evidently need to be taken into account.

The secretariat will thus have to proceed with the contents of the study in the light of methodological and other considerations involved. The final text is expected to be ready by the end of the year.