

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## WORKING PARTY ON STRUCTURAL ADJUSTMENT AND TRADE POLICY

Meeting on 29 April 1982

Note by the Secretariat

1. The Working Party met on 29 April 1982. The Chairman noted that since the last meeting four more contributions from contracting parties concerning their experience with regard to structural adjustment had been received and circulated in Spec(82)6, Add.8-11. While information from some participants in the Working Party was still outstanding he thought that the material received so far was very substantial and provided a sufficient basis for the Working Party to continue the discussion that had been initiated at the last meeting. Another important matter concerned the contribution of the Working Party to the preparation for the Ministerial Meeting. Given the timetable for these preparations this matter had become rather urgent and it was hoped that some clearer views would emerge in this respect.
2. A group of delegations expressed the view that work had proceeded quite satisfactorily so far. The Working Party was carrying out its mandate and the work undertaken was proceeding well. The secretariat had prepared studies on the relevance of the articles and instruments of the GATT to the process of structural adjustment and on changes in the structure of production, employment and trade since 1963. The Working Party was now dealing with the third part of its mandate. The number of contributions received from participants concerning their experience with regard to structural adjustment was sufficient to enable the Working Party to continue its discussion and to fulfill its mandate.
3. Another member of the Working Party shared the view that the Committee now had before it a representative number of country submissions. A cursory examination of these papers showed a wide diversity of experience with and approach to structural adjustment. The submissions were useful in gaining a better understanding of the process of structural adjustment in different economies and the rôle that government policy played in approaching this complex matter; but their wide disparity made it difficult to draw conclusions without further analysis. Some rudimentary conclusions his delegation had drawn from the submissions available at the last meeting could be found in paragraph 24 of the report of that meeting. It was doubtful whether it would be particularly useful to examine or comment on each individual submission. It appeared more useful to seek a synthesis of country submissions which examined common threads and significant differences among adjustment patterns and policies. While recognizing that there were numerous factors that influenced structural adjustment, as both the secretariat study and the submissions pointed out, it seemed appropriate to focus work on the trade-related aspects, thereby moving closer to what should be the major objective - identifying the rôle of the GATT in the adjustment process.

4. The same member went on to say that in attempting such a synthesis, there were a number of questions that might be asked, such as: To what extent were trade restraints used in conjunction with structural adjustment? Were trade restraints incidental to or an integral part of the adjustment process? What was the relationship of safeguard measures to structural adjustment? Were there alternative measures that countries could take? In answering such questions, one might, in addition to an examination at the general level, find it useful, if not necessary, to note specific examples in individual sectors. Because of the diverse nature of the individual submissions, such a synthesis might require further information and cooperation from the members of the Working Party. As one delegation suggested at the last meeting, the secretariat might be asked to undertake such an analysis. Alternatively, one might attempt it in the Working Party although this could prove cumbersome.

5. One member supported the foregoing approach and suggested further principles that might be taken into account. In his view the secretariat study also tended to confirm that members needed to make available compatible information. Relevant areas would include, among other things, the rôle of trade in structural adjustment. It was important to measure the exposure of different economies to trade, for example, by expressing exports plus imports as a ratio of the gross domestic product. It was also important to examine the flexibility of the labour market and in general the rigidities which inhibited adjustment, the efficient allocation of economic activities in all sectors including agriculture, and the rôle of government in structural adjustment. Certain issues had not been sufficiently covered in the secretariat study, partly because sufficient empirical data was not available and partly because the study was confined to a fairly general level of analysis. For example, in treating agriculture in paragraphs 151-154 the efficiency costs of existing government involvement which in many cases outweighed benefits were not evaluated. One of the main tasks before the Working Party was to evaluate the information which had been made available. The Working Party needed to look at the desirability of policies in terms of their stated objectives, for example, security of supply or income distribution.

6. One member stated that the secretariat study had been very useful for an analysis of the problem of structural adjustment in a wider perspective. In view of the objectives of the Working Party which was to study the relation between structural adjustment and trade it would seem desirable to undertake a further study concentrating on the trade aspects of structural adjustment.

7. Another delegation agreed with the suggestion that had been made previously that the secretariat could be asked to undertake a synthesis. Such a paper could draw together the conclusions contained in the national submissions and should particularly bear in mind the following suggestions made at earlier meetings of the Working Party: identification of product sectors where rigidities existed or where there had been a high rate of growth of imports; positive adjustment measures adopted by governments and industries; definition of constraints on adjustment measures in various countries; definition of trends in the environment

for structural adjustment over a period of 20 years; reasons for government intervention, techniques used and results obtained. It would be appropriate for the secretariat paper to identify areas in the national submissions where information was absent or incompatible. Delegations concerned could later be invited to provide additional data.

8. One member suggested that an approach similar to the one in the Working Group on Adjustment Measures dealing with textile products should be taken, i.e. the secretariat should, if necessary on the basis of supplementary information or suggestions by delegations, make a synthesis of the various contributions received. It was important to keep in mind a distinction to be made between adjustment in the economy as a whole and adjustment as a result of trade. It would also be of interest to receive information on the size of the financial implications of adjustment programmes mentioned in the country submissions.

9. A group of delegations could agree to the suggestion that the secretariat carry out a further analysis which was covered by the mandate of the Working Party and which should be trade related, not concentrating on any particular GATT provision, but taking into account all trade relevant factors influencing the process of structural adjustment. In doing this, one should, however, not lose the broad overall view and keep in mind that trade related factors were not the only ones relevant for structural adjustment. These delegations did not share the view that a distinction should be made between trade related aspects of structural adjustment and structural adjustment in the economy as a whole.

10. In response to the various suggestions made by members of the Working Party the Deputy Director-General stated that as to the wish expressed for a more detailed analysis of the adjustment process and the factors affecting it the secretariat could see, in consultation with delegations, what further work could be done and try to produce in due course a more definitive text of the secretariat study. As regards a further analysis of the information submitted by delegations the secretariat could attempt to present a summary or overview of the main points emerging from the submissions. However, in order to point out additional factors which were relevant for structural adjustment and which were important for the work of the Working Party, it was necessary to have further information and also to clarify what the framework for such an analysis of the various contributions should be. With regard to its contribution to the Ministerial Meeting the Working Party might at this stage want to point to the importance of exchanging information and views on the experience in the field of structural adjustment, on the rôle of governments in this context and on how the actions of governments related to the objectives of the General Agreement.

11. One member was of the view that two main issues had come up in the examination of the problem of structural adjustment in the Working Party which might each require a different approach in relation to the Ministerial Meeting. The first one was related to the aim of arriving at a better understanding of the process of structural adjustment and was of a theoretical nature, while the second one concerned the practical problem of how structural adjustment was tackled by individual countries. It would appear that under the first point some input for the Ministerial

Meeting could be provided by the Working Party. It would, however, not seem appropriate that Ministers discuss individual national structural adjustment policies. The best alternative would be to draw up, on the basis of the national contributions, a list of the different policies employed by governments in this field.

12. One member was of the opinion that more could be done by Ministers than merely noting background material prepared for them on structural adjustment. It would seem desirable that Ministers went further by undertaking a political commitment in relation to the importance of domestic structural adjustment to the international free trade system. Decisions which would give effect to this commitment could be taken in the key areas of safeguards, protectionism and subsidies.

13. One member thought that the contribution of the Working Party to the Ministerial Meeting should be more than a mere factual or analytical report. It would seem desirable that Ministers in their political declaration should emphasize certain aspects related to structural adjustment, such as the global nature of structural adjustment, the interaction between trade liberalization and structural adjustment, and the dangers for global adjustment in a proliferation of sector-specific policies including measures that affected trade. Such a declaration might furthermore contain a commitment to pursue adjustment policies which were consistent with and promoted the continued liberalization of trade.

14. Several delegations shared the views of the previous speakers. One delegation considered it important to look at the objectives of the Working Party in a broader context. The problem of structural adjustment was dealt with also in other organizations and it would seem appropriate to see what specific rôle the GATT could fulfill in the area of structural adjustment, and to concentrate on the interrelationship between structural adjustment and the GATT provisions, e.g. Article XIX, XVI and others.

15. One member noted the connexion between the work in the Working Party and the aims of the Ministerial Meeting, which were to improve the ability of the trading system to provide opportunities for the more efficient use of resources on the basis of comparative advantage. Approaches and attitudes to these issues would underpin trade policy answers elaborated at the Ministerial Meeting. Some message to Ministers would therefore be appropriate.

16. The Chairman concluded that the secretariat, with the help of members of the Working Party, should attempt to undertake a synthesis in the form of a report to Ministers. The report should contain conclusions to be agreed upon by the Working Party which would constitute an input not only of an analytical nature but also of substance to the Ministerial Meeting.

17. One member stated that he understood that in preparing such an analysis the secretariat would proceed on the basis of the views that had been expressed in the Working Party.

18. It was agreed that the date for the next meeting of the Working Party should be established in consultation with delegations.