GENERAL AGREEMENT ON
TARIFFS AND TRADE

ADJUSTMENT ASSISTANCE MEASURES

Summary of replies to the Expanded Questionnaire

Note by the Secretariat

1. Document COM.TD/W/152 and addenda contain information on adjustment assistance measures provided by delegations in response to the questionnaire circulated in GATT/AIR/859 dated 28 May 1971. In the following paragraphs, an attempt has been made to summarize the replies so far received under the three main headings covered in the questionnaire i.e. measures available, measures applied and the effects of such measures. For more comprehensive details delegations are invited to refer to the information contained in the document mentioned.

I. MEASURES AVAILABLE

Austria

2. Since the last notifications, contained in COM.TD/W/92/Add.5 and COM.TD/W/126/Add.1, the Federal Act on Improvement of the Economic Structure was extended to cover enterprises in addition to those mentioned earlier (Federal Gazette No. 417/1970) and the provisions for promoting adjustments and co-operation were prolonged to 31 December 1973.

Canada

3. There are two main programmes of adjustment assistance to industry; The General Adjustment Assistance Programme (GAAP) and the Automotive Adjustment Assistance Programme (AAA). The aim of the former is to facilitate the adjustment of Canadian manufacturers to changes in the trading environment resulting from the Kennedy Round. It also provides assistance to manufacturers of textiles, clothing goods and footwear so as to improve their competitive position in domestic or export markets and to adapt efficiently to disruptive import competition that is threatening or causing serious injury. The AAA programme assists Canadian manufacturers of original equipment, automotive parts, tooling, specified commercial vehicles and suppliers of material to adjust to the market environment created by the Canadian-United States Agreement on Automotive Products. Under the GAAP, financial assistance is available in the form of (a) government insurance against the risk of loss on loans made by private lenders for the purpose of financing viable adjustment projects, (b) direct government loans and, (c) financial grants. The financial assistance under the AAA programme has been mainly in the form of loans and in certain circumstances, through the remission of duty on imported machinery. With regard to assistance to labour, the programmes include counselling, referral, placement, training, retraining and mobility assistance as well as financial assistance for early retirement benefits for textile and clothing workers displaced as a result of import competition.
Denmark

4. While industry may be eligible for some forms of assistance under general legislation aimed, inter alia, at facilitating adjustments in industry, Denmark has no legislative authority to apply adjustment assistance measures in favour of domestic industries specifically with a view to providing larger opportunities for imports of products of interest to developing countries. Measures aimed at furthering the mobility and retraining of labour are provided for in the appropriate legislation.

Finland

5. Adjustment assistance measures are not available.

Italy

6. Measures to promote adjustment in Italy are intended to improve the general internal conditions in the country and are not designed as a direct means of providing developing countries with better trade openings for their exports.

Japan

7. The measures maintained by the Japanese Government are directed at assisting small and medium-size enterprises in modernizing their management and equipment with a view to improving productivity. Since the measures notified in COM.TD/W/92/Add.2, legislation entitled "Provisional Law Concerning Measures for Small and Medium-Size Enterprises to Cope with the Changing Situation Introduced by the Generalized System of Preferences (GSP)" was introduced in 1971.

8. The object of this Law is to facilitate sound development of the national economy through the development of small and medium-size enterprises by providing for smooth conversion of activities undertaken by smaller enterprises to cope with supply and demand structure changes as a result of the implementation of the GSP. Measures available for business conversion assistance include financing, taxation and credit insurance, advisory services and vocational training.

Luxembourg

9. No instrument is available for application which would enable the authorities to intervene in matters of adjustment in the event of certain developments in the conditions governing foreign trade.

New Zealand

10. No adjustment assistance measures are employed.
Norway

11. Policy in this field is, in part, implemented by means of instruments of a general character, such as credit policies, including the State credit institutions and partly taxation policy. There are strong links between the re-adaptation policy on the one hand and the research and development policy and the regional development policy including relocation and retraining of labour on the other. The State Guarantee Fund for Industry with a ceiling of Nkr 200 million provides financial guarantees to facilitate, *inter alia*, industrial adaptation and structural changes. The Institute for the Financing of Structural Re-adaptation, capitalized jointly by the State and private banks and insurance companies with a lending capacity of Nkr 500 million, finances structural re-adaptation. A Regional Development Fund administers arrangements concerning credits and grants, advisory services and surveying in the field of regional development. Interest rates are normally at market levels. Compensation for relocation of industry and commencement costs may be provided, as well as tax concessions for investment in development districts. Various measures are applied in connexion with the training and transfer of labour.

Sweden

12. The two main methods of adjustment assistance available are: (a) financial assistance to business and, (b) assistance to labour. In order to promote manpower and regional policies, business is assisted in the form of loans and the use of investment funds. A national investment bank facilitates investment projects that are aimed at rationalization, structural adjustment and development. Considering the special problems faced by the textile and clothing industry, a system was introduced, as from fiscal year 1971/72, for a trial period of three years, whereby companies within these industries could obtain financial aid for investigations concerning organizational matters, need for specialization, co-operation possibilities, etc. With regard to assistance to labour, the emphasis is on labour market information (employment service, vocational guidance, vocational rehabilitation) and on measures to promote mobility (adult training, transfer allowances). Assistance is also available in the form of temporary job creation, mainly in the form of public works, and cash assistance to unemployed persons.

United Kingdom

13. There are a number of general measures in force, including provisions to assist the diversification of industry in certain areas and the adaptation of industry to changing conditions. These are not directly related to problems which may be caused by increasing imports from developing countries. Regional industrial policies provide for assistance to industries suffering from regional disparities in employment and economic growth. These include investment
incentives such as grants, depreciation and writing-down allowances and building allowances. Under the Local Employment Acts building grants, rent allowances, loans, renewal grants, operational grants and training grants are among the measures available. In this connexion financial assistance offered under regional industrial policy during the financial year 1969-70 amounted to almost £84 million.

United States

14. The basic legislative authority for adjustment assistance for industries, firms and groups of workers is contained in the Trade Expansion Act of 1962 and in the Automotive Products Trade Act of 1965 which expired in June 1966. The purpose of the adjustment assistance programme is to offer Federal assistance to particular firms and groups of workers found to be adversely affected by increased imports until economic adjustment to the effects of the liberal trade policies set forth in the Acts is attained. Measures available include (a) technical assistance, such as managerial advice and counselling, research and development assistance and market research; (b) financial assistance, consisting of direct loans, deferred participation loans and guaranteed loans, and (c) tax assistance, in the form of an extension of the normal three-year carry back to five-year carry back of a net operating loss. The State Employment Security agency administers three types of special benefits to eligible workers: (1) cash allowances, (2) testing, counselling, training and job-placement services, and (3) cash relocation allowances for basic moving expenses when a job has been found in another city and there is no suitable job available in the worker's own city. Trade adjustment assistance is under review in the light of experience and the report of the President's Commission on International Trade and Investment Policy.

II. MEASURES APPLIED

Canada

15. The application of the GAAP programme facilitates the adjustment of Canadian firms to changes in the trading environment and contributes to the achievement of a situation in which it would be possible to remove restrictions in the few cases where they exist. Since the inception of GAAP in 1968, a total of $38,826,000 of government insurance has been provided on loans and a total of $105,000 has been awarded as grants; no direct government loans have been made. The total assistance provided to companies under AAA has usually been between $12 million and $15 million of new loans annually. Since 1965, a total of $2,032,000 in Transitional Assistance Benefit grants has been paid to displaced auto workers. Assistance payments to displaced clothing and textile workers began in June 1971.
Denmark

16. The Employment Service and Unemployment Insurance Act is aimed at furthering the mobility of labour. With regard to training of labour, the programmes for adult vocational training comprise training of semi-skilled workers, subsequent training of skilled workers etc. and retraining. The cost of these programmes in 1970/71 amounted to almost DKr 126 million.

Japan

17. Adjustment assistance measures under the 1971 Provisional Law have not been applied so far to any industrial sector. Measures applied include low-interest financing by the Smaller Enterprise Financing Corporation and the Smaller Enterprise Development Corporation as well as special measures under the System of Smaller Enterprise Credit Insurance. Under the latter, the insurance limit is twice as large as the usual amount, the rate of compensation 80 per cent (usual rate 70 per cent), and the rate of insurance two-thirds of the general rate. There are also special taxation arrangements under the Law for Special Taxation Measures. The retraining of workers is also envisaged.

Sweden

18. The textile and clothing, shoe and leather and glass industries are among those which have been affected by changes in import patterns and for which adjustment assistance measures have been applied. There has also been financial assistance of various types to industry and labour. During fiscal year 1970/71 approximately US$400 million was spent on assistance to labour and US$125 million on assistance to industries.

United Kingdom

19. The only instances in which the United Kingdom has used legislation specifically to assist an industry to adjust to imports from developing countries were the Cotton Industry Act of 1959 and, in 1970, a more limited scheme of financial assistance for modernization and re-equipment of the cotton and allied textile industries. A dual policy of controls and incentives is used to encourage a balanced pattern of regional industrial development.
United States

20. The trade adjustment assistance programme can only be applied to deal with changes resulting from increased imports arising mainly out of trade agreement concessions. The programme is national in scope and has benefited firms or groups of workers in the steel, electronics, non-rubber and rubber-soled footwear, piano, sheet glass, automotive products, household flatware such as stainless or silver-plated, cotton textiles, organs and barbers' chairs industries. Adjustment assistance may be utilized as an alternative to import quotas, higher tariffs and other restrictive trade barriers. Loan and loan guarantees of £8.6 million and technical assistance of £0.4 million for adjustment assistance were granted in 1970/71 for purposes of diversification, modernization of plant facilities or for use as working capital upon satisfying certain requirements. The technical assistance given has been mainly in the form of managerial consulting activities. About £18 million was provided for training and relocation of labour and weekly cash readjustment allowances in connexion with adjustment assistance.

III. EFFECTS OF MEASURES APPLIED

Canada

21. There have been no instances where application of adjustment assistance has been followed by the elimination of import restrictions or restraints. Whatever effects adjustment assistance measures may have had on the level of domestic production and the composition of imports from developing countries have not been quantified.

Italy

22. The Italian Government takes the view that the best method would be to leave it to the developed countries themselves to consider what the form and extent of their adjustments should be, having due regard to the special problems arising from respective internal situations, since any possible action in this direction must be closely linked with economic, political and social situations in the various developed countries.

Japan

23. There has been no occasion for assessing the effect of measures applied, since the Provisional Law of 1971 has not yet been applied to any industrial sector.
Sweden

24. It was not possible to distinguish between the use of adjustment assistance in the manner asked in the questionnaire, as different factors causing structural changes often appear simultaneously. However, during the 1960's Swedish imports of textile and ready-made clothing from the developing countries increased at the same time as the domestic textile and clothing industry underwent considerable structural changes. Swedish imports from developing countries of products of the shoe and leather and glass industries have also increased in recent years.

United Kingdom

25. It is not possible to distinguish the effects of adjustment assistance on the level and composition of imports from other equally relevant factors such as tariff levels, improved technology, competition from synthetics and substitutes etc.

United States

26. There were no instances where prior use of adjustment assistance has been followed by measures to reduce or eliminate import restrictions. There was no indication available of the impact of the adjustment assistance extended on the level of domestic production and composition of imports from developing countries.