1. In accordance with a decision taken by the Committee on Trade and Development at the thirteenth session, the Expert Group convened on 19 May 1969 and examined, on the basis of written submissions by developed countries, the current situation in regard to the use of adjustment assistance measures which have a bearing on the creation of better trading opportunities for developing countries.

2. The Group had before it written statements submitted by ten developed countries; two developed countries orally reported on the measures they had taken; and certain other governments advised the Group that the statements which they had supplied in 1966 and reproduced in COM.TD/H/3, remained valid. (Cf. COM.TD/W/88, COM.TD/W/92 and Add.1-8.)

3. In analyzing the material available to it, the Group noted that the adjustment assistance measures available to governments included the following:

A. Assistance to business entities

(a) Financial assistance

(i) Grants, advances and loans (often low interest and with generous repayment periods) to:
- private firms for machinery and building;
- local authorities for infrastructural expenditure;
- investment reserve funds to encourage enterprises to invest during periods of recession to even out business fluctuation.

(ii) Grants or loans to firms to facilitate the scrapping or "moth-balling" of machinery, or to promote modernization of plant and equipment.

(iii) Loans to small enterprises to encourage projects on a co-operative basis.

(iv) Grants of land, transfer of works and sites, construction of factories for hire or sale to manufacturing concerns.
(v) Subsidies towards costs of factory buildings.
(vi) Guarantees of private loans to manufacturing concerns.
(vii) Payments to offset interest charged on private loans to manufacturing concerns.
(viii) Grants to enable feasibility studies by private firms.
(ix) Inauguration of public works programme.
(x) Funds for assisting in the financing of moves towards industrial concentration, fusion and rationalization.

(b) Fiscal inducements

Tax exemptions, deferments and rebates, including accelerated depreciation allowances.

(c) Technical assistance

(i) Assistance to manufacturers in preparing adjustment proposals for improving production, managerial, marketing and financial operations.
(ii) Assistance in stimulating industrial growth of particular areas through the application of science and technology.

(d) Information and guidance service

Assistance to enable small enterprises to convert their businesses.

B. Assistance to labour

(e) Retraining of labour

(i) Establishment of training facilities.
(ii) Grants or loans to local authorities for the establishment of training facilities.
(iii) Grants or loans to firms for the establishment of their own training facilities.
(iv) Payment or part payment of salaries of instructors and trainees.

(f) Temporary measures to smooth out fluctuations in manpower demand

(i) Payment for workers during periods of unemployment or reduced employment.
(ii) Emergency works, government construction, additional public contracts.

(g) Movement of labour

(i) Payments to enable travel for training and interviews.
(ii) Payments for movement of family and effects.
(iii) Publicity on employment opportunities in localities outside the depressed area.

4. In reviewing the notifications, the Group noted the assertion of certain countries that by virtue of their liberal trade policies and the reliance on the forces of supply and demand, the adjustment of factors of production to changes in market situations tended to take place autonomously and direct government intervention had been minimal. In most of these countries, however, there were fairly extensive mechanisms available to assist labour and industrial enterprises to adjust to structural changes. The aim was generally to promote industrial efficiency through rationalization, re-organization, re-location of industrial plants, industrial research and the retraining or transfer of labour. In many cases these measures were taken under general policies aimed at fostering economic and social development. In the case of two countries, however, adjustment assistance programmes were specifically designed to assist firms and workers adversely affected by changes in the trade sector which might arise from obligations assumed in trade negotiations with foreign countries.

5. Mention was also made by some countries of adjustment assistance programmes to deal with problems of specified industries or with problems of depressed areas, though generally, the adjustment assistance measures available were designed to deal with the problems faced in individual firms and workers of individual firms rather than for entire industrial sectors.

6. The Group attempted to ascertain from the material before it whether there had been any notable changes in the situation since 1966, when the Group conducted its last review. It noted that several countries, notably Austria and Italy, had obtained more specific legislation to facilitate the use of adjustment assistance measures for general adaptation to economic changes; that Canada had joined the United States in providing for adjustment assistance measures to deal with
changes in their trade sectors arising from trade negotiations, though neither of these two countries had made extensive use of the mechanisms available; and that effective measures had been taken by some countries in the cotton textile sector in response to changed patterns of imports. In general, however, there had been no fundamental change in the situation since 1966 as to the availability of measures or the extent to which the available mechanisms were used.

7. The Group observed that, as had been found in 1966, none of the adjustment assistance measures available or planned had been indicated as being specifically designed to provide opportunities for larger imports from developing countries. It had been suggested, however, that where adjustment assistance measures directly or indirectly impinged on the trade sector they could have beneficial effects for developing countries. Some developed countries referred in particular to the trend towards rationalization in their cotton textile industry which had facilitated increases in imports from developing countries. Another referred to the re-organization of its sulphur industry and to the consequent abolition of restrictions on imports of sulphur last year.

8. In urging that greater use be made of adjustment assistance measures some members drew attention to the provisions of Article XXXVI:9, as well as those of Article XXXVII:3(b). Under the latter provision developed countries had undertaken to adopt measures, which might include measures to promote domestic structural changes, in order to provide opportunities for increased imports from developing countries. In the opinion of these members it was thus incumbent on developed countries to make conscious or purposeful attempts to deal with their particular problems through internal adjustment. Some of them suggested that the Group might at a future meeting examine the availability or effectiveness of adjustment assistance measures in relation to particular products or particular industrial sectors.

9. In response, the representatives of some developed countries pointed out that under their legislation their governments could only take action to assist individual firms and labour associated with such firms, there being no authority to take action with respect to broad sectors or entire branches of industry. Some members, while agreeing that adjustment assistance had a useful rôle to play,
stressed the danger of an unreserved endorsement for its use as an instrument of trade policy, having regard to the possibility of its becoming disguised subsidization of production to the disadvantage of all concerned, as had been noted by the Group at its previous meeting (cf. paragraph 11 of COM.TD/H/4). Restraint in the use of adjustment assistance measures in developed countries also reflected inadequate public sympathy in these countries with the concept of curtailing particular lines of domestic production in order to make room for imports even from developing countries. The Group had recommended in 1966 that the education of public opinion should be given special attention by governments. In the nature of things, however, this could only be a long-term process.

10. The Group recalled that the Committee on Trade and Development, in approving the Group's report in 1966, had confirmed the consensus reached in that Group that adjustment assistance could make some contribution to the solution of the problem of creating greater access for the exports of developing countries and had agreed that the attention of the contracting parties should be drawn for appropriate action to that conclusion. The Committee had also agreed that contracting parties taking part in various organs of GATT should be invited to consider to what extent adjustment assistance could be employed in dealing with the specific measures with which those organs were concerned. The Group reaffirmed its belief in the usefulness of the timely employment of adjustment assistance for the purpose of improving the trading opportunities of developing countries. Some members stressed the hope that in planning any co-ordinated international action, as well as in formulating national commercial policies, developed countries would take due account of the role which measures of adjustment assistance might play in facilitating a higher volume of imports. In this connexion the Group felt that the conclusion stated above would be of relevance to the work of such GATT bodies as the Agriculture Committee, the Committee on Trade in Industrial Products, the Group on Trade in Tropical Products, the Group on Residual Restrictions, etc. The Group welcomed the decision taken by the Cotton Textiles Committee to make a special study of the problem of structural adjustment in the cotton textiles industry and looked forward to the time when it could refer for enlightenment to the results of that enquiry.
11. The Group noted the view of some members that the enquiries so far conducted in the Group had served to produce a broad profile of the adjustment assistance policies and programmes of developed countries and that future work should be more concentrated on establishing the extent to which adjustment assistance measures were available to deal with those areas in which trade barriers to imports from developing countries were not reduced or removed because of economic and social reasons, and the extent to which, where such measures existed, they were in fact used.