The attached two working papers are circulated at the request of certain members of the Working Party.
Annex 1

The future work of GATT relating to structural adjustment and trade policy should be carried out in a special Committee of the Council, without prejudice to the specific competence of other bodies of GATT, in particular the COM.TD.

I. OBJECTIVES OF WORK IN GATT

(a) to facilitate the adoption of structural adjustment measures and policies, with a view to promoting the expansion of international trade, in particular the trade of developing countries;

(b) to avoid recourse to restrictive measures in trade which hamper the adjustment of national sectors of production to competition.

II. NATURE OF WORK IN GATT

The work in GATT should be carried out through usual GATT procedures, including exchange of information, consultation procedures, and multilaterally-accepted disciplines involving:

(a) consideration of questions relating to structural adjustment policies and trade;

(b) consideration of possible measures or policies to facilitate structural adjustment in national sectors of production, with a view to promoting the flow of trade in such sectors;

(c) examination of problems and difficulties in specific national sectors of production which hamper or may hamper trade flows, with a view to avoiding recourse to restrictive measures.

Work in these areas should accord priority to sectors of particular trade interest to developing countries.
1. Objectives of work in GATT

The objective is to bring about a better understanding of the process of structural adjustment and the ways in which trade policy may facilitate the process. In this context any work in GATT must take into account the objectives of the General Agreement itself including those of Part IV. At the same time it must equally take into account the provisions of the General Agreement and the results of the MTN while recognizing that obligations cannot be imposed on individual firms nor on the CPs with regard to structural adjustment per se.

Work on structural adjustment is also being undertaken in other international fora and duplication of effort should be avoided; and to focus efforts upon trade policy considerations within areas of GATT competence.

2. Nature of work in GATT

The Working Party thought that the proposals given below could permit a thorough examination of this subject in GATT in the context of continuing GATT efforts to promote trade liberalisation.

(a) to analyse the relationship between developments in trade and changes in production structures, with the objective of identifying significant modifications over the last decade and the factors most relevant to these modifications;

(b) having regard to the global character of such an exercise, to promote a general exchange of information, in order to learn as much as possible from the experience of all participating countries with regard to structural adjustment under various economic systems.

3. Procedures

The Working Party proposes that the Council should entrust to it the tasks set out under points 2(a) and (b) above. Reports made by the Working Party shall be transmitted to the Committee on Trade and Development and the CG 18 before being submitted to the Council.