

ANNEX

"GOVERNMENT AID: THE POSITIVE ADJUSTMENT PERSPECTIVE"

(Statement by the Economic Policy Committee)

1. Delegates emphasized the continued need for positive adjustment policies both at the domestic and international level, and reaffirmed the basic principles set out in the 1982 Ministerial Statement. They agreed that the rise and decline of specific activities is a normal feature of economic development and does not as such provide a rationale for government intervention. However, where government assistance to particular economic activities is deemed necessary, it should be transparent and should allow, to the greatest extent possible, the continued play of market forces. Wherever appropriate, and particularly in the case of structurally weak industries, state aid should be temporary, linked to plans for effective restructuring, and phased out according to a predetermined timetable. Delegates also reiterated that considerations of national security or self-sufficiency should not be misused to justify measures of excessive support and protection.
  
2. In the light of the experience of the last two years and the present economic situation, Delegates agree that the application of the basic principles of positive adjustment policies merits sharper focus on the issues of enhancing efficiency in the medium term and creating viable new jobs, containing inflationary pressures, and maintaining the open multilateral trading system. The general aim is to identify more clearly those measures which may be particularly harmful from either a domestic or international perspective, and to indicate alternatives that accomplish the objectives at less overall cost. Though adjustment policies must of course be adapted to the specific circumstances of each country, three priorities can be identified:
  - Adjustment policies should be reoriented towards achieving greater efficiency in the medium term through increased flexibility and innovative use of resources. To provide a basis for the creation of viable new jobs, manpower and social policies should place more stress on retraining and redeployment, while acknowledging the need to compensate those adversely affected by structural change. So as to capitalise on the growth opportunities arising from new technologies and from the recovery underway, policies impairing the efficiency of capital markets and the supply of risk finance for investment should be reviewed. Consistent and vigorous implementation of competition policy, in addition to improving the efficiency of markets for existing products, can lower the barriers to entry into new and promising lines of activity. High priority should also be given to reducing barriers to the exit of resources from activities no longer viable, for instance through