STATEMENT BY THE REPRESENTATIVE OF THE FEDERAL REPUBLIC OF GERMANY ON 30 JUNE 1969

Considering the trade effects of the measures taken in November 1968 in the Federal Republic of Germany, one can state the following:

1. The special tax on exports has had a marked effect on German export prices. The official index of export prices (1962:100) has gone up from 105.8 points in November 1968 to 109.0 in February 1969 and further to 110.3 in May 1969. The increase since November 1968 has been by 3.2 points (=3 per cent) until February and by 4.5 points (=4.2 per cent) until May 1969. This exceptional increase within a short period can be considered mainly as a result of the measures taken in November. If one takes into account that the rates of the export tax are 4 and, in other cases, 2 per cent, and that the greater part of agricultural products are excluded from the tax - so that the average rate for the whole of German exports should be around 3 per cent - then it seems to be clear that the export tax has been shifted into the prices almost completely. It is almost a classic example of a successful tax shifting. Thus, the expectations of the Government have been realized with respect to these measures, i.e. that the foreign prices for German products would rise by the tax burden introduced in November 1968 and that the competitive position of German exports would be relatively worsened by that amount.

2. The effects on the import side cannot be seen quite so easily - because the official index of import prices does not reflect the effects of the import subsidies. For technical reasons the import subsidy of 4 and 2 per cent is constructed in such a way that the special bonus is given to the importer after the imported goods have passed the customs frontier. (The technique of the import subsidy and the export tax was explained in detail at the meeting in February (see Spec(69)49, page 122).) Therefore, the possible price reduction resulting from the import subsidy cannot be seen in the figures of the price index for imported goods (prices at the border). Nevertheless, the expected effects on German imports seem to have been realized to a great extent. This can be seen quite clearly when looking at the development of imports for this year. In the period from January to May 1969 German imports rose by DM 6.9 billion (= +21.3 per cent) over the same period in the year 1968.

To what degree the import subsidy has been passed on to the final consumer in the form of price reductions cannot be isolated statistically. But it may be recalled that the desired effect of stimulating imports could be achieved even in the case when the subsidy was not used to reduce import prices, because then higher profit margins for the importer would stimulate imports.
3. The effects of the measures were realized. However, it cannot be denied that the desired diminution of the German trade surplus as a whole did not materialize quite to the predicted amount. By the latest figures for January to May 1969 the trade surplus has gone down by DM 1.2 billion compared with the same period in 1968. Taken as a whole year, this would mean a reduction by about DM 3 billion. This estimate is a bit lower than the total effect on German trade estimated in November (surplus -4.5 to -5 billion), but this cannot be attributed to the measures taken in Germany as such but to the fact that the expectations at the end of last year, as to the development of demand and prices in other countries, did not materialize to the full extent.