GERMAN IMPORT RESTRICTIONS

Statement by the Representative of the Federal Republic of Germany

During the consultations which took place in June this year, the situation was examined which has resulted from the last decision of the International Monetary Fund in respect of the Federal Republic. In the course of these consultations, the representatives of the Federal Republic had set forth the economic difficulties existing with regard to the further extension of the liberalization of imports. In this connexion, it had also been pointed out that, during the past years, the Federal Republic has pursued a liberal trade policy and that it has made continuous progress in reducing import restrictions and discrimination. At the same time, also the imports of the Federal Republic have shown an ever-increasing tendency. These facts have been expressly recognized also by the International Monetary Fund. The Consultations Committee has recognized that the Federal Republic is faced with difficult problems in the field of economic policy. It has — in accordance with the decisions of the International Monetary Fund — expressed the view that import restrictions, as far as applied for balance-of-payments reasons, should be removed by the Federal Republic as soon as possible.

The Government of the Federal Republic has examined in detail the result of the consultations and the different aspects of this question. It has decided to take a number of measures for the purpose of further extending liberalization and reducing any discrimination still existing in the import sector. I am now able to inform the CONTRACTING PARTIES of these measures. Before going into details, I would like to refer to some facts and points of view which seem to me to be of importance for appreciating the measures of my Government:

1. During the consultations in June 1957 it was already stated by the German representatives that the existing restrictions and controls were applied in a liberal manner. For almost all products still under control, imports have continuously increased in the course of these last years as is well-known to the CONTRACTING PARTIES.

The following figures will be of interest to the CONTRACTING PARTIES: From 1953 to 1956, imports of liberalized products increased by 73.7 per cent, whereas
imports of products subject to quotas increased by 119.6 per cent. Hence it follows that, properly speaking, there exists a controlled expansion of imports rather than restrictions.

2. I would like to make some remarks regarding the situation of our balance of payments. The General Agreement permits import restrictions to be maintained only for the protection of the balance of payments. Though the International Monetary Fund has stated that the Federal Republic, from an over-all point of view, has no balance-of-payments difficulties, this does not mean that we have no balance-of-payments problem. The contracting parties to the General Agreement are sufficiently aware of the fact that the active balance of payments of the Federal Republic is due to the considerable surpluses in the trade within Europe, whereas the balance of payments in respect of the dollar area shows a more and more passive balance. In spite of this situation, we have carried on our liberalization policy vis-à-vis the dollar area in the course of the last years, though the dangerous surplus in the European Payments Union has still increased. The contracting parties to the General Agreement will understand that this is a problem which affects the bases of the whole of our own trade policy and also of the trade policy of other European countries. The maintenance of the structure of the present foreign trade in Europe and the stability of the economic situation in a large part of Europe are at stake here. Such economic stability in Europe is no doubt in the interest of all contracting parties to the General Agreement, which have derived considerable profit by it during the past years. In spite of this, it is in the line of my Government's trade policy to extend the liberalization of imports as far as possible and to reduce any discrimination that still exists. It cannot be denied that for most countries trade relations with the Federal Republic have been advantageous. Of course, we quite understand the desire to get as many advantages as possible. But it should be taken into account that a point may be arrived at where the increase of imports will lead to a breakdown of the markets. This applies above all to the trade in agricultural products. The result would be that the situation of the countries interested in the German market would then be considerably worse than before.

3. Moreover, I would like to make some further remarks regarding the questions of agriculture. The Federal Republic is maintaining a number of import restrictions in this field. These are, on the one hand, the import controls concerning products subject to the German marketing laws (cereals, meat, fat and sugar). These import controls are applied by the Federal Republic by virtue of the Torquay Protocol and under the reservation made by the Federal Republic in respect of the application of Parts II and III of the revised General Agreement. The Federal Government regrets that it is not able to make a change in the present state of things. On the other hand, a number of import restrictions still exists in respect of agricultural products, which are of importance preponderantly for the trade of the European countries. The present problems of the European economy do not permit us, for the time being, to take any decisions in this respect. I should like to refer here to the Decision of the Council of Ministers of the Organisation for European Economic Co-operation of 17 October 1957, which has been reproduced in document L/745 and was the subject of discussion at the Plenary Meeting of 16 November 1957.
However, it seems to me to be of interest to take into account also the
general situation of agriculture in Europe and in many other countries of the
world. The paramount importance of agriculture for the different national
economies has, in most cases, led to the formation of agrarian systems the
purpose of which is to secure the existence of agriculture and to maintain the
stability of the markets in the interest of the whole national economy. These
problems have been particularly pointed out on pages 32 and 238 of the Annual
Report of GATT - International Trade 1956. All these agrarian systems involve
the problem of their consistency with the provisions of the General Agreement.
The measures of the different countries are partly consistent with the rules of
the General Agreement - in particular where a subsidization of producers is con­
cerned - and partly waivers and special arrangements have been provided for in
the General Agreement for this purpose. However, the economic effect of these
systems is in all cases the same, namely the preservation of national agri­
culture and its protection against entirely different conditions of production
and competition abroad. I believe that it has been more and more recognized
that the pertinent provisions of the General Agreement relating to this important
field are no longer realistic and need to be revised. Considering the present
world situation, it appears more and more doubtful whether the import policy in
the field of agriculture should be considered mainly from the point of view of
the balance of payments, as is done under the rules of the General Agreement.
Indeed, in most cases there is no intrinsic connexion between the balance of
payments and the situation of agriculture. Everybody will recognize this when
considering the situation in his own country.

As has turned out in the meantime, the review of the General Agreement
carried through two years ago did not sufficiently take into account the develop­
ment in the world.

I should like still to point out here another important question. As
regards the subsidies granted for the exportation of agricultural products, the
review of the General Agreement has not brought about a satisfactory solution.
But the very fact of the world-wide application of export subsidies of all kinds
to agricultural products is one of the reasons why, in the Federal Republic and
in many other countries, import controls are necessary in order to avoid
prejudicial disturbances in the markets. The suggestions submitted by the
Australian delegation in connexion with the discussion about the European Economic
Community, to the effect that the pertinent provisions of the General Agreement
should be revised, seem to me to be a symptom of the fact that the new situation
is no longer consistent with the basic rules of our Agreement.

4. As regards the liberalization of industrial products, I should like to point
out another special problem. The trade policy and the commercial methods of our
partners in trade have a considerable influence on our possibilities to abolish
import controls. If, in individual countries, raw materials are subject to
monopolies or export taxes, it is particularly difficult to release the importa­
tion of products made of such raw materials. I should like to mention, in this
connexion, also the fact that the invocation of article XXXV of the General
Agreement by a number of contracting parties against other contracting parties may
largely distort competitive conditions and cause considerable difficulties with regard to the liberalization of determined products. On the occasion of the preceding sessions, the contracting parties to GATT recognized the importance of this problem and pointed out the necessity to solve it. My Government hopes that a satisfactory solution to this problem will be found as soon as possible in the interest of all contracting parties. This, too, is a problem the importance of which, apparently, could not be foreseen at the time when the rules of GATT were established.

I hope that these preliminary remarks may have contributed to evoke among the contracting parties to GATT some understanding of the problems and difficulties which existed for my Government when it took its decisions.

I now want to make known these decisions in detail:

I. On 1 January 1958, the Federal Republic will liberalize a considerable number of products for all contracting parties to GATT. Altogether, 762 items of the Statistical Index of Commodities of the Federal Republic are concerned. Of this total amount, 197 items come under the sector of food and agriculture and 565 items under the industrial sector. The import value of these products in 1956 amounted to about 1.3 billion DM, that is 5.6 per cent of total imports. The products concerned are contained in List I, which I have just submitted to the secretariat and which have been distributed.

II. For another amount of products, contained in List II, which has likewise been submitted, my Government has envisaged the full liberalization within a transitional period extending up to two years. This list contains 331 items of the Statistical Index of Commodities of the Federal Republic. Of this amount, eighty-eight items come under the sector of food and agriculture and 243 items under the industrial sector. The import value of these products in 1956 amounted to about 600 million DM, that is 2.1 per cent of total imports.

III. The Federal Government has decided to take the following measures in order to remove or relax the discrimination in the treatment of some contracting parties to GATT in the case of products still subject to import quotas. The Federal Republic is prepared, as from 1 January 1960, to grant global quotas for non-liberalized agricultural products to the contracting parties to GATT not being members of the OEEC, but, as far as Europe is concerned, only to countries not having a governmental foreign trade monopoly.

As regards countries being members of the OEEC, the Federal Government is not in a position, for the time being, to deviate from the present system, considering the fact that negotiations on the European Free Trade Area are being conducted in Paris at present. These negotiations will, no doubt, lead to the conclusion of arrangements on the exchange of agricultural products in Europe, which will correspond somewhat more to the present status of relations in the field of agriculture or resemble the system of agricultural relations in the European Economic Community. The Federal
Government would like to avoid, moreover, arrangements which might affect the foreign exchange balances of countries being suppliers of the Federal Republic and which later on may have to be revised.

IV. For all non-liberalized products of the industrial sector, the Federal Government will consolidate the different global quotas hitherto applied separately to the soft-currency area and to the dollar area, as from 1 July 1958, into uniform global quotas so that the present discrimination will be removed.

5. These are the measures which my Government, after carefully considering the situation, is prepared to take. On close examination, the contracting parties to GATT will recognize that considerable progress will be made by these measures in the removal of still existing import restrictions and discrimination. I should like to point out that with regard to private trade the new existing restrictions vis-à-vis the dollar area will be reduced by about 75 per cent as the effect of the new measures. The import restrictions and controls which then will continue to exist apply to a relatively small part of German imports only. In the field of food and agriculture, only 379 items of the Statistical Index of Commodities, with an import value of 4.6 billion DM, that is 16.5 per cent of total imports, will remain subject to control. Of this amount, 177 items alone come under the sector of commodities subject to the marketing laws, with an import value of about 3.1 billion DM, that is 11 per cent of total imports of the Federal Republic.

In the field of industrial products, only 165 items will remain subject to import controls. The import value of these products amounts to 590 million DM, that is 2.1 per cent of total imports. Of these imports are subject to state-trading.

Accordingly, the total sector of imports still subject to control comprises 537 items of the Statistical Index of Commodities, with an import value of about 5.2 billion DM, that is 18.6 per cent of total imports.

It may be that the measures determined upon by my Government do not, in all respects, come up to the expectations of the contracting parties to GATT. However, my Government expresses the hope that the CONTRACTING PARTIES to GATT may understand the particular problems the Federal Government is faced with. On the other hand, may I assure you that the Federal Government fully appreciates the wishes and the standpoint of the other contracting parties to GATT. My Government hopes that it will be possible, in the further course of a thoughtful and constructive co-operation under the General Agreement, to find also solutions to problems which are still unsolved or seem to be insoluble at the present time.