

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## MEASURES FOR ASSISTING ADJUSTMENTS IN THE STRUCTURE AND PATTERN OF PRODUCTION AND TRADE

### Addendum

Since issuing document CCM.TD/W.6 the secretariat has received the following communication from the Federal Republic of Germany for circulation to contracting parties.

#### FEDERAL REPUBLIC OF GERMANY

In a dynamic economy, conditions shaping its structure are in a constant process of variation. In this connexion, the changes resulting from international competition are of special importance. This applies also to the economic structure of the Federal Republic of Germany which, during the coming years, will be substantially influenced by conditions relating to the foreign trade and payments situation, apart from domestic economic processes. Therefore, special attention has been given to future developments of international trade in framing German economic policy.

In this connexion, especially structural problems resulting from industrialization in developing countries play an important rôle. However, the question of rising imports from developing countries cannot be solved in isolation, but rather has to be dealt with in connexion with the general problems of structural adjustment.

In the future, the developing countries will, to an increasing extent, be producers and exporters of certain semi-manufactured and manufactured goods. To the extent that German entrepreneurs will, on account of this, be subject to pressure of competition, it will primarily be their own task to adjust themselves to the changing market conditions. Up to now the favourable economic development of recent years have, in general, contributed to permit such adaptations to be effected smoothly.

In some fields however, increased imports may cause major difficulties not only to individual entrepreneurs, but to whole sectors of production. In such cases it is the task of the Government to avoid damage arising for the economy and to facilitate the process of adaptation. By such measures the entrepreneur is placed in a position to switch to the production of such goods which promise better economic results. At the same time, the developing countries' possibilities for selling their products on the German market will improve. All this leads to a better international division of labour and to a more efficient use of the existing factors of production of an economy.

Based on these considerations, the German Government has, for some time already, devoted careful attention to structural problems which result from international competition. Also, in the future, increasing attention will be paid to these problems, especially, if structural problems should occur to a rising extent, together with slower economic growth.

Already since 1959, public credits at low interest rates have been made available to industrial enterprises for measures of adaptation and adjustment of production which are necessary as a result of international competition. Such credits have been extended mainly to small and medium-sized enterprises belonging to branches of production which are in the process of major structural changes as a result of disadvantages in comparison with international competitors. These measures of adaptation and re-organization must aim at a substantial change of an enterprise's production programme. Between 1959 and 1964, a total of DM74 million was made available as credits for such purposes. Another DM25 million have been planned for 1965. These credit lines have not been fully utilized. In addition to this credit programme a special programme of Federal guarantees, designed to serve the same purpose, is at present in the process of preparation. Moreover, a number of the German Länder have developed credit and guarantee programmes which are also designed to assist enterprises to successfully adapt themselves to structural changes resulting from international competition.

