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GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRIBUTION TOWARDS STABILIZATION OF THE INTERNATIONAL MONETARY SYSTEM

Communication from the Federal Republic of Germany

The following memorandum has been received from the delegation of the Federal Republic of Germany referring to the announcement it had made on the occasion of the twenty-fifth session of the CONTRACTING PARTIES (SR.25/9, page 155), concerning the German contribution towards the stabilization of the international monetary system.

In connexion with the ministerial conference of the Group of Ten, which was convened to find a solution to the problems arising from the monetary situation at the end of 1968 and requiring immediate attention, the responsible German authorities introduced the following measures to help further safeguard long-term internal and external balance and avert short-term disturbances caused by speculative transactions.

Under the Law on Safeguards Against External Influences, enacted on 28 November 1968 pursuant to Section 4 of the Law to Promote Economic Stability and Growth, a 4 per cent refund is granted on imports while a 4 per cent special turnover tax levy is imposed on exports. For the few products which according to Annex 1 to the Turnover Tax Law are subject to half the rate of turnover tax, the rate has been fixed at 2 per cent in each case. In order not to impair the functioning of the agricultural market regulations of the European Community, the products affected by those regulations have been excluded.

These rates were based on two main considerations. Firstly, the competitiveness of German industry in international markets could not be curtailed to such an extent as to jeopardize the upward economic trend in the Federal Republic, and secondly, these measures - as part of an international arrangement - were intended as a tangible contribution towards rectifying present balance-of-payments disequilibria.

These measures do not basically affect the border tax adjustment laid down in the value added tax law in respect of German turnover taxation. Not least, the Federal Government also abides by the rules of this adjustment as a matter of principle out of consideration for the directives on common value added tax issued by the European Community. This is also proved by the fact that both measures are the subject of a law which does not cancel the present provisions relating to the border tax adjustment within the framework of the value added tax.

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The special nature of these two safeguards is underlined by the fact that the encouragement of imports and the tax burden on exports will apply for fifteen months only. Furthermore, the Federal Government is authorized to discontinue these remedies earlier if the dangers of external disturbances of overall economic equilibrium imminent when that law came into force no longer exist, or if the general economic situation, especially where the maintenance of a high level of employment and adequate economic growth are concerned, so demands.