

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3477

24 December 1970

Limited Distribution

Original: Spanish

SPANISH IMPORT DEPOSIT REQUIREMENT

Notification on Prolongation and Modification

The following communication, dated 16 December 1970, has been received from the Permanent Delegation of Spain. The measure in question has been the subject of discussion in the Committee on Balance-of-Payments Restrictions and in the Council (cf. BOP/R/47, paragraphs 21-24 and C/M/64, page 14).

Decree No. 3460/1970, published in Official Gazette No. 292 of 7 December, has extended the import deposit scheme until 30 June 1971, and reduced the rate of the deposit to 10 per cent.

Over the past ten years, Spain's economic policy has been characterized by progressive and general liberalization of internal economic activities, trade and invisible transactions.

The Spanish Government wishes to continue with this outward-looking approach and, so far as possible, to avoid having to resort to quantitative controls or other similar restrictive measures in order to regulate external trade, particularly where the application of such measures can give rise to discriminatory practices.

Although the Spanish economy as a whole is increasingly established on more sound and competitive bases, it must be recognized that the sustained rate of economic growth of recent years and the intensive mobilization of productive resources which has resulted have caused, as in other countries, a series of tensions which have been reflected in the level of prices and the balance of payments.

There is no doubt that the external situation is important in relation to any acceleration of the difficult process of economic development, and in the case of Spain the principal factor responsible for balance-of-payments disequilibrium is the trade deficit, particularly towards the developed countries, which in 1969 reached the level of \$2,332.7 million. There was a substantial decline in monetary reserves in 1969.

In accordance with the suggestions of international economic organizations, this situation obliged the Spanish Government to introduce a series of measures at the end of 1969 with a view to slowing down expansion, restraining internal demand and reducing external disequilibrium. One of these measures, included precisely because of its non-discriminatory character, was the establishment of a prior import deposit at the rate of 20 per cent, this was introduced on 1 January 1970.

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The effects of these measures have begun to be reflected in the evolution of the Spanish economy and in particular in the balance of payments, so that the Government was able, by a Decree dated 3 December 1970, to reduce the amount of the prior deposit to 50 per cent of the initial rate, in other words to 10 per cent of the value of imports; this new rate is to apply for the coming six months.

It is the desire of the Spanish Government to eliminate this deposit requirement entirely, but as a matter of simple political prudence with respect to the future of our balance of payments - which is decisively affected by the seasonal character of earnings from tourism and exports - it is desirable to follow a progressive policy in eliminating the economic measures introduced a year ago in order not to endanger the equilibrium which has recently been achieved; accordingly, and this is no doubt a positive decision, the amount of the deposit is being reduced to 10 per cent of the value of imports, and the validity of the measure has been reduced to six months.

It should be taken into account, furthermore, that although in 1970 the deficit tendency of the balance of payments has been restrained, nevertheless the trade balance still shows an excessively large deficit (-\$2,096 million in the first ten months of the year).

Having regard to this, careful watch must be kept on developments in the coming months because this situation might deteriorate in the near future if the real terms of trade of our foreign trade were to worsen as a result of the general increase in prices of imports, or because of the growing difficulties encountered by Spain's agricultural as well as industrial exports as a result of the re-emergence of protectionism in some countries.

In addition, the six-month period within which the Government intends to eliminate the remaining 10 per cent deposit is sufficiently short to bring out clearly the Spanish Government's desire to restore normal market conditions and continue its policy of an outward-looking approach.