

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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SUBSIDIES

Notification Pursuant to Article XVI:1

Addendum

FEDERAL REPUBLIC OF GERMANY

A. Industrial Sector

1. Subsidies to the national merchant fleet to encourage shipbuilding

1. The subsidies granted by the Federal Government to shipbuilding (export financing aids) do not exceed the maximum conditions set by the OECD (Decision of the OECD Council of 16 December 1970), that is to say duration of credit eight years from delivery, down-payment 20 per cent, interest rate 7.5 per cent.
2. The Government also grants shipping subsidies for new construction to German shipowners who fulfil criteria relating to promotion in the interest of shipping policy; these subsidies may not exceed 10 per cent of the contract price. In the Federal budget for 1971, credits amounting to 87.5 MDM are appropriated for this purpose. This subsidy is not tied to German supplies. Alternatively, German shipbuilders can have resort to ERP credits up to a maximum of 70 per cent of the construction cost of the ship; these credits carry an interest rate of 6 per cent, with a duration of twelve years which can be extended by two years. Twenty-four MDM are earmarked for this purpose in the 1971 budget. These facilities can also be used for the purchase of ships built abroad.
- I. The Film Promotion Law ("Filmförderungsgesetz") does not, in the German view, fall within the compulsory requirement to notify subsidies, because this is not a case of promotion out of budgetary resources. The promotion fund of the Film Promotion Institute derives its resources from equalization charges paid by cinema proprietors and financed jointly by such proprietors, film distributors and film-makers; this represents a kind of mutual aid to the cinematographic industry for which legal provision has been made. This is not, therefore, a case of budgetary subsidies granted by the State or by the Länder.

II. The Film Promotion Law was amended by the Law of 9 August 1971; the amount of basic promotion can now vary and is calculated for each calendar year on the basis of the relation between the number of films promoted and the amount earmarked for this purpose in the budget of the Film Promotion Institute. The payment of DM 150,000 for the transfer of television rights has been deleted.

III. Proceeds from the equalization charge have not yielded the expected amounts. In the years 1965-1971, an average amount of 14.7 MDM was available for promoted films.

B. Agricultural Sector

Forage plant seeds

I. Nature and extent of subsidy

(a) Background and authority

In order to supply the German consumer with certified seeds of tested varieties at reasonable prices, sufficient production of suitable varieties is indispensable. This can only be achieved by guaranteeing the producer gross earnings per hectare which will correspond to an average grain harvest even in the event of a poor harvest caused by unfavourable weather conditions. In the case of aided forage growing the fodder value is often very disproportionate to the seeds yield since seeds of varieties of a high fodder value are only produced in small quantities per acreage. As compensation, an incentive bonus is granted to maintain and encourage seed growing since the efficiency of agriculture - often under difficult farming conditions - cannot be safeguarded, unless tested seeds of certified varieties are made available.

The legal basis is the Budget Law.

(b) Incidence

The incentive bonus is granted only to seed-growing farmers and only where it has been established after the harvest that the production of the particular seed needs promotion and that the required conditions are met. A fixed amount per unit is established for each variety. The amount of the annual bonus and/or its cancellation depends on the harvest and on world market price. As a matter of principle, no promotion bonuses are paid for seeds to be exported. This is a guarantee that the bonus benefits the farmer by keeping the selling price for "promotion-aided" seeds within reasonable limits.

(c) Amount of subsidy

In the financial year 1970, DM 1,300,000 were appropriated in the budget for such aids, of which an amount of DM 1,230,767.69 was actually disbursed. In the financial year 1971, provision was made for DM 1,300,000 for this purpose.

(d) Estimated amount per unit

For the 1970 crop the incentive bonus ranged between DM 34.- and DM 120.- per 100 kgs. depending on the variety of crop, representing an average amount of DM 72.38 per 100 kgs. For the 1971 crop the incentive bonus will vary between DM 34.- and DM 120.- per 100 kgs.; the average amount can as yet not be calculated.

II. Effect of subsidy

(a) Estimated quantitative trade effects of subsidy and the reason why it is considered that the subsidy will have these effects

Despite several extremely unfavourable harvest years, production of certified seeds rose in the case of some important varieties and was maintained in the case of others. This success in respect of cultivation made it impossible to dispense with the admission of commercial seeds in the case of most varieties. In the event of a decline in the production of certified seeds, the admission of commercial seeds of inferior quality would have to be permitted in larger volumes in order to meet demand.

(b) Statistics relating to production, consumption, imports and exports

	Promoted seed varieties		
	1968/69 tons	1969/70 tons	1970/71 tons
Production	8,864	6,309	692
Consumption	20,251	20,108	34,688
Imports	12,298	14,479	19,427
Exports	911	680	800

¹ Bonuses according to I(b) above are granted for production only.

III. After completion of the 1971 harvest, the promotional aid will come to an end in 1972.

(ii) For the year preceding the introduction of promotion bonuses:

This promotion measure was applied during the 'thirties and after discontinuance it was reintroduced for the 1948 crop.

2. Subsidization of exports of breeding stock

I. Nature and extent of the subsidy

(a) Background and authority

German animal breeding has reached a quality level which is internationally recognized. The situation cannot be safeguarded unless numerous breeders actively engage in efforts to achieve quality. In this respect, foreign demand is at present a favourable factor because it tends to improve the market. In addition, the competition prevailing in foreign markets is viewed as an incentive to continuing improvement of the quality of breeding stock as an "available asset element" in the interest of national purchasers. Competitive capacity in relation to foreign suppliers is nevertheless limited by the level of domestic prices for high-quality breeding stock. This is why it is necessary to encourage German exports of breeding stock.

The legal basis of the subsidy is the notice on the subsidization of exports of breeding stock, dated 8 May 1964 (Bundesanzeiger No. 86 of 12 May 1964) as amended on 17 December 1969 (Bundesanzeiger No. 241 of 31 December 1969); the term of validity was subsequently extended until 31 December 1972 by a notice dated 30 November 1971 (Bundesanzeiger No. 226 of 4 December 1971).

(b) Incidence

Upon application, subsidies are granted to exporters of breeding stock who must establish the identity of the exported animals, their origin and their age; in addition, the animals must fulfil certain minimum requirements in respect of yield and health; certificates of origin must be presented for each breeding animal.

(c) Total subsidies granted

For the fiscal year 1969:	DM 3,963,657
For the fiscal year 1970:	DM 3,997,710
For the fiscal year 1971:	DM 4,499,311

(d) Amount of subsidy per head

Animal species	Rates of subsidy for			
	European countries		Extra-European countries	
	Percentage of purchase price	Maximum subsidy in DM	Percentage of purchase price	Maximum subsidy in DM
Cattle	30	540.--	40	1,000.--
Swine	30	225.--	40	400.--
Sheep	30	128.--	40	300.--
Goats:				
Male	30	120.--	40	300.--
Female	30	75.--	40	150.--

II. Effect of subsidy

- (a) Estimated quantitative trade effect of the subsidy and the reason why it is considered that the subsidy will have this effect

There are no indications that the subsidization will have appreciable effects on trade.

- (b) Statistics relating to production, consumption, imports and exports for the last two years and the year 1963 which preceded the introduction of the subsidy system.

	Number of head		
	1963	1969	1970
<u>Imports</u>			
Cattle	2,070	361	675
Swine	381	994	1,072
Sheep	1,347	555	366
<u>Exports</u>			
Cattle	13,199	13,843	13,309
Swine	29	1,293	2,113
Sheep	337	1,655	2,336

Sales of breeding stock (by breeders' associations)
within the country and abroad

	Number of head		
	1963	1969	1970
Cattle	83,045	100,041	96,887
Swine	53,656	72,983	75,913
Sheep	5,460	6,085	5,851