

GENERAL AGREEMENT ON TARIFFS AND TRADE

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STATE TRADING

Notifications Pursuant to Article XVII:4(b)

Addendum

FEDERAL REPUBLIC OF GERMANY

I. Enumeration of State-trading enterprises

(a) Spirits monopoly

This monopoly comprises: ethyl alcohol, undenatured ethyl alcohol (mixtures of ethyl alcohol and water) and brandy (undenatured ethyl alcohol with a considerable content of ingredients giving the taste and smell). Such spirits are subject to the import monopoly of the Federal Monopoly Administration, unless an exemption from the import prohibition is provided by legal prescriptions or unless the Federal Monopoly Administration has expressly authorized importation. Legal exemptions from the import prohibition exist for rum, arrack, cognac and liqueurs. For brandy obtained through free trade among the member States of the Community and the associated overseas countries and territories, and for armagnac, whisky, gin and geneva, an import licence of the Federal Monopoly Administration is granted provided that certain specific conditions are fulfilled.

(b) Inflammables monopoly

This monopoly comprises: matches, fire-lighters made of straw, board, shavings or any other material, vestas made of stearine, wax or similar materials.

II. Reason and purpose for introducing and maintaining State-trading enterprises

Legal Basis

(a) Spirits Monopoly

Within the Federal Republic of Germany, the Spirits Monopoly is operated by the Federal Monopoly Administration, in pursuance of the Spirits Monopoly Law of 8 April 1922 (Reichsgesetzblatt I, page 405). The Spirits Monopoly is a financial monopoly (Article 106 of the Fundamental Law of the Federal Republic of Germany) which is required to contribute to Government revenue. In addition, it was established for purposes relating to agricultural, social (particularly for the middle classes) and economic policy.

With a view to improving agriculture and maintaining and increasing the productivity of light and poor soil, the Spirits Monopoly promotes the production of spirits in rural undertakings, thus making it possible to utilize certain surplus root crops (processing) which could otherwise not be used profitably in these areas far away from the market. The residues obtained on the farm from the distilling of potatoes and grains constitute valuable feeding stuffs for livestock and can thus be used to advantage in animal husbandry. The increased quantities of fertilizer resulting can be used further to improve yield on the farms concerned. In addition, fruit farms can use any unmarketable surpluses of fruit in the distillery.

The economic aim of the Monopoly is to supply the domestic economy with the quantities and types of spirits needed, to prevent over-production of spirits and to promote the sale and consumption of spirits for industrial and technical purposes.

In order that these domestic economic policy objectives may be attained, the production, processing and import of spirits have to be controlled; for imports, however, broad exceptions are granted by law and under the regulations of the Federal Monopoly Administration.

Paragraph 3 of the Spirits Monopoly Law states in this connexion:

"The Federal Monopoly Administration has the exclusive right of importing spirits, with the exemption of rum, arrack, cognac and liqueurs, into the territory of the Monopoly. Imports by others are prohibited. The Federal Monopoly Administration may grant exceptions."

(b) Inflammables Monopoly

Within the Federal Republic of Germany, the Inflammables Monopoly is operated in pursuance of the Inflammables Monopoly Law of 29 January 1930 (Reichsgesetzblatt I, page 11) by the German Inflammables Monopoly Company.

The Inflammables Monopoly is based on a contract regarding the grant of a loan to the German Reich, concluded on 29 October 1929 between the German Reich on the one hand, and the Svenska Tändsticks Aktiobolaget, Stockholm - now at Jönköping - (STAB) and the Financieele Maatschappij, Kreuger Toll, Amsterdam (which has ceased to exist) on the other hand. The loan was granted on condition that an Inflammables Monopoly was established for a period of at least thirty-two years and until full redemption of the loan. The Inflammables Monopoly came into operation on 1 January 1930. The amount of the debt is now DM 47.99 million (as of 30 September 1974).

Paragraph 2 of the Inflammables Monopoly Law reads, in extracts, as follows:

"Unless otherwise provided in this Law, the Inflammables Monopoly comprises the import of inflammables from other countries into the area of the monopoly (import monopoly), the export of inflammables to other countries from the area of the monopoly (export monopoly)..."

III. Description of the functioning of the State-trading enterprises

(a) Spirits Monopoly

The Federal Monopoly Administration imports unprocessed spirits to the extent needed, by quantity or type, to make up the shortfall in domestic production. The Law does not provide for any export monopoly and does not restrict exports. The Federal Monopoly Administration does not take part in export trade, which is entirely left to the free economy.

Under paragraph 3 of the Spirits Monopoly Law, private traders may import without restriction. This provision has been substantially extended by the Monopoly Administration by special provisions. Exports by private traders are not subject to any restrictions or conditions.

Trade in products with a spirits base is carried on by private traders, since for many decades the Monopoly Administration has not availed itself of its right to manufacture and sell brandies (paragraphs 83, 90, 95 of the Spirits

Monopoly Law). The Monopoly Administration has the exclusive right to purchase or import alcohol.

The Monopoly Administration does not engage in exports; these are effected by private traders, subject only to the competitive conditions of the free market. The quantities of alcohol imported by the Monopoly Administration depend on domestic needs, to the extent that these cannot be covered by domestic production. The quantities of brandies imported depend on sales possibilities.

Export prices correspond to domestic prices free of taxes and monopoly charges. Imported products are not subject to any price increase, but to a monopoly compensation charge which corresponds to the tax and monopoly charges applied on domestic products.

The Federal Monopoly Administration does not enter into any long-term contracts, and does not serve to fulfil contractual obligations entered into by the Government.

(b) Inflammables Monopoly

Within the Federal Republic, producers of inflammables are partners in the Inflammables Monopoly Company. They share in the overall needs of the Monopoly Company according to quotas allocated to them by the Company. The Monopoly Company pays for inflammables supplied by producers at fixed prices, to which the inflammables tax is added. It sells inflammables at monopoly prices to traders, who in turn sell them to consumers at fixed retail prices.

Imports and exports of inflammables are also within the responsibility of the Monopoly Company, but to date there have been no imports or exports of inflammables.

Private traders may not import or export inflammables. State-trading methods are used if the Federal Government has to fulfil the contractual obligations mentioned above.

IV. Statistical information

(a) Spirits Monopoly

Imports^{2/}

Accounting year (1.10-30.9)	By monopoly administration		By private traders	
	hl in spirits	Value in DM'000	hl of spirits	Value DM'000
1972/73 ^{1/}	-	-	650,151	316,650
1973/74 ^{1/}	-	-	560,627	346,797
	<u>Exports</u> ^{2/}			
1972/73 ^{1/}	-	-	130,890	40,590
1973/74 ^{1/}	-	-	125,395	51,937

^{1/} The figures for the year 1973/74 are provisional.

^{2/} Foreign trade statistics

Domestic Production

Accounting year	Total Production (hl of spirits)	hl	Alcohol		
			Not purchased by the Monopoly Administration		Purchased
			Value in DM'000	hl	Value in DM'000
1972/73 ^{1/}	3,138,770	845,369 ^{2/}	196,609 ^{3/}	2,293,401	276,488
1973/74 ^{1/}	3,498,225	845,823 ^{2/}	214,706 ^{3/}	2,652,402	362,227

^{1/} The figures for the year 1973/74 are provisional.

^{2/} Including spirits which the Monopoly distilleries had been authorized to sell for industrial use or for export. 1972/73: 122,016 hl; 1973/74: 118,271 hl.

^{3/} With respect to the quantities mentioned in note 2, the price was fixed at DM 52.18/hl for 1972/73 and DM 72.94/hl for 1973/74 (average purchasing price for spirits for industrial use from ethyl alcohol distilleries). For the remaining spirits (1972/73: 723,353 hl; 1973/74: 727,552 hl), because of the broad range of different types of spirits and in the absence of other criteria applicable under paragraph 106(3) of the Spirits Monopoly Law, the price was fixed at DM 263/hl for 1972/73, and for 1973/74 at DM 263/hl with respect to 25 per cent of the quantity not purchased by the monopoly and at DM 290/hl with respect to 75 per cent of the quantity not purchased. The regular selling price was raised with effect from 1 January 1974 from DM 263 to DM 290.

(b) Inflammables Monopoly

Exports and imports: nil.

Domestic Production

Year	Million matches	Value in MDM
1973	99.513	72.96

The figures for the year 1974 will not be available before June 1975.

V. Reasons why no foreign trade has taken place in the products affected

(a) Spirits Monopoly

No comment.

(b) Inflammables Monopoly

According to paragraph 3, No. 12 of the contract, imports can be affected only if the demand cannot be covered by domestic production.

Paragraph 3, No. 12 of the contract reads as follows:

"The inflammables of the 'DZVAG' (German Inflammables Monopoly Company) have, in principle, to be manufactured within the monopoly area. They must be kept available in adequate quantities and types to meet domestic demand. If deliveries by the Swedish group lag behind the quantity corresponding to their quota, the compensation shall be effected by an increased delivery by the German group. If it is not even thereby possible to meet demand, the 'DZVAG' shall have the right to import the quantities lacking..."

The capacity of domestic manufacturing plants is, at present, utilized to the extent of about 80 per cent only.

According to paragraph 3, No. 11 of the contract, exports can be effected only at the domestic purchase prices, increased by 10 per cent.

Paragraph 3, No. 11 of the contract reads as follows:

"Inflammables shall not be exported at prices lower than the purchase prices prevailing for the corresponding kinds, increased by 10 per cent..."

These prices are not competitive on the world market.

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As regards State trading in the agricultural sector there have been no changes since the notification contained in document L/3514/Add.3.