

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SPAIN - IMPORT SURCHARGES

### Communication by Spain

The following communication, dated 6 November 1976, has been received from the Permanent Delegation of Spain.

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In its present state, the main problems of the Spanish economy, whose structural imbalances have been considerably aggravated by the world economic crisis of the last few years, are domestic inflation, unemployment and external imbalance, and these have obliged my Government to adopt a series of conjunctural economic measures of a primarily stabilizing character to contain inflation and the external deficit without disturbing, in so far as possible, a policy of regulated and selective reactivation, which is necessary, moreover, to deal with joblessness.

Some meaningful figures can better illustrate the complex of problems confronting Spain's economy today. The balance current account showed a deficit of \$3,400 million for 1975 and this is expected to worsen in 1976. The trade balance has not improved significantly in spite of the devaluation of the peseta in February 1976, since imports have continued at a level of some \$1,370 million monthly (January-September 1976) as against \$1,260 million monthly over the same period of 1975. As to exports, they have increased slightly, from \$540 million monthly (January-September 1975) to \$610 million monthly (same period of 1976). What is more, there has been a drop in income from tourism, foreign investment and private transfers, which has led to a sharp increase in foreign indebtedness resorted to in order to avoid an even greater increase in our deficit. Total foreign indebtedness, which in 1974 was slightly more than \$4,500 million, amounted in 1975 to almost \$7,200 million and is expected to reach an overall figure of more than \$9,500 million by the end of the current year. Reserves, while large in absolute terms, are designed to constitute a fund to cover fluctuations in our foreign trade, but in that respect the proportion of imports covered has been going down, from 4.7 months in 1974 to 3.9 months of average imports during the current year.

Among the various economic measures adopted, those relating to trade policy, which as indicated are of a conjunctural and temporary character, have so far been limited to the area of tariffs.

Thus, Royal Decree 1996/1976, dated 10 August 1976, provided for a restructuring of tariffs involving modification of rates of duty with a view to better co-ordination of those rates. This measure establishes surcharges and reductions of duty for numerous tariff headings and sub-headings classified in certain annexes to the Decree and it also lays down exceptions to the measure, including in particular that of not affecting the upper limit set for duties bound by Spain under the General Agreement on Tariffs and Trade (GATT).

Royal Decree 2253/1976 of 16 September 1976 makes provision for some corrections of detail in the earlier decree.

Lastly, the accentuation of the unfavourable state of our economy led the Government to promulgate Royal Decree - Law 18/1976, dated 8 October last, which provides for a combination of measures concerned with the economy, taxation, employment, energy policy and trade. This last aspect was developed by Royal Decree 2347/1976, also dated 8 October, which provides for a temporary surcharge of 20 per cent on normally applied import duties.

The fact that my Government has chosen to adopt these measures, which are exclusively in the tariff field, instead of having recourse to other, more drastic measures frequently used in the application of commercial policy, such as prior deposits, quotas or other measures imposing quantitative restrictions on imports, was dictated by a desire to limit as much as possible their harmful effects on foreign trade while seeking to contain the disorderly growth of our imports and reduce the exaggerated imbalance in our trade, and at the same time producing the least possible upheaval and relying, as is logical, on the principle of non-discrimination with respect to duty bindings and other provisions of the GATT rules.

The surcharge will be valid for a period of six months and will be applied selectively, exceptions from the tariff increase being made for the capital goods listed in the tariff appendix, for materials for the construction of capital goods under the system of joint manufacture, and for food products subject to the payment of variable compensatory duties or regulatory duties.

Also exempt from the surcharge are products having no duty or enjoying temporary suspension or exemption depending on their system of importation, such as petroleum products and food products imported by the Ministry of Trade (General Commissariat of Supply and Transport).

In short, it is estimated that approximately 60 per cent of the value of Spanish imports will be excluded from the surcharge.

For all the above reasons, my Government does not expect the application of these selective and provisional tariff measures to cause distortions or particular harm in the field of international trade.

