

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6730

21 September 1990

Limited Distribution

COUNCIL
3 October 1990

Original: English

GERMAN UNIFICATION - TRANSITIONAL MEASURES ADOPTED BY THE EUROPEAN COMMUNITIES

The following communication, dated 21 September 1990, has been received from the Commission of the European Communities.

The European Community has adopted certain transitional measures relating to the external trade of the German Democratic Republic (GDR), on an interim basis in the first instance. The measures will come into effect from the date of unification on 3 October 1990. They are designed to facilitate integration of the GDR into a fully developed market economy and at the same time avoid serious economic and social disruption in the territory of the GDR and among its main trading partners. They are expected to be confirmed by further decisions as soon as the full parliamentary and legislative processes are completed and would be applicable from December 1990 until the end of 1991, with possible renewal for one further year.

In accordance with paragraph 3 of the Understanding regarding Notification, Consultation, etc., adopted on 28 November 1979 the European Community submits the following background details of these measures for the information of contracting parties.

The European Community has now completed a review of the economic, social and legislative implications of German unification and has concluded that transitional measures will be required in a number of fields. The secondary legislation of the German Democratic Republic cannot be immediately modified to conform with Community legislation. Inter alia, there is a clear need for transitional measures in the external trade field to avoid dislocation, and this forms part of an overall set of proposals to be adopted by the Community Council of Ministers.

While the external trade of the German Democratic Republic is not in the global context of major importance (about US\$59 billion, 1988 data, or one per cent of world trade), no less than two-thirds of these flows consist of trade with the USSR and with European COMECON partners. These trade flows have been declining in recent years, a trend which has accelerated with the move towards market economies in several Central and Eastern European countries. It is nevertheless still of major significance both to the German Democratic Republic and its trading partners. Immediate

application of Community commercial policy and regulations would largely interrupt this trade and would lead to a number of additional factory closures, further loss of production and higher unemployment.

The objective of the transitional trade measures is to establish a framework to ensure that no obstacles are placed in the way of these traditional trade exchanges, as quantified in bilateral trade protocols and other cooperation agreements between the German Democratic Republic and its Eastern European partners for 1990 and 1991. It is not the intention to create new trade flows, and within the arrangements that are being made individual decisions by enterprises based on market economy principles will in future determine whether or not such trade in fact continues to take place.

The measures now adopted include:

- Establishment of tariff quotas, on a duty-free basis, for maximum amounts identical with the quantities/values contained in the German Democratic Republic's bilateral agreements. Imports under these quotas would have¹ to be for final consumption in the previous GDR territory.
- Quantitative restrictions: the major proportion of such restrictions previously applied to imports from European COMECON countries have recently been, or will shortly be, eliminated or suspended. It may, however, still be necessary to suspend the application of certain restrictions applied to imports from the USSR in order that previous trade flows can be continued. This matter is under further examination.

These measures, being transitional, are evidently limited in scope and in duration. The beneficiaries of these arrangements would be the USSR, Poland, Hungary, Czechoslovakia, Rumania, Bulgaria and also Yugoslavia.

The Community believes that the context in which these transitional measures have been found to be necessary - the general movement towards political and economic reform in the countries concerned - will be well understood by the contracting parties. Furthermore, it appears that the volumes of trade involved will not be of major significance per se, and that in general terms they are not likely to be directly competitive with, or in substitution for, alternative trade possibilities. It is recalled that a large part (about 37 per cent) of the German Democratic Republic's external trade exchanges are with the USSR and these flows were therefore taking place already outside the GATT system.

The European Community is ready to provide further details of the particular products and volumes of trade involved in due course and to have these measures examined by a working party if that is considered appropriate. The Community is also ready to enter into Article XXII consultations with any individual contracting party which may consider that these measures adversely affect its trade interests.

¹These arrangements do not apply to agricultural products.