Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

British import surcharge: Seeking a new solution

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1967) : British import surcharge: Seeking a new solution, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 1, pp. 4-5,
http://dx.doi.org/10.1007/BF02930326

This Version is available at:
http://hdl.handle.net/10419/137674

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simultaneous and coordinated stabilisation measures, all following the same aim, which is to keep expansion under control. Costs at home would then no longer rise to the same extent as hitherto, as the exchange relations in terms of real value might remain unchanged. From this it follows that it is imperative to enter upon "concerted action" and "external defence" at the same time. Without the one, the other would lose its value.

Neither of the two systems of external economic defence for an expansion policy aiming at stability would, by the way, render it more difficult to further integrate the Federal Republic of Germany with the European Economic Community and the world economy. Nor are they obstacles to reaching the more demanding comprehensive objective of "hardening" the international currency system. On the contrary—the proposed measures might be shown to operate successfully in the Federal Republic, thus proving that the apparent conflict between economic growth and a stable currency can, actually, largely be obviated. This again could strengthen the will of other countries to seek stability to such an extent that reciprocity in the interest of stabilisation policy were the common basis of action. Thus along an indirect road there would be reached what up to now seems to be inaccessible by a more direct route.

Wolfgang Miehalski

COMMENTS

Granting Preferences

Good Will and Many Difficulties

Urged by the developing countries, the EEC Commission and the UN Conference on Trade and Development (UNCTAD)—as well as GATT—have now submitted their proposals for a new worldwide system of preferences. Although the EEC and UNCTAD projects appear very similar at a first glance, differences of detail should not be overlooked.

UNCTAD takes the view that a new system of preferences must at least guarantee developing countries the same advantages as do currently existing regional preference systems. As desired by the developing countries, it recommends the granting of general preferences by all industrialised countries, with no exceptions and without quantitative restrictions. On the other hand, the EEC Commission, which upholds more strongly the interests of industrialised countries and of certain sectors, would like to negotiate preferences product by product and, in addition, would like to limit the number of countries benefitting by arriving at an exact definition of the concept "developing country". It is true that UNCTAD proposes protecting particularly sensitive branches in industrialised countries, but in this case it would probably be the countries granting preferences which would have to apply for exceptions. This would mean that their negotiating position would be considerably less favourable than under the system they are proposing.

The main object of the preference system is to speed up the process of development and to reduce differences in standards from those of industrialised countries by promoting exports from developing countries. In no case shall preferences be retained permanently for this reason. In order to prevent long-term distortions in international competition, the EEC is proposing that the lifetime of such a solution should be a maximum of 10 years. There is no such term set in the UNCTAD proposal. In view of past experience of development policy, a procedure such as this, which does not overestimate the effects of the new arrangement, should be absolutely realistic. The developing countries are given the possibility of intensifying their self-help, whilst the granting of preferences requires industrialised countries to take numerous further measures. These include not only additional capital assistance and the making available of technical know-how, but above all the acknowledgement of a new and worldwide co-operation. The days in which developing countries are encouraged with one hand, whilst with the other maintenance subsidies are paid to sectors of domestic industry, will soon be a thing of the past.

British Import Surcharge

Seeking a New Solution

When, in autumn 1964, the newly-elected British Government celebrated its entry into office by imposing a 15% Import Surcharge, it was hoped that this measure, whilst avoiding a general policy of domestic deflation, would speedily and effectively cut down on imports. According to Government prognostications, the Import Surcharge would reduce the country’s imports by £ 300 million p.a. However, this estimate turned out to be much too high—we can say this in spite of objections against attempting precise quantitative predictions. Although the rate of increase of all imports affected by this Import Surcharge fell from 29% in
1964 to 1.0% in 1965, in the ten months between
November 1965 and August 1966 the rate was again
14.8%. Initially stocks were run down severely, but
imports returned relatively fast to their "normal" level,
due not least to domestic price development. The
fact that between November 1965 and August 1966
those imports affected by the Surcharge rose twice as
fast as did total imports shows how low an estimate
is to be placed on the import-inhibiting effect of this
Surcharge. This happened, although it was announced
at the beginning of the summer that the Surcharge
would be definitely lifted on November 30, 1966, and
the announcement probably caused a transient defer-
ment of demand for certain imports. The total import
saving can be put £ 100 million per year.

If the British Government thinks it can lift the Sur-
charge, this is surely because domestic demand has
been damped down meanwhile. But because of the
necessity of relaxing restrictive policies at home to
promote general growth, it can scarcely avoid search-
ing for a temporary substitute for this tax. Quantita-
tive restriction of imports or the introduction of ad-
vanced import deposits are two possibilities currently
being discussed.

Development Aid

Tasks for German Commerce

The annual import exhibition which takes place in
Berlin since 1962, "Partners in Progress", has made
it its task to give aid by removing the obstacles
standing in the way of expanding trade with develop-
ing countries. The idea of a function where developing
countries have the chance to offer their products,
find out about their sales opportunities and make con-
tacts with possible customers could also be used by
those German firms which are the actual trading part-
ners.

Promotional and sales functions for products deriving
from industrialised countries are no longer a rarity,
for instance, at German department stores. Is it not
conceivable that the same should be done for products
from developing countries? Doubtless, the difficulties
are greater here. But the import trade, which has
imported for many years from developing countries,
could make available its knowledge of the market and
the products in order to track down products not yet
on offer on the German market and to further the
development of traditional products, so that these are
in a proper condition for consumption by German
buyers. For their part, the department stores have the
exhibition areas required at their disposal and the
necessary personnel and, in particular, they have
contacts with a wide range of potential customers.

The success of such a function organised jointly by
German importers and department stores would be-
come apparent; on the one hand, developing countries
would gain knowledge about the proper design and
presentation of their products and thus of export
opportunities, whereas the German export and retail
trades would gain fresh incentives to broaden their
selection of goods. This would assist developing coun-
tries to increase their exports, whilst giving scope for
the enterprise of their German trading partners.

Prestige versus Economic Necessity

The third Conference of Heads of African States, held
from November 5, 1966, to November 9, 1966, in Addis
Ababa, has once again turned a searchlight upon the
Pan-African movement.

"Unity" is the magic word in modern Africa. Ever
since independence, the governments of the emerg-
ing African States have repeatedly declared that Afri-
can union is essential for economic reasons. Besides
movements tending towards regional co-operation be-
tween individual African countries—for instance, the
"Central African Customs and Economic Union" or
the "Conseil de l'Entente"—there are also more
comprehensive movements towards union. Based on
international models, for instance, the "Organisa-
tion of American States" (OAS) or the "European
Economic Community" (EEC), the emerging African
States founded in 1963 in Addis Ababa the "Organisa-
tion of African Unity" (OAU). One of the principal
aims of the OAU is "to co-ordinate and strengthen
the relations and endeavours of the African peoples
so as to achieve better living standards ...".

The last OAU Conference showed what the objectives
of African politicians really are. Economic require-
ments were scarcely touched upon. This was obvious
even from the agenda. Of 16 items, only one had to
do with the economy of African States. But no re-
solution was passed on this item; a report was drawn
up, but it is uncertain whether it will be published.
Once again, the impression has been strengthened
that certain African Heads of State consider the eco-

omy a tedious subject of secondary importance and
that they would like to give precedence to straight
political matters over economic ones. Most African
Heads of State, therefore, did not attend the Con-
ference and had themselves represented there be-
cause they do not want to give their assent to re-
solutions which would directly or indirectly impede
economic progress in their countries. They fear the
radical attitude of some of their African colleagues
which is also giving rise to anxiety inside certain in-
ternational organisations and to those countries which
donate development aid. This radical attitude is pre-
venting international co-operation, in spite of the fact
that this latter is the most essential pre-requisite for
rapid economic growth and, consequently, for obtain-
ing true independence.

INTERECONOMICS, No. 1, 1967