

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## CONTRACTING PARTIES

Nineteenth Session

### REPORT OF THE WORKING PARTY ON ITALIAN IMPORT RESTRICTIONS AFFECTING ISRAELI EXPORTS

1. In accordance with its terms of reference, the Working Party consulted with Italy, on the basis of the request by Israel, pursuant to the provisions of paragraph 2 of Article XXII, concerning the maintenance of import restrictions which were no longer justified for balance-of-payments reasons and which were the subject of previous consultations between Israel and Italy under paragraph 1 of Article XXII.
2. The representative of Italy explained that imports into Italy from Israel were at present accorded "List C" treatment. The Government of Italy has agreed to apply by the end of the year the "List A" regime to imports from Israel with the exception of the following ten items, imports of which were not restricted from List A countries, but which would remain restricted when imported from Israel:

<u>Tariff item no.</u>	<u>Description of products</u>
07.01	Vegetables, fresh or chilled
07.03	Vegetables provisionally preserved in brine, in sulphur water or in other preservative solutions, but not specially prepared for immediate consumption
08.07	Stone fruits, fresh, including apricots, peaches, nectarines, cherries and plums
08.09	Certain other fresh fruit including melons and fruit not elsewhere specified or included
28.01 c	Bromine
28.13 h	Hydrobromic acid, bromine anhydrides and oxyacids
28.33	Bromides, oxybromides, bromates and perbromates, and hypobromites
29.02 a 3	Bromoethane (methyl bromide)
29.02 a 10	Ethylene bromide (dibromoethane) and other polybromides
31.04 d	Potassium sulphate

3. The Italian representative emphasized that this list of exceptions would be kept under review and, in support of this, he stated that Italy had decided after the consultation in September to remove potassium chloride from the list. Trade between Israel and Italy had been conducted within the framework of the Italian-Israeli trade agreement of 1954, which provided some assurance for access to the Italian market for the products mentioned above. Although trade had been conducted on this basis, nevertheless in recent years actual import licences issued had in certain instances exceeded the level of trade envisaged.
4. The Italian Government had made and were continuing a detailed examination of the problems relating to the retention of restrictions on these items, and serious attempts were being made to bring into line the negative lists applicable to imports from different areas. The representative of Italy stressed the temporary nature of the present regime and the earnest desire of his Government to modify the Italian restrictive system in order to bring it into conformity with the provisions of the General Agreement. The element of discrimination in the Italian import system had been substantially reduced, and further progress along these lines was expected to be announced before the end of 1961. However, it was essential to retain safeguards for certain products with respect to which his Government were faced with special difficulties.
5. The representative of Israel stated that, in the view of his Government, even the unsatisfactory measures proposed by the Italian delegation had not yet materialized. As long as two years ago, the Italian delegation had given assurances that the matter would be considered in the near future. At the multilateral consultations on Italian import restrictions held in Rome in March 1961, the Israeli delegation had been given further assurance by the Government of Italy that the application of discriminatory treatment to imports from Israel would be eliminated without delay. Unfortunately this liberalization had not materialized. In fact the relaxation of restrictions applicable to imports from other countries, which was in itself welcome, had resulted in an increase in discrimination against Israel. Statistics showed that imports into Italy of certain of the items singled out for restriction against Israel were increasing, but that while Israel had been able to participate in this growth, there was no assurance that its access to the Italian market would be maintained. Consequently, the Government of Israel had submitted a request to enter into consultations on the matter with the Government of Italy, pursuant to paragraph 1 of Article XXII of the General Agreement, with a view to reaching an early and amicable settlement of the question (L/1495). During those consultations, which had taken place in Rome in September 1961, the Italian delegation had proposed the extension of "List A" treatment to Israel with the exceptions mentioned above, which included products of substantial interest to Israel. The Government of Israel did not consider that the proposal by the Italian delegation represented either in principle or in substance a satisfactory solution to the problem, or fulfilment of the repeated assurances given to Israel by the Italian authorities. Hence it had made the present request under paragraph 2 of Article XXII (L/1575).

6. In the course of the discussion, the Italian representative recalled the considerable progress which had been made in the past ten years in the reduction of restrictions and discrimination in the Italian import regime. While certain discriminatory restrictions remained, these were of a temporary nature.

7. In discussing the fruit and vegetable items, the representative of Italy stated that there was production of these commodities in Southern Italy, where it was exceptionally difficult to maintain the level of farm incomes. Nevertheless, certain facilities had been provided by Italy within the framework of the bilateral trade agreement to ensure minimum imports of these products from Israel. The fruit and vegetable items were subject to plant protection regulations which were applied in a non-discriminatory manner.

8. With respect to bromine and bromine derivatives, the Italian representative stated that the production of these items had been developed through large investments in Sardinia and Sicily which should have the effect of improving the economic situation of these islands. Production costs in Italy were higher than in Israel, owing mainly to the latter's natural advantage in production afforded by the deposits in the Dead Sea. Nevertheless, his Government had made serious efforts to satisfy Israeli export interests. In view of the special circumstances involved in this production, his Government might find it necessary to take certain action to bring the restrictions which it wished to retain on these items into conformity with the principles and the practices of the General Agreement.

9. As regards potassium sulphate, the Italian representative noted that this was a different type of problem. Italy had always been a large importer but had recently decided to establish a domestic industry in areas of high unemployment. His Government was seeking urgently for a method of providing adequate protection in conformity with the principles and practices of the General Agreement for this industry during its initial stages and hoped to solve this problem fairly soon. Meanwhile the Government would find it difficult to take any action which might aggravate the problem.

10. In a discussion of these explanations given by the Italian representative, the representative of Israel pointed out that in relation to the fruit and vegetable items, statistics would show that Israel was not a substantial exporter of certain of these products; thus their liberalization vis-à-vis Israel could not have harmful effects on Italian production. As similar imports from other sources were admitted, Israeli exports would have to compete with the products of third countries. The same held true with regard to the restrictions on the bromine and potassium items. As regards these latter items, the representative of Israel stressed that owing to the natural resources in Israel, the country was one of the most efficient producers of these chemicals. It would be in accordance with the basic principles and spirit of GATT if Israel were to specialize and develop this production, since this would be in the general interest of the best allocation of resources and maximum benefit from the

international division of labour. These considerations had led to the Government's decision, with the assistance of the IBRD, to develop the production of all these chemicals in Israel. From the Italian point of view, reliance on the supply of such basic raw materials from the cheapest source abroad should help to lower costs of production and, therefore, should be in the long-term development interest of the Italian economy. In the view of the Israeli representative, the explanations given by the Italian representative had demonstrated neither the legitimacy nor the usefulness of any of the restrictions in question, which were evidently inconsistent with the provisions of GATT and damaging to the interests of Israel.

11. The Working Party examined the information supplied at its request by Italy on the restrictions under reference and discussed with the Italian representative various questions of fact and considerations relevant to the matter. Members of the Working Party questioned the need to restrict imports particularly of vegetables, stone fruits and other fresh fruit from Israel in view of information indicating that these items were admitted only during a limited period of each year and were not exported, or were exported in limited amounts, by Israel. In 1960, total Italian imports of fresh vegetables amounted to 5.4 million dollars, none of which came from Israel. Similar concern was expressed by members of the Working Party with respect to potassium sulphate. Italian imports of this item amounted approximately to 2 million dollars in 1960, of which 400,000 dollars came from Israel.

12. Members of the Working Party expressed concern at the continued maintenance of import restrictions by Italy contrary to its obligations under the General Agreement. In the context of the present consultation Italy was urged to give immediate consideration to taking steps to dismantle these particular restrictions against Israeli products and remove at least this element of discrimination. The Working Party took note of the following undertakings given by the Italian representative on behalf of his Government:

- (a) before the end of this year, to extend "List A" treatment to Israel, with the exceptions indicated in paragraph 2 above;
- (b) to engage in discussions with the Italian authorities, as long as those exceptions were maintained, with a view to ensuring sufficient access to the Italian market for the products in question; and
- (c) to report to the CONTRACTING PARTIES, not later than 30 April 1962, on the progress made in removing the restrictions, and on any other action which might be proposed in order to bring any residual restriction into conformity with the principles and practices of the General Agreement.

13. The Working Party shared the hope of the representative of Israel that upon re-examination of the list of exceptions, the Government of Italy would find it possible to remove the discriminatory restrictions and that the direct discussions would lead to a mutually satisfactory solution for the transitional period. The Working Party took note of the Israelian statement that, failing an indication of satisfactory progress in the report to be submitted in April, the Government of Israel reserves its right to pursue the matter further under the relevant provisions and procedures of the General Agreement.

14. The Working Party recognized that serious efforts were being made by the Government of Italy to arrive at a solution to the problem of imports from Israel and urged that in proceeding in this direction, the Italian Government could seek to fulfil its obligations under the General Agreement.