

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/6

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Limited Distribution

Committee on Balance-of-Payments Restrictions

1962 CONSULTATIONS UNDER ARTICLE XVIII:12(b) WITH

I S R A E L

Basic Document for the Consultation¹

1. Legal and administrative basis of restrictions

The Import, Export and Customs Powers (Defence) Ordinance of 1939, vests in the Government the power to regulate the importation of all goods into Israel. The Licensing of Imports Order promulgated in pursuance of these powers in the same year prohibits the import of all goods unless covered by an import licence. Import licences are issued by officials of the Ministries of Commerce and Industry, Agriculture, Transport, Health, Labour, Post and Finance, specially appointed for this purpose.

The Government adopts each year a Foreign Currency Budget, which presents an estimate of receipts of foreign currency and lays down an overall programme for the purchase of foreign goods and services. Owing to progressive liberalization the expenditure side of the Foreign Currency Budget has increasingly assumed the nature of an estimate.

Every licence issued by the import licensing authorities requires the counter-signature of the Department of Foreign Exchange Control in the Ministry of Finance. The counter-signature signifies that the foreign exchange required for that import will be placed at the disposal of the importer on the date and terms specified in the licence and that the licence has been issued in compliance with import programme.

2. Methods used in restricting imports

Until recently, all imports were subject to individual licensing and "liberalization" would consist in the liberal licensing of the imports in question.

¹Provisional text, circulated subject to verification and correction by the Israeli authorities.

According to a recent announcement certain goods have been free from licensing control.¹ It would appear that imports into Israel could be divided into three principal categories in regard to licensing treatment:

- (a) Licence-free imports: No licence is required for the import of some eighteen items (see list in Section 4(i) below).
- (b) Automatic approval system:
 - (i) "Positive list imports": import licences in respect of a large number of commodities included in a "positive list" are issued automatically to all private importers, provided they undertake to import certain minimum quantities of the commodities concerned.
 - (ii) "Imports for exports": imports of materials required for the production of goods destined for export are licensed freely on application by approved exporters.
 - (iii) Fuel and State-trading imports: licences for fuel imports by companies operating in Israel and for certain food and feeding-stuffs imported by the Food Import Division are issued without restriction. All rationing of fuel, food or feeding stuffs has been abolished.
 - (iv) "Approved investments": machinery and equipment financed by foreign investors for the purpose of establishing an enterprise approved by the Investment Centre of the Government, may be imported on the strength of import permits freely issued by that centre.
- (c) Individual licensing subject to discretionary decision: The remaining imports are licensed by the competent Ministries. The restriction is operated in order to safeguard the balance of payments and to reduce the deficit on the visible balance of trade. When examining an application, the licensing authorities also take the following points into consideration: the needs of the prospective importer, the requirements of the import programme, the price of the commodity from alternative sources of supply, its availability from local resources, size of stocks, and the like.

¹This information is based on press reports and given subject to confirmation by the Israeli authorities.

There are no import prohibitions other than those for reason of health and public order. Certain raw materials and certain semi-manufactured items are not licensed, however, unless they are used in production for export, and there is a government ruling forbidding the import of equipment which can be manufactured in the country at a reasonable price. Additional import levies are applied to other raw materials not used in export production. Goods that are produced in Israel at world market prices are not normally licensed for import unless they are brought in under the Foreign Investment Law or unless domestic demand obviously cannot be met.

In general, for imports under licence, an advance deposit of 10 per cent of the c.i.f., value (20 per cent for "cash against documents" financing) is required before the licence is issued. Upon approval of the application and the opening of a letter of credit, the required foreign currency must be purchased against Israeli currency, according to the terms of the import licence. Imports by government agencies are exempt from the advance deposit requirements.

3. Treatment of imports from different sources

In general, quantitative restrictions are applied in a non-discriminatory manner and importers of liberalized commodities may submit licence applications for any country of their choice. Normally no restrictions are applied with regard to the importers' choice of the country of purchase, but the competent authorities reserve the right to refuse licences for imports from any particular country on grounds such as price considerations, terms of payment, delivery dates, specification, etc. Conversely, the Ministry may prescribe the country of purchase but this is done only in exceptional cases, mainly when reparations, grants-in-aid, or surplus commodities are involved. There is no discrimination against imports from the dollar area, and discrimination in favour of imports from bilateral agreement partners is kept to a minimum.

Specifically the licensing authority intervenes in the choice of source of supply only in the following four cases:

- (i) Agricultural surpluses: With regard to agricultural products available under foreign surplus disposal operations, priority is granted to imports from countries exporting under such arrangements.
- (ii) Bound sources: The import of capital equipment depends to a large extent on the availability of special sources of financing, such as The Hague Agreement, the Development Loan Fund, and foreign long-term loans. Insofar as purchases under such arrangements are restricted to specific sources of supply, the choice of the importer is limited accordingly.

- (iii) Bilateral agreements: These agreements are said to reflect the normal pattern of Israel's trade and the criteria guiding import licensing in these cases is substantially the same as those for imports from other sources. Bilateral agreements are currently in force with the following countries: Argentina, Austria, Benelux, Brazil, Bulgaria, Cuba, Denmark, Finland, France, Ghana, Greece, Hungary, Iceland, Italy, New Zealand, Norway, Poland, Portugal, Rhodesia and Nyasaland, Rumania, Switzerland, Turkey, Uruguay and Yugoslavia.
- (iv) Compensation transactions: Special compensation arrangements continue mainly with Austria and Greece; and most of the trade with Czechoslovakia consists of ad hoc compensation transactions arranged between individual private firms. Citrus fruits are exported on a compensation basis by Austria, as this country does not extend OEEC liberalization to Israel, and Israel settles its import surplus with Austria in convertible exchange arising from other operations. Some Greek tobacco is imported on a compensation basis because of the favourable credit terms granted to Greek exporters, which enable them to pay a premium to Greek importers.

4. Groups of commodities affected by various forms of restrictions

Following are the main commodities or groups of commodities included under the different import procedures:

- (i) Liberalized imports (no licence required): books, periodicals, wheat, coffee, rolled oats, powdered sugar, cocoa butter, apples, walnuts, almonds, white cement, asbestos, industrial oils, wood, iron and steel, glass, precious metals, costume jewellery and watches.
- (ii) Positive list imports: natural and synthetic rubber; staple fibre; wool; hides; tanning extracts; solvents; plastics; cork; soda-ash and most chemicals; mica; aniline dyes; mechanical and chemical wood pulp; formica; copper; brass; zinc; manifold, cigarette and sulphite paper; cardboard; dried fruit; tea; spices; cigarettes; spirits; spare parts for machinery and vehicles; sporting guns; typewriters, calculating machines; hand-tools; refrigerators; cameras; tape-recorders; and automobiles.
- (iii) Imports for exports: yarns and textiles; chemicals; rough diamonds; antibiotics; kraft paper and kraft-liner; tins; citrus cases; cartons; wrapping paper.

(iv) Fuel and State-trading imports: crude petroleum; heavy fuel oil; lubricating oils; aviation gasoline; soyabeans; copra and oil-seeds; frozen and canned meat; fillets of fish; milocorn; oil-cake; edible oils; packing materials for fresh citrus fruit.

(v) Approved investments: Industrial equipment and machinery.

5. Use of State trading and government monopolies in restricting imports

State-trading activities are limited to those of the Food Import Division of the Ministry of Commerce and Industry and of the Citrus Marketing Board. Commodities affected are listed under (v) above and include a number of essential foods and feedingstuffs which are in part obtained from foreign surplus stocks. These purchases are generally effected on a competitive basis after submission of tenders by the foreign suppliers or their agents. State-trading enterprises are not used to restrict imports; and in pursuance of the declared policy of reducing and, if possible, eliminating the Government's import activities, the scope of such imports has been reduced in recent years.

6. Measures taken in the last year in relaxing restrictions

On 9 February 1962 the Israeli Minister of Finance announced that, effective 23 February 1962, the Israeli pound would be fixed at a uniform rate of 3 Israeli pounds per United States dollar. This rate would apply to the exports, imports and capital transfers. With the establishment of the new rate, the premium system for the export of goods and services, and subsidies for capital transfer was abolished. As a result, the need no longer exists for compounded calculations of added value for every export product, which entailed a complicated and cumbersome procedure. Under the new economic policy, administrative regulations on imports would be gradually removed and reliance placed on the new exchange rate as a brake against excessive expansion of imports. Gradually the barriers of excessive protection of local produce against imports would be lowered. In order to place some branches of industry and agriculture on a basis of economic and efficient production, a limit would be placed on the ceiling of protective customs duties and quantitative restrictions on imports would be abolished. (Cf. document L/1727)

In March 1962, certain goods (listed in Section 4, paragraph (i) above) were freed from licensing requirement.

7. Effects of restrictions on trade and general policy in the use of restrictions for balance-of-payments reasons

[Statement to be provided by the Israeli authorities.]

