

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COUNCIL
3 May 1974

MINUTES OF MEETING

Held in the International Labour Office, Geneva,
on 3 May 1974

Chairman: Mr. F.S. LAI (Malaysia)

Subject discussed: Italian import deposits

The representative of Italy said that the Italian Government had decided to introduce a compulsory import deposit, payable in lire and equivalent to 50 per cent of the value of the goods imported. The deposit, to be made with the Bank of Italy, would be for a period of six months and would not be interest-bearing. Imports of raw materials, energy products and most capital goods were exempted from the measure. The deposit requirement, which was of a temporary character, would tend to limit the liquidity of banks and import firms with immediate effect and was additional to provisions already introduced with a view to reducing that part of the balance-of-payments deficit that was not attributable to the increase in crude petroleum prices, those provisions had, moreover, been introduced in pursuance of commitments entered into vis-à-vis the International Monetary Fund (on the occasion of the opening of a credit line) and of recommendations made by the Community's monetary authorities on the occasion of the granting of short-term monetary support. The provisions introduced included in particular, in the tax field, the advance collection in 1974 of taxes on income due in 1975 by companies to certain categories of independent workers. In the monetary field, the Italian Government had raised the short-term discount rate (including bank rate) and had also decided to impose a limit on bank credit expansion and to abolish the two-tier market for the lire.

The representative of the European Communities said that the question was a matter of the utmost interest to the Communities. The Treaty of Rome contained provisions for the kind of situation which Italy was now facing and it provided for procedures and responsibilities of the various Community institutions. All these provisions were now operating and the examinations which were being carried out within the bodies of the Communities would provide certain elements of information and valuation.

The Chairman suggested that this matter could best be referred to a working party for more substantive examination. The Council agreed to establish a Working Party on the Italian Import Deposit Scheme with the following terms of reference and membership:

Terms of Reference:

To examine the Import Deposit Scheme introduced by the Government of Italy and its implications, to report to the Council and to continue to be available for consultation as necessary.

Membership:

Membership would be open to all contracting parties having an interest in the matter and wishing to serve on the working party.

Chairman: Mr. Easterbrook-Smith (New Zealand).

Since the Italian measures had been taken principally for balance-of-payments reasons, the Council invited the Director-General to make the necessary arrangements with the International Monetary Fund for consultations with the Fund in accordance with the provisions of Article XV.

The representative of the United States said that his Government was seriously concerned by the Italian import measures. While he understood Italy's need to check the expansion of domestic credit, he regretted that it was considered necessary to take restrictive action on imports and he asked for full details of these measures and the rationale behind them as soon as possible. His delegation was concerned that Italy's action, taking place in the present international economic situation, could set off a self-defeating escalation of restrictive trade measures and it underscored the need for effective international agreements that countries would not attempt to deal with their balance-of-payments problems by restrictive trade measures. The United States intended to lend strong support to efforts to reach such agreements.

His delegation supported the establishment of a working party which should begin its examination of the situation and the likely impact of the measures on other countries as soon as the necessary information was available.

The representative of Japan stated that in the present world economic situation, the adoption of trade restrictive measures by one nation could trigger the adoption of similar measures by other nations, thus opening up the perspective of a proliferation of restrictions. All trading nations should therefore co-operate to avoid such a dangerous situation.

The representative of Poland also expressed his country's concern regarding the measures taken by the Italian Government. A substantial share of Poland's exports to Italy consisted of agricultural exports and he felt that his country's export interests would be seriously hurt. He therefore appealed to the Italian Government to classify essential Polish agricultural exports, inter alia live-stock and meat, among those to be exempted from the restrictions.

The representative of Austria pointed out that Italy was amongst the most important trading partners of Austria, absorbing 10 per cent of its exports. The Italian measures had therefore caused serious concern in Austria. In addition, he saw the danger of a chain reaction which could cause serious injury to international trade.

The representative of Switzerland appreciated the readiness of the Italian authorities for a prompt exchange of views with the contracting parties. He felt that it was necessary to examine in co-operation with the International Monetary Fund the measures taken by the Italian authorities from an economic, trade and monetary point of view and he regretted that in spite of the support given to Italy by its major partners and international organizations the Italian authorities had been unable to avoid having recourse to measures which had a direct and indirect incidence on international trade. This was a source of serious concern to his Government. Any restrictive measure adopted at this stage by any country was harmful to all countries.

The representative of Pakistan pointed out that Italy was an important trading partner of his country. Therefore, the measures announced by the Italian authorities were a matter of concern to his Government. He enquired whether any particular items or particular countries or groups of countries had been exempted from these measures. In particular he hoped that the developing countries or major items of export interest to developing countries would be exempted.

The representative of Sweden said that the Nordic countries had learnt with regret of the import restrictions introduced by Italy. While he had considerable understanding for the seriousness of Italy's economic situation he felt that measures of this kind would have immediate harmful effects and they could lead to far-reaching detrimental consequences for the future policies of other countries. He expressed satisfaction with the statement by the representative of Italy that the restrictions would be of a strictly temporary nature since this would diminish the risks of cumulative repercussions, and he recalled the work being undertaken in some fora to reach agreement on a pledge to refrain from the application of similar measures.

The representative of Spain expressed his appreciation that the measures introduced would be of a temporary nature and that every effort would be made to avoid hampering the trade of developing countries as far as possible. He hoped that the measures would be abolished as soon as possible.

The representative of Yugoslavia said that Italy was one of his country's most important trading partners and that the measures introduced by Italy were therefore a source of great concern. He appreciated that the measures would be of a temporary nature and expressed the hope that other ways and means could be found to overcome the problems.

The representative of Romania said that Italy was one of his country's main trading partners and the Italian measures would therefore affect severely his country's exports. He proposed that for the first meeting of the working party the Italian delegation, possibly with the assistance of the secretariat, should prepare a document giving an analysis of the products and countries most directly affected by the Italian measures. In line with other speakers, he hoped to receive more detailed information about the proposed duration of the measures and he suggested that the Italian authorities should be able in the short run to consider lifting the measures for the benefit of developing countries, especially those developing countries whose exports to Italy were very sensitive to restrictions.

The representative of Australia, while expressing sympathy with Italy's situation, expressed his delegation's regret that Italy had had to take action in the trade field.

The Council agreed that the Working Party would meet as soon as the necessary information was made available, the date of the first meeting to be determined by the Chairman of the Working Party in consultation with the delegation of Italy and interested parties.

The representative of Italy, in conclusion, expressed his appreciation for the comprehension shown for the exceptional situation in his country. He said that the decree containing the list of products affected had not yet been published in the Official Gazette. He repeated that the measures were introduced on a temporary basis. He had taken due note of the observations made and regarding the problems of developing countries he recalled that his Government had always been sympathetic to these problems. All necessary details would be given to the Working Party in due time. In conclusion, he believed that a rapid recovery of the Italian economic situation was in the interest of all countries.