

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Group on Adjustment Assistance Measures

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ADJUSTMENT ASSISTANCE PROGRAMMES

Addendum

Statement Submitted by the Government of Italy

1. In Italy there is no general legislation for the express purpose of assisting adjustment programmes made necessary by changes in the levels of world trade.
2. A number of special laws, adopted from 1950 onwards, lay down measures of assistance intended to solve the problems arising out of the regional imbalance which exists in Italy. These are a number of measures of which the main purpose is to create in the southern parts of the country machinery for economic and social development which could gradually eliminate the backward conditions which so far have seriously hampered progress in those areas.

Some of those measures also apply to certain parts of central and northern Italy which, because of economic stagnation and a high rate of emigration, seemed likely not to benefit from the process of economic development which was being carried out in other parts of the country.

In accordance with the provisions of those laws, important works have been stimulated and financed with a view to building up the infrastructure necessary for the passage from an essentially agricultural economy to an economy typified by progressive industrial development.

Special measures have been taken to create the machinery required to encourage the growth of new activities in the field of industrial production.

Special measures have also been taken to deal with the human factor, more particularly as regards the vocational training of workers, supervisory staff and intermediate staff.

Thanks to all these measures there has been a remarkable change in the economic structure of the southern areas which strongly suggests that they are developing towards more complex and more advanced forms. However, the economy of that area has not yet been fully integrated in the national economic system; there is still much to be done and that is one of the main aims of the policy at present being pursued by the Government for the development of southern Italy.

3. Within the framework of adjustment assistance one sector of industry has received special attention from the Government in recent years, namely the textile industry.

A first Bill for the reorganization of the textile industry was submitted to Parliament in September 1965 at a time when the industry was in a somewhat difficult situation.

The Bill aimed not only at helping the textile industry to overcome its temporary difficulties but also at providing undertakings with the necessary means and incentives to undertake a far-reaching reorganization (introducing modern equipment, setting up new production groups on a large scale, doing away with unprofitable activities, setting up joint trading companies and proceeding to the total or partial conversion of certain firms).

As it did not prove possible to have this Bill discussed in Parliament before the end of the legislative period a new Bill was approved by the Government in August 1968 which in substance has the same aims.

This Bill, a summary of which was provided to the Cotton Textiles Committee (cf. document COT/105/Add.1 of 7 October 1968), has in the meantime been improved by the Government and will be replaced by another Bill which will soon come before Parliament.

More detailed information on the measures proposed by this Bill as regards adjustment assistance and the reorganization and conversion of the textile industry is being sent separately to the secretariat of GATT in connexion with the further work of the Cotton Textiles Committee in accordance with paragraph Ch) of the Conclusions adopted by the CONTRACTING PARTIES on 24 November 1967 concerning trade with developing countries.

This information may also be used by the Group on Adjustment Assistance Measures which is carrying out the same aims on a wider scale.

It will be sufficient here to emphasize that the measures laid down in the new Bill, if it is approved by Parliament, will provide the first steps in adjustment assistance to one important sector of national industry.

4. Another specific case of structural changes, admittedly less important than that for the textile industry but still worth mentioning here, is the reorganization of the sulphur industry in Sicily (the area in which practically the whole of the Italian output of sulphur is concentrated) which is being carried out with the help of the European Social Fund set up by the Rome Treaty establishing the EEC.

From the economic point of view the aim is to reorganize the industry in such a way that the sulphur ore is used directly for the production of the finished product (fertilizers, etc.) by a process of verticalization which would eliminate almost entirely the production of sulphur in metallic form and would concentrate on the output from the really profitable mines.

From the social point of view the proposed reorganization would include a number of steps intended to solve the problems arising from the employment of local labour (vocational training courses, early pensions, etc.).

These changes are likely to have direct consequences as regards the trade in metallic sulphur between Italy and other countries.

One of the consequences of this adjustment has been the abolition of restrictions on the import of sulphur as from December 1968.

Consequently, Italy, which has always been one of the chief sulphur exporting countries, may now, within the limits of the sulphur requirements of its manufacturing industries, become an importing country.

5. Other steps were taken in August 1968 to encourage further investment in various sectors of industry, trade and handicrafts (credit facilities and relief measures concerning taxation, social charges, etc.).

Those measures had been found necessary because of the slackening in output and the decline in the home demand for products which had been noted during the first half of 1968, and also as a result of the rather unfavourable trend of international trade (less hopeful outlook as regards exports, etc.).

6. Among all those measures it is somewhat difficult to make a distinction between those intended to encourage structural adjustments and those of a more general economic character intended to guarantee an expansion of the economy and an improvement in the level of employment.

It must also be noted that these are measures which have so far been intended to improve the general situation within the country and not as a means of direct help to the developing countries in the form of better opportunities for their export trades.

As regards the indirect effects of those measures on the export possibilities of the developing countries, the only ones which would seem to be of a certain importance are those contained in the bill concerning the textile industry, but it is clearly premature to discuss this at present.

It may be that the assistance granted for the reorganization of the sulphur industry is a case in which structural changes have already indirectly helped to create wider possibilities for imports from certain developing countries.

7. At the moment there is no programme for the adoption of further legislation concerning adjustment assistance with a view to promoting imports from developing countries.

Nor is it possible to foresee whether, within the framework of the new national economic programme for 1971-1975 (and probably 1971-1980), at present

being discussed : Parliament, and in the light of the "options" between which a choice will have to be made, any decisions will be taken which would enable consideration to be given to the introduction of legislation of the type mentioned above.

In its letter of 8 January 1969 the GATT secretariat referred to the possibility of informing the Group of any steps that might have been taken to explore the possibilities of formulating programmes of joint or concerted action with other countries to facilitate industrial adjustment with a view to increasing access to their markets for exports of developing countries.

In this connexion it would seem desirable to point out that any possible action in this direction must be closely linked with the economic, political and social situation in the various developed countries, and this situation - as was already noted by the Committee on Trade and Development in its report of 5 April 1966 to the CONTRACTING PARTIES - varies widely from one country to another.

Consequently it might be preferable for the developed countries (and this was also noted by the Committee on Trade and Development) to consider themselves what would be the appropriate form and extent of their industrial adjustments, having due regard to the special problems arising from their respective internal situations.