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ITALY - SPECIAL CUSTOMS TREATMENT FOR CERTAIN LIBYAN PRODUCTS

Note by Secretariat on Libya's Trade with Italy and Other Countries, in 1955, 1956 and 1957

1. In accordance with the Decisions of the CONTRACTING PARTIES of 9 October 1952 and 25 November 1955, respectively granting and extending the waiver for the application by Italy of special customs treatment to certain products of Libya, the Governments of Italy and Libya have submitted their sixth annual reports (L/858 and L/847). It will be recalled that the waiver from the provisions of paragraph 1 of Article I was granted with the object of promoting Libya's economic development and enabling her to participate in international trade on a normal competitive basis.
2. The reports contain detailed trade statistics on Libya's exports to Italy. There is some lack of agreement between the Libyan export data and the corresponding Italian import data for both quantities and values. The total values (in £1,000 sterling) for 1955, 1956 and 1957 are:

	<u>1955</u>	<u>1956</u>	<u>1957</u>
according to the Libyan returns	1,714	1,453	2,772
according to the Italian returns	1,265	1,709	2,743

3. Since the Libyan statistics available in L/847 also cover Libya's exports to countries other than Italy, the present note is based entirely on this source. The following table gives an account of the total value of exports from Libya in 1955, 1956 and 1957 to Italy and other countries, distinguishing items subject to preferential treatment when imported by Italy.

Table 1

Value of Libyan Exports to Italy and Other Destinations
1955, 1956 and 1957

(thousand £ sterling)

	1955	1956	1957
<u>Total Exports</u>	<u>4,290</u>	<u>3,803</u>	<u>4,752</u>
to Italy	1,714	1,453	2,772
to other destinations	2,576	2,350	1,980
<u>Preferential items</u>			
to Italy	803	449	1,926
to other destinations	1,078	1,181	820
<u>Duty-free items</u>			
to Italy	861	954	771
to other destinations	366	181	170
<u>Items subject to duty</u>			
to Italy	50	50	75
to other destinations	1,132	988	990

4. Libya's exports have fluctuated widely in the last three years, mainly on account of trade with Italy. While the value of total exports to countries other than Italy fell both from 1955 to 1956 and from 1956 to 1957, the exports to Italy fell in the first period, but nearly doubled in the second.

5. Considering Libya's exports to Italy and other destinations separately for items covered by the waiver, items which enter Italy duty-free from all sources, and items which are subject to import duty irrespective of origin, it appears that:

- (1) the sharp increase in exports to Italy since 1956 is almost entirely accounted for by commodities in respect of which Libya enjoys preferential treatment;
- (2) the decline in exports to other destinations has affected each one of the three categories mentioned.

6. However, the impression conveyed by these developments, i.e., that the effect of the preferences accorded by Italy to certain Libyan products has been to make Libya more dependent on the Italian market, is to some extent misleading.

7. There are indeed several circumstances which indicate that the developments above noted are only in part, if at all, due to the preferential arrangement under the waiver.

8. In the first place, the large rise in the exports of preferential items to Italy is almost entirely attributable to olive oil, which goes exclusively to the Italian market. Whereas in 1956 the value of olive oil exported (including sansa oil) was £60,000, the corresponding figure for 1957 reached £1,300,000. Such a fluctuation reflects crop variations (to which olive oil is particularly exposed) and therefore cannot be taken as evidence of a systematic increase in reliance upon supplies to Italy.

9. This view is reinforced by the fact that other commodities included in the preferential list are in fact not exported to Italy but go entirely to other destinations. This is particularly true of sheep, castor oil and tomatoes. The decline in these exports, which in 1957 were £250,000 lower than in 1956, not only accounts for most of the fall in exports of preferential items to other destinations, but also quite obviously cannot be due to the preferential arrangements.

10. On the other hand, there has been, among the remaining preferential items, an increase since 1956 in the exports of peanuts to Italy by about £130,000 and a decrease in exports to other countries by nearly the same amount. While noting that the diversion involved is relatively minor, it should also be mentioned that the preference in respect of peanuts is not large¹, and therefore by no means necessarily accountable for this recent shift.

Table 2
Value of Exports of Major Commodities from Libya to
Italy and other Markets, 1956 and 1957

(thousand £ sterling)

	<u>Exports to Italy</u>			<u>Exports to other Countries</u>		
	<u>1956</u>	<u>1957</u>	<u>Change 56-57</u>	<u>1956</u>	<u>1957</u>	<u>Change 56-57</u>
<u>Preferential Items²</u>	<u>449</u>	<u>1,854</u>	<u>+1,405</u>	<u>1,181</u>	<u>817</u>	<u>-364</u>
Olive oil	-	1,153	+1,153	-	7	+ 7
Sansa oil	61	146	+ 85	-	-	-
Castor seeds	138	215	+ 77	-	-	-
Tunny fish	89	122	+ 33	19	13	- 6
Fresh fish	9	4	- 5	6	4	- 2
Salted sardines	42	1	- 41	14	33	+ 19
Peanuts	72	203	+ 131	747	646	-101
Sheep	-	-	-	307	71	-236
Tomatoes, fresh	1	1	-	15	5	- 10
Other commodities	37	9	- 28	73	38	- 35

¹ The rate of duty bound under GATT is 8 per cent ad valorem.

² Since exports of non-ferrous metal scrap are in 1956 reported only together with the (much more important) exports of ferrous scrap, the combined item has been included among the non-preferential items.

Table 2 - continued

	<u>Exports to Italy</u>			<u>Exports to other Countries</u>		
	<u>1956</u>	<u>1957</u>	<u>Change 56-57</u>	<u>1956</u>	<u>1957</u>	<u>Change 56-57</u>
<u>Non-Preferential Items¹</u>	<u>1,004</u>	<u>918</u>	<u>- 86</u>	<u>1,169</u>	<u>1,163</u>	<u>- 6</u>
Hides and skins	223	208	- 15	1	12	+ 11
Wool	205	202	- 3	36	16	- 20
Metal scrap ¹	410	408	- 2	69	31	- 38
Sponges	113	20	- 93	74	111	+ 37
Cattle	20	30	+ 10	204	98	- 106
Camels	-	3	+ 3	147	269	+ 122
Oranges	2	-	- 2	86	55	- 31
Almonds	-	-	-	49	65	+ 16
Potatoes	1	1	-	35	76	+ 41
Esparto	6	-	- 6	403	348	- 55
Other commodities	24	46	+ 22	65	82	+ 17

¹ Since exports of non-ferrous metal scrap are in 1956 reported only together with the (much more important) exports of ferrous scrap, the combined item has been included among the non-preferential items.