

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1379

18 November 1960

Limited Distribution

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CONTRACTING PARTIES  
Seventeenth Session

## ITALIAN CUSTOMS TREATMENT FOR IMPORTS OF SOMALIAN PRODUCTS

### Report by Working Party

1. The Working Party has examined the request by the Government of Italy for a waiver from obligations of Article I in order to continue to accord special customs treatment to imports of certain Somalian products. The basis for this examination was the formal request for a waiver by the Government of Italy in its memorandum of 19 September 1960 (L/1305), where reference was made to the Republic of Somalia having become fully sovereign and independent on 1 July 1960.
2. The representative of Italy, referring to the contribution which Italy had made under the United Nations Trusteeship Agreement to Somalia's political and economic development, stressed the need for a continuation of the economic assistance which the new State would require for some years to come. He mentioned the plan for economic assistance sponsored by Italy, and also by the United Kingdom and the United States, which has received the approval of the competent agencies of the United Nations. A particular feature of the assistance which the Italian Government proposed to extend to Somalia was the provision of a market, through exemption from certain duties, for Somalia's main export products which in the past had been largely destined to Italy. Although the economic and financial position of Somalia has advanced steadily, as reflected in the improvement in the country's trade balance, an abrupt discontinuance of the duty-free customs treatment for Somalian products in Italy would injure the most important branches of production and would have serious repercussions on Somalia's whole economy. Italian imports from Somalia of the products concerned represent, with the exception of bananas, only a very small percentage of total imports into Italy of those items.
3. The Working Party also heard a statement by the representative for Somalia, who pointed to the fact that about 76 per cent of his country's total exports had gone to Italy under the special customs régime, which was to be considered as part of the economic assistance to which Italy had been committed under its United Nations Trusteeship mandate during the period 1950-1959. The cessation of this aid to Somalia's exports would no doubt have disastrous effects on the country's economy.

4. The Italian representative was asked for an assurance that the proposed waiver would not be implemented in such a way as to impair the legitimate trading interests of other contracting parties. This applied especially to bananas, the imports of which into Italy are handled by a State monopoly; together with the duty-free treatment this circumstance could place Somalia in a particularly favourable position as a supplier. The representative of Italy stated that the present duty on bananas of 32.40 per cent ad valorem would be reduced in accordance with action to be taken under the Treaty of Rome, and eventually would be lowered to 20 per cent. He promised to bring the need for safeguarding the export interests of third countries to the attention of his Government. In reply to a further question, he confirmed the intention of his Government that the products imported from Somalia under the waiver would be consumed in the domestic market and would not be re-exported to the markets of the other members of the European Economic Community.

5. The Working Party noted that the products to be covered by the waiver are produced in and exported from that part of the new Republic which was formerly under United Nations mandate, the only exception of any commercial importance being semi-tanned goatskins which are produced also in the territory of the former British protectorate. The duty-free treatment would apply to imports from the whole territory of the Republic of Somalia.

6. The Working Party unanimously agreed that the provision of economic assistance to Somalia in the form suggested would be fully in conformity with the objectives and spirit of the General Agreement. On the other hand, it was generally felt that Italy's obligations under Article I should be waived for only a limited period of time. After having considered various contributing factors, such as the production cycle of bananas which is the principal product involved both for its importance in Somalia's exports and for other suppliers to the Italian market, the Working Party agreed that a waiver for five years, i.e. until the end of 1965, would be reasonable in the circumstances.

7. The Working Party agreed that the Government of Italy should be requested to provide periodic reports on the development of trade in the products covered by the waiver, with special reference to its effects on Italy's imports of these products from other contracting parties, and that the Government of Somalia should be requested to report on the progress made towards diversification of Somalia's exports and export markets and on the general economic development of the country. It was thought that it would not be necessary to have reports each year; reports from the two Governments in 1963 and 1965 should suffice and the CONTRACTING PARTIES should review the situation towards the end of 1965.

8. The Working Party felt that, in order to permit a smooth transition to a normal customs régime at the expiry of the waiver, a gradual alignment of the duties applied to Somalian products with those applied to other imports into Italy would be desirable. This matter, as well as the possible extension of the waiver, could be considered in the review by the CONTRACTING PARTIES at the end of the five-year period.

9. Having taken account of the guiding principles to be followed in considering applications for waivers, the Working Party recommends that the CONTRACTING PARTIES approve the request for a waiver by the Government of Italy, and submits the following text for consideration:

WAIVER FOR THE CONTINUED APPLICATION  
BY ITALY OF SPECIAL CUSTOMS TREATMENT  
TO CERTAIN PRODUCTS OF SOMALIA

Draft Decision

Taking note that the Government of Italy, in execution of its undertaking to contribute to the economic aid of the Republic of Somalia, has requested the CONTRACTING PARTIES for authorization to continue to grant special customs treatment to the products listed in the Annex to this Decision, originating in Somalia, when imported into Italian customs territory;

Taking note of the undertaking by the Government of Italy to submit a first report not later than 1 September 1963 and a second report not later than 1 September 1965 on the development of trade under the special treatment thus accorded, with special reference to its effects on Italy's imports of these products from other contracting parties, and of the undertaking by the Government of Somalia to submit reports by the same dates on the economic progress made and expected which would permit Somalia to participate in international trade on a normal competitive basis;

Considering that the grant of this special treatment to Somalian products is designed to promote the economic development of the territories of the Republic of Somalia, which development would be prejudiced if the Government of Italy, in accordance with its obligations under Article I of the General Agreement, should now cease to apply this special treatment to Somalian products;

Considering that special treatment has traditionally been accorded by Italy to imports from Somalia and that the special treatment to be accorded under this Decision will not affect products other than those to which special treatment has been applied hitherto; and

Considering further that it has been ascertained, in accordance with the procedures adopted on 1 November 1956, that the proposed special treatment, in view of the nature and volume of the production and trade involved, is not likely to result in substantial injury to the trade of any of the contracting parties; the CONTRACTING PARTIES, acting pursuant to paragraph 5 of Article XXV,

DECIDE

1. that the provisions of paragraph 1 of Article I of the General Agreement shall be waived, for the period ending 31 December 1965, to the extent necessary to permit the Government of Italy to grant duty-free treatment to the products listed in the Annex to this Decision, originating in the Republic of Somalia, when imported into the customs territory of Italy, without obligation to extend the same treatment to the like products of other contracting parties; and that such treatment shall be governed by the same provisions as other preferences under the General Agreement, provided that, for the purposes of paragraph 4 of Article I, the date of 10 April 1947 shall be replaced by the date of this Decision; and

2. to review this Decision at the last ordinary session of the CONTRACTING PARTIES in 1965

A N N E X

Schedule of Products of Somalian Origin to be  
admitted into Italian Customs Territory Free  
of Customs Duty

<u>Italian Customs Tariff</u>			<u>Most-favoured-nation</u> <u>Rates of Duty applied in</u> <u>November 1960</u>
<u>Numbers</u>		<u>Description of Products</u>	
08.01	b) 2	Bananas	32.40%
11.04	a)	Banana flour	30%
12.01		Oilseeds and oleaginous fruit	0 to 9%*
16.02		Prepared or preserved meat	22%
16.04		Prepared or preserved fish	10 to 30%*
41.02	a)	Bovine cattle leather (oxen, cow, steer), including buffalo leather, simply tanned	12.60 to 13.50%*
41.03	a)	Sheep and lamb leather, simply tanned	10.80%
41.04	a)	Goat and kid leather, simply tanned	10.80 to 11.70%*
55.01	a) b)	Cotton, not carded or combed	5.4%

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\*The rates applicable to the sub-items of these tariff items are specified in the Italian Customs Tariff as approved by Presidential Decree No. 1105 dated 26 December 1958.