

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2620
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Limited Distribution

CONTRACTING PARTIES
Twenty-Third Session

ITALIAN SPECIAL CUSTOMS TREATMENT FOR CERTAIN PRODUCTS OF SOMALIA

Report by the Working Party

1. The Working Party was established by the Council, at its meeting on 14-16 March 1966, to examine the request by the Government of Italy for a waiver from the obligations of Article I in order to accord special customs treatment to imports of certain Somalian products (L/2537), and to report to the CONTRACTING PARTIES at their twenty-third session.
2. The Working Party met on 23 and 25 March 1966.
3. The representative of Italy, in presenting the request for an extension of the waiver, recalled that when the waiver was granted in 1960, the CONTRACTING PARTIES had agreed that the Decision would be reviewed towards the end of 1965 and that the possible extension of the waiver would also be considered. A temporary extension had been granted for the period up to the end of the twenty-third session (L/2547). The Government of Italy was now asking for an extension of the waiver for two years, i.e. until 31 December 1967.
4. The waiver had originally covered nine products, but for six of these, namely:
 - banana flour (Italian tariff item 11.04 a)
 - oilseeds and oleaginous fruit (12.01)
 - sheep and lamb leather, simply tanned (41.03 a)
 - goat and kid leather, simply tanned (41.04 a)
 - bovine cattle leather (oxen, cow, bull), including buffalo leather, simply tanned (41.02 a), and
 - cotton, not carded or combed (55.01 a, b)

there was no need for an extension of the special customs treatment, since Somalia's exports of these products to Italy had been very limited in the past three years or - with respect to cotton - all imports were being granted duty-free treatment. The request for an extension thus only related to:

- bananas (08.01 b 2)
- prepared or preserved meat (16.02), and
- prepared or preserved fish (16.04).

5. With regard to bananas the representative of Italy pointed out that there was a special problem. His Government was not only requesting an extension of the validity of the waiver in respect of the application of the special customs treatment for that product, but also an amendment of the waiver to permit Italy to charge a reduced rate of consumption tax on Somali bananas as compared with that levied on bananas from all other sources. The rebate in the consumption tax from 90 lire per kg. to 60 lire per kg. for Somali bananas within an import volume of 1 million quintals for each year, for which the rebate would be granted, had entered into force on 1 January 1966 as an integral part of the liberalization programme for banana imports following the abolition of the State banana monopoly as from 1 January 1965 (cf. L/2349). The tax rebate was only a temporary measure and would be terminated on 31 December 1967. This action was a necessary element in the implementation of the liberalization programme, whereby the previous separate import quotas for bananas had been replaced, on 1 January 1966, by a global quota of 3 million quintals valid for imports from all sources on a non-discriminatory basis. It was the intention of the Government of Italy to terminate as soon as possible all quantitative restrictions on banana imports.

6. The representative of Italy said that his Government regretted that it had not been possible to dissociate the introduction of the new import régime for bananas from the application of the reduction in consumption tax for Somalia in such a way that the reduction could take place after a decision by the CONTRACTING PARTIES, because the two measures constituted an indivisible whole. He hoped, however, that the request for an extension and an amendment of the waiver would be examined in a benevolent spirit, in view of its importance for promoting Somalia's economic development and because it constituted a part of a programme for eliminating all quantitative controls on imports of bananas into Italy.

7. The members of the Working Party expressed their sympathy for the aims behind the request of the Government of Italy - to assist the development of Somalia and to liberalize imports of bananas into Italy - and said that they could in principle support the extension and the amendment of the waiver. They particularly welcomed the assurances given by the representative of Italy that the special measures covered by the waiver would only remain in force until the end of 1967. Some observations were, however, made with regard to certain aspects of the request.

8. Some members of the Working Party said that the aim to promote the development of Somalia, a less-developed country, certainly merited full support. In their opinion it would, however, be more in the spirit of the General Agreement in general and Part IV in particular, not to discriminate in such cases between less-developed countries.

9. One member of the Working Party pointed out that his country, which was also less-developed, had a certain interest in banana exports to Italy and said that his government expected to get a reasonable share of increasing imports into Italy. The representative of Italy pointed out that, by opening for 1966 a global quota of 3 million quintals for the import of bananas from all sources (including, therefore, Somalia), his Government had adopted a system which placed exporters of all countries in the same position with regard to quantitative restrictions. It was therefore up to the exporters of bananas to make the necessary effort to improve their competitive position in the Italian market within the possibilities offered by the global quota. In this context it was suggested by the above-mentioned member of the Working Party that the imposition of the consumption tax on an ad valorem basis might provide the necessary stimulus for sales of Somali bananas while eliminating the difficulties encountered in this respect by certain other countries. The representative of Italy undertook to transmit this suggestion to his Government.

10. In reply to questions put by members of the Working Party, the representative of Italy explained that the present most-favoured-nation duty on bananas in Italy was 20 per cent ad valorem. Imports from the member States of the European Economic Community and the associated States in Africa, including Somalia, entered free of duty. In addition to the duty there was levied an administrative fee of 0.5 per cent ad valorem and a general transfer tax (IGE) of 2.3 per cent ad valorem which were both applied to imports from all sources.

11. The representative of Italy gave the following figures for imports of bananas into Italy in 1962, 1963, 1964 and 1965:

1962

Total:	1,348,520 quintals
of which from Somalia:	753,220 quintals (=55%)

1963

Total:	1,609,580 quintals
of which from Somalia:	887,370 quintals (=55%)

1964

Total:	1,677,000 quintals
of which from Somalia:	937,000 quintals (=55%)

1965

Total:	2,663,360 quintals
of which from Somalia:	901,310 quintals (=34%)

The representative of Italy pointed in particular to the figures of 1965 to show that, since the monopoly ceased its activities on 31 December 1964, the share of Somali bananas in the Italian market had very substantially decreased.

12. The Working Party appreciated the fact that a number of items could be eliminated from the list of items subject to special treatment and that the measures taken by the Government of Italy in connexion with the liberalization programme are of a temporary nature. It believed that the granting of special treatment for Somalian products on the Italian market would not cause substantial injury to the trade of other contracting parties. In the light of the explanations given before it and of the information supplied by the Government of Italy, the Working Party recommends that the Decision of 19 November 1960 be extended until the end of 1967 with the deletion of the items enumerated in paragraph 4 of this report and be amended to take account of the discriminatory application in favour of Somalia of the Italian consumption tax on bananas. The text of a draft decision is annexed hereto.

ANNEXDraft Decision

CONSIDERING that, on the request of the Government of Italy, in execution of its undertaking to contribute to the economic aid of the Republic of Somalia, the CONTRACTING PARTIES decided, on 19 November 1960¹, to authorize the Government of Italy to continue to grant special customs treatment to certain specified products originating in Somalia until 31 December 1965; and that the validity of this Decision was further extended until the end of the present session of the CONTRACTING PARTIES by Decision of 17 January 1966²;

CONSIDERING the request of the Government of Italy that the validity of the above-mentioned Decision be extended with respect to the products listed in the Annex to this Decision until 31 December 1967;

CONSIDERING the further request of the Government of Italy to be authorized to collect the consumption tax on bananas at 60 lire per kg. for bananas originating in Somalia, up to a total quantity of 1 million quintals annually, while applying a rate of 90 lire per kg. on bananas of any other origin;

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 cease to apply a special treatment to the Somalian products covered by this Decision;

NOTING that the Italian Government no longer requests the inclusion in the list of products benefiting from special treatment of six of the original nine items;

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 of the General Agreement,

¹BISD, Ninth Supplement, page 40.

²L/2547

Decide

1. That the provisions of paragraph 1 of Article I of the General Agreement shall be waived, 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 provisions of paragraph 4 of Article I, provided that, for the purposes of that paragraph, the date of 10 April 1947 shall be replaced by the date of this Decision.
2. That the provisions of paragraph 1 of Article I shall be waived to the extent necessary to permit the Government of Italy to apply the Italian consumption tax to bananas originating in the Republic of Somalia, up to a quantity of 1 million quintals annually, at a rate of 60 lire per kg. while applying the rate of 90 lire per kg. to bananas of any other origin.
3. That this Decision shall be valid until 31 December 1967.

ANNEX

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

<u>Italian customs tariff numbers</u>	<u>Description of products</u>	<u>Most-favoured-nation rates of duty applied in March 1966</u>
08.01 B(2)	Bananas	20%
16.02	Prepared or preserved meat	20% to 25%
16.04	Prepared or preserved fish	13.6% to 30%