

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SCHEDULE XLII - ISRAEL

Request for Authority to Renegotiate under Article XXVIII:4

The following communication, dated 23 October 1968, has been received from the Government of Israel.

On 13 September 1968 the representative of Israel made a statement to the Council indicating the intention of the Government to apply for authority to renegotiate a number of concessions contained in Schedule XLII - Israel.¹ I have now been instructed to make a formal request for such authority under Article XXVIII:4. The following are the reasons which have led my Government to make this request.

In February 1962 the Government of Israel initiated a new economic programme whose main aim was to eliminate gradually the persistent large deficit in the balance of trade by means of an expansion of exports. This was to be achieved by increasing the efficiency of existing industries and by encouraging investment in the development of new and potentially viable ones. Prior to that date most of Israel's industries had been sheltering behind walls of administrative protection. They were now to be exposed to international competition from imports and thus induced to introduce more efficient methods of production and marketing.

The various reports which Israel has submitted to the Committee on Balance-of-Payments Restrictions over the years described the progress made in this programme and the methods employed to this end.

In order to avoid sudden upheavals and dislocations, the exposure of a particular industry to international competition is being carried out in stages. In the first stage a relaxation of administrative controls is often accompanied by a raising of tariff levels. During the second and subsequent stages the tariffs are gradually lowered. Thus the industry concerned is kept under continuous pressure to increase its efficiency. For products already liberalized two successive tariff reductions have in fact been made, one in November 1966 and the other in October of this year.

¹Cf. document C/M/50, page 6.

However, a sizeable part of Israel's industry continues to enjoy administrative protection. The Government has therefore decided to apply the same method to the remaining sectors. On 12 August this year the Minister of Trade and Industry made an announcement to this effect in the course of a statement on Israel's commercial policy.

The two main elements of the policy are, on the one hand, a further reduction of tariffs as from 1 January 1969 on items already liberalized and, on the other, the liberalization of a large number of additional items. Following the procedure described above tariff rates on items to be newly liberalized will in the first instance have to be increased. This explains the apparent contradiction of lowering some tariffs while simultaneously raising others. In fact both actions are part and parcel of a consistent and coherent policy aimed at development of production and exports.

Fortunately tariffs will not have to be raised on all products whose import will be liberalized. In many instances the tariff rates bound in GATT are considered sufficient to provide the necessary protection.

It has however been found that in a certain number of cases liberalization can only be carried out if tariff rates bound in the schedule are raised. In order to ensure the implementation of the programme as announced, we therefore have to ask for authority to renegotiate these bound duties which affect, according to our estimate, between 3 and 4 per cent of our total imports.

The procedures used in progressive liberalization were explained at length by our representative at the balance-of-payments consultations last May. They are summarized in the relevant paragraphs of the Report (BOP/R/21):

"The Government of Israel has decided that within a year the approach will be reversed with respect to the question of whether a particular product would come under restrictive or automatic licensing or whether it should receive free treatment. Only what can be shown to merit restrictions will then be entitled to such protection, whereas at present items are liberalized only to the extent that a case has been made to that effect." (Paragraph 5)

In their comments on the statement:

"Members of the Committee ... were gratified to note the progress in liberalization". (Paragraph 6)

and in its conclusion the Committee felt that

"Even more rapid liberalization of imports would assist in containing inflationary pressures."
(Paragraph 27)

It is therefore felt that the policy outlined is in harmony with the GATT.

The Government of Israel is of course prepared to negotiate compensatory concessions with those contracting parties which have initial negotiating rights or principal supplying interests. These compensatory concessions may take the form of binding certain items the effective tariff rates on which will be reduced as already mentioned. Alternatively Israel is prepared to consider concessions on other suitable items.

A list of the tariff concessions to be modified or withdrawn is being distributed to contracting parties in a separate document.