

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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ARTICLE XIX - ITALY

Action in respect of Raw Silk

The following communication, dated 8 July 1969, has been received from the Italian Government.

Following recent upheavals in the raw silk market in Italy, the Italian Government has decided to take emergency protective action in regard to tariff headings 50.01 to 50.07, under the provisions of Article XIX:2 of the General Agreement.

A full account of the reasons underlying the action in question is given in the memorandum transmitted herewith.

The Italian Government points out that although Italy's main suppliers of these products are countries which are not contracting parties to GATT, it is ready to enter into consultations with contracting parties having a substantial interest as exporters of the products concerned.

ANNEX

RECOURSE TO ARTICLE XIX:2 OF THE GENERAL AGREEMENT FOR THE REPEAL
OF FREE IMPORTATION OF CERTAIN PRODUCTS IN THE
RAW SILK SECTOR

1. The critical situation which has arisen recently in the raw silk sector in Italy, as a result of a very serious disturbance in the domestic market caused by the sharp rise in imports of silk-worm cocoons, has forced the Italian Government to consider taking protective action by withdrawing the free importation of certain products in this sector from whatever source.

The difficulties faced by Italian producers of silk-worm cocoons have been steadily increasing, so that the Italian Government has felt it necessary to intervene and take emergency action. For this reason it has been unable to follow the normal procedure, as it would have wished, of giving prior notice to the CONTRACTING PARTIES, and also to such contracting parties as have a substantial interest as exporters of such goods to Italy.

As a result of this action, which was taken on 19 May 1969 by means of a circular issued by the Ministry of Foreign Trade on that date, with amendments dated 30 May 1969, the system of special authorization (specific ministerial licence) has been re-introduced for the importation of the following products from whatever source:

Tariff heading	50.01	-	Silk-worm cocoons suitable for reeling
"	"	50.02	- Raw silk (not thrown)
"	"	50.03	- Silk waste (including cocoons unsuitable for reeling, silk noils and pulled or garnetted rags)
"	"	50.04	- Silk yarn, not put up for retail sale
"	"	50.05	- Yarns spun from silk waste other than noil, not put up for retail sale
"	"	50.06	- Yarns spun from noil silk not put up for retail sale
"	"	50.07	- Silk yarn and yarn spun from noil or other waste silk, put up for retail sale.

2. This particular sector of the Italian economy has for some years been in a rather difficult position, so much so that from 1960 onwards it enjoyed, within the European Economic Community, a system of special protection in intra-Community trade ("isolation" of the Italian market till 31 December 1966, extended to 31 December 1969), as well as in relations with third countries (authorization to Italy to postpone the alignment of its customs duties with those of the Common External Tariff).

The provisions thus adopted at the Community level for the isolation of the Italian market are based on social and economic considerations, such as the need to protect the interests of the 30,231 small agricultural concerns growing mulberry trees and cultivating silk-worms, and the desirability of reorganizing the sector by encouraging the conversion of family-type holdings into specialist concerns.

In the light of these considerations, the EEC Council saw fit a year ago to support the efforts being made by the Italian Government to implement its programme for reorganizing the raw silk sector over a five-year period, and decided to take the following action:

- to reintroduce, over the period 1 January 1970 to 31 December 1976, the customs duty on raw silk already laid down in the Common External Tariff and to establish a community quota duty-free for raw silk amounting to the difference between the demand for and production of raw silk within the Community;
- to apply this same Common External Tariff duty on a permanent basis, from 1 January 1976, if in 1976 Italian production of silk-worm cocoons makes it possible to produce not less than 1,000 tons of raw silk a year;
- to arrange for participation by the Community, through the Agricultural Fund (F.E.O.G.A.), in the financing of the investment required for the implementation of the Italian programme for reorganizing this sector.

It may be worth while pointing out that in Italy the production of silk-worm cocoons and kindred activities are concentrated mainly in regions where economic development is still very backward and which are therefore of special concern to the Government.

3. The withdrawal of the freedom to import these products, as an emergency measure, is justified by the fact that Italy's 1968 production of silk-worm cocoons, amounting to approximately 3 million kgs., and ready for disposal since July 1968, is still largely unsold. In May last, eleven months after the harvesting of silk-worm cocoons, stocks stood at 1.5 million kgs. If we add to this the production of approximately 3 million kgs. from the 1969 harvest, we can appreciate the difficulties which will have to be faced in disposing of the Italian production of silk-worm cocoons, particularly when we consider the risk of deterioration of the product in the repositories financed by the State.

To encourage the Italian raw silk-throwing and reeling industries to step up supplies of silk-worm cocoons and raw silk produced in Italy, the Italian Government has found itself obliged temporarily to halt the free imports of these products.

The essential purpose of making silk waste subject to licence is to ensure first of all that the waste actually goes to the processing industry and not to middlemen, and secondly that the waste is composed of cocoons unsuitable for reeling, so that cocoons suitable for reeling are not included in appreciable quantities in waste consignments, as has already happened frequently.

The inclusion of silk yarn, noils and other waste silk in the list of products subject to licence is simply the consequence of the repeal of free imports of silk-worm cocoons, raw silk and silk waste. Otherwise it would be impossible to establish favourable conditions for the disposal of Italian raw silk on a more regular basis than hitherto.

4. The figures shown in the annex hereto indicate clearly the considerable increase in Italian imports of silk-worm cocoons. From 545 quintals, valued at Lit 1,574 million for the July 1966 to June 1967 harvest, the figure rose to 1,493 quintals, valued at Lit 3,789 million for the 1967 and 1968 harvest, an increase of 155 per cent. The increase was due to the fact that the supplier countries were able to offer their products at exceptionally low prices made possible by the supports applied by those countries for exports, according to the most recent information.

The cumulative effect of a considerable increase in imports combined with the extremely low prices asked for goods exported by those countries brings the withdrawal of free imports of silk-worm cocoons within the scope of Article XIX of the General Agreement.

Since what happens to the other products is an inevitable consequence of the action taken in regard to silk-worm cocoons, the Italian authorities consider that the placing of these products under licence likewise comes within the scope of Article XIX.

The Italian Government points out that although Italy's main suppliers for these products are countries which are not contracting parties to the General Agreement (USSR and the People's Republic of China), it is invoking the provisions of the Article because of the effects arising out of imports from GATT countries, and it wishes to state its readiness to enter into consultations with contracting parties having a substantial interest as exporters of the products concerned.

ITALIAN IMPORTS OF SILK-WORM COCOONS, RAW SILK, SILK WASTE AND SILK YARN

Quantities in tons
Value in millions of lire

Tariff heading	Product	1966/1967 Crop						1967/1968 Crop						Percentage variations between the 1966-1967 and 1967-1968 crops
		1966 2nd half year		1967 1st half year		Total		1967 2nd half year		1968 1st half year		Total		
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	
50.01	Silk-worm cocoons suitable for reeling	232	520	353	1,054	585	1,574	714	1,742	779	2,047	1,493	3,789	+ 155
	of which: Temporary import	14	55	223	677	237	732	100	274	568	1,532	668	1,806	+ 182
	Yugoslavia	27	64	26	81	53	145	28	93	48	165	76	258	+ 43
	Greece	76	265	20	77	96	342	65	234	33	105	98	339	+ 1
	Turkey	-	-	249	772	249	772	5	12	236	807	241	819	- 3
	Bulgaria	-	-	23	47	23	47	4	10	-	-	4	10	- 83
	USSR	76	69	-	-	76	69	612	1,351	389	813	1,001	2,164	+ 1,217
	Syria	-	-	-	-	-	-	-	-	14	45	14	45	- 14
50.02	Raw silk (not thrown)	952	7,759	1,024	9,113	1,976	16,872	783	6,792	663	6,200	1,445	12,992	- 27
	of which: Temporary import	948	7,757	1,002	9,102	970	16,859	782	6,789	663	6,200	1,445	12,989	- 26
	USSR	-	-	60	542	60	542	43	385	-	-	43	385	- 28
	People's Rep. of China	862	7,015	881	7,771	1,743	14,786	654	5,587	-	-	654	5,587	- 62
50.03	Silk waste in bulk	1,118	2,365	1,305	1,263	2,423	3,628	1,140	1,127	1,358	1,358	2,498	2,480	+ 3
	of which: Temporary import	366	472	469	567	835	1,039	382	498	402	589	784	1,087	- 6
	USSR	354	330	397	345	751	675	359	284	362	410	721	694	- 4
	India	290	214	378	284	668	498	301	230	167	172	468	402	- 30
	People's Rep. of China	50	215	118	203	168	418	168	239	33	141	201	380	+ 20
	Japan	221	225	-	-	221	225	269	321	236	194	505	515	+ 128
50.04	Silk yarn, not put up for retail sale	4	61	3	33	7	94	2	21	3	33	5	54	- 29
	of which: Temporary import	3	33	0.7	7	4	40	1	15	2	28	3	43	- 25
50.05	Yarns spun from silk waste, other than noil, not put up for retail sale	65	308	67	333	132	641	62	327	65	388	127	715	- 4
	of which: Temporary import	65	308	66	325	131	633	60	321	62	367	122	688	- 7
	People's Rep. of China	-	-	66	325	66	325	54	282	62	367	116	649	+ 76
50.06	Yarns spun from noil silk, not put up for retail sale	2	2	2	3	4	5	-	-	-	-	-	-	-
	of which: Temporary import	-	-	2	3	2	3	-	-	-	-	-	-	-
50.07	Silk yarn and yarn spun from noil or other silk waste, put up for retail sale	0.4	6	0.3	8	0.7	14	0.6	13	0.3	8	0.9	21	+ 28