

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES

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REPORT OF THE WORKING PARTY ON ITALIAN IMPORT RESTRICTIONS

Introduction

1. The Working Party was appointed by the Chairman of the CONTRACTING PARTIES in accordance with arrangements agreed upon at the seventeenth session (SR.17/12). Its terms of reference and composition are as noted in L/1428, and the understanding was that it should proceed within the framework of paragraph 2 of Article XXII (cf.C/M/4). The Working Party met from 27 to 29 March in Rome. As instructed, it examined with representatives of Italy the Italian import restrictions which had been the subject of consultations under paragraph 1 of Article XXII.

2. The Working Party adopted as the basis of its deliberations the "negative list" reproduced in L/1433 which enumerated the products at present subject to restrictions when imported into Italy from the "List A" countries (the United States, Canada, Brazil, Chile, Cuba, Dominican Republic, Haiti, Nicaragua, Peru and Uruguay) and in most cases also when imported from the "List B" countries (the OEEC Member countries, the Commonwealth countries in the sterling area, Finland and Indonesia).

Relaxation of the restrictions undertaken by Italy

3. In the course of the discussions, the Italian representative recalled the successive steps of liberalization which his Government had taken in recent years. It was noted, in particular, that following the consultation under Article XXII with the United States and certain other contracting parties in September 1960, a considerable number of industrial and some other products had been removed from the restricted list with effect from 14 December 1960, and that the scope of this liberalization had in fact been somewhat broader than had been indicated by the Italian authorities at the September consultation.

4. The Italian representative announced that the Italian authorities now intended to take further steps in the same direction, including the following:

- (a) Removal of quantitative restrictions: Restrictions on imports from the "List A" and "List B" countries would be removed for a further group of products, mostly in the agricultural field. (The products indicated by the Italian delegation for such liberalization are listed in Annex A to this report.)

- (b) Establishment of import quotas: For certain products which were to remain under restriction, global quotas would be opened or increased. In certain cases existing quotas in force on an experimental basis would be confirmed. Some of the quotas thus established were to be expanded by 10 or 20 per cent annually. For some items, only token quotas would be opened. (The products in question, together with size of the quotas envisaged as well as any other relevant indications, are given in Annex B to this report.)

These measures would be put into effect as soon as possible, but in any case not later than the end of May this year. Pending the entry into force of the measures, contracting parties were requested to observe the confidential nature of this advance information.

5. The Italian representative explained that some of the quotas would be opened for the purpose of testing the market conditions in preparation for the full liberalization of the products in question. The removal of quantitative restrictions on certain agricultural products presented serious difficulties on account of the grave situation of Italian agriculture, for some sectors of which action of a long-term nature had been undertaken for reconversion and modernization. The liberalization of other imports presented difficulties because of the necessity of protecting newly established industries. For some of these products¹, which are included in the quota list (Annex B) or in the residual list (Annex C), the Italian Government undertook to ensure the removal of restrictions at the earliest possible moment within five years. With respect to certain items, the Italian Government considered that the import prohibition or restriction was justified under the provisions of Article XX or Article XXI of the General Agreement.

6. Members of the Working Party welcomed the new measures of liberalization or expansion of access to the Italian market announced by the Italian delegation. However, they expressed serious concern about the continued maintenance of the restrictions and deplored in particular the continued use of discriminatory restrictions for which no justification could be found. They urged the immediate elimination of this discrimination and the quick dismantlement of all the remaining restrictions. The items remaining on the restrictive list were discussed one by one with the Italian delegation. Members of the Working Party gave their views on the possibility of removing these restrictions or of providing progressively increased import opportunities leading to the final elimination of the restrictions. The representative of Italy undertook to convey all the views expressed in these discussions to the attention of his Government.

State trading

7. In discussing certain items on the residual list (bananas, wheat and wheat flour, and salt) the representative of Italy stated that these items were under the control of State-trading agencies operating generally in accordance with the provisions of Article XVII of the General Agreement. Insofar as the State-trading operation had the effect of restricting imports, the Italian authorities

¹Notably, the iodine items and grain sorghum.

fully recognized that, by virtue of the interpretative not ad Articles XI, XII, etc., in Annex I to the General Agreement, it constituted an import restriction within the purview of Article XI. The State monopoly on the three products mentioned above, however, was stated by the Italian representative to have been instituted and maintained in accordance with legislation which had been in existence on the date of the Ancey Protocol and consequently the Italian Government considered that it was entitled to maintain these restrictions under the provisions of paragraph 1(a)(ii) of that Protocol. Members of the Working Party discussed with the Italian representative the contention relating to Article XVII, particularly with reference to certain bilateral commitments and special import facilities granted to individual countries, in some cases non-GATT countries. On the question of maintenance of restrictions under the terms of provisional application, the Working Party recalled the discussions on this subject in the past¹ and considered that it would be beyond its competence to go into this legal problem.

Problems relating to agricultural products

8. Members of the Working Party noted that although good progress had been made in liberalizing industrial products, a considerable number of agricultural products remained on the residual list. Although quotas had been opened for some of these agricultural products, the Italian authorities had presented no liberalization programme showing the time by which each product would be freed from restriction, and indeed had indicated no intention of removing most of these restrictions by any date.

9. The representative of Italy referred to various difficulties in the economic and social fields which prevented the liberalization of agricultural products, and to the lack of response of other European governments when Italy had endeavoured to take a lead in liberalizing agricultural products. The lack of action reflected problems which, being of a general nature, could be solved only through concerted joint action. The establishment of Committee II showed that the CONTRACTING PARTIES were aware of, and had given recognition to, the need to examine problems pertaining particularly to agriculture. In the view of the Italian Government, therefore, restrictions on agricultural products should be considered with due regard to the economic and social problems which were faced by most industrial countries, rather than solely in the legal context of Article XI of the General Agreement.

10. While these views were generally supported by the representative of France, other members of the Working Party pointed out that the General Agreement contained no special provisions concerning agricultural products (apart from those in paragraph 2 of Article XI) and that the balance of rights and obligations between the agricultural and industrial exporting countries would be fundamentally upset if it were accepted that agricultural products could be regarded as falling outside the coverage of the rules of the Agreement. As regards the common agricultural policy of the EEC, it had not been envisaged that this would embody a system of quantitative restrictions. Nor was it expected that the deliberations in Committee II would lead to a revision of the General Agreement so as to give special status to agricultural products or to condone agricultural protection

¹Cf. inter alia, BISD, Seventh Supplement, pages 104-107

through quantitative restrictions. In the view of these members of the Working Party, it was therefore incumbent upon Italy to abide by the present rules of GATT and remove the restrictions which were no longer justified under its provisions. While contracting parties would be prepared to consider any special difficulties which might be faced by a contracting party with a view to granting it accommodation for transitional adjustment, any such cases must be examined on their individual merits; there was no reason why agricultural products should be regarded as deserving special treatment.

Discrimination

11. The Working Party noted that the system of restrictions under consideration involved differential treatment for imports from different sources. In the first place a number of items which were liberalized for OEEC and sterling area countries, Finland and Indonesia remained restricted for the United States, Canada and other "List A" countries (i.e. GATT countries in Latin America). Secondly, imports from certain other contracting parties (Japan, Israel and Czechoslovakia) were not given the same liberalization treatment as that accorded to either of the groups mentioned above. Thirdly, Italy had entered into bilateral arrangements with certain countries, including certain non-contracting parties, which sometimes involved discrimination against imports from other contracting parties.

12. The representative of Italy recalled the considerable progress which had been made in the past ten years in the reduction of discrimination in its import restrictions. Ever since the institution of intra-OEEC liberalization in 1950, Italy had endeavoured to extend the scope of its liberalization, first to countries in the dollar area, and then to other non-European countries. Particularly significant, in the view of the Italian authorities, was the fact that the distinction between "List A" and "List B" had been greatly reduced. While certain discriminatory restrictions remained, they were no more than the relics of the past awaiting, at the present stage of transition, their turn for elimination.

13. Some members of the Working Party noted that more than two years had elapsed since the establishment of external convertibility of currencies, since which time no justification could have existed for the maintenance of discrimination. This period should have been long enough to enable steps to be taken to eliminate all discrimination. Countries in the dollar area had had to accept such discrimination whilst it could be justified on balance-of-payments grounds, but the continued maintenance of discrimination without justification had created difficulties for governments in the dollar area, which were faced with increasing complaints by their domestic producers about the inequity and unbalanced benefits deriving from the General Agreement. In some cases the products had been the subject of tariff concessions granted by Italy for which compensation had been given by the exporting countries. Representatives of dollar area countries therefore believed that discrimination should be abolished immediately.

14. The representatives of other contracting parties in the "List A" group also questioned the rationale of this classification of countries, since there could be no reason, especially since currency convertibility, for placing them all on the same footing. The representatives of Israel and Japan similarly questioned the justification for withholding the general liberalization from their exports, and took the opportunity to inform contracting parties of the bilateral consultations they were conducting with Italy under paragraph 1 of Article XXII.

15. Members of the Working Party also noted that certain special quotas and other arrangements were made by Italy in favour of imports from other EEC countries. The representative of Italy maintained that in this regard the Italian Government's action was in accordance with the provisions of the General Agreement. The Working Party recalled past discussion of the question of the relationship between Article XXIV and import restrictions, and diverse views had been expressed.¹ In any event, Italy had no longer justification for maintaining restrictions. The representative of the United Kingdom referred to the hope expressed by the EFTA countries that they would be able to relax restrictions against other countries at the same rate as such restrictions were relaxed for other Member countries of EFTA, and expressed the hope that Italy would act in a similar manner. The United Kingdom would attach the greatest importance to the removal of Italian restrictions on imports from the United Kingdom at the same time as they were removed for other countries, including the EEC countries. The representative of Italy reiterated that it was the intention of his Government in the administration of its restrictions to abide by all the provisions of the General Agreement.

Administration of the restrictions

16. Certain members of the Working Party were of the view that in cases where the restrictions had not been removed, the Italian Government should at least endeavour to administer the restrictions in such a way as to afford foreign suppliers progressively increased access to the Italian market. They drew attention to the fact that the present system of restrictions under which imports of certain commodities from dollar countries were permitted under global quotas and those from certain other countries under bilateral quotas, might result in discrimination against those traditional suppliers who had been unable to negotiate bilateral quotas. The Italian delegation expressed their willingness, in principle, to provide for imports from those countries; they also indicated that, in principle, they expected to increase bilateral quotas in the same proportion as the global quotas for dollar imports. Members of the Working Party urged that bilateral quotas should be amalgamated to form global quotas within which all contracting parties could compete, global quotas should be of adequate size and should be increased progressively until the full import demand was met and the restriction removed. In administering such measures as seasonal quotas, minimum price regulations, particularly where supplies from distant countries were involved, adequate notice of the import opportunities and adequate period for the conclusion of transactions and for the movement of goods should be allowed. The representative of Italy indicated that his delegation had taken due note of these views and would convey them to the attention of the competent authorities.

¹See BLS, Seventh Supplement, page 71, and Eighth Supplement, page 162.

Timing for further action

17. The representative of Italy recalled the progress that had so far been made in removing restrictions and in reducing discrimination, and emphasized the fact that, while the action might not have been as rapid or as substantial as certain contracting parties might have wished to see, the line of action had been consistent and steps of retrogression had so far been avoided. It was the firm intention of the Italian Government to remove its restrictions as soon as circumstances permitted.

18. Other members of the Working Party commented that as early as 1959 the CONTRACTING PARTIES, on the basis of findings of the IMF, had concluded that Italy no longer had balance-of-payments justification for the maintenance of import restrictions. In spite of the lapse of time and the undertaking it had given at the fifteenth session in November 1959, Italy had so far not presented a full liberalization programme outlining its plans for the reduction and ultimate elimination of restrictions in accordance with its obligations under the General Agreement. The slow progress, and particularly the lack of any clear indication of its future intentions, must be regarded as disquieting. Some members of the Working Party stressed the view that the continuation of the restrictions affected the entire operation of the General Agreement and its effectiveness as an instrument for reducing trade barriers and for expanding international trade; the effectiveness of the Agreement depended on the willingness of the contracting parties to fulfil their obligations under it, and that countries in a favourable economic position must lead the way in efforts to reduce trade barriers. While the measures now announced for the near future were welcome, it remained Italy's obligation as a contracting party to GATT to dismantle the restrictions.

19. At the conclusion of the meeting the Italian delegation notified the Working Party of the following undertakings:

- I. At the eighteenth session of the CONTRACTING PARTIES the Italian delegation will:
 - (a) report on the implementation of measures announced at the present meeting;
 - (b) announce any further measures which may prove possible; and
 - (c) supply the CONTRACTING PARTIES with a revised list of the commodities on which Italy is unable at that time to indicate the date of elimination of its restrictions, including the reasons therefor.
- II. Before 31 July 1961 the Italian Government will report to the CONTRACTING PARTIES its intention for the elimination of restrictions on the items on the list referred to in I(c) above.

20. The Working Party took note of these undertakings given by the Italian authorities, and agreed to convey them to the attention of the CONTRACTING PARTIES.

CONFIDENTIAL ANNEXES

- A. List of products to be liberalized shortly.
- B. List of Products to be provided with import quotas.
- C. List of products subject to restriction regarding which no action is at present envisaged.
- D. List of products subject to State trading.

ANNEX A

List of Products to be Liberalized in the Near Future
for List A and List B Countries

<u>Tariff Item</u>	<u>Description of Products</u>
<u>No.</u>	
08.02	Citrus fruit, fresh or dried
08.10	Fruit (whether or not cooked), preserved by freezing, not containing added sugar
08.13	Peel of melons and citrus fruit, fresh, frozen, dried or provisionally preserved in brine, in sulphur water or in other preservative solutions
10.02	Rye (for use as fodder)
ex 10.03	Barley, excluding two-row barley (liberalized 1 November - 30 April)
10.05	Maize (liberalized 1 January - 30 June)
15.02 a	Raw fats neither rendered nor melted
15.03	Lard stearin, oleostearin and tallow stearin; lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way
15.04	Fats and oils, of fish and marine mammals, whether or not refined
15.06	Other animal oils and fats (including neat's-foot oil and fats from bones or waste)
ex 15.07	Fixed vegetable oils, fluid or solid, crude, refined or purified, excluding soya and linseed oil
15.12	Animal or vegetable fats and oils, hydrogenated, whether or not refined, but not further prepared
15.13	Margarine, imitation lard and other prepared edible fats
15.14	Spermaceti, crude, pressed or refined, whether or not coloured

<u>Tariff Item</u> <u>No.</u>	<u>Description of Products</u>
20.03	Fruit preserved by freezing, containing added sugar
20.04	Fruit, fruit peel and parts of plants, preserved by sugar (drained, glacé or crystallized)
20.06	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit
ex 20.07	Grapefruit juice and pineapple juice
ex 36.01	Propellent powders for hunting purposes
36.03	Mining, blasting and safety fuses

ANNEX B

List of Products Remaining under Restriction,
but to be Provided with New or Increased Quotas in the Near Future

<u>Tariff Item</u> <u>No.</u>	<u>Description of Products</u>	<u>Size of Annual Quota and</u> <u>Other Envisaged Action</u>
02.02	Dead poultry (fowls, ducks, geese, turkeys and guinea fowls) and edible offals thereof (except liver), fresh, chilled or frozen	Experimental quota of \$200,000 for List A countries to test market conditions in preparation for eventual liberalization
*02.05	Unrendered pig fat free of lean meat and unrendered poultry fat, fresh, chilled, frozen, salted, in brine, dried or smoked	Present temporary restriction will not be continued after 1 June 1961; after that date this product will be admitted freely subject to certain conditions which are being formulated
04.06	Natural honey	Lire 200 million, for List A countries
*08.04 b 2	Dried grapes	(Present quota of \$100,000 (will be maintained
ex 10.07	Grain sorghum	Token quota of 5,000 quintals
*15.01	Lard and other rendered pig fat; rendered fat of geese and other poultry	Same as for *02.05 above
ex 15.07	Soya oil	\$500,000 with 10 per cent annual increase for List A countries
	Linseed oil	\$1 million for List A countries
15.09	Degras	\$100,000 with 20 per cent annual increase for List A countries
*29.34 a	Tetraethyl lead	{ Size of quota to be decided {
*38.14 a	Anti-knock preparations based on tetraethyl lead	

<u>Tariff Item</u> <u>No.</u>	<u>Description of Products</u>	<u>Size of Annual Quota and</u> <u>Other Envisaged Action.</u>
*58.08	Tulle and other net fabrics (but not including woven, knitted or crocheted fabrics) plain	
*58.09 a	- tulle, bobbin-net and knotted net fabrics	
b 1	- lace, mechanically made	
*61.03 ex a:	(Articles ready to wear, woven	(Size of quota for List A
*61.04 b ex 1	(directly to shape or merely	(and List B countries to
*61.05 ex a:	(needing separation by cutting	(be decided
*61.06 ex a v	(dividing threads, of tulle,	
*61.07 ex a:	(bobbin-net or net fabrics,	
*61.08 ex a	(figured, or of mechanically-made	
	(lace	
*61.09 ex a:	(
*61.10 ex a	(
*61.11 ex a:	(
*62.01 ex a	(
*62.02 ex a:	(
*62.05 ex a	(
*84.35	Other printing machinery; machines for uses ancillary to printing	
a	- typographic platen presses	
b	- single cylinder printing machines, for unicolor printing	
d	- rotary lithographic machines:	
ex 1	for uni-colour printing, excluding "Offset" duplicating machines for office use	(Lire 300 million with 20 per cent annual increase for List A countries.
ex 2	other, excluding "Offset" machines for printing in two or several colours	(Bilateral quotas for List B countries
ex f	not specified, excluding rotary machines for printing newspapers and other periodicals on papers in rolls	
ex g	parts, excluding parts for "Offset" duplicating machines for office use	((up to 84.40 ex h inclusive)

<u>Tariff Item</u> <u>No.</u>	<u>Description of Products</u>	<u>Size of Annual Quota and</u> <u>Other Envisaged Action</u>
*84.40 f 2	Machinery for printing wall- paper and wrapping paper	{
ex h	Parts of machinery for printing wallpaper and wrapping paper except cutting cylinders for engraving wallpapers and wrapping paper which have been liberalized	
*87.02	Motor vehicles for passengers, etc.	\$3 million for List A countries
*87.03	Special purpose motor lorries and vans, etc.	{
ex*87.04	Chassis fitted with engines, for the motor vehicles falling within headings Nos. 87.02 and 87.03	
ex*87.05	Bodies (including cabs), for the motor vehicles falling within headings Nos. 87.02 and 87.03	{ \$1.2 million for List A countries
*87.07 ex a	Trucks for the transport of goods driven by electric motors and fitted with a device for lifting their load-carrying platform	
87.07 ex b	Trucks for transport of goods, driven by internal combustion engines and fitted with a device for lifting load-carrying platform	{
*87.09 ex a	Motor-cycles, side-cars, motor scooters, excluding motor-cycles weighing more than 170 kgs. net each	
87.09 c 1	Side cars for motor-cycles	{ \$600,000 with 20 per cent annual increase for List A countries
*87.12 a	Parts and accessories of motor- cycles, side-cars and scooters	

ANNEX C

List of Products Remaining Under Restrictions for
List A and List B Countries for which no Quotas will be Provided¹

<u>Tariff Item</u>	<u>Description of Products</u>
<u>No</u>	
*04 01	Milk and cream, fresh not concentrated or sweetened
*04 02	Milk and cream, preserved, concentrated or sweetened
04 04	Cheese and curd
*03.01 b ex 1	Dates in packages of more than 500 gr.
*ex 03 03 b 2	Figs, dried, except those in packages weighing 500 gr. or less
*10 01 (State trading)	Wheat and meslin (mixed wheat and rye)
10.02	Rye
ex 10 03	Barley excluding two-row barley (restricted 1 May - 30 October)
10 05	Malt (restricted 1 July - 30 December)
*ex 11 01 ^(o)	Flour of wheat and sorghum
*ex 12 04 ^(o)	Sugar beet whole or sliced, dried or powdered
*ex 12 03	Locust beans whole kibbled or ground
*ex 15 10 ^(o)	Fatty acids, acid oils from refining; fatty alcohols
*15 17	Residues resulting from the treatment of fatty substances or animal or vegetable waxes
a a	- Oil foots and dregs; decolourizing earths and carbons containing fats
*ex b ^(o)	- Soap-stocks (some types liberalized)
*17.01	Beet sugar and cane sugar, solid
*ex 17.02	Saccharose syrup
*ex 17.03	Molasses, whether or not decolourized, except those destined for the manufacture of coffee substitutes and sweetened fodder
*17.05	Flavoured or coloured molasses, except those used for the manufacture of coffee substitutes and sweetened fodder

¹Items restricted List B countries are marked with an asterisk.

<u>Tariff Item</u>	<u>Description of Products</u>
<u>No.</u>	
*ex 19.02 a 3 beta	Preparations of flour of any kind and sugar
10.03	Macaroni, spaghetti and similar products
*ex 20.05	Date paste, paste of dried figs or raisins, even if mixed into other fruit paste
20.07	Fruit juices (including grape must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit (except grapefruit juice and pineapple juice which have been liberalized)
*22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol
*22.05	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol
*ex 25.01 (<u>State trading</u>)	Common salt (including rock salt, sea salt and table salt); pure sodium chloride
*25.03 (<u>State trading</u>)	Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur
b	- Other
28.01 d	Iodine
28.34	Iodides, ocyiodides, iodates and periodates
29.02 a 5	Iodomethane (methyl iodide)
6	Iodoethane (ethyl iodide)
11	Di-iodomethane (methylene iodide)
12	Iodoform and other polyiodides
b 3	Iodides
*29.16 a 4	
alpha	Citric acid
beta I	Crude calcium citrate
33.01 a 1	- Essential oils, non-terpeneless, concrete or absolute: from citrus fruit
b 1	- Essential oils, terpeneless of citrus fruits
ex 33.04	Mixtures of two or more odoriferous substances (natural or artificial) and mixtures with a basis of one or more of these substances (including alcoholic solutions) used as a raw material in the perfumery, food, drink and other industries, with a basis of citrus essence

<u>Tariff Item</u>	<u>Description of Products</u>
<u>No.</u>	
36.01	Propellent powders (excluding propellent powders for hunting purposes which have been liberalized)
36.02	Prepared explosives :
*45.01	Natural cork, unworked, crushed, granulated or grounds; waste cork
*45.02	Natural cork, in blocks, plates, sheets, or strips, etc.
*ex 71.07 b	Gold or gold alloys, not platinum-plated, semi-manufactured
*71.12 a 3; b 2	Articles of jewellery and parts thereof, of gold delta whether or not platinum-plated, or of rolled gold
*71.13 ex a;	Articles of goldsmiths' wares and parts, of gold,
b 4	whether or not platinum-plated or of rolled gold
*71.14 ex a;	Other articles of gold, whether or not platinum-
b 4	plated, or of rolled gold
93.07	Bombs, grenades, torpedoes, mines, guided weapons and missiles, etc.
b	- Parts

ANNEX D

PRODUCTS SUBJECT TO STATE TRADING

<u>Traffic Item</u>	
<u>No.</u>	<u>Description of Products</u>
08.01 b 2	Bananas
10.01 a, b	Wheat, spelter and meslin
11.01 a	Wheat flour
11.02 a	Cereal meal and groats
24.02 a	Tobacco
b	Extracts and essences of tobacco
25.01	Common salt (including rock salt, sea salt and table salt); pure sodium chloride
25.03)	Sulphur
28.02)	
28.04.c 2	Phosphorus, white, yellow and red
28.15 a	Sulphide of phosphorus including phosphorus trisulphide
29.25 b 1 alpha	Para ethoxyphenylurea (dulcin) and similar substances
29.26 a	Orthobenzoic sulphimide (saccharin)
29.42 b	Vegetable alkaloids of cinchona, natural or reproduced by synthesis and their salts, ethers and esters
c 6	Nicotine and its salts
36.06	Matches
36.07	Ferro-cerium and other pyrophoric alloys in all forms (lighter flints)
48.10	Cigarette paper
71.07 b 1	Gold or gold alloys, unrecrystallized
98.10	Mechanical lighters and similar lighters, including chemical and electrical lighters, and parts thereof

