

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## ISRAEL - IMPORT DEPOSIT

The following communication, dated 23 November 1979, has been received from the Permanent Mission of Israel.

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I wish to inform you that on 19 November 1979, the Government of Israel took a decision on a series of economic measures with the purpose of curbing inflation and reducing the balance-of-payments deficit.

Inflation and balance-of-payments deficit are in fact the most outstanding problems in our economy, and threaten to have serious consequences on economic development if corrective measures were not introduced.

During 1978 the index of consumer prices rose by 48 per cent and this year a three-digit inflationary rate is expected. The deficit in the current account of the balance of payments in 1979 is expected to amount to US\$4.5 billion in 1979 as compared to US\$3.4 billion in 1978. The deficit in the trade account is expected to be US\$3 billion as compared to US\$1.8 billion in the previous year. Although the measures were designed to tackle inter alia the balance-of-payments problems, they were directed mainly to the internal domain in areas such as government expenditure, wage policy, monetary and fiscal policy etc.

The measures include among others:

1. Saving on Government Budgets including:
  - (a) a freeze on the Development Budgets;
  - (b) a freeze on Public Services Development Projects;
  - (c) a complete freeze on the Public Sector Employment.

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2. The abolishment of subsidies including:
  - (a) a gradual elimination of subsidies to production factors;
  - (b) elimination of subsidies on basic foodstuff;
  - (c) tightening the terms of financial assistance to industry, agriculture and tourism.
3. Fiscal and monetary restrictive measures to be implemented by the Bank of Israel.
4. Measures concerning the wage policy, preserving the real value of income in the Public Sector.
5. Measures will be implemented in order to encourage the transfer of manpower from services to industry.

Measures relevant to foreign trade were limited to the requirement of an import deposit of 10 per cent on dutiable import goods. This measure will be effective for a period of six months.

In the planning of these far-reaching economic measures, the Government of Israel made every effort to avoid interference with its international trade relations and existing arrangements with our trade partners.

Full details of the measures from the point of view of their effect on Israeli balance of payments will be provided to the Committee on Balance-of-Payments Restrictions within the framework of the regular consultation with Israel.

Our mission in Geneva stands ready to supply any required information to GATT members.