

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ISRAEL - IMPORT SURCHARGE

The following communication, dated 23 August 1982, has been received from the Permanent Mission of Israel.

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In accordance with paragraph 3 of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes adopted by the CONTRACTING PARTIES on 28 November 1979 we wish to advise you of a series of economic measures which the Government of Israel introduced on 15 June 1982 in order to reduce the balance of payments deficit and to curb inflation. The particular measures adopted were an import levy, an increase in VAT rates, a turn-over tax on the sale of securities registered on the stock exchange and a travel tax for residents going abroad. In addition, subsidies for basic foodstuffs and public transport are being considerably reduced.

These measures were taken as Israel is seriously threatened with difficulties as regards its balance of payments and in order to maintain an appropriate degree of control over the consequences of inflation, which remains the dominant problem of the economy.

In 1981 Israel's current deficit increased by 500 million dollars to 4.4 billion dollars. Expectations of an improvement in the balance of payments situation in 1982 were not realised. In addition, negative trends in the balance of payments which manifested themselves in the second half of 1981 were aggravated in the first half of 1982. Indications of a further deterioration in the second half of 1982 are apparent.

In the first half of 1982, commodity exports decreased by five per cent as compared to their level in the first half of 1981. The main decline occurred in agricultural exports, which were 10 per cent below last year's level; while industrial exports decreased by about four per cent. Updated figures on commodity imports are not yet available, but according to partial indicators, imports increased considerably in the second quarter of the year; for example, revenue from import taxes increased by about 20 per cent in fixed prices above the level of the second quarter of 1981.

The import levy, the only measure relevant to foreign trade, has been imposed in the form of a temporary three per cent ad valorem additional duty on all imports, and will remain in effect until 31 March 1983.

In the planning of these 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 the Israeli balance of payments will be provided to the Committee on Balance-of-Payments Restrictions within the framework of the regular consultation with Israel.

The Permanent Mission of Israel remains willing to provide any required information to GATT members.