

GENERAL AGREEMENT ON TARIFFS AND TRADE

Limited Distribution

Committee on Balance-of-Payments Restrictions

Original: English

1984 CONSULTATION WITH ISRAEL

Basic document for the Consultation¹

1. Legal and administrative basis of the import restrictions

The Import Export Ordinance of 1979 provides the legal basis for Israel's control and regulation, of the foreign trade.

The Licensing of Imports Order 1939 commits all imports to licensing. However, the bulk of imports is now covered by the Free Imports Order 1978, issued by the Minister of Industry and Trade on 20 July 1978.

Individual import licences, where still required, are issued by the "Competent Authorities" - officials designated for that purpose by the Ministers concerned (Industry and Trade, Agriculture, Transport, Health, Welfare, Communications and Finance).

2. Methods used in restricting imports

As of 9 June 1978 the Free Imports Order permits the import of all commodities, except those specifically mentioned in the first annex to that order. Commodities included in that annex are subject to licensing and the necessary import licences are issued at the discretion of the "Competent Authority". In the exercise of the discretion the following points, inter-alia, are taken into consideration :

- a) the need to reduce the current account deficit,
- b) the necessity to protect infant industries,
- c) programmes to safeguard agricultural incomes,
- d) other relevant considerations of public policy covered by Article XX of the General Agreement.

Foreign exchange required to pay for imports, whether covered by the Free Imports Order or individual licence, can now be purchased by the importer from "Authorized Dealers" (banks) without restriction.

3. Treatment of imports from different sources

Israel's foreign trade policy is based on the principle of non-discrimination and the "Competent Authorities" do not, generally, interfere in the choice of the source of supply made by the importer. Furthermore, Israel no longer maintains any bilateral trade agreements which would necessitate such interference.

¹Material supplied by the Israeli authorities.

The Free Imports Order specifically excludes imports from countries which "prohibit or limit, expressly or otherwise, the imports of commodities from Israel". A list of such countries was published in the Official Gazette on 27 January 1977. The list includes a number of contracting parties and is subject to review. Imports from these countries require individual licences.

The choice of the source of supply by the importer is at times influenced by the availability of credit facilities offered by the supplier or by banking channels in the country of origin. In addition, purchases of major items of capital equipment are on occasion directed to bound sources of finance extended as development assistance to Israel.

4. Commodities affected by import restrictions

The list of commodities contained in the first annex to the Free Imports Order 1978 and therefore subject to import licensing is included in Annex I to this document.

5. The use of State trading in restricting imports

The Government is the sole importer of a limited number of essential foodstuffs and animal feeds. These imports are carried out by the Government Trade Administration in order to assure the orderly supply of basic foodstuffs at stable prices. The Government Trade Administration also ensures the maintenance of adequate emergency stocks.

Details on its activities, including the list of commodities involved, the purchases effected from local sources and the quantities imported, are contained in Annex II. In effecting purchases from abroad, the Administration makes use of facilities which might be available for purchases on concessionary terms under surplus disposal schemes.

6. Measures taken since last consultation

A) As stated in document L/5361 of 2 September 1982, Israel has introduced as of 15 June 1982 a temporary import levy with the purpose of reducing the balance of payments deficit and curbing inflation.

The import levy has been imposed in the form of a temporary three per cent ad valorem additional duty on all imports which are subject to Value Added Tax and has remained in effect in that level until 31 March 1983.

As of 1 April 1983 this measure has been extended at a reduced level of two per cent ad valorem additional duty to be remained in effect until 31 March 1984.

Due to the growing deficit in the balance of payments, a further extension of the import levy was introduced as of 1 April 1984, and will remain in effect until 31 March 1985.

B) As was stated in document L/5506 of 22 June 1983 due to continuous growth of the deficit in the Balance of Payments during the first six months of 1983, the Government of Israel had introduced as of 1 June 1983 a temporary fifteen percent import deposit scheme, in order to curb any further deterioration in the Balance-of-Payments position.

The import deposit which is calculated of the value of the imported good (including custom duty, purchase tax and other charges, with the exception of value added tax), is to be refunded after one year, and has to be remained in effect for six months until 1 December 1983.

As was stated in document L/5600 due to the continuing negative trend in the Balance of Payments position the Government of Israel extended the import deposit scheme for a further six months period, until 1 June 1984.

The scheme is constantly reviewed and changes in coverage of the scheme have been effected in order to avoid distortions which may occur during the implementation. The changes concern similar complementary or substitution products to those already covered by the scheme, as well as inputs to such items.

7. The Effects of Import Measures

The increase in imports are a major cause for the substantial increase in Israel's trade deficit in 1982 and 1983. Although there are indications for a slowdown of imports in recent months, the time does not yet seem right for an immediate removal of the temporary schemes of import deposits and import levy. The continuation and intensification of the favorable developments in the trade account and their establishment as clear trends, and progress in the combat against inflation will make possible the removal of the import measures in due time.

As the import measures are limited in scope, they have a rather marginal impact upon actual trade. Being imposed upon a wide range of commodities, the measures are not accompanied by discriminatory effects with regards to the countries of origin of the imports.

a. The Import Deposit Scheme

The effect of the deposit scheme on actual imports is determined by its impact on the prices to the consumer. The increase of the prices to the consumer of liable imported goods as a result of the import deposits is estimated to be 5.4 percent*. This under the assumption that the entire cost of the deposit is borne by the consumer. Under conditions of restricted local demand as forecast for 1984, part of the additional cost of imports will probably be absorbed by the importers without passing it to the consumer.

*In calculating the price to the consumer, taxes on imports (83%) VAT (15%) and profits (50%) were added to the c.i.f. price of imports. Total cost of imports to the consumer is therefore 315 percent of the c.i.f. price. $[(100 \times 1.83 \times 1.15 \times 1.50) = 315]$. The increase in cost to the consumer of liable imported goods due to the import deposits is 5.4 percent $(17\% : 315\% = 5.4)$

The base for the calculating of the import deposit to be made on imports is the c.i.f. value of imports (100) plus the following taxes:

Purchase Tax	69 percent
Customs	12 percent
<u>Import Levy</u>	<u>2 percent</u>
Total taxes	83 percent
Base for calculation of deposit as percent of c.i.f. value of imports	183

The import deposits have a rather high tax equivalent, as they are repayed after one year without interest or indexation, in a period of fast inflation, which erodes the value of the deposits. The tax equivalent of the deposit scheme is estimated to equal to about 62 percent. In calculating this figure we take into account the 146 percent annual average inflation prevailing in 1983 and a real interest rate of 7 percent.

As the import deposit is imposed on a base which equals 183 percent of the c.i.f. value of imports, the tax equivalent of the 15 percent deposit equals 17 percent of the c.i.f. value of the liable imports.

b. The Import Levy

The 2 percent import levy increases prices of imports to the consumer by a further 0.6 percent.

This calculation is made as follows:

$$\frac{2 \text{ (Import Levy)}}{(100\% + T) \times 115\% \text{ (VAT)} \times 150\% \text{ (profits)}} = \frac{2}{3.38} = 0.6\% \text{ (increase of price to the consumer)}$$

where 100% = basic c.i.f. value;

T = 67% purchase tax + 12% customs + 17% tax equivalent of import deposit.

c. The Impact on Prices of Total Imports

The two import measures result in an increase of about 3.5 percent in the average price of total imports.

Assuming that imports liable for import deposits compose 17 percent of total imported goods (other than diamonds) and assuming (as above) that the tax equivalent of the deposits is 17 percent of the c.i.f. value of imports, we find that:

The increase in prices of total imports (assuming that the costs of deposits is passed on fully to the consumer) is as follows:

as a result of the import deposits	2.9%
as a result of the import levy	<u>0.6%</u>
as a result of deposits + levy	3.5%

It may also be noted that a levy of 1 per cent is imposed on all purchases of foreign currency.

8. Major economic developments in the years 1982-83

A. General

The years 1982-83 were difficult years for the Israeli economy, mainly with regard to its balance of payments and inflationary developments. The expected improvement of economic trends in 1983 did not materialize. The non-military deficit increased in the two years 1982-1983 by 1.8 billion dollars, amounting to about 4 billion dollars in 1983. The external debt increased in this period by about 3.7 billion dollars amounting to about 22 billion dollars at the end of 1983. Debt service increased by about 250 million dollars and is estimated to amount to 3.6 billion dollars in 1983. The rate of inflation in 1982 was 131 percent and increased in 1983 to 191 percent, following the accelerated devaluation and cut in subsidies towards the end of the year.

The worsening of Israel's balance of payments resulted from a combination of internal and external factors. The depreciation of the Israeli Shekel lagged behind the rate of inflation and behind the price increases of production inputs. This development jeopardized the profitability of exports and increased the orientation of manufacturers towards the local market. At the same time slack demand prevailed in Israel's major export markets. The weakening of European currencies against the dollar, further reduced the profitability of exports to European countries, while causing a relative decline in import prices from Europe in dollar terms, which resulted in the increase of imports.

A major factor contributing to the increase in the non-military deficit was the increase by 315 million dollars in imports of capital services (mainly interest payments) during 1982-1983, estimated to amount to 2.6 billion dollars.

In 1982 there was no increase in Israel's GNP. In 1983 the GNP increased by 1 percent only. Investment and private consumption increased, while public consumption and exports declined. In the last quarter of 1983, indicators showing a decline in GNP became apparent. The continuation of these trends will result in a decline of GNP by 1-2 percent in 1984, accompanied by a further increase in unemployment.

In the last quarter of 1983, signs of an improvement in the balance of payments became apparent gaining strength in the first quarter of 1984. This followed the introduction of a conservative economic policy, including far-reaching measures to reduce excess domestic demand, especially the demand for private and public consumption. Subsidies to essential consumption goods were cut considerably, and fuel and electricity prices were raised substantially. Steps were taken to ensure the profitability of exports and the economic substitution of imports mainly through a proper exchange rate policy, which aims to ensure the devaluation of the Shekel at a rate in line with inflation, following a major devaluation in October. Subsidies to essential consumption goods were cut considerably, and fuel and electricity prices were raised substantially. These measures resulted in a one time acceleration in the pace of inflation. It is however expected, that after some time lag, the new policies will result in a reduction of excess domestic demand and bring about a gradual reduction of inflation.

In the last quarter of 1983 a reversal of the negative trends in the trade account became clear. Exports started to grow again and imports to decline. At the same time the liquidity of the economy declined drastically, and real wages declined steeply. These resulted in a decline in private consumption and

investment and in a slowing down of the pace of economic activity. Indications of an increase in unemployment became apparent

B. The Balance of Payments

The following table presents the increase in the deficit in Israel's current account in the years 1955-1983 and a forecast for 1984.

The Trade Deficit, Civilian Deficit and Current Deficit
1955-1983 and Forecasts for 1984

Millions of Dollars

Year	Trade Deficit	Civilian Deficit*	Current Deficit
1955	250	285	315
1965	400	540	640
1972	725	690	1,180
1973	1,410	1,360	2,010
1975	1,935	2,155	4,005
1981	1,920	2,140	4,330
1982	2,360	3,170	4,720
1983 Estimate	2,800	4,050	5,000
1984 Forecast	1,750	2,900	4,200

*Including the trade deficit and deficit in the service account not including military imports.

Israel's civilian deficit increased in recent years at a fast pace from 2.1 billion in 1981 to about 4 billion in 1983. In the same period Israel's trade deficit increased from 1.9 billion dollars to 2.6 billion dollars. The increase in the

deficit in recent years was due both to a decline in exports and an increase in imports, as detailed in the following paragraphs.

Due to the reversal of the negative trends in the current account towards the end of 1983, a considerable decline of about 1 billion dollars in the civilian deficit is forecast for 1984, as a result of the recuperation of exports and a slowdown in imports.

The increasing deficit was covered by capital imports from abroad which sufficed to finance the deficit while sustaining an increase in net Bank of Israel foreign exchange reserves in the period 1977-1982. Reserves amounted at the end of 1982 close to 3 billion dollars, as compared to 1.4 billion dollars in 1972. In 1983 a small decline of about 100 million dollars of foreign exchange reserves took place.

As a result of additional foreign borrowing (medium and long term) of about 2.3 billion dollars in each of the years 1982-1983, Israel's national debt increased from 18.3 billion dollars at the end of 1981 to an estimated 22 billion at the end of 1983. This was followed by an increasing debt service from 3.3 billion dollars in 1981 to about 3.6 billion dollars in each of the years 1982 and 1983.

The debt structure of Israel is rather favorable. 71 percent of the debt is long term, 16 percent is medium term, and only 13 percent short term. A major share of the debt is at preferential interest rates. 45 percent of the debt is owed to friendly governments and 15 percent to "Bonds of Israel" holders. Although Israel continued to maintain its reputation as being prompt in its debt repayment, it is recognized that far-reaching steps leading to the improvement of the balance of payments have to be implemented in order to maintain Israel's sound standing in capital markets. The improvement of trends in Israel's trade account was adopted as the major target of Israel's economic policy for 1981 and thereafter.

C. The Trade Account 1982-1983

1. Exports

In 1982, exports of goods and services amounted to 10.5 billion dollars of which 5.5 billion dollars were goods. This is decline of 290 million dollars in total exports (-2.5%), resulting from a decrease of 3 percent in the volume of exports (excluding capital services) and a 2 percent decline in prices.

Exports of goods decreased by 415 million dollars. (-7%), due wholly to the decline in the prices of exported goods in dollar terms.

The drop in export prices resulted mainly from a weakening of the European currencies against the dollar - the Deutsche Mark depreciating by about 35 percent in the years 1981-1983; the French Franc by 48 percent and the Pound Sterling by 41 percent. It should be noted that 40 percent of Israel's exports in 1982 were directed to the Common Market and Free Trade Area Countries.

The volume of exports of manufactured goods (excluding diamonds) grew in 1982 by 1 percent only (a decline of 3 percent in nominal terms). Exports of highly technical and know-how intensive goods continued to increase, reflecting a continuous structural change in the Israeli industry. Thus, the volume of exports of electronic and electrical products increased by 23 percent in 1982, and exports of metal products by 6 percent. Diamond exports dropped in 1982 by 15 percent, following a 10 percent fall in volume and a 5 percent decline in prices. Agricultural exports declined in 1982 by 8 percent in value while increasing 7 percent in volume.

In 1983, exports of goods and services are estimated to have declined by 270 million dollars, a further nominal decline of

2.5 percent from the previous year level. Total exports excluding capital services are estimated to have decreased slightly in real terms (-1%), while prices increased by 4.5 percent.

The volume exports of goods stagnated on last year's level, and its value declined by 1.5 percent.

The volume of industrial exports (excluding diamonds) decreased by 2 percent, while its value declined by 6 percent. The value of exports of diamonds rose by 10 percent. The value of agricultural exports declined by 6 percent.

1983 witnessed a significant recovery in export of tourist services, which amounted to 980 million dollars. After a decline in the number of tourists by 12 percent in 1982, a record number of 1.2 million tourists visited Israel in 1983 -- an increase of 17 percent over 1982.

In the middle of 1983, first signs of a positive change in export trends became evident. The measures to restrain domestic demand together with the accelerated devaluation of the shekel began to bear fruit in the 6 months October 1983 - March 1984. The monthly average exports of goods excluding diamonds (seasonally adjusted) was 5 percent higher as compared to the period January-September 1983. Exports in the first quarter of 1984 were 9 percent above exports in the last quarter of 1983. Industrial exports, (excluding ships and aircraft), increased in the same period by 12 percent. (See Appendix V).

The new trend in exports is expected to continue through 1984. This is expected as a result of the gradual recovery of demand in Israel's major export markets, the new exchange rate policy, the increase of the weight of exports to dollar countries, and expected stabilization of European currencies against the dollar. The target set for 1984 is for an increase of 8.5 percent in the volume of goods and services excluding capital

services, an increase of 12 percent in exports of goods and 15 percent in industrial exports. (See Appendix III).

2. Imports

In 1982, Civilian imports amounted to 13.7 billion dollars of which 7.9 billion dollars were imports of goods. Civilian imports increased in 1982 by 760 million dollars, an increase of 6 percent. Civilian imports excluding capital services increased by 3 percent.

Imports of goods increased in the same year by 110 million dollars, an increase of 1 percent over the previous year. This small increase is due to the steep decline in import prices while the volume of imported goods increased by 10 percent.

For 1983, civilian imports are estimated to amount to 14.2 billion dollars, of which about 8.3 billion dollars are goods. Civilian imports increased by about 560 million dollar, an increase of 4 percent.

Imports of goods increased by 380 million dollars, an increase of 5 percent. The increase in the volume of imported goods increased by 10 percent. Imports of consumption goods increased by 13 percent, investment goods by 29 percent, while imports of production goods increased by 5 percent. Imports of oil declined by 7 percent.

In recent months a change in the trend of imports has become evident. Seasonally adjusted monthly average data for the months December 1983 - March 1984, show a decline of 2.5 percent in imports of goods (excluding diamonds, ships and aircraft) as compared to the monthly average of January-November 1983. Especially significant, is the sharp decline in imports of consumer goods which declined by 36 percent in the period November 1983- February 1984 as compared to the monthly average of January-October 1983.

There is good reason to believe that the decline in imports is establishing itself as a new trend and will make a major contribution to the realization of the forecasted decline in Israel's trade deficit in 1984. The forecast for civilian imports excluding capital services in 1984 is for a decrease of 5 percent. The target for imports of goods is set for a decrease of 6 percent.

D. The Level of Economic Activity

In 1982, total resources and uses increased in real terms by 2.5 percent as a result of a slight decline in GNP (-0.2%) and a 4 percent rise in imports.

In 1983, total resources and uses are estimated to have increased by 3 percent. GNP increased by 1 percent, while imports increased by 5.6 percent.

The increase in total resources and in the GNP in 1982-83 was mainly due to an increase in private consumption by about 7 percent in each of the years 1982 and 1983, and in gross domestic investment by 14 and 5 percent respectively. Public consumption declined by 7 percent and 3 percent respectively, while the volume of exports declined by 2.5 percent in 1982 and increased by 1 percent in 1983.

The implementation of the restrictive policies are expected to result in a decline in total resources by about 2 percent and a decline of 1.5 percent in GNP in 1984. This will follow a decline of about 5 percent in private consumption and a decline of 3 percent in civilian public consumption, an increase of 3 percent in military consumption and of a decline of 13 percent investments of fixed assets, while exports are forecast to increase by about 8.5 percent.

The stagnation in GNP growth resulted in a rise in the unemployment rate, from 3 percent in 1977 and 5 percent in 1981 and 1982 to 5.5 percent in March 1984. Productivity (GNP per employed) declined by 1.5 percent in 1982 and stagnated in 1983. It is only due to the decline in productivity that no further rise in unemployment occurred.

E. Inflation

Historically, the rate of inflation in Israel has exceeded the rates common in the industrial countries, due to structural traits specific to Israel - a fast rate of development and high military expenditures.

In the period 1981 through the third quarter of 1983, the yearly rise in prices has stabilized at around 125 percent. Fluctuations around this rate were mainly due to changes in indirect taxation, changes in subsidies of basic consumer goods and other government controlled prices, and fluctuations in the rate of the depreciation of the Shekel.

The consumer price index rose by 131 percent during 1982 and by 191 percent in 1983 as a whole.

The acceleration in the rate of inflation since the second half of 1983 was mainly due to the policy measures implemented in this period. These measures included a 51 percent devaluation in October-November, an increase of 75 to 100 percent in the prices of subsidized goods in the same period, and an increase in prices of government services at a rate higher than inflation, following a period of relatively slow increase in government controlled prices. The anti-inflationary policies introduced are expected to result in a gradual slow down in inflation after a time lag, probably in the second half of 1984.

F. Prospects of Medium Term Developments

The urgent need to improve the Balance of Payments has been adopted as the top priority of economic policy, even temporarily at the expense of dealing with the inflationary problem. The significant reduction of the current deficit forecast for 1984 should create the necessary basis for undertaking further anti-inflationary policies.

The recent improvement in the balance of payments gives reason to believe that the disruption of the positive trends in 1982 and 1983 is of a temporary nature, and that the trade account is on the course of returning to more favorable trends which characterized developments in previous years.

The establishment and intensification of the positive trends, which became apparent in the first quarter of 1984, will make the goals of Israel's medium term plan attainable.

According to the medium term plans, the civilian deficit is expected to decline from 4 billion dollars in 1983, to about 3 billion dollars in 1984 and to about 2 billion dollars in 1987. The decline in the deficit in future years, will be based on growth in the production of the business sector and especially the export sector. The product of the business sector is expected to grow by an annual average rate of 5 percent during the years 1985-1987. In the same period, GNP is forecast to grow by an annual average rate of 2.5 percent only, due to a relatively slow growth in the public sector's activity, with public domestic consumption declining at an average rate of 2 percent.

The basic concept underlying these forecasts is one of controlled and selective growth. Growth will originate from an increase in exports (at an average annual rate of 11 percent) and investment (at an average annual rate of 6 percent), while

public and private consumption are to be restrained (growing at an average annual rate of 0.5 percent and 1.5 percent respectively).

The major contributors to the rise in exports will be the manufacturing industries. The volume of industrial exports is planned to increase at an average annual rate of 13 percent in real terms. The growth of volume of total exports of goods and services is forecast to accelerate from 8.5 percent in 1984 to about 10.5 percent in 1987. The share of total resources (excluding military imports) allocated to exports is forecast to increase from 19 percent in 1975 and 25 percent in 1983 to 35 percent in 1987. At the same time, the share of non-military imports financed by exports is forecast to increase from 77 percent in 1981 to 90 percent in 1987.

The volume of non-military imports is forecast to increase between 4-6 percent in the years 1985-1987. The faster growth of imports as compared to the growth in GNP will be due to the increase in the weight of the import intensive uses (exports and investment) in total uses.

9. Economic policy concepts and current policy measures

The Israeli Government is determined to introduce immediately and to implement in the coming years an economic policy, which will bring about a turning point in economic trends and ensure a gradual and consistent improvement in Israel's economic situation. Recognizing the gravity of the problems Israel is facing, the Government will not hesitate to introduce the necessary measures, even though this will hurt the public by substantially reducing its standard of living and bring about a temporary slowdown in economic activity, resulting in an increase in unemployment.

The Government will cooperate with the Labor Federation (Histadrut) and Employers' Associations in implementing its policy. Recent surveys show that the public is aware of the severity of the economic situation and is willing to cooperate and make the necessary sacrifices. This atmosphere enhances the chances of the policy's success.

A. ECONOMIC POLICY CONCEPTS

1. GOALS

The major goal of Israel's economic policy in the medium and long term is to substantially reduce the non-military current deficit in the Balance of Payments. At the same time, the policy aims at gradually reducing inflationary pressures. The major policy instruments applied to deal with the deficit, and especially the measures to restrain domestic demand, serve at the same time to reduce inflationary pressures, even though some of the measures result in an immediate one time rise in prices.

The immediate targets of economic policy are thus the following:

a) an increase in exports and reduction of imports so as to reduce the current deficit in the balance of payments;

- b) a gradual reduction in the pace of inflation;
- c) controlled and selective economic growth to be led by an increase of production for exports and import substitution, while simultaneously restraining private and public consumption;
- d) avoidance of a rate of unemployment above a level which is socially tolerable;
- e) a just distribution of the burden while taking cognizance of the weaker social strata;
- f) assuring the credibility of and stability in the capital markets, while simultaneously raising the rate of savings.

It should be emphasized that because of the magnitude of the economic problems which Israel is facing and the desire to avoid social turbulence, these targets cannot be attained in full in the short term. Some progress is, however, expected to manifest itself already in the course of 1984, with the major improvement in trends being realized towards the end of that year and beyond.

2. MEANS

The policy goals are to be achieved by the following means:

- a) the implementation of a restrictive budgetary policy. This is to be achieved by means of across the board and selective cuts in government and other public sector expenditures, leading to a reduction in public consumption, cuts in subsidies and other transfer payments, on the one hand; and by a raising of fees paid by the public for government services, on the other hand;

- b) greater efficiency in direct and indirect tax collection;
- c) the implementation of a restrictive yet flexible monetary policy, responsive to changes in the economic situation;
- d) a reduction in private consumption and in the standard of living, as a result of a slowdown in economic activity and income growth, intensified tax collection, a restrictive wages and incomes policy and the encouragement of savings;
- e) the assurance of export profitability.

B. CURRENT MEASURES

The measures adopted and being introduced are directed mainly at the restriction of local demand which aims at reducing the demand for imports, thereby releasing means of production to be directed to export industries, and reducing demand pressures on prices.

1. BUDGETARY POLICY: EXPENDITURE

Major cuts in budgetary expenditure to be introduced in the current year, will be reflected fully only during the course of the next fiscal year. The far-reaching target of cutting budgetary expenditure will inevitably result in a contraction of essential services such as defence, education, health, welfare payments, development and settlement.

- a) the planned budgetary cuts for 1983-1984 are estimated to amount to about 1.5 billion dollars, a cut of about 12 percent of the budget excluding debt payments and foreign exchange military expenditures.

Of this amount, 300 million dollars will be cut from the "regular" defense budget, representing a decrease of 8 percent in domestic military consumption in 1984 and 1985 respectively. In addition, it is expected that actual expenditure related to operations in Lebanon will decrease substantially.

A further 270 million dollars will be cut from other Government departments, representing a cut of 12 percent from their respective budgets.

The reduction in subsidies of basic products and services introduced already in recent months (when prices of subsidized items were increased by about 100 percent) will reduce expenditure in the budget by 350 million dollars, thereby eventually reducing the level of subsidization on these items to about 25 percent of the consumer price.

The acceleration in the rate of devaluation of the Shekel at the end of 1983 and the continued devaluation of the Shekel in accordance with the rise in domestic prices in the future, will result in a reduction of about 550 million dollars in expenditure on the exchange rate insurance policy.

Thus, the net result of these budgetary cuts, will be a decline of 2 percent in domestic public consumption in 1984 and an additional decline of 1 percent in 1985.

- b) the number of Government employees will be reduced by about 2 percent. Only half of the posts vacated will be remanned automatically. A quarter will be abolished immediately and another quarter will go to a general pool for reallocation amongst the various Ministries after thorough examination;
- c) several fringe benefits enjoyed by employees in the public sector, such as over-time pay, travel allowance and subsidized loans, are being substantially reduced;
- d) average oil prices to the consumer, which were raised by 66 percent (gas prices being raised by 80 percent) in the period September-November, will be further increased in accordance with changes in world oil prices and the rate of devaluation of the Shekel. The prices of electricity and water will be increased accordingly, so as to considerably reduce their subsidization.

2. BUDGETARY POLICY: INCOME

- a) - the Value Added Tax was increased from 12 to 15 percent;
 - a 2 percent turnover tax on sales on stock exchange was introduced;
 - a 2 percent import levy was imposed, in addition to a 1 percent levy on procurement of foreign exchange;
 - a travel tax (substituting VAT) was introduced and recently raised from 50 dollars to 75 dollars plus 7.5 percent of the ticket cost;
 - a 15 percent import deposit was recently renewed and its scope was expanded;

- a 10 percent purchase tax on luxury goods was introduced.
- b) an income tax on the child allowance, (for the first two children of families with no more than three children), is to be introduced.
- c) withholding taxes will be raised from 35 to 45 percent;
- d) a new 66 percent income tax bracket will be introduced.
- e) fees for elementary, secondary and higher education, which were previously non-existent or extremely low, were introduced or raised. Similarly, fees for medical services are being considered.
- f) Premia paid by the public, both for health insurance and social insurance, will be raised.

3. MEASURES AFFECTING PRIVATE CONSUMPTION

A restriction in private consumption is expected to result from the following factors:

- a) a decline in real income, accompanied by some increase in unemployment, resulting from the restriction of local demand;
- b) a restrictive wages and incomes policy, resulting in a possible decline in real wages;
- c) the far-reaching decline in the value of financial assets owned by the public, as a result of the fall in the market prices of stock;

- d) steep rises in the prices of subsidized consumer goods and services, resulting from cuts in all subsidies, as well as in oil and electricity prices;
- e) the introduction or rise in fees charged for several public services;
- f) the higher burden of taxation;
- g) the increase in import prices, resulting from the recent major devaluation of the Shekel;
- h) the increase in interest rates on consumer credit;
- i) an expected increase in the rate of savings.

4. MONEY POLICY

Monetary policy will remain a major instrument for the regulation of local demand and economic activity in general, complementing fiscal policy, while ensuring availability of credit for the financing of the activity of the export sector.

The targets of monetary policy in 1984 will be:

- a) to bring about a restricted growth in the money base (as determined by the budgetary deficit, Central Bank lending and net conversion of foreign exchange);
- b) an increase in the volume of banking credit at a rate lagging behind inflation;

c) a decline in the money supply, as a result of (a) and (b), above.

While formulating the monetary policy, consideration will be given to the great decline in liquidity in the last quarter of 1983, following the severe decline in the price of shares.

The volume of credit will be determined mainly by the Central Bank liquidity and interest rate policy.

High interest rates were introduced in the fourth quarter of 1983: a 215 percent regular annual interest rate, (equal to a monthly rate of 10 percent); and a 406 percent penalty rate on credit beyond individual credit ceilings, (equal to a monthly rate of 14.5 percent).

Directed export credit will be made available at a sufficient volume for the financing of the export production process and marketing. Interest rates on directed credit, which were raised in 1983, will be maintained at, or close to, market rates, reducing the subsidy element in export credit.

New monetary instruments will be created, like short term (1-3 months) unlinked government debentures (treasury bills). This will serve as an instrument for short term investment and enable the development of a non-linked monetary market, thus intensifying open market operations by the Central Bank.

5. WAGES AND INCOMES POLICY

The Government will use its influence, in cooperation with the Histadrut and the Employers Association, to ensure a restrictive wages and incomes policy. The aim of this policy will be to bring about a temporary decline in real wages and incomes.

The following factors are expected to contribute to the achievement of this goal:

- a) The cost of living allowance will compensate wage earners only partially for the rise in the consumer price index (by 80-90 percent), the payment being delayed by 1-3 months.
- b) The rise in basic wages will not exceed the increase in productivity;
- c) Wages in the public sector will rise at a lower rate than wages in the business sector and fringe benefits will be cut;
- d) Greater efficiency in and intensification of tax collection will have a moderating effect on disposable income;
- e) The expected increase in unemployment and slack demand will reduce the pressure for irregular wage increases and the raising of prices at a rate higher than warranted by the rise of input prices;
- f) Efforts will be made to prevent monopolistic pricing practices.

6. POLICIES TO ENCOURAGE SAVINGS

It is assumed that, following two years of decline in the rate of savings, caused primarily by speculative advance procurement of consumer durables, a rise in savings is expected in the coming years. On the basis of past experience, a rise in the propensity to save may be expected in a period of slowdown in economic activity. The following factors will contribute to a higher level of savings:

- a) various savings programs will be offered on attractive terms, including the introduction of short-term, non-indexed treasury notes;
- b) as long as a high rate of inflation prevails, the real value of savings and government debentures will be protected by means of indexation. Savings will bear an interest rate of 3-4 percent above the rate of inflation.
- c) incentives will be offered to encourage savers to reinvest savings which have reached maturity.
- d) the Government will assist in creating conditions for stabilizing the Stock Market, in order to re-establish it as a major instrument for channeling savings into investment.

ANNEX I
IMPORTS SUBJECT TO LICENSING

E T N	Description
01.02	Live animals of the bovine species
01.04	Live sheep and goats
01.05	Live Poultry
<u>Ch. 2</u>	<u>Meat and edible Offals (Entire chapter)</u>
02.01	Animals within headings 01.01, 01.02, 01.03, 01.04, fresh, chilled or frozen
02.02	Dead poultry (i.e., fowl, ducks, geese, turkeys, guinea fowl) and edible offals thereof (ex.liver) fresh, chilled or frozen
02.03	Poultry liver, fresh, chilled, frozen, salted or in brine
02.04	Other meat and edible meat offals, fresh, chilled or frozen
02.05	Unrendered lard free of lean meat and unrendered poultry fat, fresh, chilled, frozen, salted, in brine, dried or smoked
02.06	Meat and edible meat offals (except poultry liver), salted in brine, dried or smoked.
<u>Ch. 3</u>	<u>Fish, Crustaceans and Molluscs</u>
03.01	Fish, fresh (live or dead) chilled or frozen. Entire heading, except : 03.01.4030 ("Lachs")
03.02	Fish, dried, salted or in brine, smoked fish, whether or not cooked before or during the smoking process. Entire heading, except 03.02.2000. (salted or in brine)
03.03	Crustaceans and molluscs, whether in shell or not, fresh, chilled, frozen, salted, in brine or dried; crustaceans, in shell, simply boiled in water. Entire heading.
<u>Ch. 4.</u>	<u>Dairy Products: Birds eggs: Natural honey. Edible products of animal-origin, not elsewhere specified or included.</u> Entire chapter except 04.02.1000 (condensed milk)

05.04	Guts, bladders and stomachs of animals (other than fish) whole and pieces thereof.
05.05	Fish waste
05.14	Ambergris, castoreum, civet and musk, cantharides, bile, whether or not dried, animal products, fresh, chilled or frozen or otherwise provisionally preserved, of a kind used in the preparation of pharmaceutical products
05.15	Animal products n.e.s. or included, dead animals of Chapter 1 or chapter 3, unfit for human consumption
06.01	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant, in growth or in flower.
06.02	Other live plants, including trees, shrubs, bushes, roots cuttings and slips.
06.04	Foliage, branches and other parts (other than flowers or buds) of trees. Entire heading.
07.01	Vegetables, fresh or chilled.
07.02	Vegetables (whether or not cooked), preserved by freezing.
07.03.9900	Tomatoes, preserved
07.05.1000	Peas for sowing only
07.05.9900	Dried leguminous vegetables, other for sowing only
07.06 (ex)	Sweet potatoes
<u>Ch. 8</u>	<u>Edible fruit and nuts, melon or of citrus fruit.</u> Entire chapter, except 08.01 (Ex) coconut, 08.05 (Ex) chestnut
09.01	Coffee, coffee substitutes containing any percentage of coffee.
09.02.9990	Tea in big packages over 1 kg.
09.10.1000	Dill seeds.
<u>Ch. 10</u>	<u>Cereals.</u> Entire chapter except: 10.04 (oats) 10.07.1000, (unhusked buckwheat) 10.07.3000 (canary seeds)
11.01	Cereal flours
11.02.1000	Except buckwheat
11.08 (ex)	Starches;
12.01.1000	Poppy seeds
12.01.2000	Groundnuts
12.01.3500	Cotton seeds

12.01.5500	Soya beans
12.01.9900	Other oil seeds and oleaginous fruit
12.02.1000	Flour or meal of poppy seeds
12.03	Seeds fruit and spores, of a kind used for sowing.
13.03.1020	Saps and extracts as follows: opium aloes, curare, podophyllum, manna, belladonna, black alder, cascara-sagrada, gentian, jalap, kola, cinchona, rhubarb, valerian, coca, colocynth, male fern, henbane, ergot of rye, ephedra, condurango fluid, hydrastis cand., ipecac. concentr., protinet, rhatanhia (krameria), senegae, viburni, prunifolii, fuci visculosi,
15.01	Lard, other pig fat and poultry fat, rendered or solvent-extracted
15.02	Fats of bovine cattle, sheep or goats, unrendered (Entire heading)
15.03	Lard stearin, oleostearin and tallow stearin (Entire heading)
15.06	Other animals oils and fats (Entire heading)
15.07.1031	Soya bean oil
15.07.1032	Cotton seed oil
15.07.1034	Olive oil
15.07.1035	Sunflower seed oil
15.07.1036	Coconut (copra) oil
15.07.1037	Palm oil, palm kernel oil, rape oil, colza oil and mustard oil
15.07.1090	Other n.e.s.
15.07.9990	Other oils and fats; other
15.12	Animal or vegetable oils and fats, wholly or partly hydrogenated or solidified or hardened by any other process (Entire heading)
15.13	Margarine, imitation lard and other prepared edible fats
<u>Ch. 16</u>	<u>Preparations of Meat, Fish, Crustaceans or Molluscs.</u> Entire chapter except 16.04.2010 (salmon and other preserves of the "lachs" type), 16.04.3000 (spiced or pickled herring, in barrels, other than pickled in vinegar).

17.01.1000	Raw sugar
17.01.9900	Other
17.02.9900(ex)	Glucose
17.04.5000	Halva
18.06 (ex)	Chocolate and other food preparations containing cocoa. Entire heading, except chocolate
19.02.9900	Other flour products, especially diatetical and baby foods.
19.03	Macaroni, spaghetti and similar products.
19.07	Breads, ships' biscuits and other ordinary baker wares, not containing added sugar, honey, eggs, fats, cheese, or fruit.
19.08	Pastry, biscuits, cakes and other fine baker's wares, whether or not containing cocoa in any proportion.
20.02.4090	Vegetables preserved otherwise than by vinegar
20.02.9900	Vegetables preserved otherwise than by vinegar
20.05	Jams
20.06 (ex)	Canned plums only.
20.07.1090	Tomato juice
20.07.9900	Other, fruit and vegetable juices.
21.02	Coffee, tea extracts and substitutes.
21.03	Mustard flour and prepared mustard
21.04	Sauces; mixed condiments and mixed seasonings
21.05	Soups and broths, in liquid, solid or powder form; homogenized composite food preparations.
21.06	Natural yeast (active or inactive); prepared baking powders
21.07	Food preparations not elsewhere specified or included
22.01	Waters, including spa waters
22.02	Lemonade, flavoured spa waters, (not including drinks falling within heading 20.07
22.03	Beer made from malt
22.04	Grape must, in fermentation or with fermentation arrested other wise than by the addition of alcohol

22.05	Wine of fresh grapes; grape must with fermentation arrested by addition of alcohol
22.06	Vermouth and other wines of grapes flavoured with aromatic extracts.
22.08	Ethyl alcohol or natural spirits. Entire heading.
22.09.1000	Compound alcoholic preparations for the manufacture of beverages
22.09.9900	Other spirits, liqueurs and spirituous beverages
22.10	Vinegar and substitutes for vinegar.
23.01	Flours and meals, of meat, offals, fish, crustaceans or molluscs unfit for human consumption.
23.04	Oil cake and other residues (excl. dregs) resulting from the extraction of vegetable oils.
23.05	Wine lees : arrol
23.07.3000	Animal feed containing 20%-30% protein and minimum 10% fats.
23.07.9900	Animal feed n.e.s.
24.01.	Unmanufactured tobacco, tobacco refuse
24.02.3000	Tobaccos manufactured n.e.s.
24.02.9900	Other, tobacco extracts and essents n.e.s.
25.22	Quicklime, slaked lime and hydraulic lime, othan than calcium oxide and hydroxide
27.01	Coal, briquettes ovoids and similar solid fuels manufactured from oil.
27.02	Lignite, whether or not agglomerated.
27.04	Coke and semi-coke of coal of lignite or of peat
27.06	Tar distilled from coal from lignite or from peat. Entire heading.
27.09	Petroleum oils and oils obtained from bituminous minerals, crude.
27.10.1500	Petrol. Entire subheading.
27.10.2000(ex)	Mineral terperntin
27.10.2500	Kerosene
27.10.3000	Solar
27.10.3500	Mazut

27.10.4000	Diesel
27.10.5500	Lubricating oils
27.10.6000	Greases
27.10.9990	Other petroleum oils, and oils prepared of minerals
27.11	Petroleum gases and other gaseous hydrocarbons.
27.14.9900	Other; petroleum bitumen, coke and residues of petroleum
27.15	Bitumine and asphalt
27.16	Bituminous mixtures based on natural asphalt, etc. Entire heading.
28.04.9900(ex)	Phosphorus only
28.32	Chlorates and perchlorates. Entire suheading.
28.39	Nitrites and nitrates
28.50	Fissile chemical elements and isotopes, other radio-active chemical elements, etc. Entire heading.
28.51	Isotope and their compounds, inorganic and organic, etc. Entire heading.
28.52	Compounds, inorganic or organic, of thorium or uranium, etc. Entire heading.
29.04.1010	Methanol
29.16.2000	Citric acid and its salts
29.16.4000	Malic acid.
29.42	Vegetable alkaloids, natural or produced by synthesis, and their salts, etc.
29.44 (ex)	Antibiotics for production of veterinary medicaments
29.45	Other organic compounds
31.02	Mineral or chemical fertilizers, nitrogeous
34.01	Soap
34.02.4000	Sodium stearoyl - 2 - lactylate
34.02.9920	Organic surface - active agents : in packing cont. more than 25kg.
34.02.9900	Organic surface active agent, other
35.01	Casein, caseinates and other casein derivatives : casein glues.

- 35.02 Albumins, albuminates and other albumin derivatives.
- 35.03 Gelatin (including gelatin rectangles, whether or not coloured or surface worked) etc. Entire heading.
- 35.05 (ex) Soluble and roasted starches
- 35.07 Enzymes
- 36.06 Matches (ex. Bengal matches).
- 38.11.1000 Substances of a kind used in the prevention and control of animal or plant pests and diseases. Entire subheading.
- 38.19.9920(ex) Preparations for contact lenses.
- 38.19.9990(ex) Preparations for contact lenses.
- 39.01.3510 Condensation, polycondensation and polyaddition made of spongy layers of phenolic and aminoplastic resins.
- 39.02.5590 Other
- 39.07.1410 Plastic materials made of spongy layers of phenolic and aminoplastic resins
- 39.07.5100(ex) Travel goods and other articles specified in heading 42.02, made of plastics, with electronic signalling device
- 39.07.9900(ex) Lasts, nine pairs or more
- 42.02 (ex) Travel goods, (luggage) made of leather with electronic signalling device.
- 44.14.9920 Sheets for the manufacture of plywood.
- 44.14.9990 Sliced wood, other.
- 44.15. Plywood
- 44.18. Reconstituted wood
- 48.01.1010 News print for printing newspapers.
- 48.01.4000 Cigarette paper
- 48.10 Cigarette paper, cut to size, whether or not in the form of booklets or tube.
- Ch. 49 (ex) Printed books (in Hebrew)
- 51.04 Woven fabrics of man-made fibers (continuous)
- 53.07.1000 which contains acryls or modacryls in any percentage
- 53.08.1000 which contains acryls or modacryls in any percentage.
- 53.09.1000 which contains acryls or modacryls in any percentage.

53.10.1000 which contains acryls or modacryls in any percentage.

53.11 Woven fabrics of sheep's or lambs' wool or of fine animal hair.

55.05 Cotton yarn, not put up for retail sale.

55.09 Other woven fabrics of cotton

56.01.1010 Acryls or modacryls

56.01.1091 which contains acryls or modacryls in any percentage.

56.01.2010 which contains acryls or modacryls in any percentage.

56.02.1010 Acryls or modacryls.

56.02.1091 which contains acryls or modacryls in any percentage.

56.02.2010 which contains acryls or modacryls in any percentage.

56.04.1011 Acryls or modacryls.

56.04.1012 Other, containing acrylic or modacrylic fibres in any percentage.

56.04.1021 which contains acryls or modacryls in any percentage

56.05.1091 Acryls or modacryls.

56.05.1092 Others which contain acryls or modacryls in any percentage.

56.05.2094 Yarn listed under Sec 2093 which contains acryls or modacryls in any percentage

56.06.1091 Acryls or modacryls.

56.06.1092 Others which contain acryl or modacryls in any percentage

56.06.2094 Yarn listed under Sec. 2093 with contains acryls or modacryls in any percentage.

56.07 Woven fabrics of man-made fibres (discontinuous or waste)

59.05 Nets, netting and made-up nets of a kind, etc.

60.01 Knitted or crocheted fabrics not elastic nor rubberised

60.03 Stockings, under stockings, socks, ankle-socks, sockettes and the like, knitted or crocheted, not elastic or rubberised

60.04 Under garments, knitted or crocheted; not elastic nor rubberised

- 60.05 Outer garments and other articles, knitted or crocheted, not elastic nor rubberised.
- 61.01 Men's and boys' outer garments
- 61.02 Women's, girls' and infants' outer garments
- 61.03 Men's and boys' under garments, including collar, shirt fronts and cuffs.
- 61.04 Women's, girls' and infants' under garments
- 63.01 Clothing, clothing accessories, household linen and furnishing articles (other than articles falling within heading No. 58.02, 58.01 or 58.03) of textile materials, footwear and headgear of any material showing signs of appreciable wear and imported in bulk or in bales sacks or similar bulk packing.
- 64.01 Footwear with outer soles and uppers of rubber or artificial plastic material
- 64.02 Footwear with outer soles of leather or composition leather; footwear (other than No. 64.01) with outer soles of rubber or artificial plastic material
- 64.03 Footwear with outer soles of wood or cork
- 64.04 Footwear with outer soles of other materials
- 69.09 Glazed setts, flags and paving, hearth and wall tiles.
- 69.11 Tableware and other articles of a kind commonly used for domestic or sanitary purposes.
- 69.12 Tableware and other articles of a kind commonly used for domestic purposes and of other kinds of pottery.
- 70.04.2000(ex))
)
70.04.9900(ex))Glass completely transparent, with smooth surfaces on
)both sides, excl. coloured
- 70.05 (ex))
)
- 70.10.2000(ex) Bottles of glass volume over 200cc.
- 71.07 Gold including platinum-plated gold, unwrought or semi-manufactured Entire heading.
- 71.08 rolled gold on base-metal or silver, unworked or semi-manufactured.
- 71.09 Platinum and other metals of the platinum group, unwrought or semi-wrought

71.10	Rolled platinum or other platinum group metals on base metal or precious metal, etc.
71.11	Goldsmiths', silversmiths, and jewellers's sweeping, residues, etc.
71.12	Articles of jewellery and parts thereof, etc. entire heading
71.13	Articles of goldsmiths' or silversmiths' and parts thereof, etc. Entire heading.
71.14	Other articles of precious metal or rolled precious metal
71.15	Articles consisting of, or incorporating, pearls, precious or semi-precious stones, (natural, synthetic or reconstituted)
72.01.9900(ex)	Gold coins.
73.10.3500	Rods (including wire rods) with depressions and protusions, whether or not twisted
73.10.9900	Other bars and rods
73.11.1010	Low carbon steel (up to 0.30% carbon content)
73.14	Iron or steel wire, whether or not coated but not insulated
73.15.2000	Wire rod.
73.15.5090	Steel wire. Other
73.15.9900	Alloy steel, Other
73.17	Tubes and pipes, of cast iron
73.18.3090	Tubes and pipes of iron or steel. Other
73.20.4000	Cast fittings
73.30.1000	Heated by petroleum oils or oils obtained from bituminous materials
76.03.9900	Other, wrought plates, sheets and strip of aluminium
76.04.9900	Aluminium foil of thickness not exceeding 0.20 mm. Other
76.12	Stranded wire, cables, cordage, ropes, plaited bands and the like, of aluminium wire, but excluding insulated electric wires and cables
84.09 (ex)	Mechanically propelled road rollers, netweight over 7000 kg, used

- 84.11 (ex) Air compressor, output 160 cubic feet/minute. Used
- 84.12 Air conditioning machines, self-contained, comprising a motor-driven fan and elements for changing the temperature and humidity of air
- 84.15.9900 Other, refrigerators and refrigerating equipment.
- 84.18.1090(ex) Machinery for the kind used to extract edible oil
- 84.19.9990 Other, Machinery for cleaning and drying bottles and other containers.
- 84.20.5020 Table scales showing the weight as well as the amount.
- 84.20.5050 with automatic regulation of flow into packaging containers.
- 84.20.5060 For weighing mixtures of building materials provided they are mechanically equipped, etc.
- 34.20.5090 Other, scales and balances
- 34.20.9010 Scale beams, with or without casings for weighing incorporating electric printing mechanism
- 84.20.9090 Other, parts and weights
- 84.21 (ex) Mechanical appliances for projecting, dispersing or spraying powders (for use in agricultural).
- 84.22.2010 For temporary installation during construction.
- 34.22.3000 Jacks, including those for tipping bodies, excl. pneumatic jacks for garages and movable pneumatic and mechanic jacks for motor vehicles.
- 34.22.5010 Cranes of total weight exceeding 100 T each
- 84.22.5020 Cranes for loading or discharging vessels.
- 34.22.5031 Used for conveying flour in flour mills for the preparing of fodder mixtures for animals, etc.
- 84.22.5090(ex) Cranes and conveyors, other, excl. transporter cranes.
- 84.22.6000 Machinery mounted or adapted for mounting on a tractor, etc.
- 84.22.8091 Of kinds used for earth, stone, road making or building work
- 84.22.9930 Safety frames or safety cabins, etc.
- 84.23 Machinery stationary or mobile, for earth, minerals or ores, etc. Entire heading.

84.24 Agricultural and horticultural machinery for soil preparation or cultivation etc.

84.25 Harvesting and threshing machinery, etc. Entire heading

84.26 Dairy machinery, etc

84.28 Other agricultural, horticultural, poultry-keeping and bee-keeping machinery, etc. Entire heading.

84.29 Machinery of the kind used in the bread grain milling industry and other machinery. Entire heading.

84.40.3010 Washing machines having a washing tank of a volume not exceeding 150 LT.

84.47.9910(ex) Wood nailing machines.

84.52.2000 Cash registers

84.59.1559(ex) Road finisher used

84.59.1590(ex) Machinery and Mechanical appliances of a kind suitable for the production of edible oils.

84.59.9900 Other, machinery and mechanical appliances

85.03.1090 Other, cells and batteries

85.13.1010 Telephone apparatus with amplifier, to be used for communication between bed-ridden children and school classes.

85.13.1050 Carrier-current line systems.

85.13.1090 Other, electrical line telephonic and telegraphic apparatus

85.15.1000 Radio-telegraphic and radiotelephonic transmission and reception apparatus.

85.15.2000 Radio-navigational aid apparatus, radar apparatus and radio remote control apparatus

85.15.3000 Transmitters not specified in paragraph 1000, Entire subheading

85.15.4500 Television receivers whether or not combined with other apparatus. entire subheading.

85.16 Electric traffic control equipment for railways, roads or inland waterways, and equipment, etc.

85.17.1000 Electric fire alarms.

85.17.2000 specially designed for aircraft or vessels.

85.17.9900 Other, electric sound or visual signalling apparatus

85.20.1090 Other, incandescent lamps

85.20.2020(ex) Fluorescent lamps length 59cm - 121cm.

85.23.3000 Insulated electric wire with two or three multiple-strand conductors provided that the area of each stranded conductor does not exceed 1.5 mm²

85.23.4000 . With 16 conductors or more single stranded

85.23.9910 .. Containing insulation paper

85.23.9929 ... Other

85.23.9990 Insulated electronic wire, cable, n.e.s.

87.01. Tractors

87.02.1010 Motor vehicles for transport of persons or goods

87.02.1500 Motor vehicles used for burial purposes, etc

87.02.2510 Ambulances

87.02.2600 Buses

87.02.3010 Motor vehicles imported with the approval of the chief fire brigade inspector, etc.

87.02.4010 Fire engines if imported with the approval of the chief fire brigade inspector.

87.02.4020 Vehicles specially built for street cleaning, etc

87.02.5000 dumpers, bitumen tankers, cement bulk distributors, Entire subheading

87.02.5520(ex) Delivery vans having an authorised total weight not exceeding 2,200 kg. Used.

87.02.9919 Other

87.02.9930 Commercial vehicles propelled by a compression ignition engine etc. entire subheading.

87.03.1000 Lorries specially constructed and used for cleaning streets, air field runways, etc.

87.03.3000 Mobile derricks (ie. lorries fitted with a derrick assembly, etc.)

87.03.4000 Fire engines and fire escapes imported with the approval of the chief fire brigade inspector, etc.

87.03.5000 Vans specially built for the preparation or sale of food and drinks (e.g., mobile canteens, etc).

87.03.6000	Refuse vehicles.
87.03.6500	Concrete mixer vehicles except those under 6600
87.03.6600	Concrete mixer vehicles which fulfill all the following conditions : A. Mixer whose capacity does not exceed 3600 LT. B. equipped with hydraulic apparatus for self-loading, etc.
87.03.7000	Concrete pumps, mobile.
87.03.8000	Cranes, mobile, mounted on a chassis specially constructed for carrying cranes.
87.04	Chassis fitted with engines, for the motor vehicles falling within heading No. 87.01, 87.02 or 87.03. Entire heading
87.05 (ex)	Bodies (including cabs) for the motor vehicles falling within heading No. 87.01, 87.02 or 87.03, used.
87.05.2000	Safety frames or safety cabins, etc.
87.07.1000	Fork lifts and parts thereof. entire heading
87.07.9900	Others
87.09	Motor-cycles, auto-cycles and cycles fitted with an auxiliary motor with or without side cars, side cars of all kinds.
87.11 (ex)	Invalid carriages
87.14	Other vehicleless (including trailers), not mechanically propelled and parts.
88.02 (ex)	Airplanes for agriculture
89.01 (ex)	Ships, boats and other vessels for fishing; sport boats and sail boats.
90.17.7010	Certified by the Director General of the Ministry of Health as not produced in Israel.
90.19.3000	Hearing aids, heart pacemakers.
90.26.1000	Electricity supply or production meters.
90.27.4020	.. Taximeters having cumulative, non-reversible registers
90.28.6021	Taximeters, accumulating
<u>Ch. 93</u>	<u>Arms and ammunition, parts thereof. Entire chapter</u>
94.01	Chairs and other seats, parts
94.03	Other furniture and parts thereof

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98.05.5000 Pencils covered by any material, where the cover is thicker than 1mm

98.05.9900 Other, pencils, pencil leads etc.

ANNEX II

State Trading

ACTIVITIES OF THE GOVERNMENT TRADE ADMINISTRATION
(Quantities in thousand metric tons)

Commodity	Source	Fiscal year (April/March)	
		81 / 82	82 / 83
Wheat	local	178	128
	import	469	529
coarse grains	local	-	-
	import	1107	1267
Soyabeans	local	-	-
	import	473	475
Edible oils	local	-	1
	import	1	9
Frozen beef	local	-	-
	import	41	35

APPENDIX I

THE BALANCE OF PAYMENTS
1979-1982 AND ESTIMATES FOR 1983
(Millions of Dollars)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Estimate</u> <u>1983</u>
1. Imports of Goods*	7,230	7,776	7,823	7,932	8,315
2. Imports of Services	3,556	4,397	5,030	5,743	5,925
3. <u>=(1+2) Total Civilian Imports</u>	10,786	12,173	12,913	13,675	14,240
4. Military Imports	1,183	1,692	2,190	1,552	970
5. <u>=(3+4) Total Imports</u>	<u>11,969</u>	<u>13,865</u>	<u>15,103</u>	<u>15,227</u>	<u>15,210</u>
6. Export of Goods	4,759	5,798	5,903	5,546	5,490
7. Export of Services	3,553	4,291	4,871	4,934	4,720
8. <u>=(6+7) Total Export</u>	<u>8,312</u>	<u>10,089</u>	<u>10,774</u>	<u>10,480</u>	<u>10,210</u>
9. <u>=(1-6) Trade Deficit*</u>	2,471	1,978	1,920	2,359	2,800
10. <u>=(2-7) Deficit in Service Account</u>	3	106	219	808	1,250
11. <u>=(5-8) Current Deficit</u>	3,657	3,776	4,329	4,720	5,000
12. <u>=(3-8) Civilian Deficit*</u>	2,474	2,084	2,139	3,168	4,050
<hr/>					
13. Gross Capital Imports	4,943	5,184	5,389	5,066	5,365
14. Net Capital Imports	3,954	4,080	4,079	3,866	4,355
15. Net Foreign Exchange Reserves	2,570	2,781	2,847	2,994	2,873
16. Foreign Debt	15,138	16,548	18,285	20,966	22,017

* Not including Direct Military Imports

APPENDIX II

CIVILIAN IMPORTS OF GOODS AND SERVICES*

1979-1983

(Millions of Dollars)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Estimate</u> <u>1983</u>
<u>TOTAL IMPORTS OF GOODS AND SERVICES</u>	<u>10,786</u>	<u>12,173</u>	<u>12,913</u>	<u>13,675</u>	<u>14,240</u>
1. <u>TOTAL IMPORTS OF GOODS</u>	<u>7,203</u>	<u>7,776</u>	<u>7,823</u>	<u>7,932</u>	<u>8,315</u>
a. Consumption Goods	626	544	756	832	935
b. Investment Goods	1,195	969	1,037	1,295	1,675
c. Production Inputs	5,585	6,431	6,112	5,906	5,840
Of which: Diamonds	920	1,120	529	572	780
Fuel	1,406	2,116	2,043	1,914	1,600
Other inputs	3,259	3,195	3,540	3,420	3,460
d. Other imports and adjustments	-372	-392	-371	-359	-455
e. Imports from administered territories	169	224	289	258	320
2. <u>TOTAL IMPORTS OF SERVICES</u>	<u>3,556</u>	<u>4,397</u>	<u>5,090</u>	<u>5,743</u>	<u>5,925</u>
a. Transport	958	1,053	1,097	1,080	1,070
b. Tourism	457	525	613	647	775
c. Capital Services	1,380	1,966	2,320	2,757	2,635
d. Other	495	551	729	910	1,025
e. Import from administered territories	266	302	331	349	420

* Not including military imports

APPENDIX III

EXPORTS OF GOODS AND SERVICES
1979-1983
(Millions of Dollars)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Estimate</u> <u>1983</u>
<u>TOTAL EXPORTS OF GOODS AND SERVICES</u>	<u>8,312</u>	<u>10,089</u>	<u>10,774</u>	<u>10,480</u>	<u>10,210</u>
1. <u>EXPORTS OF GOODS</u>	<u>4,759</u>	<u>5,798</u>	<u>5,903</u>	<u>5,546</u>	<u>5,490</u>
a. Agricultural Exports	556	556	600	553	520
b. Industrial Exports	3,763	4,749	4,704	4,437	4,335
1. Diamonds	1,224	1,404	1,067	905	1,000
2. Industrial exports excl. diamonds	2,539	3,340	3,637	3,532	3,337
(i) Metal	434	566	646	662	..
(ii) Electrical & Electronical	171	287	387	466	..
(iii) Transport Equipment	364	398	513	440	..
(iv) Chemicals	530	723	736	648	635
(v) Mining and Quarrying	102	158	194	189	217
(vi) Food	256	298	339	349	304
(vii) Textile, Clothing & Leather	349	475	395	354	338
(viii) Light Industrial Exports	333	437	433	424	..
c. Other Exports and Adjustments	-45	-89	-63	-83	-85
d. Exports to Administered Territories	489	582	662	639	720
2. <u>TOTAL EXPORTS OF SERVICES</u>	<u>3,553</u>	<u>4,291</u>	<u>4,871</u>	<u>4,934</u>	<u>4,720</u>
a. Transport	1,166	1,380	1,428	1,343	1,265
b. Tourism	792	896	970	893	985
c. Capital Services	808	1,052	1,485	1,657	1,320
d. Other	701	837	862	912	1,020
e. Export to Administered Territories	86	127	126	129	135

APPENDIX IV

Resources and Uses
1981-1984
Real Changes - Percent

	<u>1981</u>	<u>1982</u>	<u>Estimate</u> <u>1983</u>	<u>Forecast</u> <u>1984</u>
Total Resources and Uses	5.9	2.4	3.1	-2.0
<u>Resources</u>				
Gross National Product	4.6	-0.2	0.9	-1.5
Imports	9.8	4.2	5.9	-3.0
<u>Uses</u>				
Private Consumption	11.0	7.5	6.8	-5.0
Private Consumption per capita	9.0	5.5	4.8	-7.0
Public Consumption - Total	6.3	-6.6	-2.8	1.0
Of Which: Civilian	0.7	0.1	1.0	-3.0
Defense	9.2	-9.8	-4.9	3.0
Local Public Consumption	0.7	4.6	7.7	-5.5
Investment	-5.4	13.7	4.9	-13.5
Exports	4.4	-2.6	0.9	8.5

APPENDIX V
BALANCE OF TRADE
January - March 1983 and 1984

	<u>January - March</u>		<u>Percentage Change</u>
	<u>1983</u>	<u>1984</u>	
	Million of Dollars		
1. Imports of Goods	1,986	2,036	+2.5
2. Exports of Goods	1,273	1,396	+9.7
3. Trade Deficit	713	640	-10.2

Seasonally adjusted monthly average data of trade account excluding diamonds, aircraft and ships, show the following:

January - March 1984 as compared to last quarter of 1983 -

Imports - 8 percent
Exports + 8 percent