1985 CONSULTATION WITH ISRAEL

Basic Document for the Consultation

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 1973 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".

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.

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.

Material supplied by the Israeli authority.
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 consultations**

A) The temporary import levy that was introduced by the Government of Israel on 2 September 1982 (L/5361) at the rate of three per cent at valorem levied on all imports which are subject to Value Added Tax, remained in effect at a reduced level of two percent as of 1 April 1983.

Due to continuing difficulties in the Balance of Payments this import levy was extended on the 1 April of 1984 and of 1985 for the period of one year, and will remain in effect until 31 March 1986.

B) The temporary fifteen per cent import deposit that was introduced by the Government of Israel on 22 June 1983, was abolished as of 1 July 1985 as part of the overall program to stabilize the economy.

The temporary import deposit will continue to apply only on a small number of luxury goods (see paragraph C hereunder).
C) Due to the continuing deterioration in the Balance of Payments, accompanied by a sharp decline in the foreign currency reserves of the country, the Government of Israel decided to restrict as of 3 October 1984 for a period of six months the import of luxury goods which had increased sharply at that time (L/5697).

This was an emergency measure introduced in order to bring to certain stabilization needed until the overall economic program designed to restore the equilibrium to the economy of Israel, will become effective.

The import restrictions was finally suspended as of 5 February 1985; two months earlier than scheduled (L/5784). These restrictions have been replaced by a special import deposit at the rate of sixty percent ad valorem to be reduced by three percentage points on the first of every month beginning 1 March 1985 through 1 February 1986.

During the period that the import restrictions were in effect, the Government of Israel made every effort to facilitate the immediate difficulties caused to importers and suppliers by the measure.

As of 1 July 1985 while abolishing the general import deposit scheme at the rate of fifteen percent (paragraph B above), the Government of Israel reduced also the special import deposit rate by fifteen percentage points. The new rate will also be reduced by three percentage points every month as originally scheduled.
The increase in imports were the major cause for the substantial increase in Israel's trade deficit in 1982 and 1983, which was accompanied by adverse developments in the capital account, resulting in a decline in foreign exchange reserves and increase in the external debt. This adverse developments in the balance of payments required the introduction of trade restrictive measures in 1983 and 1984.

The slowdown of imports and the improvement in the trade account in 1985 made it possible to gradually phase out the trade restrictive measures. The continuation and intensification of the favorable developments in the trade account and in the balance of payments, together with progress in the combat against inflation, will enable a more effective use of other policy measures, and facilitate the removal of the import measures.

As the trade restrictive measures are 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 of imported consumption goods. The average increase of this prices in 1985 as a result of the import deposits is estimated to be about 12 percent. (See appendix I)
the high real interest rates prevailing, the average tax component in 1985 is rather high, estimated at about 70 percent (this, under the assumption of an average yearly inflation rate of 200 percent for the 2 years 1985-1986, assuming a steep decline of inflation in 1986 and a real interest rate of 11 percent).

It should be noted, that the impact of the deposit on prices declined drastically during 1985, because of two factors:

a) the gradual decline in the rate of the import deposit from 60 percent in February to 15 percent in December, following a monthly 3 percent reduction of the rate.

b) the deceleration of inflation, from a monthly average rate of 17 percent in the first half of 1985 to an average of about 3 percent in the period August to October. Thus, the tax component of the deposits will decline steeply, and is estimated at 33 percent in December. With it the impact of the deposits on imported consumer prices, which amounted at its peak in February to about 22 percent declined in December to an estimated 2 percent.

3. The Import Levy

The 2 percent import levy is levied on the price of imports to the consumer which includes the purchase tax, VAT, customs, import deposit and profits.

The impact of the levy on the prices of imported consumer goods is estimated at 0.5 percent.
8.

MAJOR ECONOMIC DEVELOPMENTS 1984-1985

A. General

After two consecutive years of negative developments in Israel's balance of payments, positive trends appeared in the current account in 1984 and continued in 1985. However, the success in improving the current account was not matched by a similar success in the struggle against inflation. Combating inflation became the first priority of the economic policy, as it became clear that the improvements in the Balance of Payments are not sustainable under conditions of continued high inflation.

The trade deficit decreased in 1984-1985 by about 1.9 billion dollars. The deficit in the goods and services account (excluding military imports) decreased in this period by about 1.6 billion dollars. Israel is aiming at further reducing its current deficit in the coming years, as even the reduced deficit is not sustainable in the long run without economic aid.

Despite the decline in the current deficit, Israel's external debt continued to grow in 1984, as did capital servicing. The external debt rose to 25.4 billion dollars in June 1985. Debt service rose from 3.4 billion dollars in 1983 to an estimated 3.8 billion dollars in 1985.
As net capital imports did not suffice to cover the entire deficit, foreign exchange reserves had to be consumed. Reserves declined by 270 million dollars in 1984, and in the period January-October 1985 there was a further decline of 200 million dollars.

The pace of inflation accelerated in 1984, during which prices went up by 44.5 percent. The rapid inflation continued in the first seven months of 1985, in which prices went up by 150 percent.

The negative developments both in the balance of payments and in the sphere of inflation are, to a large extent, the result of a cumulative rise in demand pressures. These stem from the deficit financing in the budget in recent years and the monetary expansion which followed. This came together with a substantial rise in real wages and in private consumption in the years 1981-83, against the background of expectations for the continuation of a rapid rise in inflation and a fast depreciation of the Israeli currency.

The developments described above were accompanied by no growth in the national product in 1984, and a slow growth of 2.3% in 1985 accompanied by a substantial rise in unemployment. The slowdown in economic activity is the direct result of restraining measures implemented in recent years, which resulted in a steep decline in per capita private consumption, a modest decline in per capita domestic public consumption and a substantial decline in investments. These declines were only partially offset by the rise in exports.

As a result of restraining measures implemented in recent years, and especially the comprehensive economic policy introduced in July 1985, indications of a positive change of trends in the economy became apparent recently.
B. Recent Policy Measures

The economic program which was adopted in July, encompasses a number of "real" measures which have been reinforced by some temporary measures of an administrative nature, designed to bring about an immediate stabilization of prices, wages and the exchange rate.

The main immediate goals of the new policy are: (a) to bring about a drastic and immediate slowdown in inflation; (b) to strengthen the positive trends in the balance of payments so as to prevent a further erosion of Israel's foreign currency reserves and reduce Israel's dependence on aid; (c) to regain the public's confidence in the currency as a result of the determined implementation of a comprehensive stabilization policy.

The main measures to attain the goals set were the following:

1. The deficit financing of the budget was substantially cut, reducing the ministries' expenses and services to the public, cutting subsidies on basic products drastically and increasing revenue from taxes.

2. The Bank of Israel intensified its restrictive monetary policy. Credits are being restricted as their nominal increase lags behind the increase in prices. Extremely high real interest rates are used as a major policy instrument.

3. The shekel was devalued by 35 percent in July 1985, and was fixed at 1,500 shekels per dollar. This rate will be maintained as long as there is no substantial rise in wages. In the long run, the profitability of exports and appropriate prices of imports will be
maintained through a suitable exchange rate policy. Support for exports through subsidized credits has been eliminated.

4. For the period July-November 1985, the principle of linkage between wages and prices was broken. As a result of a most restrictive wages and incomes policy erosion of about 17 percent in disposable wages is estimated for 1985.

5. Prices of goods and services were frozen for a period of 6 months at least, to be gradually defrosted thereafter, as evidence of a fall in demand pressures becomes clearly apparent.

6. Measures have been taken to ensure the continuation of the prevailing high rate of savings.

7. Investment of new funds in current dollar-linked accounts has been discontinued.

These measures, which constitute a heavy burden on the public, were implemented in agreement with the trade unions and with the employers in the private sector. The general public's understanding and support for the policy and confidence in its success resulted in a change for the better in inflationary expectations.

Indicators of economic developments in recent months are rather encouraging. It seems clear by now, that domestic demand has indeed been substantially restrained, domestic uses declining at an estimated 2 percent in 1985, after declining by 5 percent in 1984. The slowdown in demand and in economic activity was accompanied by a rise in unemployment which exceeds 3 percent.
Per capita private consumption is estimated to decline by about 3 percent in 1985, following a sharp drop of 8 percent in the previous year. Per capita public domestic consumption is forecasted to decline by 2 percent, while the budget deficit is expected to decline from a level of 8 percent of GNP in 1984 to 6 percent of GNP 1985. The level of savings was reestablished in 1984, at its historically high level of about 33 percent of disposable income.

Exports of goods increased in the period January–October, 1985 by 7 percent, as compared to the corresponding period in 1984. Imports of goods declined by 6 percent. As a result, the trade deficit was reduced in this period by 620 million dollars.

The monthly inflation rate declined in the months August to October to 3–4 percent, from their average monthly rate of 14 percent in the first 7 months of the year. A further decline in inflation rates is expected in the coming months. Price controls proved to be effective, being supported by the weakening of demand pressures.

C. The Balance of Payments

The following table presents the deficit in Israel's current account, growing from 2.6 billion dollar in 1973 to 5.2 billion in 1983 and declining to an estimated 4.5 billion dollars in 1985.
**The Trade Deficit, Civilian Deficit and Current Deficit**
1955-1984

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade Deficit</th>
<th>Civilian Deficit</th>
<th>Current Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>250</td>
<td>285</td>
<td>315</td>
</tr>
<tr>
<td>1965</td>
<td>400</td>
<td>540</td>
<td>640</td>
</tr>
<tr>
<td>1972</td>
<td>725</td>
<td>690</td>
<td>1,180</td>
</tr>
<tr>
<td>1973</td>
<td>1,410</td>
<td>1,360</td>
<td>2,610</td>
</tr>
<tr>
<td>1975</td>
<td>1,882</td>
<td>2,058</td>
<td>3,356</td>
</tr>
<tr>
<td>1981</td>
<td>1,929</td>
<td>2,182</td>
<td>4,387</td>
</tr>
<tr>
<td>1982</td>
<td>2,386</td>
<td>2,296</td>
<td>4,803</td>
</tr>
<tr>
<td>1983</td>
<td>2,902</td>
<td>4,125</td>
<td>5,177</td>
</tr>
<tr>
<td>1984</td>
<td>1,833</td>
<td>2,403</td>
<td>5,895</td>
</tr>
<tr>
<td>1985 (estimate)</td>
<td>1,000</td>
<td>2,380</td>
<td>4,520</td>
</tr>
</tbody>
</table>

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

Israel’s **civilian deficit** increased between 1981 and 1983 from 2.2 billion dollars to about 4.1 billion dollars. In the same period Israel’s trade deficit increased from 1.9 to 2.9 billion dollars. The increase in the deficit in this period was due both to a decline in exports and an increase in imports.

In **1984** a change in the trend became apparent, when the civilian deficit declined by 720 million dollars and the trade deficit declined by 1.1 billion dollars. Both the recuperation of exports and the slowdown in imports contributed to the improvement in the current account.

Until **1983** the increasing deficit was wholly financed by capital imports from abroad which sufficed to sustain a considerable increase in net Bank of Israel foreign exchange reserves, which amounted to 3 billion dollars at the end of 1982. This trend was reversed in 1983, in which reserves declined by about 100 million dollars to be followed by...

The decline in reserves resulted from a decline in capital imports in 1984, and some capital flight in 1984 and 1985 in anticipation of devaluations of the shekel. It is only towards the end of 1985 that reserves increased again. Net capital imports fell from 5.1 billion dollars in 1983 to 4.4 billion dollars in 1984. In 1985 net capital imports are estimated to have gone up again to 5.2 billion dollars. It is only in September 1985 that the drain on reserves ceased. Reserves will continue to grow towards the end of 1985, due to the improvement both in the trade and capital accounts.

As a result of additional borrowing in 1984 amounting to 1,260 million dollars Israel's external debt increased by 650 million dollars, amounting to 23.4 million dollars at the end of 1984.

Israel's debt structure is fairly favorable. 70 percent of the debt is long term, 15 percent is medium term, and only 15 percent is short term. A major share of the debt of 47 percent is owed to foreign governments and 15 percent to holders of Israel Bonds, most of it at preferential terms. Only a third of the debt is owed to banks and commercial credit.
D. The Trade Account

Exports

1984

Following two consecutive years of decline in total exports of goods and services, they increased in 1984 by 590 million dollars (+5.7%) amounting to a total of 10.9 billion dollars. Exports other than capital services increased by 9 percent, while exports of capital services declined by 215 million dollars. The increase of exports in dollar terms resulted from a 15 percent increase in the volume and a 5 percent decline in export prices.

The decline in export prices was a result of the weakening of European currencies against the US dollar, by about 44 percent in the period July 1980 to December 1984. This development caused a diversion of trade from non-dollar countries to dollar countries, after a time-lag. As a result the share of Israeli exports of goods to Europe declined from 47 percent of total exports in 1980 to 40 percent in 1984, while the share of exports to the U.S. increased from 16 to 23 percent.

The dollar value of exports of goods increased in 1984 by 12 percent following a 14.5 percent increase in the volume of exports and a 2 percent decline in export prices. Industrial exports increased by 17.5 percent, the leading export industries being the metal industries (+35%) and the electronics and electrical goods industries (+26%).

Exports of services increased by only 1.5 percent due to a 15 percent decline in exports of capital services (mainly interest on reserves invested abroad), as a result of a decline in interest rates and the decline in foreign exchange reserves. Exports of services other than capital services increased by 5 percent, exports of transport services increasing 7 percent and of tourist services 5 percent.

1985

Export of goods and services are estimated to amount in 1985 to 11 billion dollars, an increase of 230 million dollars (+2%). Exports other than capital services are estimated to increase by 7 percent, as exports of capital services continue to decline.
Exports of goods are estimated to grow by 7 percent, resulting from an increase of 4 percent in the volume of exports and a 3 percent increase in export prices. Industrial exports are estimated to increase by 8 percent. Agricultural exports will continue to decline (-5%), due to a decline in exports other than citrus (-30%), while exports of citrus are expected to increase (+60%), due to a good harvest and high prices resulting from a reduced supply by competitors.

Exports of services are expected to increase by 12 percent. Exports of services other than capital services by 10 percent. An impressive growth rate (of about 25 percent) in exports of tourist services is anticipated.

In the first three quarters of 1985, exports of goods increased 7 percent over their level in the corresponding period in 1984. Industrial exports increased by 8 percent while agricultural exports declined (-6%). Outstanding is the growth in exports of diamonds (+17%) and of the metal, electronic and optical industries (+10%).

Imports

1984

In 1984 imports of goods and services amounted to 15.8 billion dollars, an increase of 300 million dollars (+2%). The whole increase in imports is due to an increase in military imports by 440 million dollars, following a similar decline in such imports in the previous year. Non-military imports declined by 130 million dollars (-1%). Imports of capital services - mainly interest payments - increased by 320 million dollars. Non-military imports excluding capital services declined by 450 million dollars (-4%), resulting from a 2.5 percent decline in the volume of imports and a 1.5 percent decline in import prices.
Imports of goods declined by 400 million dollars (-4.5%). A steep decline occurred in imports of consumption goods (-31%), mainly consumer durables (-44%). Imports of investment goods declined by 12 percent of which imports of equipment declined by 14 percent. Imports of inputs increased by 3 percent, mainly due to a 12 percent increase in imports of unpolished diamonds and 2.5 percent increase in imports of inputs to other to export industries. Inputs to industries manufacturing domestic for consumption are estimated to have declined by about 3 percent in real terms.

Imports of services increased in 1984 by 280 million dollars, wholly due to a 320 million dollar increase of capital services, mainly interest on the external debt. Imports of tourist services declined, the first time since 1972, by 60 million dollars (-7.5%), as part of the decline in total private consumption, following the introduction of travel taxes and the reduction of foreign exchange allocations to travellers abroad.

1985

Total imports in 1985 are estimated at 15.9 billion dollars, an increase of 100 million dollars. The whole increase in imports is expected to result from an increase in military imports by some 900 million dollars, following a decline of such imports in the two previous years.

Non-military imports are estimated to decline by 800 million dollars (-4%). Imports of goods declined by 350 million dollars of which 100 million dollars are a decline in imports of consumption goods and 200 million a decline in imports of investment goods.

Imports of inputs are estimated to decline by 50 million dollars mainly due to a 250 million dollar decline in imports of oil. Imports of inputs other than oil are estimated to increase by 200 million dollars (+4%), mainly due to an increase in inputs for export production. Imports of diamonds alone are estimated to increase by 150 million dollars.
Imports of services are estimated to decline by 200 million (−3%), mainly due to a 100 million dollar decline for the second consecutive year in tourist services (−14%), following a temporary increase of travel taxes. Imports of capital services are expected to stabilize due to a decline in interest rates and some decline in short-term borrowings.

Economic Activity

1984

1984 is characterized by a freeze in the level of economic activity, resulting from a far-reaching restriction of domestic demand. Domestic uses declined by about 5 percent.

GNP declined by 0.5 percent and non-military imports by 4 percent. This resulted in a 1.5 percent decline in non-military uses. The product of the business sector increased by 1 percent, following an average increase of 3.5 percent in previous 5 years. A greater decline in GNP was avoided only by the fast increase in exports (+14.5%), which offset the decline in private consumption (−6.5%, meaning a 8.5 percent decline per capita), while domestic public consumption – both civilian and military – remained at last year's level, and investment declined by 14 percent.

The freeze in GNP was the result of an increase in industrial production (+5.5%), especially of export industries, and from an increase in transportation and communications (+4.5%), while the product of industries supplying mainly the domestic market shrunk. The product of the building industry declined (−8%) as did agricultural production (−3.5%) and the product of trade and services (−2.5%).

The freeze in the national product was accompanied by 1.5 percent increase in employment which means a decline of about 2 percent in output per employee. The rate of unemployment rose to 5.9 percent from 4.5 percent in the previous year.
In 1985 economic growth was somewhat accelerated, although still below the full employment level. The slow growth, is an expected result of the restrictive policy measures introduced.

The growth of GDP is estimated at 2.5 percent, while non-military imports declined by about 6 percent. This resulted in a 1.5 percent decline in non-military uses. Private consumption is estimated to continue decline (-1%). A steep decline in investment occurred for the second consecutive year. The restrictive budgetary policy will result in a decline in domestic public consumption (-3%). The growth of exports (+6%) will be the main contributing factor to the growth of GDP, together with some increase in consumption of domestically produced goods and services.

F. Inflation

In 1984 the pace of inflation accelerated, the consumer price index rising by 4.45 percent, following a rise of 1.91 percent in 1983. The pace of inflation accelerated again in the second half of 1985, reaching a monthly rate of 18 percent towards the end of the year.

Two package deals introduced in the first half of 1985 resulted in reducing the monthly pace of inflation which included short lasting freezes of prices about 14 percent.

It was only after the introduction of the comprehensive policy package in July that the pace of inflation declined considerably. In the period August to October the pace of inflation was reduced to a monthly rate of 3 percent. Further deceleration of inflation is expected in the coming months. The sharp decline in domestic demand and the decline in real wages, together with a reversal in inflationary expectations, supported the administrative price freeze.

The average annual level of real wages declined by 1 percent in 1984 and is estimated to decline by about 17 percent in 1985.
## ANNEX I

**IMPORTS SUBJECT TO LICENSING**

<table>
<thead>
<tr>
<th>BTN</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.02</td>
<td>Live animals of the bovine species</td>
</tr>
<tr>
<td>01.04</td>
<td>Live sheep and goats</td>
</tr>
<tr>
<td>01.05</td>
<td>Live Poultry</td>
</tr>
<tr>
<td>Ch. 2</td>
<td><strong>Meat and edible Offals (Entire chapter)</strong></td>
</tr>
<tr>
<td>02.01</td>
<td>Animals within headings 01.01, 01.02, 01.03, 01.04, fresh, chilled or frozen</td>
</tr>
<tr>
<td>02.02</td>
<td>Dead poultry (i.e., fowl, ducks, geese, turkeys, guinea fowl) and edible offals thereof (ex. liver) fresh, chilled or frozen</td>
</tr>
<tr>
<td>02.03</td>
<td>Poultry liver, fresh, chilled, frozen, salted or in brine</td>
</tr>
<tr>
<td>02.04</td>
<td>Other meat and edible meat offals, fresh, chilled or frozen</td>
</tr>
<tr>
<td>02.05</td>
<td>Unrendered lard free of lean meat and unrendered poultry fat, fresh, chilled, frozen, salted, in brine, dried or smoked</td>
</tr>
<tr>
<td>02.06</td>
<td>Meat and edible meat offals (except poultry liver), salted in brine, dried or smoked</td>
</tr>
<tr>
<td>Ch. 3</td>
<td><strong>Fish, Crustaceans and Molluscs</strong></td>
</tr>
<tr>
<td>03.01</td>
<td>Fish, fresh (live or dead) chilled or frozen. Entire heading, except: 03.01.4030 (&quot;Lachs&quot;)</td>
</tr>
<tr>
<td>03.02.3000</td>
<td>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)</td>
</tr>
</tbody>
</table>
| 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.
Ch. 4. Dairy Products: Birds eggs: Natural honey. Edible products of animal-origin, not elsewhere specified or included. 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

Ch. 8 Edible fruit and nuts, melon or of citrus fruit. 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.

Ch. 10 Cereals. 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
11.03 (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 aloe, 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, rhatanhae (krameria),
  senegae, viburni, prunifolii, fusii viscosi,

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 Fixed vegetable oils, fluid or solid, crude, refined or
  purified
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 flats; 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

Ch. 16 Preparations of Meat, Fish, Crustaceans or Molluscs.
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 dietetic and baby foods.
19.03 Macaroni, spaghetti and similar products.
19.04 Tapioca and Sago and their substitutes
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 otherwise 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 mulluscs unfit for human consumption.
23.04 Oil cake and other residues (excl. dregs) resulting from the extraction of vegetable oils.
23.05 Wine lees; argol
23.06 Products of vegetable origin of a kind used for animal, not elsewhere specified or included
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.
25.01 Common salt; pure sodium chloride, salt liquors, sea water
25.22 Quicklime, slaked lime and hydraulic lime, other than calcium oxide and hydroxide
<table>
<thead>
<tr>
<th>HS Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.23.1000</td>
<td>Grey Portland Cement</td>
</tr>
<tr>
<td>27.01</td>
<td>Coal, briquettes ovoids and similar solid fuels manufactured from oil.</td>
</tr>
<tr>
<td>27.02</td>
<td>Lignite, whether or not agglomerated.</td>
</tr>
<tr>
<td>27.04</td>
<td>Coke and semi-coke of coal of lignite or of peat</td>
</tr>
<tr>
<td>27.06</td>
<td>Tar distilled from coal from lignite or from peat. Entire heading.</td>
</tr>
<tr>
<td>27.09</td>
<td>Petroleum oils and oils obtained from bituminous minerals, crude.</td>
</tr>
<tr>
<td>27.10.1500</td>
<td>Petrol. Entire subheading.</td>
</tr>
<tr>
<td>27.10.2000 (ex)</td>
<td>Mineral terpentin</td>
</tr>
<tr>
<td>27.10.2500</td>
<td>Kerosene</td>
</tr>
<tr>
<td>27.10.3000</td>
<td>Solar</td>
</tr>
<tr>
<td>27.10.3500</td>
<td>Mazut</td>
</tr>
<tr>
<td>27.10.4000</td>
<td>Diesel</td>
</tr>
<tr>
<td>27.10.5500</td>
<td>Lubricating oils</td>
</tr>
<tr>
<td>27.10.6000</td>
<td>Greases</td>
</tr>
<tr>
<td>27.10.9990</td>
<td>Other petroleum oils, and oils prepared of minerals</td>
</tr>
<tr>
<td>27.11</td>
<td>Petroleum gases and other gaseous hydrocarbons.</td>
</tr>
<tr>
<td>27.14.9900</td>
<td>Other; petroleum bitumen, coke and residues of petroleum</td>
</tr>
<tr>
<td>27.15</td>
<td>Bitumine and asphalt</td>
</tr>
<tr>
<td>27.16</td>
<td>Bituminous mixtures based on natural asphalt, etc. Entire heading.</td>
</tr>
<tr>
<td>28.04.9900 (ex)</td>
<td>Phosphorus only</td>
</tr>
<tr>
<td>28.32</td>
<td>Chlorates and perchlorates. Entire subheading.</td>
</tr>
<tr>
<td>28.39</td>
<td>Nitrites and nitrates</td>
</tr>
<tr>
<td>28.50</td>
<td>Fissile chemical elements and isotopes, other radio-active chemical elements, etc. Entire heading.</td>
</tr>
<tr>
<td>28.51</td>
<td>Isotope and their compounds, inorganic and organic, etc. Entire heading.</td>
</tr>
</tbody>
</table>
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.

29.23 Single or complex oxygen - function amino-compounds

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.

34.02.9000 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

35.06 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

48.07 Paper and paperboard, impregnated, coated, surface-coloured, surface-decorated or printed in rolls or sheets.

48.10 Cigarette paper, cut to size, whether or not in the form of booklets or tube.

48.13 Carbon and other copying papers and transfer papers

48.14 Writing blocks, envelopes, letter cards, plain postcards, correspondence cards, boxes pouches, wallets and writing compendiums, of paper or paperboard, containing only an assortment of paper stationery.

48.15 Other paper and paperboard, cut to size or shape

48.16 Boxes, bags and other packing containers, of paper or paperboard.

49.18 Registers, exercise books, note books, etc. file covers and other stationery of paper or paperboard.

48.19 Paper or paperboard labels, whether or not printed or gummed.

48.21 Other articles of paper pulp, paper, paperboard or cellulose wadding.

Ch. 49 (ex) Printed books (which 20% or more is printed 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.
55.08 Terry towelling and similar terry fabrics, of cotton.
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 modacrylic fibres 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)
58.04.3000 Woven pile fabrics and chenille fabrics with strips parallel to the selvedges produced in the weaving process.
58.09 Tulle and other net fabrics, figured; hand or mechanically made lace, in the piece in strips or in motifs.
58.10 Embroidery, in the piece, in strips or in motifs.
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
62.02 Bed linen, table linen, toilet linen and kitchen linen; curtains and other furnishing articles.
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包起.
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
69.08 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.
70.04.0000 (ex)
Glass completely transparent, with smooth surfaces on both sides, excl. coloured

70.05 (ex)

70.10.0000 (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 jewelers'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 projections, 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
73.18.3000 Round, seamless tubes and pipes
73.18.4090 Tubes and pipes and blanks therefor, of iron (other than cast iron) or steel, excluding high electric conduits: other
73.18.9990 tubes and pipes of iron or steel, other
73.20.4000 Cast fittings
73.21.9900 Structures and parts of structures, other
73.26 Barbed iron or steel wire
73.27.9900 Gauze, cloth, grill, netting, fencing, reinforcing fabric and similar materials of iron or steel wire.
73.36.1000 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
76.08.9900 Structures and parts of structures, other
76.12 Stranded wire, cables, cordage, ropes, plaited bands and the like, of aluminium wire, but excluding insulated electric wires and cables
83.05 Fittings for loose leaf binders, for files or for stationery books, of base metal
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.
84.19.1090(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.
84.20.5090 Other, scales and balances
84.20.9100 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.
84.22.3000 Jacks, including those for tipping bodies, excl. pneumatic jacks for garages and movable pneumatic and mechanic jacks for motor vehicles.
84.22.5010 Cranes of total weight exceeding 100 T each
84.22.5020 Cranes for loading or discharging vessels.
84.22.5031 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
84.59.1520  Machines and mechanical appliances. For the artificial plastics
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
85.06.9900  Electro-mechanical domestic appliances, with self-contained electric motor. Other
85.10  Portable electric battery and magneto lamps.
85.13.1010  Telephone apparatus with amplifier, to be used for communication between bedridden 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
87.02.3000  Passanger cars, as long as exemption 2 or 4 of heading 1508 of the purchase tax tariff applies thereon.
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 (i.e. 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 3500 LT.
   B. equipped with hydraulic apparatus for self-loading, etc.
Concrete pumps, mobile.

Cranes, mobile, mounted on a chassis specially constructed for carrying cranes.

Chassis fitted with engines, for the motor vehicles falling within heading No. 87.01, 87.02 or 87.03. Entire heading

Bodies (including cabs) for the motor vehicles falling within heading No. 87.01, 87.02 or 87.03, used.

Safety frames or safety cabins, etc.

Fork lifts and parts thereof. entire heading

Others

Motor-cycles, auto-cycles and cycles fitted with an auxiliary motor with or without side cars, side cars of all kinds.

Invalid carriages

Other vehicles (including trailers), not mechanically propelled and parts.

Airplanes for agriculture

Ships, boats and other vessels for fishing; sport boats and sail boats.

Certified by the Director General of the Ministry of Health as not produced in Israel.

Hearing aids, heart pacemakers.

Electricity supply or production meters.

Taximeters having cumulative, non-reversible registers

Taximeters, accumulating

Other string musical instruments. Mandolins and guitars

Arms and ammunition, parts thereof. Entire chapter

Chairs and other seats, parts

Other furniture and parts thereof

Brooms and brushes except of 96.1000 - Brushes of a kind used as parts of machinery or plant.
98.02 Slide fasteners and parts
98.03.2020 Fountain pens, stylograph and pencils markets
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)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Source</th>
<th>Fiscal year (April/March)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>82 / 83</td>
</tr>
<tr>
<td>Wheat</td>
<td>local</td>
<td>128</td>
</tr>
<tr>
<td></td>
<td>import</td>
<td>527</td>
</tr>
<tr>
<td>Coarse grains</td>
<td>local</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>import</td>
<td>1266</td>
</tr>
<tr>
<td>Soyabean</td>
<td>local</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>import</td>
<td>475</td>
</tr>
<tr>
<td>Edible oils</td>
<td>local</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>import</td>
<td>9</td>
</tr>
<tr>
<td>Frozen beef</td>
<td>local</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>import</td>
<td>34</td>
</tr>
</tbody>
</table>
APPENDIX I

Calculation of the Impact of Import Deposits on Prices of Imported Consumer Goods

The calculation is as follows:

1. Prices of imports to the consumer are 3.15 times the CIF value of import:
   - taxes on imports: 83 percent
     including:
     - purchase tax (69%)
     - customs (12%)
     - import levy (2%)
   - VAT 15 percent
   - Profits 50 percent

\[0.83 \times 1.15 \times 1.50 = 3.15\]

2. Estimate of total revenue from import deposits in 1985:

\[500 \times 3.15 = \$1,575\] million

3. The average tax component of deposits for 1985 assuming:
   - 200% inflation
   - 11% real interest

\[1 - 1.3 \times 1.11 = 70\%\]

4. Tax component of deposit in dollars:

\[192 \text{ million}\]

\[274 \times 70\% = 192\]

5. Value of imports of consumer good in 1985:

\[500 \text{ million}\]

6. Value of imports to the consumer:

\[1,575 \text{ million}\]

\[500 \times 3.15 = \$1,575\]

7. Average impact of deposits on prices of imports to the consumer:

\[12.2\%\]

\[192:1,575 = 12.2\%\]
### APPENDIX II

#### TABLE I

**THE BALANCE OF PAYMENTS**

1980-1985

<table>
<thead>
<tr>
<th>(Millions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

| 1. Imports of Goods*     | 7,796  | 7,847  | 7,953  | 8,443  | 8,033  | 7,600  |
| 2. Imports of Services   | 4,401  | 5,105  | 5,794  | 5,949  | 6,228  | 5,860  |
| 3. =(1+2) Total Civilian Imports | 12,197 | 12,953 | 13,747 | 14,392 | 14,261 | 13,460 |
| 4. Military Imports      | 1,693  | 2,205  | 1,508  | 1,053  | 1,490  | 2,390  |
| 5. =(3+4) Total Imports  | 13,889 | 15,158 | 15,255 | 15,445 | 15,751 | 15,850 |
| 6. Export of Goods       | 5,799  | 5,900  | 5,567  | 5,581  | 6,200  | 6,600  |
| 7. Export of Services    | 4,306  | 4,862  | 4,085  | 4,727  | 4,658  | 4,480  |
| 8. =(6+7) Total Exports  | 10,104 | 10,769 | 10,451 | 10,269 | 10,858 | 11,080 |
| 9. =(1-6) Trade Deficit* | 1,997  | 1,939  | 2,386  | 2,902  | 1,833  | 1,000  |
| 10. =(2-7) Deficit in Service Account | 95   | 246   | 909   | 1,222  | 1,570  | 1,330  |
| 11. =(5-8) Current Deficit | 3,785 | 4,387  | 4,803  | 5,177  | 4,893  | 4,770  |
| 12. =(3-8) Civilian Deficit* | 2,093 | 2,182  | 3,296  | 4,125  | 3,403  | 2,380  |

| 13 Gross Capital Imports  | 5,490  | 5,582  | 5,075  | 6,490  | 5,525  | 6,400  |
| 14 Net Capital Imports    | 4,127  | 4,027  | 3,811  | 5,081  | 4,503  | 5,070  |
| 15 Net Foreign Exchange Reserves | 2,781 | 2,847  | 2,994  | 2,873  | 2,600  | 3,000  |
| 16 Foreign Debt           | 16,607 | 18,337 | 21,011 | 22,784 | 23,436 | 24,000 |

* Not including Military Imports

GATT DOC
## APPENDIX II

### TABLE 2

**CIVILIAN IMPORTS OF GOODS AND SERVICES**

1980-1985

(Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL IMPORTS OF GOODS AND SERVICES</strong></td>
<td>12,197</td>
<td>12,953</td>
<td>13,747</td>
<td>14,392</td>
<td>14,261</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. TOTAL IMPORTS OF GOODS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Consumption Goods</td>
<td>7,796</td>
<td>7,847</td>
<td>7,953</td>
<td>8,143</td>
<td>8,933</td>
<td>6,177</td>
<td>5,822</td>
</tr>
<tr>
<td>b. Investment Goods</td>
<td>1,120</td>
<td>2,116</td>
<td>3,211</td>
<td>1,778</td>
<td>1,572</td>
<td>1,120</td>
<td>1,005</td>
</tr>
<tr>
<td>c. Production Inputs</td>
<td>6,450</td>
<td>6,134</td>
<td>5,925</td>
<td>5,852</td>
<td>6,075</td>
<td>4,439</td>
<td>4,387</td>
</tr>
<tr>
<td>Of which: Diamonds</td>
<td>1,120</td>
<td>2,116</td>
<td>3,211</td>
<td>1,778</td>
<td>1,572</td>
<td>1,120</td>
<td>1,005</td>
</tr>
<tr>
<td>Fuel</td>
<td>572</td>
<td>1,914</td>
<td>3,038</td>
<td>782</td>
<td>880</td>
<td>657</td>
<td>722</td>
</tr>
<tr>
<td>Other inputs</td>
<td>3,214</td>
<td>3,562</td>
<td>3,038</td>
<td>3,211</td>
<td>3,139</td>
<td>2,578</td>
<td>2,509</td>
</tr>
<tr>
<td>d. Other imports and adjustments</td>
<td>-392</td>
<td>-372</td>
<td>-359</td>
<td>-425</td>
<td>-463</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Imports from administered territories</td>
<td>224</td>
<td>292</td>
<td>259</td>
<td>285</td>
<td>195</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. TOTAL IMPORTS OF SERVICES</td>
<td>4,401</td>
<td>5,105</td>
<td>5,794</td>
<td>5,949</td>
<td>6,228</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Transport</td>
<td>1,053</td>
<td>1,069</td>
<td>1,089</td>
<td>1,100</td>
<td>1,100</td>
<td>646</td>
<td>644</td>
</tr>
<tr>
<td>b. Tourism</td>
<td>572</td>
<td>659</td>
<td>644</td>
<td>770</td>
<td>711</td>
<td>285</td>
<td>248</td>
</tr>
<tr>
<td>c. Capital Services</td>
<td>1,966</td>
<td>2,336</td>
<td>2,771</td>
<td>2,666</td>
<td>2,687</td>
<td>1,140</td>
<td>1,140</td>
</tr>
<tr>
<td>d. Other</td>
<td>520</td>
<td>703</td>
<td>929</td>
<td>964</td>
<td>1,019</td>
<td>579</td>
<td>470</td>
</tr>
<tr>
<td>e. Imports from administered territories</td>
<td>298</td>
<td>329</td>
<td>361</td>
<td>449</td>
<td>411</td>
<td>216</td>
<td>174</td>
</tr>
</tbody>
</table>

* Not including military imports

IGS WID
### EXPORTS OF GOODS AND SERVICES
#### 1980-1985

**Table 3**

**TOTAL EXPORTS OF GOODS AND SERVICES**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>10,089</td>
<td>10,774</td>
<td>10,480</td>
<td>10,210</td>
<td>10,858</td>
<td></td>
</tr>
<tr>
<td>2. TOTAL EXPORTS OF SERVICES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Agricultural Exports</td>
<td>5,798</td>
<td>5,903</td>
<td>5,546</td>
<td>5,790</td>
<td>6,200</td>
<td></td>
</tr>
<tr>
<td>b. Industrial Exports</td>
<td>4,750</td>
<td>4,704</td>
<td>4,415</td>
<td>4,358</td>
<td>5,040</td>
<td></td>
</tr>
<tr>
<td>c. Diamonds</td>
<td>1,409</td>
<td>1,067</td>
<td>905</td>
<td>1,001</td>
<td>1,035</td>
<td></td>
</tr>
<tr>
<td>d. Industrial exports excl.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>diamonds</td>
<td>3,241</td>
<td>3,037</td>
<td>3,510</td>
<td>3,357</td>
<td>4,005</td>
<td></td>
</tr>
<tr>
<td>(i) Metal, machinery and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>electronics</td>
<td>1,251</td>
<td>1,539</td>
<td>1,559</td>
<td>1,395</td>
<td>1,756</td>
<td></td>
</tr>
<tr>
<td>(ii) Wood, paper &amp; printing</td>
<td>66</td>
<td>56</td>
<td>49</td>
<td>49</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>(iii) Rubber &amp; plastics</td>
<td>128</td>
<td>108</td>
<td>107</td>
<td>118</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>(iv) Chemicals</td>
<td>723</td>
<td>736</td>
<td>647</td>
<td>644</td>
<td>750</td>
<td></td>
</tr>
<tr>
<td>(v) Mining, quarrying &amp; non-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>metallic mineral products</td>
<td>174</td>
<td>211</td>
<td>203</td>
<td>231</td>
<td>245</td>
<td></td>
</tr>
<tr>
<td>(vi) Food</td>
<td>293</td>
<td>339</td>
<td>343</td>
<td>316</td>
<td>372</td>
<td></td>
</tr>
<tr>
<td>(vii) Textile, clothing &amp;</td>
<td>473</td>
<td>395</td>
<td>353</td>
<td>344</td>
<td>373</td>
<td></td>
</tr>
<tr>
<td>leather</td>
<td>227</td>
<td>252</td>
<td>249</td>
<td>260</td>
<td>312</td>
<td></td>
</tr>
<tr>
<td>e. Other Exports and Adjustments</td>
<td>-89</td>
<td>-63</td>
<td>-83</td>
<td>-85</td>
<td>-8</td>
<td></td>
</tr>
<tr>
<td>d. Exports to Administered Territories</td>
<td>584</td>
<td>670</td>
<td>660</td>
<td>718</td>
<td>638</td>
<td></td>
</tr>
</tbody>
</table>

#### January - June

<table>
<thead>
<tr>
<th>Year</th>
<th>1984</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. TOTAL EXPORTS OF SERVICES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Transport</td>
<td>4,306</td>
<td>4,662</td>
</tr>
<tr>
<td>b. Tourism</td>
<td>1,350</td>
<td>1,436</td>
</tr>
<tr>
<td>c. Capital Services</td>
<td>1,052</td>
<td>1,485</td>
</tr>
<tr>
<td>d. Other</td>
<td>856</td>
<td>849</td>
</tr>
<tr>
<td>e. Exports to Administered Territories</td>
<td>172</td>
<td>121</td>
</tr>
</tbody>
</table>
### TABLE 4

**Resources and Uses**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Resources and Uses</strong></td>
<td>5.7</td>
<td>2.0</td>
<td>3.9</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross National Product</td>
<td>4.8</td>
<td>-0.4</td>
<td>1.4</td>
<td>-0.3</td>
</tr>
<tr>
<td>Imports</td>
<td>9.9</td>
<td>3.0</td>
<td>6.7</td>
<td>-0.7</td>
</tr>
<tr>
<td><strong>Uses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Consumption</td>
<td>10.8</td>
<td>7.4</td>
<td>7.9</td>
<td>-6.3</td>
</tr>
<tr>
<td>Private Consumption Per Capita</td>
<td>8.8</td>
<td>5.3</td>
<td>5.5</td>
<td>-8.1</td>
</tr>
<tr>
<td>Public Consumption - Total</td>
<td>6.9</td>
<td>-8.1</td>
<td>-5.7</td>
<td>6.8</td>
</tr>
<tr>
<td>Of Which: Civilian</td>
<td>0.9</td>
<td>0.7</td>
<td>0.6</td>
<td>-0.1</td>
</tr>
<tr>
<td>Defense</td>
<td>9.9</td>
<td>-12.3</td>
<td>-9.1</td>
<td>10.9</td>
</tr>
<tr>
<td>Of which: Domestic</td>
<td>2.4</td>
<td>5.3</td>
<td>0.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Total Domestic Public Consumption</td>
<td>1.3</td>
<td>3.1</td>
<td>1.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Investment</td>
<td>-5.7</td>
<td>14.5</td>
<td>10.1</td>
<td>-13.9</td>
</tr>
<tr>
<td>Exports</td>
<td>4.3</td>
<td>-3.2</td>
<td>2.1</td>
<td>14.5</td>
</tr>
</tbody>
</table>

GATT DOC
### Table 5

**Balance of Trade 1980-1985**

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports of Goods</th>
<th>Exports of Goods</th>
<th>Trade Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>7,796</td>
<td>5,799</td>
<td>1,997</td>
</tr>
<tr>
<td>1981</td>
<td>7,847</td>
<td>5,908</td>
<td>1,939</td>
</tr>
<tr>
<td>1982</td>
<td>7,953</td>
<td>5,567</td>
<td>2,386</td>
</tr>
<tr>
<td>1983</td>
<td>8,443</td>
<td>5,541</td>
<td>2,902</td>
</tr>
<tr>
<td>1984</td>
<td>8,033</td>
<td>6,200</td>
<td>1,833</td>
</tr>
<tr>
<td>1985</td>
<td>6,839</td>
<td>6,582</td>
<td>-26.1</td>
</tr>
</tbody>
</table>

**Percentage Change**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>-3.8</td>
</tr>
<tr>
<td>1981</td>
<td>+8.8</td>
</tr>
<tr>
<td>1982</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td></td>
</tr>
</tbody>
</table>