ITALIAN SPECIAL CUSTOMS TREATMENT
FOR CERTAIN LIBYAN PRODUCTS

Report by the Working Party

1. The Working Party has examined the Third Annual Reports submitted by the Governments of Italy and Libya under the Decision of 9 October 1952 and has considered the proposal by the Government of Italy that the Decision should be extended for a further period of three years with certain changes in the schedule of products of Libyan origin admitted into Italian customs territory free of customs duty.

2. The Working Party noted that the Report by the Italian Government on the development of trade under the special customs treatment showed an overall increase in imports of the scheduled products. This expansion of Libyan exports was gratifying provided it did not represent a growing dependence upon the Italian market, which would be a result contrary to the purpose for which the waiver was granted. The Working Party was therefore particularly interested to see, from the Report submitted by the Government of Libya and from the Note prepared by the secretariat, that there had been a general increase in exports to other countries of some scheduled and non-scheduled products, indicating that for those products markets in other countries were being found.

3. In support of the request for an extension of the waiver, the representative of Libya stated that his Government was taking, as shown in its Report, a variety of measures to increase national production and to develop markets for those products which were available for export. The waiver had been operative for only a short period, however, and his Government considered that a continuation of assistance in the Italian market was essential in order that its efforts to develop the country's economy and foreign trade could be effective.
4. Members of the Working Party were sympathetic to the proposal that the waiver should be extended and, in the belief that the grant of special treatment for Libyan products in the Italian market will not cause substantial injury to the trade of other contracting parties, agreed to recommend that the Decision of 9 October 1952 be prolonged until the end of 1958. In examining the Report submitted by the Government of Italy, the Working Party noted that it included statistics of imports into Italy from Libya, but none for imports from other countries. Members considered that statistics of imports from all sources would assist the contracting parties to see the effects of the waiver on their trade, and the representative of Italy, on behalf of his Government undertook to furnish full details of imports of the scheduled products in future annual reports.

5. The Working Party then considered the proposals by Italy and Libya that certain changes should be made in the schedule of products annexed to the Decision. The two Governments proposed the deletion of certain items - wheat, esparto yarn and certain cordage - as there was no trade in these products. Members of the Working Party, particularly the representative of Indonesia drew attention to the fact that there were a number of other scheduled products of which there had been no exports to Italy during the past three years, and enquired whether the Government of Libya would also be prepared to delete these items. The representative of Libya stated that most of these were products of handicrafts which had not yet developed to the point where quantities could be produced for export, but the Government hoped that exportation of these articles would become possible in the near future.

6. The two Governments have proposed that the waiver should be amended by providing for the larger annual tariff quota for olive oil which was approved by the CONTRACTING PARTIES for the year 1955 in their Decision of 17 November 1954. The Government of Libya states in its Report that the olive oil produced in Libya does not yet reach the high standard of quality which is required in the markets for edible oil; the Libyan oil is re-exported from Italy after refining. Therefore the exemption from duty in the Italian market is considered necessary until Libya can offer its own branded oils direct to the world markets. The Working Party agreed to recommend the continuation of the tariff quota for olive oil at the present level.

7. Concerning the request for the addition of three items - fish meal, railway sleepers of eucalyptus and woollen rugs - the representatives of Italy and Libya were asked to furnish statistics of their trade in these products so that members of the Working Party would be able to estimate the benefits to Libya and the effects on the trade of other contracting parties. The information submitted by Italy has been distributed in W.10/23. The representative of Libya advised that there are no exports at present, and he explained his Government's reasons for wishing to include these items. Fish meal for animal feed was being produced as a by-product of a new fish-canning industry and it was essential to its successful establishment that a market for the by-products should be found. The production of railway sleepers had been begun when plans were made for the construction of railways, but with the development of road transport there was no local outlet for this product.
The Government considered that, for several reasons, the development of the timber industry was highly desirable. Woollen rugs, on the other hand, were the product of a handicraft, and to encourage this industry an assured market in the early period of development should be provided. The representative of Libya said that at the present time Italy is the only market available for these three products and that, given the present state of the industries, the products could be sold there only if they were exempt from customs duties. It appeared to members of the Working Party that the secure establishment of these industries would contribute to the development of the Libyan economy. It was agreed, therefore, to recommend that these three items should be added to the schedule of products in the extended waiver.

8. Accordingly, the following draft decision is **recommended** for adoption by the CONTRACTING PARTIES:
ANNEX

EXTENSION OF WAIVER FOR THE APPLICATION BY ITALY OF SPECIAL CUSTOMS TREATMENT TO CERTAIN PRODUCTS OF LIBYA

Decision of November 1955

HAVING RECEIVED a proposal from the Government of Italy, in response to a request by the Government of Libya, for an extension and amendment of the Decision of 9 October 1952 whereby the provisions of paragraph 1 of Article I of the General Agreement were waived, for the period ending 31 December 1955, to the extent necessary to permit the Government of Italy to grant special customs treatment to certain products of Libya;

TAKING NOTE of the assurance by the Government of Libya that efforts are being made to promote economic development and the standard of national production so that Libya will be able to participate in international trade on a normal competitive basis; and

CONSIDERING that the proposed extension and amendment, in view of the nature and volume of the production and trade involved, are not likely to result in substantial injury to the trade of any of the contracting parties;

The CONTRACTING PARTIES, acting pursuant to Article XXV:5(a),

DECIDE that the Decision of 9 October 1952 shall be extended until 31 December 1958, subject to the following changes in the Schedule of Products:

(i) The following items shall be deleted:-

- 92-a Wheat
- ex 691-b-2 Esparto yarn
- ex 715-a-6 Cordage, rope and twine, not reinforced, of esparto;

(ii) The following items shall be added:

<table>
<thead>
<tr>
<th>Italian Customs Tariff Numbers</th>
<th>Description of Products</th>
<th>Annual Tariff Quotas (quintals)</th>
<th>Legal Rates of Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex 205-a</td>
<td>Fish meal</td>
<td>4,000</td>
<td>10%</td>
</tr>
<tr>
<td>ex 531-c</td>
<td>Railway sleepers of eucalyptus</td>
<td>100,000</td>
<td>12% and 18%</td>
</tr>
<tr>
<td>ex 700-c</td>
<td>Woollen rugs, knot-or roll stitched</td>
<td>200</td>
<td>35%</td>
</tr>
</tbody>
</table>

(iii) The annual tariff quota for item ex 139-i, Olive oil, shall be 25,000 quintals; and

DECIDE to review the situation at a session of the CONTRACTING PARTIES in 1958.