1959 CONSULTATIONS UNDER ARTICLE XII:4(b) WITH ITALY

Basic Document prepared by the Secretariat

I. SYSTEM AND METHODS OF THE RESTRICTIONS

Legal Basis of the Restrictions

The import controls and restrictions in Italy are based on two laws, Decree No. 1923 of 14 November 1926, which became Law No. 1495 of 7 July 1927, and Decree No. 476 of 6 June 1956 which became Law No. 786 of 25 July 1956.

Decree No. 1923 of 14 November 1926, which includes the regulations previously in force in respect of import and export prohibitions, contains a list of products subject to import and export prohibition as well as the rules for amendment of that list, the general exceptions, the granting and use of licences, etc.

Subsequently, many other products were added to the above-mentioned list. In 1939 and 1940 (Ministerial Decrees of 28 December 1939 and 15 July 1940) all foreign trade was placed under government control, and a general prohibition of imports and exports was introduced. All import and export operations became subject to prior ministerial licences, which were either granted for individual cases or included in general provisions.

By Decree No. 476 of 6 June 1956, the Italian Government has consolidated the various provisions previously in force regarding currency and foreign exchange and, inter alia, has published new regulations governing the import and export of goods and defining more clearly the extent to which foreign trade is subject to control. Under Article 2, paragraph 1 of that Decree, no import or export of goods may be effected without a ministerial licence.

Administration of the Restrictions

The Ministry of Foreign Trade has general responsibility for external trade relations. Among other offices which exercise control in this field are the Italian Exchange Office (Ufficio Italiano dei Cambi) and the National Institute for Foreign Trade (Instituto Nazionale per il Commercio Estero). The Italian Exchange Office, which was established by Decree No. 331 of 17 May 1945, has the monopoly over exchange transactions and all gold-buying and selling transactions with other countries; in addition, in co-operation with the Bank of Italy and approved banks, it controls and supervises all transactions payable in foreign currency.

The National Institute for Foreign Trade, is responsible, inter alia, for checking the quality of certain imported or exported goods and for coordinating global compensation transactions with certain countries.
Persons who desire to import goods subject to the individual licensing system must submit an application with the necessary supporting documents to the Ministry of Foreign Trade. This Ministry is the competent authority in these matters, but after it has given its approval, the licence, i.e., the administrative document certifying such approval, which must be presented to the customs, together with the other relevant import documents when the goods are entered, is issued by the Ministry of Finance at the request of the Ministry of Foreign Trade and in accordance with that request.

Licences issued by the Ministry of Finance may only be transferred if the goods to be presented at the customs for entry are transferred at the same time (Article 13 of the above-mentioned Decree No. 1923 of 14 November 1926).

Treatment of Imports from Different Sources

Different import control systems apply to imports from: (1) the dollar area, (2) the former EPU area and a few other countries, (3) countries not included in either of the above areas (with the exception of Japan, Uruguay and the Federal Republic of Germany).

(1) Private imports of origin and provenance in the dollar area are free of quantitative restrictions with the exception of goods specified in a schedule (a). The percentage of liberalization was 84.5 (base year: 1958). There is a considerable liberalization of finished industrial goods, as well as semi-finished products and raw material. Imports of commodities from the dollar area not contained in this free list are licensed on an ad hoc basis.

(2) Private imports of origin and provenance in the former EPU area and Afghanistan, Egypt, Ethiopia, Saudi Arabia, Sudan, Thailand and Yemen are also free of quantitative restrictions, with the exception of goods specified in a schedule (b). The percentage of liberalization was 98.5 (base year: 1958). Imports of other goods are admitted in accordance with the terms of bilateral trade agreements or on an ad hoc basis.

(3) There is also a free list for imports from certain countries not in the dollar area or in the former EPU area, with which payments are settled in transferable lire, through clearing accounts or in accordance with the provisions of multilateral payments arrangements. This list applies to Argentina, Brazil, mainland China (and Mongolia), Finland, Iran, Israel, North Korea, Paraguay, Vietnam, Yugoslavia, the Spanish monetary area, the USSR and other Eastern European countries except the German Democratic Republic. In addition, specified imports are admitted from the countries under the "customs" system in accordance with the provisions of bilateral arrangements.

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1 For the purpose of import licensing the dollar area comprises Bolivia, Canada, Chile, Columbia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, South Korea, Lebanon, Liberia, Mexico, Nicaragua, Panama, Peru, the Philippines, French Somaliland, Syria, Taiwan, the United States and dependent territories and Venezuela.
agreements. Under the bilateral trade and payments schemes with Argentina and Brazil, imports of goods of special interest to the export trade of these countries are free. The import of other goods remains subject to individual licensing.

(4) The only countries to which none of the three systems is applied are:
(a) Japan (special schedule under the "customs" system and bilateral trade);
(b) Uruguay (global compensation);
(c) German Democratic Republic (global compensation).

Proportion of Imports covered by each Import Procedure
(in thousand million lire)

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<thead>
<tr>
<th>1956</th>
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<tr>
<td></td>
<td>Per cent</td>
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<td>(1) (2)</td>
<td>(1) (2)</td>
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<td>1. Imports under the &quot;customs system&quot;</td>
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<tr>
<td>(a) OEEC (EPU)</td>
<td>1,261.8</td>
<td>63.7</td>
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<tr>
<td>(b) Dollar area</td>
<td>279.5</td>
<td>14.2</td>
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<td>2. Imports under the &quot;licensing system&quot;</td>
<td></td>
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<tr>
<td>(a) OEEC (EPU)</td>
<td>34.3</td>
<td>1.7</td>
</tr>
<tr>
<td>(b) Dollar area</td>
<td>126.3</td>
<td>6.4</td>
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<td>3. Other countries</td>
<td></td>
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<tr>
<td>(a) &quot;Customs system&quot;</td>
<td>227.8</td>
<td>14.0</td>
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<tr>
<td>(b) &quot;Licensing system&quot;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| | 1,979.7 | 100.0 | 2,265.1 | 100.0 | 1,980.0 | 100.0 |

(1) Of total imports.
(2) Of imports from the area.

Licensing Methods

Imports are subject to two procedures: (1) the customs system and (2) the licensing system.

1. The "customs system" applies to all imports which are covered by general licence. General licences authorize specified imports without limitation of quantity or value subject only to presentation to the customs authorities of a certificate of payment issued upon request by the Bank of Italy or an approved bank. Imports subject to this procedure include those on the three free lists and certain products
from countries with which bilateral trade agreements are in force. This accounts for a total of about 90 per cent of all current private imports. Consequently for a great number of transactions no individual licences are required.

2. All imports included in the above-mentioned free lists or not specially exempted from licensing requirements by bilateral agreements are subject to individual licensing. Such imports are admitted only upon presentation to the customs authorities of a licence and a certificate of payment issued by the Bank of Italy or an approved bank. Procedures and considerations for the issue of licences are as follows:

Individual licences are issued either on an ad hoc basis or within the limits of import quotas established under bilateral trade agreements. The criteria for the issue of individual licences on an ad hoc basis are the essentiality of the goods, their nature and quality, their price and the method of payment, the time-limit for delivery, and the availability of foreign exchange.

When special quotas for goods to be imported into Italy are fixed by a bilateral agreement or a unilateral decision, import licences are issued until the quotas fixed for each product or group of products are exhausted. Applications are examined directly by the Ministry of Foreign Trade on the basis of the following main criteria:

(a) similar transactions in the preceding years;
(b) the importer's field and scope of activity.

A reasonable proportion of such licences is also allocated to new importers on application.

When special quotas are not fixed by bilateral trade agreements, imports may be authorized by inclusion in the "other goods" quotas provided under the same agreements.

Where parts of quotas have to be allocated to a group of commodities not specified by name (e.g. for machine tools), the Ministry of Foreign Trade may obtain the advice of certain technical consultative committees comprising representatives of other ministries and of the various trade associations concerned.

The same procedure is applied for the examination of applications for the import of goods for which it has not been possible to fix a quota.

In exceptional cases, e.g. when import and export transactions could not satisfactorily be effected otherwise, private or global compensatory operations are authorized by the Ministry of Foreign Trade.

Individual licences are valid for six months and may be extended for a further four months. After this ten-month period, the Ministry of Foreign Trade may either, in special cases, grant a further extension, or may grant a new licence for the unused portion of the old licence, in accordance with the criteria followed in granting the original licence.
Individual licences are usually granted about ten days after submission of the application in cases where the latter does not have to be examined by the technical committees; the waiting period is about twenty to twenty-five days when the application has to be submitted to the committees.

An administrative licence fee of 0.5 per cent ad valorem is charged regardless of the system under which the products are imported. This charge represents the approximate cost of the services rendered.

All other charges, with the exception of customs duties, are equivalent to the taxes (production tax, consumption tax, monopoly tax etc.) which are applicable to the same locally-produced product.

The regulations in force (most recent amendment; Law No. 1164 of 10 December 1954) provide for the levy of a State concession tax on the value of special licences issued by the Ministry of Foreign Trade.

Categories of Goods affected

The "restricted" list for imports from the OPEC-area contains about twenty tariff items in the category "food and agricultural products" including, for example: milk and certain milk products, milk cream, concentrated milk and cream, dates, dried figs, grapes and raisins, certain sugar beets, certain molasses, wines, etc.

The restricted list for the category "raw materials" includes sulphur and cork - raw and semi-manufactured.

The restricted list for "manufactured goods" includes, for example, citric acid, raw calcium citrate, penicillin and pharmaceutical products containing penicillin, certain yarns (pure or mixed of manilla hemp and sisal), certain printing machines, motor cars, chassis with motors and motor-cycles (under 170 kilos).

Imports under State Trading

A number of products are imported by the State or by firms to which exclusive or special rights have been granted. In 1958 imports of these products represented approximately 2 per cent of total imports.

Imports of tobacco, tobacco extracts and essences, sea salt, rock salt, marsh or spring salt, phosphorus, sulphide of phosphorus, nicotine and its salts, mechanical lighters, matches and flints are subject to State trading for revenue purposes. Imports of quinine are reserved for State trading in order to ensure adequate supplies at equitable prices. Imports of these products are effected by the State Monopoly Administration.

The import of bananas is reserved to the State Banana Monopoly principally for the purpose of providing an assured market for Somali bananas, in connexion with Italy's trusteeship responsibilities. The State Banana Monopoly also imports bananas from other sources.

Gold and its alloys, including platinized gold are also subject to a State monopoly.
Wheat and wheat flour are imported by the State, having regard to the structure of the domestic market.

As a rule, for goods reserved for State trading, the choice of a foreign supplier is determined by factors of a commercial nature.

**Measures taken in Preceding Years to Relax Restrictions**

Imports into Italy from OEEC countries have been liberalized since October 1951 when by Ministerial Circular No. 225565 quantitative restrictions applied to those countries were almost entirely removed.

The first extensive liberalization measures applicable to imports from the dollar area were adopted by Italy in 1954. On 10 August of that year a new dollar free list covering seventy-five tariff items came into force which, together with the sixty-four items which had already been liberalized, covered 24 per cent of Italian private imports from the dollar area (reference year: 1953).

Another important step towards the liberalization of imports from the dollar area was made in April 1956, when the percentage of liberalization was raised from 24 to approximately 40 per cent, calculated on the basis of imports from the United States and Canada in 1953. Further liberalization measures adopted in June 1957 and in May 1959 brought the liberalization percentage vis-à-vis the dollar area to about 84.5 per cent (base year: 1958).

**II. EFFECTS OF RESTRICTIONS**

(A statement to be supplied by the Italian Government, which will be distributed separately, will show the effects of restrictions.)

**ANNEXES**

(Certain lists of products are to be circulated when received from the Italian Government.)