

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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ITALY - IMPORT DEPOSIT

Statement by the Representative of the European
Communities at the meeting of the Working Party
on 7 June 1974

At the meeting of the GATT Council in May 1974 which took up the question of the import deposit, the Communities reminded the Council that the Treaty of Rome contains provisions regarding balance-of-payments difficulties similar to those which Italy is encountering, and they pointed out that the various procedures and provisions prescribed in the Treaty would come into play in the case of the prior deposit imposed by Italy. The bodies of the Communities have in fact considered this question and taken decisions, in particular under Article 108 of the Treaty of Rome, which is applicable where a Member State encounters difficulties as regards its balance of payments that result from an overall disequilibrium of its balance and that are likely to prejudice the functioning of the Communities. Having regard to the figures which the Italian delegation has just cited, the authorities of the Communities felt that a marked deterioration had occurred in Italy's balance of payments, and that such a development could not be tolerated. They considered the deposit to be an appropriate measure in the framework of the totality of arrangements that Italy had made, and accordingly they defined the conditions and modalities applicable to the deposit in conformity with Article 108, paragraph 3, of the Treaty. More recently the Council of the Communities expressed its sympathetic understanding of the difficulties confronting Italy and took note of the willingness of Member States to provide, on a Community basis, effective co-operation, with the object of overcoming the problems facing the Member State in question.

It follows from what we have just said that the trade measure applied by Italy to safeguard its balance of payments is henceforth a trade measure of the Communities, and it is on that ground that the Communities are intervening. The Communities believe that the prior deposit is being applied consistently with the spirit of Article XII. The particulars that have been submitted regarding the various items in the balance of payments, including the important item concerning the trade balance, lead the Communities to recognize that there exists a balance-of-payments difficulty within the meaning of Article XII and to conclude that application of quantitative restrictions

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would be justified. The Communities are of the opinion that the device of a prior deposit, though not expressly prescribed in existing provisions of the General Agreement, is not more restrictive than the device of quantitative restrictions, which Italy would be justified in applying in this particular case. Furthermore, the measures specifically applied are less restrictive than those that could have been applied under Article XII, taking account of the grave balance-of-payments difficulties. As the Italian representative has pointed out, the prior deposit is a measure that is applied without distinction as regards the origin of products, although that does not mean that the Communities regard themselves as bound to accept that principle, in view of the provisions of Article XXIV.

In accordance with the provisions of Article XII, in particular paragraph 2(b), the prior deposit will be relaxed as the balance-of-payments position improves and will be abolished as soon as the balance of the account no longer justifies its maintenance.