

Italy's Tariff Agreements at Torquay

by

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The Customs Tariff Conference held at Torquay during the seven months from 28 September 1950 to 21 April, 1951, was in some ways more complex and laborious than the three preceding ones held at Havana, Geneva (1947) and Annecy (1949).

First of all the Torquay Conference was larger: 39 participants as against 32 at Annecy and 23 at Geneva and Havana. The tariff negotiations were conducted not only, as at Annecy, between the two opposite blocks of countries adhering to the GATT and of countries desirous of joining it (and between the several countries of this second group), but also between the several countries already participating in GATT and signatories of the Annecy protocols. 147 tariff agreements were stipulated at Torquay as against 123 at Annecy and 123 at Geneva. As is known, the Havana Conference was a preparatory one and did not lead to tariff agreements.

But the complex nature of the Torquay negotiations arose above all from the agenda of the Conference which included various items dealing with « questions of principle », and problems of an « extraordinary » character, bristling with difficulties: the claim for the abolition of the « discriminatory » measures in force in the British Commonwealth against imports from the dollar area; requests for one-sided tariff reductions presented by low tariff countries to the high tariff ones; the proposed establishment of a Committee and a Secretariate of a permanent character with fairly wide deliberative powers not subject to the « sword of Damocles » in the shape of ratifications, etc.

The more binding and conclusive debates were those dealing with the obligation not to amend or withdraw for a given period the tariff concessions granted, without « equivalent compensation ». This obligation, already in force for the concessions made under the previous negotiations, expired when the Conference had started (Dec. 31, 1950); the matter to be settled was therefore that of renewing it for another three years (until Dec. 31, 1953) and extending its validity to the tariff concessions to be considered at Tor-

quay. This, of course, made the several Delegations very cautious both in granting new concessions and in « consolidating » those already granted under previous protocols, many of which were re-examined, or withdrawn, or amended.

The success obtained by the Torquay Conference consists in the fact that: *a*) it has consolidated the tariff concessions for a further period of three years, after ironing out the many questions of compensation arising from the withdrawals and the amendments of the rates already agreed on; *b*) in spite of all difficulties, fair progress was made in the lowering of customs barriers. Indeed, the concessions granted at Torquay are numerically twice as many as those arranged at Annecy.

After the signature of the « Final Act », which took place in due official form on April 21, 1951, the long process of ratifying the « Torquay Protocol » now has to be completed. The Protocol contains the list of the duties reduced or « consolidated » by the several countries during the negotiations. It will be held open at the head-quarters of the U.N.O. for the signatures of the several countries from May 7 till October 20, 1951, during which period the several Parliaments will have to enact the ratification laws and authorize its signature. The date fixed for the Protocol to take effect — and with it the annexed multilateral tariff conventions — is the thirtieth day from the date of signature. The limit fixed for the enforcement of the agreements in the several countries, including Italy, is therefore November 20, 1951.

Italy stipulated fourteen agreements at Torquay of which eight with other contracting Parties (Benelux, Canada, Denmark, Norway, Pakistan, South Rhodesia, the United States, Sweden) and six with the new member countries (Austria, the Philippines, Germany, Peru, Turkey, Uruguay).

The agreements of widest importance are those with Germany and Austria. Those stipulated with the

United States and Canada are important also, even if of limited scope; nor could it have been otherwise, as they represent the completion of the Annecy agreements. The other agreements are of less significance, either because they merely complete those of Annecy, or because they are with countries with whom Italy's commercial relations are naturally limited.

Strictly speaking, to appreciate the bearing of these agreements it would be necessary to consider the reciprocal equivalence of the concessions given and of those obtained, and, therefore, to appraise the importance of each single concession; but this could be done only approximately even by the most experienced experts in trade and market relations.

The problem is yet more complex, for to ascertain the importance of any of the concessions granted by Italy, the present situation as regards the application of the Italian customs tariff has to be borne in mind. That tariff came into force in July 1950 but was applied with some attenuations in a first period, attenuations fully justified by the need of facilitating the transition from the previous tariff based on flat charges practically consisting in a 10% *ad valorem* licence duty (levied also on many raw materials), to the new complicated system of *ad valorem* duties differentiated according to the degree in which the dutiable goods are processed. During this transition period, whose duration was originally fixed at 12 months, *i. e.* until July 1951, Italy, traditionally faithful to a two column tariff (general and conventional) has now had recourse to an intermediate system which provides for the application of a large portion of the conventional duties stipulated at Annecy and of those arising from the provisional application of the Italo-Swiss *Avenant* of July 14, 1950. In the case of all the other items not the subject of conventions, she has not applied the duties of the general tariff but has reduced them appropriately by using a special formula.

If, on the other hand, the concessions received in exchange are considered, it should be noted that an important ratio, *i. e.* those granted by Austria and Germany, are of a special description owing to the fact that Germany came to Torquay with the draft of a new customs tariff, and Austria, though negotiating on the basis of a tariff already in force, has nevertheless introduced attenuating measures of a provisional nature for many items.

Thus, a notable number of the concessions granted by Italy and obtained by her, do not refer to the duties actually applied, and therefore the general appraisal of the bearing of these concessions may present special difficulties.

Nevertheless, an appreciation of the situation as a whole leads to the following general conclusions.

The Tariff Concessions Granted by Italy.

If we add to the 990 duties agreed on at Torquay the 950 of Annecy, the 420 duties agreed on with Switzerland (*Avenant*, July 14, 1950), and the few duties agreed on with France (Agreement of March 7, 1950) we may say that Italy has now almost completed the compilation of her so-called « conventional » tariff.

Of the 5,200 duties of the general tariff, more than 2,400 are in the « conventional » tariff, and it has been reckoned that these cover about two thirds of the normal total of Italy's imports.

Thus, practically speaking, the necessary premises have been provided which will make it possible to pass, as soon as it will be possible, from the stage of the preliminary to that of the definitive application of the customs tariff, after taking the necessary steps for the coordination of the duties not covered by conventions.

As is known, all the duties agreed on under the various bilateral agreements stipulated at Torquay, were summed up in a single list at the close of the Conference. This list includes, in addition to the 990 duties agreed on as a result of bilateral negotiations, 150 others arising from the amendments of the duties already agreed on at Annecy.

Of the 990 aforesaid duties, about two thirds are the result of the Italo-German agreement, and most of the remaining third arise from the agreements with Austria, the United States and Benelux, while the agreements stipulated with the other ten countries provide for a limited number of Italian concessions.

The concessions granted have been classified in *Table I* under the several commodity heads to which they refer, and according to the size of the reduction as compared to the general duties or to the duties previously agreed on.

Better to appraise the data contained in the Table, it should be borne in mind that most of the concessions on duties included in the Sections from VI to XX refer to finished products and a few semi-manufactures, on which the general duties average around 25-35% *ad valorem*. This will help to appreciate the bearing of the reductions until 5 points and from 5 to 10 points of the general duty.

With special reference to the numerical distribution of the concessions over the several sections of the tariff (column 1) it should be noted that the greater part refer to Sections XV, XVI and VI. During the Annecy negotiations these three sections gave rise only to very limited negotiations because they referred mainly to trade with Germany (works in common metals, machines, and chemical products) who was then absent.

The largest contribution to the consolidation of general duties (column 2) has been made by Sections XV and VI, covering respectively cutlery and kindred goods and some organic chemicals.

The largest number of concessions are listed in column No. 4 (concessions of small size: 5 points or less, on general duties ranging from 25 to 35 per cent.) and in column No. 5 (concessions of more importance: ranging from 6 to 10 points, most of which are found in Sections XV, XVI, and XVIII relating to works

importance granted are those relating to ceramics, glass-ware, and some cutlery articles and steel products, on all of which the general duties were considerably above 30%.

In the case of Sections XVI, XVII and XVIII also the important duty reductions relate to products on which the level of the duties in the general tariff is high (mostly 40% and more). Such are Diesel engines, pumps, electric appliances for domestic use, accessories for motor-vehicles, tractors, spare parts of

TARIFF CONCESSIONS GRANTED BY ITALY AT TORQUAY
(Classified According to Size of Reduction)

TABLE I

Tariff Sections	Number of Concessions	«Consolidations» of general duties	«Consolidations» of «conventional» duties	Reductions of general duties (until 5 points)	Reductions of general duties (from 6 to 10 points)	Reductions of general duties (beyond 10 points)	Reductions of «conventional» duties
I Live animals and animal products	12	—	—	3	—	7	2
II Vegetal products	29	17	2	7	—	—	3
III Fats, oils, etc.	4	—	1	1	—	—	2
IV Food products	11	—	1	3	2	1	4
V Mineral products	6	3	1	1	—	—	1
VI Chemical products	105	14	—	57	18	8	8
VII Hides and Skins, Furs, etc.	70	1	—	56	11	2	—
VIII Synthetic plastics, Indiarubber	11	4	—	5	1	1	—
IX Timber, Cork, etc.	35	—	—	24	7	2	1
X Paper, etc.	46	6	—	32	7	1	—
XI Textiles and manufactures	33	4	3	13	12	1	—
XII Footwear, Hats, etc.	15	6	—	7	1	1	—
XIII Stone, Pottery, Glass-Ware manufactures, etc.	55	4	—	5	10	26	10
XIV Pearls, Precious Stones, etc.	1	—	—	—	—	—	1
XV Common Metals and manufactures	223	26	2	72	101	18	4
XVI Machines and Apparatus	219	6	2	37	81	78	15
XVII Rolling Stock	18	1	—	2	1	12	2
XVIII Scientific Instruments	69	3	—	6	41	19	—
XIX Arms and Munitions	28	—	—	10	13	3	2
XX Inlay Material Works	—	—	—	—	—	—	—
XXI Objects of Art and for Collections	—	—	—	—	—	—	—
<i>Total</i>	989	95	12	341	306	180	55

in common metals, machines, and scientific instruments and apparatus).

Special attention should be called to the data contained in Column 6, showing the concessions that make the largest reductions on the general duties. In Section I there are 7 duties reduced from the general rates of 45% and 25% to 11% (dead poultry, eggs and cheese from Denmark). In Section VI there are 8 organic chemical products on which the general duty is considerably higher than the average, and therefore the reductions granted, even though marked, have not seriously reduced the level of protection considered necessary.

In Section XIII and XV the reductions of most

bicycles, instruments for land-surveyors, measuring instruments, etc.

Lastly, we find in Column 7 a list of some fifty cases in which it has been deemed advisable to reduce duties that had previously been agreed on; but in most cases the reductions are small.

Above all, the data given in Table I enable us to form a general opinion on those lines of production with which the negotiations dealt more particularly

In the case of Table II, the endeavour has been to define the reduction of the level of the duties brought about by the concessions made.

The percentage given in the last column of Table II shows the average reduction made on the duties

of the negotiated items. The conclusions to be drawn from the said percentages should be very prudent as account must be taken of the number of the concessions granted under each section of the tariff and of their «weight» in the corresponding volume of the import trade.

On the average, it may roughly be said that the 989 general duties have been reduced by 26% (passing from an average of 29.7% to one of 21.4%). Though a comparison with Annecy cannot be strictly

more numerous than those granted at Annecy (mainly because of the agreement with Germany whose exports traditionally cover a wide range of products), they were contained nevertheless within reasonable limits, and that the sectors in which the reductions were most marked are those in which the general tariff had been criticised for the high rates (1).

It is more difficult to express an opinion of a general kind on the short-dated reactions that the application of the new agreed duties are likely to produce

REDUCTION OF TARIFF LEVEL FOR THE ITEMS NEGOTIATED AT TORQUAY (*)

TABLE II

Tariff Sections	Average general duty ad valorem (a) %	Average «conventional» duty ad valorem (b) %	Percentage reduction
I Live animals and animal products	34.50	16.60	52
II Vegetal products	15.47	12.19	21
III Fats, oils, etc.	26 —	18.40	29
IV Food products	31 —	21.60	30
V Mineral products	10.60	9 —	15
VI Chemical products	28.95	22.99	21
VII Hides and Skins, Furs, etc.	25.68	21.42	16
VIII Synthetic plastics, Indiarubber	27.77	21.88	21
IX Timber, Cork, etc.	22.85	17.41	24
X Paper, etc.	25.58	21.21	17
XI Textiles and manufactures	27.03	20.93	23
XII Footwear, Hats, etc.	21.40	18.53	13
XIII Stone, Pottery, Glass-Ware manufactures, etc.	42.45	28.75	32
XIV Pearls, Precious Stones, etc.	35 —	25 —	29
XV Common Metals and manufactures	31.86	24.80	22
XVI Machines and Apparatus	35.75	24.34	32
XVII Rolling Stock	53.61	31.66	41
XVIII Scientific Instruments	34.92	25.08	28
XIX Arms and Munitions	35.18	26.14	26
XX Inlay Material Works	—	—	—
XXI Objects of Art and for Collections	—	—	—
	29.76	21.46	25.8

(*) The calculations have been made without taking into account the «ex», i.e. those concessions referring only to an unimportant part of the products that are classified in the negotiated «sub-items».

(a) Average of the general duties of the negotiated items.

(b) Average of the «conventional» duties reduced at Torquay.

accurate because of the different nature of the products mainly dealt with in the two tariff sessions, yet it can be said that the average percentage reduction of agreed duties at Annecy was more marked. It was indeed reckoned at 28.57%.

More interest attaches, of course, to the partial percentage figures. Table III would show that the Sections of the Tariff in which the reductions have been most marked are those relating to animal products (52%), rolling stock (41%), machinery (32%), pottery and glass-ware (32%).

In substance, we are led to the conclusion that though the concessions granted at Torquay were

on Italian foreign trade. Several phenomena of an exceptional nature have indeed accumulated in the course of a few months. In the first place, towards the end of the first half of 1950 the imports of certain goods were forced up, in view of the enforcement of the new tariff. In the second place, the liberalisation of European trade coincided with the coming into force of the new tariff on the basis of a special provisional formula reducing rates for many items. Lastly, in the second half of 1950 the change in the interna-

(1) The importance of the concessions granted cumulatively at Annecy and Torquay is shown in Table III.

tional political situation undoubtedly reacted on the trade in many commodities. It would be risky indeed to expect to arrive at a reliable appraisal on the basis of statistical data affected by such abnormal factors.

sion that the agreements stipulated may be more or less unfavourable to her. Indeed, Italy has a highly discriminated tariff, while the export interests she has to safeguard by obtaining reduced duties are generally centralized on a small number of commodities; more-

TABLE III
REDUCTIONS OF TARIFF LEVEL FOR THE ITEMS NEGOTIATED AT ANNECY AND TORQUAY (a)

Tariff Sections	Average general duty <i>ad valorem</i> %	Average «conventional» duty <i>ad valorem</i> %	Percentage reduction
I Live animals and animal products	24.17	14.86	38.52
II Vegetal products	20.40	14.52	28.83
III Fats, oils, etc.	17.75	13.81	22.20
IV Food products	33.65	20.23	39.89
V Mineral products	8.29	6.11	26.30
VI Chemical products	27.98	21.60	22.81
VII Hides and Skins, Furs, etc.	23.80	19.66	17.40
VIII Synthetic plastics, Indiarubber	29.66	31.37	27.95
IX Timber, Cork, etc.	22.73	16.70	26.53
X Paper, etc.	24.36	20.16	17.25
XI Textiles and manufactures	24.37	18.65	23.48
XII Footwear, Hats, etc.	21.40	18.53	13 —
XIII Stone, Pottery, Glass-Ware manufactures, etc.	42.66	27.79	34.86
XIV Pearls, Precious Stones, etc.	5.22	4.11	21.27
XV Common Metals and manufactures	29.43	21.91	25.56
XVI Machines and Apparatus	35.39	23.16	34.56
XVII Rolling Stock	53.28	31.40	41.07
XVIII Scientific Instruments	36 —	25.18	30.06
XIX Arms and munitions	55 —	35 —	36.37
XX Inlay Material Works	33.33	24.75	25.74
XXI Objects of Art and for Collections	—	—	—
	28.44	20.47	27.68

(a) The calculations in Table III have been made according to the criteria outlined in the foot-note of Table II. The same rule has been followed in making the calculation that has led to fixing at 28.57% the percentage reduction of the level of the customs' tariff for the items agreed on at Annecy.

The Tariff Concessions Granted to Italy.

So far, we have been speaking of the concessions made by Italy. We must now give a glance at the concessions she has obtained in return. And here we must premise our remarks by a general consideration. The concessions obtained can be catalogued by number and average percentages and compared with the respective data for the concessions granted, but caution must be used in drawing conclusions from such a balance-sheet. In so doing we must bear in mind the diverse structure of the tariff of the countries with whom Italy negotiated, the different level of their duties, and the special composition of Italian export trade. The fact that Italy has made more numerous concessions than she has obtained, or that the percentage reduction of Italian duties has been higher than those obtained in return, does not justify the conclu-

over, when she is dealing with a country whose customs' tariff provides for a moderate level of duties, the fact that she secures duty consolidation or moderate reductions, may represent an important gain.

Substantially, the more important concessions obtained at Torquay are those relating to Germany, Austria, and the United States.

The negotiations with West Germany have been characterized by the fact that that country has discussed on the basis of a customs draft differing substantially from the old pre-war one, both in the matter of nomenclature (revised according to the international project of the Study Group for a European Customs Union) and in the nature of the duties, which are *ad valorem* instead of specific as in the old tariff. On the basis of this draft, now before the West German parliament for adoption, Germany stipulated 21 agreements with the countries participating in the Torquay

Conference, reducing or consolidating 1290 duties, being a high percentage of the total, of which 192 by direct agreements with Italy. Of these, some 120 duties refer to fresh fruit and vegetables, to other farm products, wines, alcoholic beverages, and certain products of the food industries. The other duties relate to industrial products, more especially textiles and clothing, auto-vehicles etc. On the whole, and with reference to 1950 exports, about 60% of Italian exports to West Germany are covered by these direct concessions, but the percentage is higher when indirect concessions are taken into account, arising from the extension to Italy of the concessions granted to other countries. If the direct concessions obtained by Italy are numerically less than one third of those granted to Germany with whom Italy has agreed on nearly 700 duties, on the other hand the percentage of the value of exports covered is considerably larger in the case of Italy than in that of Germany. But this depends on the traditional structure of the trade between the two countries and on the fact that 40-50% of the value of German exports to Italy is accounted for by coal and raw materials.

Austria has granted 115 direct concessions out of a total of 515 granted under the 21 agreements she stipulated at Torquay. Here again, the Italian exports

belong to almost the same classes as those considered by the Italo-German agreement with which the agreement with Austria has other features in common, *i. e.* the high percentage of the items of Italian exports covered by the agreement, and the moderate percentage of our imports from Austria for which concessions have been made, depending mainly on the different nature of the two trade currents. Anyhow, in the case of Austria also it is difficult to appraise the value of the Austrian concessions as most of the Austrian duties dealt with are not now applied in full.

On the whole, the two agreements stipulated with West Germany and Austria afford a basis for the regulation of the trade exchanges with those countries, a basis badly needed, as the former treaties, which had disciplined the reciprocal customs relations during the interval between the two world wars, had lapsed.

Special importance attaches to the concessions obtained on the basis of the agreement with the United States if we bear in mind that it completes the arrangements made at Annecy and is therefore of rather limited scope. Nevertheless, the new concessions obtained, some of which secure appreciable reductions when referred to the high general level of the duties, cover about 11% of the value of Italian exports to the United States in 1950.