

Export Incentive Measures in Italy

Italy has been one of the last European countries since the war to adopt a policy of export incentives. Up till 1952 indeed Italy used to insist, especially within O.E.E.C., on the need for international cooperation and non-discrimination (1). But the sharpening of international competition, and the increased adoption of special incentives to promote their export trade by other countries, have compelled even Italian Government during the last few years to adopt a minimum of direct or indirect measures in that sense. These measures fall under the three well-known heads of export credit guaranties, tax alleviation or exemption, special credit facilities.

1. - Insurance of Special Credit Risks.

Export credit guaranties in Italy dates from Royal Decree Law No. 1046 of 2nd June, 1927. This 1927 legislation operated only up to the eve of the war, and was in cold storage from then until 1953. Its place was taken by a new Law No. 955 of 22nd December, 1953, the main principles of which may be outlined in the following points:

(a) *Insurable Credits.* The only credits which can be insured by Government guarantee are those arising from « special supplies ». Neither the Law nor the Regulation issued under the Law and approved by Presidential Decree No. 72 of 22nd March, 1954 have defined what « special supplies » are. It may however be assumed, in view of the criteria on which the Law was based, that « special supplies » mean principally exports of producers' goods with an extended period

(1) See in this connection the article *The Crisis in the Italian Balance of Trade*, in the « Banca Nazionale del Lavoro Quarterly Review », No. 24, January-March, 1953.

for payment. In practice the term can also include certain consumer goods, provided that they are of substantial quantity and value.

All decisions as to whether a given export can or cannot be regarded as a « special supply » are taken by a Committee which was set up under the Law for the purpose of keeping a general watch on the whole system of Government export insurance (2).

(b) *Delayed payments.* The Law does not apply to short-term credits but only to those at medium term, where the degree of risk would not have allowed the exporter to compete effectively enough with suppliers in other countries. The lack of insurance for short-term credits is a gap in the Italian system as compared with those of other countries such as the United Kingdom, France and Germany. The Law however does not fix any minimum period for payment; it fixes only a maximum of four years to run from the time when the goods are shipped for export. In the case of items requiring a long period for manufacture (e.g. ships) in the course of which instalments are normally paid, the maximum four-year period may run from each of the contractual instalment dates. In exceptional cases the Committee may also propose to the Ministry of the Treasury to give a Government guarantee for business where payment is spread over more than four years.

(c) *Insurable risks.* The Government guarantee applies only to « special risks »:

(2) In practice « special supplies » have mostly been taken to mean shipments of producers' goods, and only occasionally of consumer goods. Typical examples are ships, and complete plants for the production of cellulose, and so on. As to the size of the enterprises benefiting, those of medium and small size in industry have hitherto benefited very little from the arrangements made.

that it to say, the Law leaves to private insurance companies the wide field of guarantees for normal trade risks. In exceptional cases the Government may indeed make the grant of its guarantee depend in the normal credit risks being fully covered by the exporter (Section 10 of Law No. 955 of 23rd December, 1953). Previously, under the Royal Decree of 14th October, 1932 and Royal Decree Law No. 2069 of 2nd December, 1934, which are no longer in force, reinsurance by the Government of ordinary credit risks was permitted. It would have been desirable to revive this system, which affords a wider margin of safety and which is in force in a number of countries including the United Kingdom, Belgium, the Netherlands and Germany. The Law classifies « special risks » as follows:

— *Political and catastrophe risks* including those of war, revolution, civil disturbance, earthquakes, floods and the like which render the foreign debtor insolvent or merely delay payment of the credit. In such cases the exporter who has suffered damage is entitled to a first partial compensation after 6 months have elapsed from maturity of the unpaid claim, to a second payment after 9 months, and to payment of the balance of the insured sum after 12 months. He is however required to prove not only that the event or events covered by the insurance did occur, but also that he has done all that he could to recover his credit.

— *Risk of general moratorium*, whether ordered by the Government of the importing country or by that of another country through which payment has to be made (for example by the United Kingdom in the case of a sterling credit on another country in the sterling area).

— *Risk of stoppage or cancellation of the order.* This may result either from political or catastrophic events of the kind described above or from an order by the Italian Government forbidding delivery of the goods. The insurance against this risk is the only one which extends to cover the phase of processing and manufacture. Italian legislation does not

for example provide other forms of cover against pre-export risks such as the risk that prices may rise, or that loss may result from investigations and publicity campaigns in foreign markets, in the way followed by other countries like the United Kingdom and France.

The exporter who has suffered damage may apply for compensation 12 months after the date when the order was stopped or cancelled. For calculating the compensation account is of course taken of the materials remaining available to the exporter. As will be seen later, the premium for insuring this risk is extremely low.

— *Risk of non-transfer or delayed transfer of foreign exchange.* This is undoubtedly the most important type of risk covered by our system. The guarantee covers the exporter against unforeseen exchange difficulties (for instance lack of funds on clearing accounts, temporary blocking of accounts, or termination of payment agreements) which may prevent him from obtaining sums duly paid by the foreign debtor within the latter's country. The delay in this case must be at least 12 months from the date on which the foreign debtor effected payment.

The granting of the Government guarantee against this contingency, which in view of existing international payment conditions is the one that most frequently arises, has been made subject by the Law to special safeguards in cases where the goods are exported to countries having inconvertible or untransferable currencies (3). In such cases the exporter must provide documentary evidence that the Government of the importing country: 1) previously authorised the transaction; 2) undertook in

(3) It is the function of the *Direzione Generale delle Valute* (Directorate General of Currencies) in the Ministry for Foreign Trade to tell the Government insurance institution from time to time which are the countries to be regarded as having transferable currencies. These are at present deemed to be all the member countries of E.P.U. with their respective currency areas; the United Kingdom and countries in the sterling area such as Australia, India and New Zealand; and countries in the British « transferable account area » which are regarded by the Italian exchange control as ranking with the sterling countries, such as Afghanistan, Eritrea, the Sudan, Ethiopia, Thailand and the Yemen.

advance an engagement to permit transfer to the Italian supplies of the amount of his credit, with interest and incidental expenses, through the accounts governed by agreements between the two countries and with proper priority according to the payments made by the foreign debtor; 3) undertook, in case no payments agreement should be any longer in force between Italy and the importing country on maturity of the credit, not to limit the possibility of spending in exportable goods any sums received by the creditor (4).

Apart from these safeguards the Law does not discriminate between geographical or currency areas. Both in principle and in practice the benefit of the Government guarantee can be accorded, without discrimination, to exports to any foreign market or country (5). Nor is any distinction made between private and governmental buyers. This is perhaps a gap in the present regulations, leaving room for possible doubt as to whether a given export does or does not qualify for compensation in respect of the exchange transfer risk. The point is that where the buyer is a foreign Government and fails to pay on maturity, it is difficult to establish whether this is a case of insolvency or of real failure to transfer to the Italian supplier, in which latter event the supplier would at once be entitled to compensation. The Law is not clear on this point: it does not admit that where the buyer is a governmental institution, the guarantee could cover any failure to pay.

The cover for all the risks mentioned above is given by a single insurance or reinsurance policy (6) issued by the National Insurance Institution (*Istituto Nazionale Assi-*

(4) It has been established by statistics that in international trade more than 50% of the losses on export credits are due to what may be called « currency causes », for instance the risk of freezing and the exchange risk, and that only a very small proportion result from insolvency of the foreign debtor.

(5) Some foreign legislations, for instance those of France and the United Kingdom, accord the guarantee only to exports going to specified markets.

(6) Section 1 of the Law provides that I.N.A. may undertake the guarantee also in cases where the primary insurance has been undertaken by private companies. This amounts to reinsurance.

curazioni, INA). The insured has no option as to the risk against which he wishes to be covered; cover is normally given to him for all the risks to which the Law applies. There would in fact be no advantage for the exporter in having cover against certain risks only since, as will be seen, there is only a single premium (apart from the risk of stoppage or cancellation of order, for which a special premium is fixed).

For the cover to be effective, it is an essential condition that the credit shall have been made « liquid », in the sense of being precisely determined as to its amount and not disputed as to its basis, in one of the ways specified in Section 1 of the Regulation embodied in Presidential Decree No. 172 of 22nd March, 1954 (7).

(d) *Proportion of credit guaranteed by the Government.* The maximum which the Government may guarantee is 70% of the value of the credits (and not of the value of the goods supplied). The remaining 30% ought in theory to be carried by the exporter, to the extent of at least a half; the other half may be insured by authorised insurance companies. In practice, since the Italian insurance companies will not cover the special political, catastrophe and exchange risks, the maximum cover on which the exporter can reckon on is 70%. This proportion is thought to be too low, especially when compared with the 90% available in France, Germany and the United Kingdom (8). In regard to the cover limit

(7) These are: (a) through delivery of foreign Treasury Bills or similar securities; (b) through delivery of bills of exchange; (c) by the issue of drafts; (d) by the giving of a written declaration acknowledging the debt; (e) or in any other way recognised as valid by the terms of the contract for sale of the goods.

(8) The following is a practical example. Suppose a contract is made to provide a « special supply » for £ 1,000,000 sterling, and that it has been agreed that 10% shall be paid in advance on signature of the contract; 20% on delivery of the goods against simple presentation of shipping documents to a bank; and the balance of 70% on bills of exchange maturing four years after delivery of the goods. The credit granted by the Italian exporter to the foreign importer will then amount to £ 700,000. Of this amount the Italian exporter will carry a 15% risk quota of £ 105,000; a further 15% or £ 105,000

the Law again makes no distinction between private and governmental buyers.

The « ceiling » for the total export guarantees which may be granted by the Government is fixed each year when the budget is approved. For the last three financial years, 1953-54, 1954-55 and 1955-56, the limits were fixed at 30, 30 and 50 billion lire respectively; of these amounts only a small proportion has been taken for definitive transactions, or for prospective guarantees of business in course of being arranged (see page 64).

(e) *Currency in which the guarantee is given-Exchange risk.* The guarantee is given in the same currency in which the insured credit is expressed (Section 4 of Law No. 955). In practice this means that the exporter will be paid a sum in Italian lire representing the countervalue, at the rate of exchange on the day of payment, of the foreign currency due to him. The risk of variation in the rate therefore falls entirely on the exporter.

The failure to cover the exchange risk has given rise to some criticism. It must however be remembered that, while the exporter bears the loss on any fall in the rate, he also gains the benefit of any rise. Since moreover the contract most frequently provides that payment for the goods shall be in dollars or sterling, the risk of loss in lire is greatly reduced.

(f) *Insurance premiums.* The rates of premium charged for insurance with the Government guarantee are rather low. They are fixed according to special criteria, somewhat different from those adopted by other countries, and are based on the desire to add as little as possible to the cost of the goods exported.

In the first place a Ministerial Decree fixed lower and upper limits for insurance and reinsurance premiums applying to all transactions. At present the limits are respectively 0.20%

can be insured through private companies, or alternatively this amount also will be carried by the exporter; and the remaining balance of 70% or £ 490,000 will be covered by the Government guarantee.

and 2.50% per annum on the sum insured. Between these limits, although the upper one is very rarely applied and may be regarded as somewhat theoretical, the Committee fixes on each occasion the rate of premium to be applied to every contract. The rate of course varies according to the chief features of the credit, that is the period covered, the currency area to which the goods are going, the terms of payment and so forth. There is a single rate of premium if the credit matures at a single date; otherwise differing rates are applied which of course rise according to the various periods to maturity.

As already mentioned, there is a single rate of premium for all the special political, catastrophe and exchange risks that are covered other than the risk of stoppage or cancellation of the order. To this latter risk, in view of its special characteristics, a premium ranging from 0.10% to 0.30% of the insured sum is applied per annum. In exceptional cases were credit risks are covered for periods of more than four years, the rate of premium may be very slightly raised by an amount ranging from 0.05 to 0.50 lire for each year in excess of four.

Like the guarantee, the premium is in terms of the currency in which the credit is expressed, but is paid in Italian lire at the rate of exchange ruling on the date of payment. The premiums are exempt from the insurance tax, but are subject to turnover tax (*imposta generale nell'entrata, I.G.E.*) on 40% of their amount. All the documents made out in connection with the insurance contract are exempt from stamp and registration duties.

(g) *Operation of the Government insurance.* To watch over the system of governmental export credit guarantees there is a technical-administrative Committee comprising representatives of various Ministries (Treasury, Foreign Trade, Industry and Commerce, Agriculture and others) experts in matters of insurance and credit. The Committee has full powers in deciding about applications for insurance put forward by exporters. In particular the Committee shall decide as to: 1) the

general and special terms of the policy; 2) acceptance of the risks on each transaction, after it has been established that this is in fact in respect of a « special supply »; 3) the maximum duration of the insurance cover; 4) the extent of the cover (as already stated, the Government's share of the risk may be anything up to 70%, that proportion being generally in fact undertaken); 5) the rate of premium to be applied; 6) any other special condition to be determined in view of particular features of the business.

The Committee's decisions take effect ten days after they have been notified to the Ministry of the Treasury, which exercises power of control. No objection can be raised against the Committee's decision except as regards the assessment of the loss; decisions on this subject can be contested.

Applications for insurance are investigated by the National Foreign Trade Institute (*Istituto Nazionale del Commercio Estero, ICE*), in which the Secretariat of the Committee is located. The contract is however drawn up by INA, which also handles the insurance and pays the compensation for losses.

The Committee may undertake the investigations even where the application supporting documents are not yet complete. In this case, it issues a non-binding « assurance » which may or may not be afterwards converted into an actual guarantee. This assurance enables the exporter to conduct negotiations, to compete in international tenders and to fix his prices in the knowledge that he can, up to a point, rely on obtaining Government insurance.

Up to 31st March, 1956 the total amount of insurance cover given was about 20 billion lire out of a total of 110 billion which had been allowed to the Government, namely 30 billion in the 1953-54 financial year, 30 in 1954-55 and 50 in 1955-56. The applications on which guarantees or non-binding assurances had been given numbered 205 out of 255 presented. Many of the applications thus granted had however lapsed because the business in question was not concluded.

2. - Tax Alleviation on Exports.

The whole system of tax concessions on exports has recently been regulated (9). The basic enactments are *Law No. 570 of 31st July, 1954* and *Law No. 103 of 10th March, 1955*.

(a) The first of these Laws provides for rebate of turnover tax on all goods in respect of which that tax represents at least 1% of the exports value. These goods, which account for about two-thirds of the total value of Italian exports, are listed in a table annexed to Presidential Decree No. 676 of 14th August, 1954. They are classed in four categories carrying four standard rates of rebate, respectively 1%, 2%, 3% and 4% of the actual sale price. For about twenty products of the engineering industry listed in a Ministerial Decree of 18th August, 1954 the higher rates laid down by the earlier Laws have been maintained. These products include motor vehicles, on which the standard rebate is 5%.

Moreover, law No. 570 of 31st July, 1954 lays down an equalising import duty on the same goods that receive a rebate of turnover tax when exported. These goods also are classed in four groups according to the rate of tax; this varies from 1% to 4%, being equal to the rate of turnover tax which would have been payable on the goods in question if they had been made in Italy. Thus Law No. 570 gives a double advantage to Italian exports. On the one hand it reduces their sale price abroad; and on the other hand it lightens the burden of foreign competition on the domestic market.

The rebate of turnover tax on exports is based on the actual sale price, as proved by the exporter to the Customs with a duplicate of the invoice. The price is reckoned net of any discounts and incidental charges for freight, insurance, transport and so forth; but it includes the charge for any packing materials, storage or the like that may be required

(9) The earlier arrangements, enacted in 1952 and 1953, provided for rebates turnover tax at rates ranging from 1% to 6% on a limited list of exported goods.

for the shipment. If the price has been agreed in foreign currency, it is converted into Italian lire at the rate of exchange on the day when the exports are cleared through the Customs. The right to the rebate belongs to any exporter, whether an Italian or a foreigner operating in Italy, without distinction between geographic or currencies areas. The same applies to exports where foreign currency corresponding to the value of the goods exported is not received (« *franco-valuta* » exports); in such cases the amount of the rebate is based on the pro forma invoices issued by the exporter.

The criticisms which producers have levelled against Law No. 570 relate both to its practical effect and to the procedure laid down. As to the first of these aspects, some critics regret that there are no rebates of social charges as in France, or of direct taxes as in Germany, and above all, that the rebates are small compared with the heavy burden of turnover tax. It is also objected that many exports enjoy no tax relief at all.

As to procedure, practical experience has shown that there is much red tape. Customs clearance takes a long time; even the Custom Houses that work fastest take at least two months to deal with applications for clearance. The Provincial Tax Inspectors also have to do a great deal of complicated work, and there are delays in the allocation of funds to them. Up to 30th June, 1955 they had paid very few indeed of the applications in respect of goods where rebates are conceded by Law No. 570 of 31st July, 1954.

The expenditure for rebates of turnover tax on exports, and the corresponding receipt on similar imports, were put in the 1954-55 financial year at about 17 billion lire (10): that is, at 1.4% of the total value of exports in 1955, which was estimated at roughly 1,200 billions. For the current financial year 23 billion lire have been allocated by the Ministry of Finance for turnover tax repayment.

(b) Under Law No. 103 of 10th March,

(10) See the Report of the Bank of Italy for the year 1954, page 193 of the Italian text.

1955 a large number of engineering industry products, in fact about 500 items and sub-items in the Customs tariff (all being listed in a schedule to Presidential Decree No. 367 of 20th April, 1955) are entitled to rebate of Customs duty and of other charges relating to raw materials such as cast iron, iron, steel that are used in their manufacture.

The first important distinction to draw between this Law and the previous one is that the basis used for determining the rebate is different. Under this Law the rebate is based on the *weight* of the goods exported, and not on their value. This means that the rebate is proportionate to the actual cost of Customs protection on the raw materials, which bears on the finished goods for export in inverse ratio to their price.

As to the amount of the rebate the goods are classed in seven categories qualifying for rates of 15, 20, 25, 30, 35, 40 and 45 lire per kg. In a few cases the rate goes up to 100 or 200 lire per kg, and in very few indeed it reaches 400 and even 600 lire: these are cases of goods that require highly expensive raw materials, for which a low rate of rebate would not be effective.

The concessions provided under Law No. 103 of 10th March, 1955 can be given in addition to the repayment of turnover tax; and they apply without distinction of geographical or monetary areas. If the exported goods embody foreign materials that have been temporarily imported the rebate is reduced in the proportion attributable to those materials. The arrangements made under this Law will cost the budget about 12 billion lire during the current financial year; they are to have temporary effect, up to 31st December, 1958. The Law incidentally provides that the list of goods qualifying for rebate, and the amount of such rebate, can be varied by a Decree of the President of the Republic.

3. - Credit Facilities.

The same Law No. 955 of 22nd December, 1953 that regulates Government insurance of

export credits also provides special credit facilities for Italian exports. In this field the Italian authorities have had to face a number of problems which were not easy to solve, for instance as to the applicability and duration of the scheme, its organisation and structure its scope, etc. The following paragraphs briefly summarise the main features of the new legislation (11); while the final section of this article is devoted to assessing the effectiveness of the system.

(a) *Scope and duration.* Law No. 955 confines the credit facilities, like the insurance of credit risks, to exports of « special supplies » against deferred payment. Preference is normally given to exports which cannot be effected unless payment is deferred, or export with a large labour content, or which are sent to countries that could become sources of supply for the Italian economy. As regards exports to countries with inconvertible or untransferable currency it is required, in the same way as for insurance of credit risks, that the Government of the importing country shall give an unconditional undertaking to pay. The Law does not expressly require that the credit must be insured by the Italian Government; but naturally guaranteed supplies are given preference. As to the extension of credits the limit laid down for insurance of credit risks again applies: that is to say, the credits granted to exporters must not be for more than four years apart from exceptional cases where the period is longer, and were a Government guarantee of more than the normal extent is given.

(b) *Organisation for providing credit.* The criteria on which the new system for export credits is based are the same as those which underlay the general legislation on medium-

(11) The arrangements introduced by the Law of 1953 in the matter of credit have no precedents either before or since the war. The only in which it could have been said that credit facilities had been provided for exporters since the war was through the steps taken to improve the machinery for clearing accounts. Apart from the fact that the « swings » were enlarged, exporters were enabled to collect forthwith the proceeds of their goods instead of waiting for funds to be provided through the importers' payments.

term credit for industrial enterprises of small and medium size (12):

1) *The ordinary commercial banks are strictly forbidden to grant medium-term export credits.* Law No. 955 by implication confirms the provision originating from the 1936 Banking Law which forbids the commercial banks to engage in business other than short-term credit (one year).

2) *The business of granting medium-term export credit is put into the hands of a special organisation consisting of:*

— *A group of primary financing institutions.* This comprises most of the institutions already authorised to grant medium-term credit in Italy. They have been authorised also to employ their own resources in special medium-term export financing, subject to observance of the same limits and safeguards as are laid down by the Laws and their Articles of Association in regard to their ordinary medium-term credit business.

— *A special secondary rediscounting and financing institution of public character,* provided with special resources by the Government: the « *Istituto Centrale per il Credito a Medio Termine* » (Central Institution for Medium-Term Credit) or « *Mediocredito* ». This institution was recently formed to serve as a rediscounting agency (and is already acting as such) for medium-term credit Institutes. Under the Law of 1953 it was given further governmental funds, to be used solely to provide a special line of discount for mobilising primary medium-term export credits (13).

(12) See Law No. 445 of 22nd June, 1952 and Law No. 949 of 25th July, 1952.

(13) The organisation that has been set up in Italy, with primary financing institutions supported by a central institution for rediscount, is in a general way similar to the one that was established in Germany in 1952 through the formation of the « *Ausfuhrkredit AG* » (the Export Credit Company). There are however some important differences both of form and of substance. First, the *Ausfuhrkredit AG* originates from a syndicate comprising the largest banks in the country, which also act as providers of primary finance; but the Italian *Mediocredito* is of governmental origin. Further, whereas in Germany the participating banks provided substantial amounts of their own funds towards establishing the rediscounting institution, in Italy the whole of *Mediocredito's* funds came from

In conclusion the special export credit system established in Italy by the Law of 1953 merely extends to the field of export the existing organisation, which was previously operating in the field of medium-term credit in general.

(c) *Business and resources of « Mediocredito ».* The rediscounts and advances of « *Mediocredito* » are limited to 75% of the primary financial accommodation. The rediscount rates charged by « *Mediocredito* » are 3% on transactions with countries with convertible and transferable currencies and 3.50% for transactions with countries belonging to other areas.

« *Mediocredito* »'s capital resources were raised from 60 to 100 billion lire when the Government provided a further 40 billion out of the proceeds of repayment of its sterling loans to industrial enterprises in Italy (14). The additional 40 billion lire are to be used, as a separate fund, exclusively to finance exports.

Up to 31st December, 1955 there had been proposed to « *Mediocredito* » 119 operations amounting to 162 billion lire. Of these there had been approved 19, for a total of 12 billion lire; and of these only 7 billion had been financed and only 3.4 billion lire had been actually paid out.

IV - Conclusions

In general it may be said that the steps so far taken in the fields of insurance, taxation and credit are far from representing a revision of foreign trade policy as previously followed in Italy. That policy continues to be basically directed towards promoting international eco-

the Government. And the banks which in Germany can engage in medium-term export financing with the help of the rediscount institution are ordinary commercial banks, whereas in Italy only medium-term credit institutions — and not even all of these — are allowed to do such business.

(14) Law No. 258 of 18th April, 1950 authorised the Italian Foreign Exchange Office (*Ufficio Italiano dei Cambi*) to provide up to £ 50 million sterling, or say 85 billion lire, to finance machinery and equipment bought in the sterling area for use in Italian industry and farming. In order to refund to the Ufficio the sums which it had advanced, the Law of 1953 authorised the Treasury to reimburse the countervalue of 85 billion lire by delivering 9-year Treasury Bonds.

conomic cooperation, especially within Europe. It is in fact out of question a policy seeking to provide Italian exporters with the same facilities and assistance as are given to those in other countries. Apart from the differing ratio of exports to the national income, the following two points are to be borne in mind. Firstly Italy cannot afford to export capital (and the granting of larger premiums to exports amounts in fact to an export of capital); secondly the Italian budget, on which the cost of these « incentives » must fall, is both rigid and in a state of precarious equilibrium. The only object of the Italian measures has therefore been to reduce the differences between the Italian exporters and their competitors, which enjoy, as a result of aggressive foreign legislations, of much more consistent and larger facilities.

Yet the difference between the conditions for Italian and foreign exporters still remains very great, especially in certain extreme cases, as found for instance in the French arrangements. It may suffice to recall the following points:

— The range of goods which can benefit from the Government guarantee and credit facilities is limited. In particular the Government guarantee is confined to « special supplies » in a way that is not found in other countries.

— Italy provides no exchange guarantee, as Germany and France do.

— Italy has no short-term credit insurance like that in other countries, for instance the United Kingdom, France and Germany.

— The laws of other countries permit covering of the risk up to 90% (in France, Germany and the United Kingdom), this being considerably more than the 70% permitted in Italy.

— The ordinary risks, which may be insured by private companies, cannot be reinsured in Italy through the Government guarantee.

— In Italy there is no Government insurance scheme to cover risks connected with research and trial sales in foreign mar-

kets, like the «*assurance-prospection*» in France and the «*market survey guarantee*» in the United Kingdom.

— Italy provides no guarantee, like the French «*garantie de prix*», against the risk that production costs may rise owing to an upward movement in domestic prices between the time when the order is accepted and the date when it is carried out.

— The Italian system provides only small tax rebates, confined to repayment of turnover tax; in France on the other hand social charges are also repaid, and in Germany even direct taxes can be reimbursed (see page 65).

— Some of the official formalities required in Italy are of a burdensome character (15).

A further point to emphasise might be that the sums voted in the Italian budget to provide exports facilities by way of insurance, tax alleviations and credit support, are small as compared with those provided in competing countries (16). Yet the sums voted in Italy

(15) The 1954 Report of *Mediocredito* mentioned two difficulties. The first was how to establish a «liquid credit» through the issue of *bills of exchange or drafts* before it had been possible to obtain *insurance against the risk of stoppage or cancellation of the order* (see page 61). Practical experience has in fact shown that it is impossible to obtain commitments of this kind, «because no buyer is willing to acknowledge that he is a debtor except within the limits agreed by contract according to the progress made in producing the goods ordered». The second difficulty was the one mentioned on pages 61-62, namely that of inducing Governments of soft-currency countries to undertake not to put limits within which the seller can spend on buying goods for export the sums paid by the importer. As the Report says, «it has been found in practice to be hard to obtain such undertakings from Governments, especially in cases where the legislation in force does not provide for them». The first of these two difficulties now seems to have been overcome. It is in fact now admitted that the simple contract for sale of the goods may be regarded as sufficient evidence for establishing the claim as a clear one.

(16) The smallness of the assistance provided in Italy is brought out by comparison with what has been done in other countries,

(a) *Insurance facilities*. In France the total amount of guarantees given by the *Compagnie Française d'Assurance pour le Commerce Extérieur* (C.F.A.C.E.) rose from 13 billion francs in 1951 to 51 billion in 1952, and more than 60 billion in 1953. The limit laid down for the granting of guarantees by C.F.A.C.E. is 230 billion francs, equal to about 414 billion lire.

In the United Kingdom the amount of guarantees granted in the year from March, 1954 to March, 1955 was £ 68 mil-

lion sterling, equal to some 120 billion lire. The ceiling has been fixed at £ 900 million, or 1,500 billion lire. The limit fixed in Germany is DM 5 billion, or say 750 billion lire.

(b) *Tax alleviation*. The sum voted in the French 1955 budget for rebate of taxes and social charges was 53 billion francs, or some 95 billion lire. If subsidies on agricultural prices are included, the total for 1955 would be 140 billion francs that is 252 billion lire. Rebates in 1954 amounted to 56 billion francs, or 101 billion lire.

(c) *Credit facilities*. In France the total amount of export credits granted in 1954 alone was about 200 billion francs, or roughly 340 billion lire, this being little short of 14% of the total value of French exports in the same year, namely 1,500 billion francs.

B. R.

lion sterling, equal to some 120 billion lire. The ceiling has been fixed at £ 900 million, or 1,500 billion lire.

The limit fixed in Germany is DM 5 billion, or say 750 billion lire.

(b) *Tax alleviation*. The sum voted in the French 1955 budget for rebate of taxes and social charges was 53 billion francs, or some 95 billion lire. If subsidies on agricultural prices are included, the total for 1955 would be 140 billion francs that is 252 billion lire. Rebates in 1954 amounted to 56 billion francs, or 101 billion lire.

(c) *Credit facilities*. In France the total amount of export credits granted in 1954 alone was about 200 billion francs, or roughly 340 billion lire, this being little short of 14% of the total value of French exports in the same year, namely 1,500 billion francs.

(Sources: *Statistiques et études financières*, December, 1955; *The Financial Times*, 25th January, 1956; *Moniteur Officiel du Commerce et de l'Industrie*, No. 1744 for 28th November, 1955; *La Banque*, January, 1956).

(17) As already mentioned 110 billion lire were made available to the Government for credit insurance, namely 30 billion in 1953-54, 30 in 1954-55 and 50 in 1955-56. Up till now the total commitments assumed by way of insurance cover are only about 20 billion lire, or roughly a fifth as much. Out of a total of more than 40 billion lire available for financing operations of *Mediocredito* (comprising funds provided by the Government and an unspecified proportion of the Swiss loan), there had been paid out by 31st December, 1955 a sum of 3.4 billion lire.

(18) According to the Report of *Mediocredito* for 1954 «most of the transactions proposed failed to materialise because the Italian exporters could not stand foreign competition». *Mediocredito's* Report for the following year, ending on 31st December, 1955, is a little more optimistic. It points to the encouraging reduction in the amount of applications rejected, which dropped to 11 billion lire in 1955 against 56 billion in 1956. It says that the reasons why most of the transactions totalling 82 billion lire which were under investigation had not been finally arranged were independent of the exporters concerned; and this leads it to believe that, «when the obstacles have been overcome, part of these 82 billion will be arranged». On the other hand this same Report openly admits that most of the «special supplies» now consist of exports going to what it calls «traditional» markets, which are unable to pay in convertible currency. The express intention of the legislature was of course that *new* markets capable of paying in convertible currency should be gained.