Italy's Tariff Agreements at Torquay

by SERGIO PARBONI

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 Geneva, Geneva (1947) and Annecy (1949). First of all the Torquay Conference was larger: 39 participants as against 33 at Annecy and 29 at Geneva and Havanna. The tariff negotiations were conducted not only, as at Annecy, between the two opposite blocks of countries adhering to the GATT and of countries desiring of joining it (and between the several countries of this second group), but also, between the several countries already participating in the GATT and signatories of the Annecy protocol. 247 tariff agreements were stipulated at Torquay as against 213 at Annecy and 223 at Geneva. As is known, the Geneva 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 the extension 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 non-tariff restrictions presented by low tariff countries to the high tariff ones; the proposed establishment of a Committee and a Secretariat of a permanent character with fairly wide decretive 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 extend 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 so 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 Torquay. 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new concessions and in consolidating those already granted under previous protocols, many of which were re-examined, or withdrawn, or amended.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 forcing 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 lowering various barriers. Indeed, the concessions granted at Annecy are numerically twice as many as those arranged at Annecy.

After the signature of the "Final Act", which took place in its official form on April 21, 1951, the long process of ratifying the "Tarquay 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 Parlia-
maments 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 thirteenth day from the date of signature. The limit fixed for the ratification of the agreements in the several countries, including Italy, is therefore November 30, 1951.

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Italy stipulated fourteen agreements at Torquay of which eight with other contracting Parties (Belgium, Canada, Denmark, Norway, Pakistan, South Rhodesia, the United States, Sweden) and six with the new member countries (Australia, 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 can it have been otherwise, as they represent the completion of the Annexy agreements. The other agreements are of less significance, either because they merely complete those of Annexy, 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 reciprocally equivalent 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 finally 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 representation of a large portion of the conventional duties stipulated at Annecy and of those arising from the provisional application of the Intra-Swiss Arrangement of July 14, 1949. In the case of all the duties of this informal nature not the subject of conventions, she has not applied the duties of the general tariff but has reduced them approximately 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 duties actually applied, and therefore the general appreciation of the bearing of these concessions may present special difficulties.

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

The Tariff Concessions Granted by Italy.

If we add to the 990 duties agreed on at Torquay the 590 of Annexy, the 410 duties agreed on with Switzerland (Annexy, July 14, 1950), and the few duties agreed on with France (Agreement of March 7, 1950) we may say that Italy has now almost complied the completion of her so-called "conventional" tariff. Of the 5,900 duties of this kind, 2,900 are in the "conventional" tariff, and it has been reduced 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 co-ordination 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, 190 others arising from the amending of the duties already agreed on at Annecy.

Of the 990 above described, about two thirds are the result of the Intra-Germany agreements, and most of the remaining third arise from the agreements with Austria, the United States and Brazil, 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 VI to XX refer to finished products and a few semi-manufac-
tures, 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 Annexy 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 3) 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 smaller 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 5 to 60 points, most of which are found in Sections XV, XVI, and XVII relating to works of the negotiated items. The conclusions to be drawn from the said schedule would be very prudent if an 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 590 general duties have been reduced by 25% (averaging from an average of 39.75% to one of 24.5%).

Though a comparison with Anency cannot be strictly made more numerous than those granted at Anency (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.

It is more difficult to express an opinion of a general trend on the above-mentioned reductions that the application of the new agreed duties are likely to produce

**Table 1**

<table>
<thead>
<tr>
<th>Tariff Sections</th>
<th>Number of Concessions</th>
<th>Reductions of General Duties (in 5 Points)</th>
<th>Reductions of General Duties (in 10 Points)</th>
<th>Reductions of Concessions Duties</th>
<th>Reductions of Concessions Duties (in 5 Points)</th>
<th>Reductions of Concessions Duties (in 10 Points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Live animals and animal products</td>
<td>13</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
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<tr>
<td>II Vegetable products</td>
<td>31</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
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<tr>
<td>III Fruits, etc.</td>
<td>27</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
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<tr>
<td>IV Food products</td>
<td>17</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>V Mineral products</td>
<td>14</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>VI Chemical products</td>
<td>20</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
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<tr>
<td>VII Hides and Skins, Furs, etc.</td>
<td>27</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>VIII Synthetic goods</td>
<td>35</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>IX Grain, etc.</td>
<td>23</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
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<tr>
<td>X Textile goods</td>
<td>30</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
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<tr>
<td>XI Leather goods</td>
<td>22</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>XII Dyes, etc.</td>
<td>27</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>XIII Vegetable and Animal fats, etc.</td>
<td>23</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
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<tr>
<td>XIV Building materials</td>
<td>23</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
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<tr>
<td>XVII Machines and Apparatus</td>
<td>24</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>XIX Chemicals</td>
<td>22</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>XX XI Minerals</td>
<td>23</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>XXII Other goods</td>
<td>23</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>309</td>
<td>7</td>
<td>7</td>
<td>3</td>
<td>2</td>
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**Table II**

<table>
<thead>
<tr>
<th>Tariff Sections</th>
<th>Average general dut</th>
<th>Average concessions</th>
<th>Percentage reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>total rate</td>
<td>duty rate</td>
<td>%</td>
</tr>
<tr>
<td>I Live animals and animal products</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>II Vegetable products</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>III Fruits, etc.</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>IV Food products</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>V Mineral products</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>VI Chemical products</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>VII Hides and Skins, Furs, etc.</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>VIII Synthetic goods</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>IX Grain, etc.</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>X Textile goods</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>XI Leather goods</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>XII Dyes, etc.</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>XIII Vegetable and Animal fats, etc.</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>XIV Building materials</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>XVII Machines and Apparatus</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>XIX Chemicals</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
<tr>
<td>XX XI Minerals</td>
<td>14.50</td>
<td>14.00</td>
<td>35</td>
</tr>
</tbody>
</table>

(1) The calculations have been made without taking into account the customs, i.e., those concessions referring to non-indigenous part of the products that are classified in the negotiated sub-items.

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

(3) Average of the concessions duties reduced at Torquay.

### in common meals, 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 production considered necessary.

In Section XIII and XV the reductions of most bicycles, instruments for land-surveyors, measuring instruments, etc. Lastly, 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 reductions of the level of 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.
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 compared with the respective data for the concessions granted, but caution must be used in drawing conclusions from such a balance-sheets. 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 conclusion that the agreements stipulated may be more or less unfavorable 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>
<thead>
<tr>
<th>Tariff Sections</th>
<th>Average general duty of 100%</th>
<th>Average concessions duty of 100%</th>
<th>Percentage reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy and dairy products</td>
<td>20.7</td>
<td>14.6</td>
<td>28.5</td>
</tr>
<tr>
<td>Vegetables</td>
<td>20.4</td>
<td>16.6</td>
<td>20.6</td>
</tr>
<tr>
<td>Fruits, nuts, etc.,</td>
<td>19.7</td>
<td>14.5</td>
<td>25.6</td>
</tr>
<tr>
<td>Bread products</td>
<td>25.1</td>
<td>20.3</td>
<td>20.6</td>
</tr>
<tr>
<td>Wine products</td>
<td>16.6</td>
<td>10.0</td>
<td>39.5</td>
</tr>
<tr>
<td>Tobacco</td>
<td>25.7</td>
<td>17.2</td>
<td>21.7</td>
</tr>
<tr>
<td>Leather and leather products</td>
<td>27.3</td>
<td>22.7</td>
<td>16.8</td>
</tr>
<tr>
<td>Synthetic textiles, etc.,</td>
<td>19.6</td>
<td>14.3</td>
<td>22.2</td>
</tr>
<tr>
<td>Textiles and manufactures</td>
<td>24.7</td>
<td>18.8</td>
<td>18.0</td>
</tr>
<tr>
<td>Iron and steel, etc.,</td>
<td>20.0</td>
<td>15.4</td>
<td>17.0</td>
</tr>
<tr>
<td>Glass, paper, etc.,</td>
<td>25.9</td>
<td>20.4</td>
<td>21.4</td>
</tr>
<tr>
<td>Petroleum, coke, etc.,</td>
<td>15.0</td>
<td>11.0</td>
<td>19.7</td>
</tr>
<tr>
<td>Textiles and manufactures</td>
<td>24.7</td>
<td>18.8</td>
<td>18.0</td>
</tr>
<tr>
<td>Synthetic textiles, etc.,</td>
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<td>Glass, paper, etc.,</td>
<td>25.9</td>
<td>20.4</td>
<td>21.4</td>
</tr>
<tr>
<td>Petroleum, coke, etc.,</td>
<td>15.0</td>
<td>11.0</td>
<td>19.7</td>
</tr>
</tbody>
</table>

The calculations in Table III have been made according to the article noted in the footnote of Table II. The same rule has been followed in making the calculation that has led to fixing at 18.57% the percentage reduction of the level of the customs tariff for the items agreed on at Ancona.

The negotiations with West Germany have been characterized by the fact that the 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 as agreements with the countries participating in the Torquay Conference, reducing or consolidating 1500 duties, being a high percentage of the total, of which 150 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, automobiles, etc. On the whole, and with reference to 1030 exports, about 65% 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 1100 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 125 direct concessions out of a total of 575 granted under the 27 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 hardly secured, 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 Ancona and is therefore of rather limited scope. Nevertheless, the new concessions obtained, some of which secure appreciable reductions where referred to the high general level of the duties, cover about 14% of the value of Italian exports to the United States in 1950.