

15 July 1958

ITALIAN DISCRIMINATION AGAINST IMPORTED  
AGRICULTURAL MACHINERY

*Report adopted on 23 October 1958*  
*(L/833 - 7S/60)*

**I. Introduction**

1. The Panel for Conciliation examined with the representatives of the United Kingdom and Italy the complaint of the United Kingdom Government that certain provisions of chapter III of Italian Law No. 949 of 25 July 1952, which provides special credit facilities to some categories of farmers or farmers' co-operatives for the purchase of agricultural machinery produced in Italy, were inconsistent with the obligations of Italy under Article III of the General Agreement and that the operation of this Law impaired the benefits which should accrue to the United Kingdom under the Agreement. The panel heard statements from both parties and obtained additional information from them to clarify certain points. It also heard a statement by the observer of Denmark recording his Government's interest as an exporter of agricultural machinery, especially of reaper binders, in the United Kingdom complaint. On the basis of these statements the Panel considered whether the provisions of the Italian Law of 25 July 1952 concerning the granting of special facilities for the purchase of domestic agricultural machinery had effects which were inconsistent with the provisions of the General Agreement. It considered further whether and to what extent the operation of these provisions impaired the benefits accruing directly or indirectly to the Government of the United Kingdom under the General Agreement. Finally, the Panel agreed on a recommendation which, in its opinion, would assist the Italian and United Kingdom Governments in arriving at a satisfactory adjustment of the case submitted by the United Kingdom to the CONTRACTING PARTIES.

**II. Facts of the case**

2. In accordance with the Law of 25 July 1952, the Italian Government established a revolving fund which enabled the Ministry of Agriculture and Forestry to grant special credit terms *inter alia* for the purchase of Italian agricultural machinery.

on wheeled tractors with internal combustion engines of cylinder capacity up to 7,000 c.c. (Italian tariff item ex

not be logical to exclude this possibility in the case of credit facilities which had a far less pronounced effect on the terms of competition.

10. In the view of the Italian delegation it would be inappropriate for the CONTRACTING PARTIES to construe the provisions of Article III in a broad way since this would

16. The Panel recognized – and the United Kingdom delegation agreed with this view – that it was not the intention of the General Agreement to limit the right of a contracting party to adopt measures which appeared to it necessary to foster its economic development or to protect a domestic industry, provided that such measures were permitted by the terms of the General Agreement. The GATT offered a number of possibilities to achieve these purposes through tariff measures or otherwise. The Panel did not appreciate why the extension of the credit facilities in question to the purchasers of imported tractors as well as domestically produced tractors would detract from the attainment of the objectives of the Law, which aimed at stimulating the purchase of tractors mainly by small farmers and co-operatives in the interests of economic development. If, on the other hand, the objective of the Law, although not specifically stated in the text thereof, were to protect the Italian agricultural machinery industry, the Panel considered that such protection should be given in ways permissible under the General Agreement rather than by the extension of credit exclusively for purchases of domestically produced agricultural machinery.

**IV. Alleged nullification or impairment of benefits accruing to the United Kingdom under the General Agreement**

17. The Panel considered whether the operation of the Law No. 949 had caused injury to United Kingdom commercial interests, and whether such an injury represented an impairment of the benefits accruing to the United Kingdom under the General Agreement.

18. The Panel and the two parties agreed that under Article XXIII of the General Agreement a case of impairment or nullification may be brought before the CONTRACTING PARTIES whether the impairment was a result of a measure conflicting with the provisions of the Agreement or of a measure which was not inconsistent with the provisions of the Agreement.

19. The Panel had before it statistics relating to the imports of tractors from 1952 to 1957 as well as statistics of imports of agricultural machinery from 1950 to 1957. I.16 447.6 Tm/F8 11 Tf(F8 11 Tf(statistics) Tj

imports from 1952 to 1955 or even later. The reduction of imports of tractors during the last two years was in addition due, in the opinion of the Italian delegation, to a saturation of the market and not to effects of the credit facilities granted by the State to certain purchasers of Italian tractors. In this connection it was to be noted that imports of other agricultural machinery were continuing to rise. The Italian delegation pointed out that in the years in question the credit facilities had only been applied in respect of some 44,000 domestic tractors or one half of total sales of the domestic product. The other half of sales of domestic tractors had competed on normal commercial terms with imported tractors. Thus the influence of these credit facilities extended to only a part of sales of domestic tractors. The Italian delegation stressed that, apart from the rate of interest, the loans under the Law did not differ from ordinary agricultural loans in Italy. Finally, the Italian delegation stressed that thanks to the credit facilities e

