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GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES

Twentieth Session

ACCESSION OF THE UNITED ARAB REPUBLIC

Report by the Working Party

1. The Working Party, in accordance with its terms of reference examined the request submitted by the Government of the United Arab Republic to accede to the General Agreement under the provisions of Article XXXVIII.
2. The Working Party had before it a memorandum on the commercial policy of the United Arab Republic (L/1816 and Addenda 1 to 3). Questions had also been submitted on this subject by contracting parties and these, together with the answers of the United Arab Republic, are contained in Annex III to this report. Further questions were addressed to the delegation of the United Arab Republic and the replies are summarized hereunder.
3. The representative of the United Arab Republic considered that their arrangements with other members of the Arab League Convention¹ should be dealt with as arrangements leading to the formation of a free-trade area under Article XXIV of the General Agreement. This view was **not**, however, shared by the Working Party which decided that the preferential arrangements under the Arab League Convention should be dealt with under the provisions of paragraph 3 of Article I of the General Agreement. Although the United Arab Republic was detached from the Ottoman Empire prior to 24 July 1923, the provisions of paragraph 3 of Article I could be considered as applying to the United Arab Republic by analogy. This provision calls for a decision of the CONTRACTING PARTIES under Article XXV:5. The Working Party considered that this matter could be appropriately dealt with in the instrument of accession of the United Arab Republic since the legal requirements of a two-thirds majority contained in Article XXV:5 would be covered by the requirements of a two-thirds majority for the vote on terms of accession. The Working Party recognized that any subsequent addition of new items to the number of those enjoying preferences on the base date, could be dealt with when the question arises in accordance with the provisions of paragraph 3 of Article I by a further Decision of the CONTRACTING PARTIES under Article XXV:5.

¹Convention for Facilitating Trade Exchange and the Regulation of Transit Trade between States of the Arab League (L/1816/Add.3).

4. The Working Party agreed that whenever the arrangements under the Arab League Convention reached a stage where it was considered that they contained the elements necessary for the formation of a free-trade area or customs union, it would be open to the Government of the United Arab Republic to submit the matter to the CONTRACTING PARTIES for examination in accordance with the provisions of paragraph 3 of Article XXIV.

5. The Working Party took note of the Casablanca Treaty establishing an African Common Market. This Treaty has been submitted by the Government of Ghana under paragraph 7 of Article XXIV and will therefore be dealt with by the CONTRACTING PARTIES at the twentieth session.

6. With regard to bilateral agreements the representative of the United Arab Republic referred to their agreement with the International Monetary Fund gradually to abolish those bilateral trade and payments agreements which had been entered into with members of the Fund, which meant nearly all the contracting parties. Lists of products annexed to bilateral agreements were merely indicative and did not involve undertakings to purchase. He repeated that purchase took place on a strictly non-discriminatory basis and in accordance with commercial considerations. The existence of credit balances would not affect their policy in this field. Moreover the United Arab Republic was carrying on an increasing volume of trade in convertible currencies or in a currency of account. In the latter case balances had to be settled in convertible currencies. It was further to be noted that especially since the unification of exchange premia, there was no longer discrimination in purchasing from between supplying countries whether in the United Arab Republic had a credit balance with them or not.

7. Asked whether there were any charges on imports other than the duties listed in the customs tariff, the representative of the United Arab Republic referred to a "Customs Statistical Duty" which was an additional duty applied to all items of any provenance to the amount of 5 per cent of the value of the goods imported. The representative of the United Arab Republic indicated that they regarded this charge as part of the customs tariff. In this connexion he called attention to the fact that they had recently reformed their customs tariff and as a result they now had a low one, particularly with respect to the kind of products they imported from contracting parties. A further charge was that of "Municipal Dues" of 2 per cent of the amount of the customs duties and dues. This charge is an additional fee for services rendered for storage and handling at customs points.

8. In reply to a question, the United Arab Republic representative said that consular invoices were not required. Small sums were charged by consulates for the certification of commercial invoices and stamp tax.

9. The representative of the United Arab Republic said that in the collection of internal taxes and excise duties there was no discrimination between imported and domestically-produced goods.

10. In the course of a detailed discussion by the Working Party on the system of State trading conducted in the United Arab Republic, members of the Working Party stressed the considerable importance which was placed by their governments on the need to conduct State trading according to commercial principles. The representative of the United Arab Republic said that they had some twenty-five trading companies, some of which were entirely State-owned, others were partly private. These companies did not enjoy, with one or two exceptions, any monopolistic rights but competed with one another, and sometimes established separate agencies looking after their individual interests in the same country. The United Arab Republic representative assured the Working Party that in all cases the activities of the State-trading enterprises were conducted in accordance with commercial principles and the system of competitive prices was followed even in cases where the United Arab Republic enjoyed credit balances with some supplying countries. Replying to questions from members of the Working Party, the United Arab Republic representative confirmed that profits obtained from the sale of one commodity were not used to export another commodity at a price lower than that prevailing in the internal market. Profits accruing to State enterprises were ploughed back as in normal business practice. These profits were, of course, also subject to taxation. The Government did not interfere in the day-to-day business allocation of the State enterprises and exercised control essentially in a co-ordinating manner to ensure that the principle of competitive pricing was followed and that the foreign exchange budget was implemented in the way it was formulated. It was not found necessary to exercise the same type of State control on the export side as on the import side: exports were free from control except with regard to certain food items necessary for local consumption. There were general rules governing the submission and acceptance of tenders, the operation of which was ensured by the Government so the best terms could be obtained. With regard to the internal selling policies of State agencies of imported goods, the representative of the United Arab Republic informed the Working Party that the Government saw to it that despite the assured demand, such agencies did not make excessive profits. He assured the Working Party that the "mark-up" on prices of imported goods did not go beyond what was necessary in order to ensure a reasonable margin of profit. Members of the Working Party enquired whether some change in the character of the State-trading system was contemplated as the development of the economy of the United Arab Republic progressed and whether it was envisaged that some of the import trade would revert to the private sector. The representative of the United Arab Republic said that within the framework of its economic system his country's approach to the task of economic development was not a rigid one and whatever methods were found best suited to the realization of their economic targets, would be followed.

11. The representative of the United Arab Republic indicated that the answer given to Question 22 (see Annex III) was intended to confirm the indication previously given that his Government intended to invoke Article XXV with respect to Israel.

12. Several members of the Working Party expressed their concern at certain measures which were being applied by the United Arab Republic and adversely affecting trading interests in third countries. They, therefore, reserved all rights, under GATT or otherwise, with respect to action by the United Arab Republic which was prejudicial to their trading interests. The representative of the United Arab Republic said that such restrictions were not maintained by the United Arab Republic for commercial reasons. The measures referred to by members of the Working Party were connected with a political dispute which he considered was not the proper subject for discussion in this forum.

13. It appeared to the Working Party and to the delegation of the United Arab Republic that it would not at present be practicable for negotiations to take place between the United Arab Republic and contracting parties for the former's definitive accession under Article XXIII. However, the representative of the United Arab Republic said that his Government wished negotiations to take place as soon as possible. The Working Party therefore recommends that the CONTRACTING PARTIES make the necessary arrangements for the provisional accession of the United Arab Republic. To that end it has prepared a draft Declaration on the Provisional Accession of the United Arab Republic and a draft Decision on the Participation of the United Arab Republic in the work of the CONTRACTING PARTIES. It recommends that the CONTRACTING PARTIES open the draft Declaration for acceptance and adopt the draft Decision.

ANNEX I

DRAFT DECISION

PARTICIPATION OF THE UNITED ARAB REPUBLIC IN THE WORK
OF THE CONTRACTING PARTIES

Decision of November 1962

CONSIDERING that the Government of the United Arab Republic has made a request to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade to accede to the General Agreement in accordance with the provisions of Article XXXIII and will be prepared to enter into negotiations with contracting parties to that end as soon as it is practicable to do so,

CONSIDERING that, pending accession under Article XXXIII the Government of the United Arab Republic is prepared to accept the obligations of the General Agreement,

CONSIDERING that, in view of the desirability of basing the trade relations of the United Arab Republic with contracting parties upon the General Agreement as soon as possible, it would be desirable to provide for the provisional accession of the United Arab Republic to the General Agreement as a step towards its eventual accession pursuant to Article XXXIII,

DESIRING that the Government of the United Arab Republic, pending its accession, shall be associated with the discussions and deliberations of the CONTRACTING PARTIES,

NOTING that a number of contracting parties intend that, pending the accession of the United Arab Republic pursuant to Article XXXIII, commercial relations between them and the United Arab Republic shall be based upon the provisions of the General Agreement in accordance with the Declaration on the Provisional Accession of the United Arab Republic, and

CONSIDERING that the said Declaration requests the CONTRACTING PARTIES to perform certain functions comparable in nature to their functions under the General Agreement,

The CONTRACTING PARTIES

DECIDE:

1. To invite the Government of the United Arab Republic to participate in sessions of the CONTRACTING PARTIES and of subsidiary bodies established by the CONTRACTING PARTIES;
2. To accept such functions as are necessary for the operation of the Declaration referred to in the preamble to this Decision;

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3. To make arrangements for the negotiations referred to in paragraph 1 of the aforesaid Declaration.

This Decision shall take effect upon signature by the United Arab Republic of the Declaration on the Provisional Accession of the United Arab Republic and shall continue in effect until the accession of the United Arab Republic to the General Agreement following the negotiations with contracting parties referred to in paragraph 1 of the aforesaid Declaration, or until 31 December 1964 whichever date is earlier, unless the CONTRACTING PARTIES agree to extend it to a later date.

ANNEX II

DRAFT DECLARATION

PROVISIONAL ACCESSION OF THE UNITED ARAB REPUBLIC

Declaration of . . . November 1962

The Government of the United Arab Republic and the other governments on behalf of which this Declaration has been accepted (the latter governments being hereinafter referred to as the "participating governments"),

CONSIDERING that the Government of the United Arab Republic on 17 April 1962 made a formal request to accede to the General Agreement on Tariffs and Trade (hereinafter referred to as the "General Agreement") in accordance with the provisions of Article XXXIII of the General Agreement, and that that Government will be prepared to conduct the negotiations on customs tariffs, or their equivalent, with contracting parties, which it is considered should precede accession under Article XXXIII, as soon as such negotiations can be arranged,

CONSIDERING that, pending accession under Article XXXIII, the United Arab Republic is prepared to accept the obligations of the General Agreement,

CONSIDERING that, in view of the desirability of basing the trade relations of the United Arab Republic with contracting parties upon the General Agreement as soon as possible, it would be desirable to provide for the provisional accession of the United Arab Republic to the General Agreement as a step towards its eventual accession pursuant to Article XXXIII:

1. DECLARE that, pending the accession of the United Arab Republic to the General Agreement under the provisions of Article XXXIII, which will be subject to the satisfactory conclusion of negotiations on customs tariffs or their equivalent, in accordance with rules and procedures to be adopted by the CONTRACTING PARTIES for this purpose, and to the settlement of other matters relevant to the application of the General Agreement, the commercial relations between the participating governments and the United Arab Republic shall be based upon the General Agreement, subject to the following conditions:

(a) The Government of the United Arab Republic shall apply provisionally and subject to the provisions of this Declaration (i) Parts I and III of the General Agreement, and (ii) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Declaration; the obligations incorporated in paragraph 1 of Article I of the General Agreement by reference to Article III thereof and those incorporated in paragraph 2 (b) of Article II by reference to Article VI shall be considered as falling within Part II of the General Agreement for the purpose of this paragraph.

(b) While the United Arab Republic under the most-favoured-nation provisions of Article I of the General Agreement will receive the benefit of the concessions contained in the schedules annexed to the General Agreement, it shall not have any direct rights with respect to those concessions either under the provisions of Article II or under the provisions of any other Article of the General Agreement.

(c) In each case in which paragraph 6 of Article V, sub-paragraph 4 (d) of Article VII, and sub-paragraph 3 (c) of Article X of the General Agreement, refer to the date of that Agreement, the applicable date in respect of the United Arab Republic shall be the date of this Declaration.

(d) Notwithstanding the provisions of paragraph 1 of Article I of the General Agreement, this Declaration shall not require the elimination by the Government of the United Arab Republic of any preferences in respect of import duties or charges accorded by the United Arab Republic exclusively to one or more of the following countries: Jordan, Syria, Iraq, Lebanon, Libya, Saudi Arabia, Yemen, provided, however, that these preferences do not exceed the levels in effect on the date of this Declaration.

(e) The preceding paragraph shall be deemed to be a Decision of the CONTRACTING PARTIES under Article XXV:5 as if it were a Decision pursuant to paragraph 3 of Article I.

(f) In the event that the United Arab Republic should at some future date desire to modify the preferences referred to in paragraph (e) above, including the addition of products not at present subject to preference, the matter shall be dealt with by the CONTRACTING PARTIES in accordance with paragraph 3 of Article I.

(g) Nothing in paragraphs (d), (e) and (f) above will affect the right of the United Arab Republic to benefit from the provisions of the General Agreement relating to the formation of a customs union or a free-trade area.

(h) The provisions of the General Agreement to be applied by the United Arab Republic shall be those contained in the text annexed to the Final Act of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment as rectified, amended, supplemented, or otherwise modified by such instruments as may have become effective by the date of this Declaration.

2. REQUEST the CONTRACTING PARTIES to the General Agreement (hereinafter referred to as the "CONTRACTING PARTIES") to perform such functions as are necessary for the implementation of this Declaration.

3. This Declaration, which has been approved by a majority of two thirds of the contracting parties shall be deposited with the Executive Secretary of the CONTRACTING PARTIES. It shall be open for acceptance, by signature or otherwise, by the United Arab Republic, by contracting parties to the General Agreement and by any governments which shall have acceded provisionally to the General Agreement.

4. This Declaration shall become effective between the United Arab Republic and any participating government on the thirtieth day following the day upon which it shall have been accepted on behalf of both the United Arab Republic and that government; it shall remain in force until the Government of the United Arab Republic accedes to the General Agreement under the provisions of Article XXXIII thereof or until 31 December 1964, whichever date is earlier, unless it has been agreed between the United Arab Republic and the participating governments to extend its validity to a later date.

5. The Executive Secretary of the CONTRACTING PARTIES shall promptly furnish a certified copy of this Declaration, and a notification of each acceptance thereof, to each government to which this Declaration is open for acceptance.

DONE at Geneva this day of November one thousand nine hundred and sixty-two, in a single copy in the French and English languages, both texts authentic.

ANNEX III

Replies by the Government of the United Arab Republic
to Questions of Contracting Parties

A. Tariffs and integration programme

Question 1. Could the United Arab Republic provide the full text of the Agreement to Facilitate Trade Exchange and to Organize Transit between the Arab League States?

Answer. A full text of the Agreement to Facilitate Trade and Exchange and to Organize Transit between the Arab League States and its three amending agreements is enclosed.¹

Question 2. When will the Agreement referred to in question 1 enter into force and which States are parties to it?

Answer. The Agreement to Facilitate Trade Exchange and to Organize Transit between the Arab League States entered into force as from 12 December 1953 between Egypt, Lebanon and Jordan, and from 23 March 1954 for Saudi Arabia and from 23 July 1954 for Syria, and from 25 January 1955 for Iraq.

As for the First Amendment to this Agreement

It entered into force as from 31 March 1956 for Syria, Lebanon, Egypt, and from 22 May 1956 for Iraq; and from 3 July 1956 for Jordan; and from 31 May 1961 for Saudi Arabia.

As for the Second Amendment

It entered into force as from 5 March 1957 for Jordan, Iraq, Saudi Arabia; and from 9 June 1957 for Egypt; and from 30 November 1959 for Lebanon; and from 31 December 1960 for Syria.

As for the Third Amendment

It entered into force as from 2 July 1958 for Jordan, UAR, Syria.

¹This text was circulated in document L/1816/Add.3.

Question 3. Other than Arab League States, which other countries benefit from special tariff or other commercial advantages accorded by the United Arab Republic?

Answer. Apart from the Arab League States and the States of the Casablanca Charter, the UAR does not accord any privileges to any other countries.

Question 4. What is the precise nature of these special tariff and commercial advantages (i.e. tariff reductions, exemptions, preferential purchasing arrangements, etc.)?

Answer. Tariff reductions on certain items and exemption on others, in the case of the Arab League countries (reference Agreement). Gradual reduction till exemption is attained in five years in the case of the Casablanca countries. (Reference Agreement).

Question 5. With respect to the countries with which the United Arab Republic has special economic arrangements, do these arrangements cover substantially all the trade between the territories, or at least substantially all the trade in products originating in the territories concerned? If limited to specified products, what are they in each case and what specific tariff or other trade benefits are applicable to each?

Answer. Specified commodities privileged by preferential arrangements stipulated in the Arab League Agreement are based on the origin of any member State.

In the African Common Market of the Casablanca Charter, the reduction is based on origin, but without specifying various commodities, it includes all trade between the member African countries.

Question 6. What percentage of trade between the United Arab Republic and the other members of the Arab League is covered under the arrangement described in section E of L/1816?

Answer. The percentage of trade between the UAR and Arab States members to the Convention for facilitating trade exchange and the regulations of transit trade between States of the Arab League, to its total trade is 3 per cent for importation and 3.5 per cent for exportation.

As for products enjoying special arrangements under the provision of the said agreement, the percentage is 9.5 per cent from the total percentage of importations (3 per cent) and 77 per cent from the total percentage of exportations. (3.5 per cent)

Question 7. Will the United Arab Republic extend the special trade privileges described in the Arab League Agreement to all GATT contracting parties in accordance with Article I of the GATT?

Answer. The UAR will be prepared to consider the extension of similar privileges to contracting parties (with the exception of Israel) through her tariff negotiations (item-by-item basis) carried afterwards.

Question 8. Does the United Arab Republic believe that each of the special trade arrangements to which the United Arab Republic is a party come within the meaning of Article XXIV of the GATT?

Answer. The special trade arrangements with the Arab countries and with the Casablanca countries are fully in line with Article 24 and with special respect to paragraphs 4 and 5 of the Article.

Question 9. Will the text of the recently signed Agreement for an Arab Common Market (i.e., the United Arab Republic, Morocco, Jordan, Syria and Kuwait) be made available to the contracting parties before the twentieth session?

Answer. As explained in Section E of document L/1816, the Agreement to facilitate trade between Arab States could be considered an exchange of tariff reduction or exemption. No time-limit is set up for a customs union, but it is stipulated that the target is to realize it. There are two concrete projects for an Arab customs union still under consideration by the Arab Common Market.

The Agreement on the Arab Economic Unity was signed on 6 June 1962 by UAR, Morocco, Jordan, Syria and Kuwait, but not yet ratified. It is not a common market or a customs union agreement in the form of the usual specific agreement on trade. It is an overall economic agreement setting up targets of the co-ordination of the different sectors of the economy of the Arab countries, as well as the free transfer of capital and labour and the rationalization of development plans.

B. Quantitative restrictions

Question 10. It is understood that all importers are at present subject to licensing. Is there any intention to introduce open general licences?

Answer. Licensing the imports is done for administrative purposes to ensure that they are in line with the foreign exchange budget and that the principle of competitive prices is followed. Open general licences may not serve this purpose. However, open licences could be considered in certain cases where it is deemed necessary to effect the importation of some items.

Question 11. Does the United Arab Republic maintain any import restriction for other than balance-of-payments reasons?

Answer. Beside the balance-of-payments reasons, restrictions may be imposed to protect the infant industries, as explained in detail in document L/1816.

Question 12. Is the Government of the United Arab Republic a party to any trade agreements under which it is obligated to import particular quantities of goods or goods valued at particular amounts?

Answer. Commodities listed in some of the bilateral agreements between the United Arab Republic and other countries are all indicative lists which are representative only of targets and there is no obligation whatsoever to the parties concerned to make use of the whole amount of these. Imports and exports are governed by principles specified in document L/1816.

Question 13. Would the import restrictions described in the section of L/1816 entitled Export and Import Policy be justified for balance-of-payments reasons under Article XII or Article XVIII of the Agreement?

Answer. The import restrictions described in document L/1816 find justification in the provisions of Article XII of the Agreement which allows such restrictions to safeguard the balance of payments; and in the provisions of Article XVIII which allows protective measures and quantitative restrictions for the development purposes.

C. State trading

Question 14. How does the United Arab Republic ensure a non-discriminatory import régime while all imports are State-controlled?

Answer. The State-control of imports does not contradict whatsoever with the principles of non-discrimination and competitive prices. As a matter of fact, this State-control ensures these principles and all organizations and companies are required to follow them, and to buy and sell in the best markets.

Non-discriminatory import régime is quite ensured by the fact that all firms and companies, commercial, agricultural, industrial or otherwise are free to import goods from whatever country provided that prices quoted for the various items of goods are those prevalent in the open market and comply with world competitive prices, and provided that the importation is in line with the foreign exchange budget.

It may be noted further that:

1. The trading enterprises are not fully Government-owned, private capital is represented. As a matter of fact some important trading enterprises represent mixed enterprise rather than purely Government enterprise.
2. These enterprises compete with one another in importing and exporting different items; on the whole no monopoly concessions are given as regards any special commodity.

3. Most of the trading companies have agents or representatives in important markets abroad.

4. Offers are always compared with regard to prices and specifications; managers of enterprises are free to buy and sell in the best markets, provided they follow the above-mentioned principles of competitive prices and non-discrimination.

5. To avoid delay in deliveries and to increment the plan on time, it is within the rights of local industrial firms, private or government-owned, to import the necessary raw material, spare parts and machinery directly without the intermedium of the import agencies, the principle of competitive prices being applied in all cases.

Question 15. Are there any restrictions on sources of import or destinations of exports of State-trading enterprises or are normal commercial considerations of price, quality, etc., the basis for trade decisions?

Answer. The basis of trade decisions in the United Arab Republic are definitely the normal commercial considerations of price, quality, specifications, delivery terms, marketability, freight, payment conditions, etc.

Question 16. In what countries are the United Arab Republic State-trading organization marketing offices established, what geographical responsibilities have these offices and for what commodities or products are they responsible?

Answer. The United Arab Republic "State-Trading Organization Marketing Offices" are established in different countries mentioned in list No. 1. Offices under study are also mentioned in the same list.

Each one of these marketing offices covers the trade activity in the area where it is established and, generally, any neighbour countries where no offices are to be found.

Activities of such office cover all types of commercial operations.

List

Offices opened or soon to be opened

London (England)
Cuba
Stockholm
Casablanca
Hamburg (Germany)
Accra (Ghana)
Lagos (Nigeria)

Offices under study

Spain
Austria
Switzerland
Frankfurt
Canada
San Francisco
Panama

Offices opened or soon to be opened

Konakry (Guinea)
Freetown (Sierra Leone)
Bamako (Mali)
Calcutta (India)
Colombo (Ceylon)
Decca (Pakistan)
Mogadiscio (Somalia)
Khartoum (Sudan)
Benghazi (Libya)
Beirut (Lebanon)
Switzerland
Greece
New York
Kuwait

Offices under study

Brazil
Indonesia
Afghanistan
Singapore
Hong Kong

Turkey
Japan
Cyprus
Aden
Ethiopia
Kenya
Leopoldville (Congo)
Dakar (Senegal)
Niamey (Niger)
Kotonou (Dahomey)
Douala (Cameron)
South Africa
Australia

Question 17. With regard to that part of the United Arab Republic memorandum pertaining to State-trading enterprises, is the importation of all goods under the jurisdiction of one of the fifteen State companies? If not, what goods are not covered?

Answer. There is a kind of specialization in the activities of these fifteen companies, i.e. four of them are in the wood and timber business; another four in the technical engineering lines like mechanical and electrical goods, transport equipment, etc.; and the remaining seven companies cover all sorts of commodities including timber and equipments. This is to ensure competition on the one hand, and the smooth implementation of our foreign trade policy and foreign exchange budget on the other hand.

For important commodities like wood, metals, paper, etc., the offers and quotations are studied by a board which has the authority to make all decisions necessary to ensure the application of the principle of competitive prices. Members of the board are representatives of all the agencies and enterprises concerned.

Question 18. By what means does the Government of the United Arab Republic ensure observance by the State-trading companies of the principle of buying and selling in foreign markets at competitive prices?

Answer. The Government ensures the principle of buying and selling in foreign markets at competitive prices through the following channels:

- (a) International specialized trading magazines.
- (b) International circulars.
- (c) Information received from different United Arab Republic trading centres.
- (d) Reports of United Arab Republic commercial representatives.
- (e) The study of offers received from the different parts of the world.

It may be noted that beginning from July 1962 the allocation of foreign exchange among different imports is done on an annual basis and in a more comprehensive and detailed manner, and as far as possible, according to custom tariff schedules. Since foreign exporters will be put wise to the country's needs in the course of the year and to specifications of items needed. The importing enterprises could then choose the best markets and apply the required principle of competitive prices.

D. Other

Question 19. Could the United Arab Republic supply particulars on allocations of foreign exchange which as from July 1962 are drawn up on an annual base?

Answer. Attached table of allocation by chapter, of foreign exchange for the United Arab Republic imports drawn up on an annual basis beginning from July 1962.

ALLOCATION OF FOREIGN EXCHANGE FOR IMPORTS

(Value in million L.E.)

No. of Chp.	Name of Chapter	Hard Cur.	L.E.	Total
1	Living animals	.5	4.5	5.0
2	Meat	1.4	.2	1.6
9	Tropical produce (tea, coffee)	9.2	3.9	13.1
10	Cereals	8.0	38.0	46.0
11	Milling products, malt, starch and...	3.0	28.0	31.0
15	Animal and vegetable, fatty substances, greases, oils and alimentary fats	4.2	1.0	5.2
24	Tobacco	1.8	4.7	6.5
27	Mineral fuels and oils, natural bituminous substances and products of their distillation	7.5	18.2	25.7
28	Chemical and pharmaceutical products	26.6	6.3	32.9
35	Fertilizers	5.1	2.2	7.3
39	Rubber and manufactures thereof	3.0	.2	3.2
40	Wood and articles thereof	3.9	10.8	14.7
44	Paper and cardboard articles	6.0	4.8	10.8
47	Wool, horse-hair and other animal hair	5.0	-	5.0
63	Iron, cast-iron and steel	13.1	9.5	22.6
64	Copper	1.5	.2	1.7
72	Boilers, machinery, mechanical apparatus and appliances and parts	52.1	16.1	68.2
73	Electric machinery, apparatus, articles and detached parts	9.1	3.8	12.9
74	Railway rolling-stock and railway and tramway materials	5.8	1.1	6.9
75	Cycles, automobiles and other vehicles	12.3	2.5	14.8
76	Aviation, and navigation	3.0	1.2	4.2
77	Scientific, optical precision and other instruments and apparatus	4.3	1.9	6.2
	Other commodities	15.9	19.1	35.0
TOTAL		202.3	178.2	380.5

Question 20. It is stated in paragraph 5, page 23, of document L/1816, that within the framework of the order of priority, the principle of competitive prices is followed with no discrimination among countries and with due regard to the availability of different kinds of foreign exchange available to the country.

The prescriptions published in the Journal Officiel, No. 54 of 10 July 1961, relating to the imports régime for the fiscal year 1961/62, provide for an order of priority for the imports of producer's goods and raw materials. Furthermore, it is stated that the imports should be expanded from countries with which agreements have been concluded, with regard to the balance-of-payments situation vis-à-vis these countries. Have the authorities of the United Arab Republic decided to give up this criterion and to apply in future the principle of no discrimination as stated in the above-mentioned GATT document?

Answer. As explained in Section B of document L/1816, the United Arab Republic, in its foreign trade policy follows the principles of non-discrimination and competitive prices. Available foreign exchange is allocated in kind and in amount, among different items of imports according to an order of priority which could serve best our development plan.

In the light of these principles and in certain cases the trade may be conducted towards the countries with which we have payments agreements, since such agreements provide credit facilities or result in credit balances in our favour. This is in line with Article 14.

The stabilization programme with the International Monetary Fund will result in more credit facilities available to the country and stipulates the gradual cancellation of bilateral agreements with countries members of the Fund. This in turn will result in more liberalization of our foreign trade and a higher volume of trade with the contracting parties, since most of them are members of the International Fund.

Question 21. It is stated in paragraph 3(b), page 46, of document L/1816, that spinners abroad purchase Egyptian raw cotton at lower prices than those paid by local spinners, due to the fact that importers of Egyptian cotton benefited from the premiums on convertible currencies. The payment of this premium has, however, been abolished on 1 September 1961, i.e. at the beginning of the cotton year 1961/62. Furthermore, the Government of the United Arab Republic

has carried through in last May a monetary reform. The exchange rates have been fixed on the basis of £E1 = US\$2.30 as against a former rate of £E1 = US\$2.87. The sales prices for cotton for the new season beginning on 1 September 1962 have been increased accordingly.

The Working Party should examine whether the granting of subsidies for the production of yarns and textiles are compatible with the provisions of GATT.

Answer. As referred to in paragraph 5 page 24 of document L/1816, cotton yarns and textiles enjoy a subsidy equivalent to the difference between the price of the cotton component and the price of other kinds of cotton used in production in other exporting countries. Section D of the document shows further that this subsidy does not constitute an element of dumping since the United Arab Republic cotton yarn and textiles are sold at prices at the level or even higher than the world prices. The recent monetary reform has not changed the necessity of the subsidy since the new unified exchange rate of the pound integrated the premium which was formerly granted to sales against convertible foreign exchange, and thus a subsidy has still to be given to the local producer to account for this difference between local and foreign prices of cotton.

Question 22. Does the United Arab Republic grant freedom of transit to all contracting parties? Would the United Arab Republic be prepared upon accession to apply fully the provisions of Article V (re: freedom of transit)?

Answer. Goods in course of transit through the United Arab Republic or for transshipment are freely admitted, subject to compliance with provisions to boycott Israel (Law No. 506 of 1955)

The United Arab Republic is thus prepared upon accession to apply fully the provisions of Article V, Israel being shut out from all commercial intercourse.

