

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARAB COMMON MARKET

Progress Report

The secretariat has received from the delegation of the United Arab Republic the following Report, prepared by the Council of Arab Economic Unity, on progress achieved in the Arab Common Market.

I. MEMBERSHIP

1. The Agreement for Arab Economic Unity is open to all Arab countries members of the Arab League.
2. Present members of the Council are Iraq, Jordan, Kuwait, Syria, United Arab Republic and Yemen. The Sudan Government notified the Council of its decision to join. Necessary arrangements are being taken for ratification. It is expected that the Sudan will participate as a member in the next meeting of the Council early next year.
3. Members have ratified the Agreement for Arab Economic Unity as well as the decision of the Council on the Arab Economic Market. Kuwait, a member in the Council and living up to its obligations towards the Council and fully participating in its deliberations and decisions, is "de facto" implementing the measures for the Common Market because it has neither tariffs nor administrative barriers.
4. Increasing the membership of the Council is sought by the Council and its Secretariat, which by contacts and memoranda has clarified the Agreement with a view to removing the misconceptions about the various aspects of the Agreement especially as regards the differences in economic systems and some other targets of the Agreement.
5. An important decision of the Arab Summit Meeting and other Arab meetings held in the course of the year, is to take necessary steps to enlarge the membership of the Council in such a way as to enable all Arab countries to join the Council within a framework of Arab economic unity and the Arab Common Market. Important contacts and exchange of views have taken place in this respect and it is hoped that the membership of the Council will increase in the near future. On the basis of this expectation the Secretariat is conducting various studies on the assumption of this universal membership of the Arab countries.

II. TRADE

1. Present arrangements can be considered as a free-trade area leading to a customs union.
2. Liberalization of trade between member countries from tariffs, duties, internal taxes, and other restrictions is carried out according to schedule. They amount now to 80 per cent on agricultural products and to 40 per cent on manufactured products. Beginning from January 1969 they will amount to 100 per cent on agricultural and 50 per cent on manufactured products. These reductions are in line with the plan originally designed for the liberalization of trade.
3. An important decision of the Council is to shorten the stages of liberalization of trade and a new schedule was approved by which complete liberalization of industrial goods will take place by 1971 instead of 1974 as originally planned.
4. The stand-still provision is implemented and no increase in the present level of tariffs and other barriers is permitted. The administrative barriers were also well defined.
5. To implement preferential treatment between member countries, the Council decided that the Secretariat will arrange annual meetings for representatives of the chambers of commerce in the member countries, interested businessmen and directors of trade in government enterprise, to exchange information on exports and imports in the area with a view to making transactions and to promoting trade in the area. The first meeting is scheduled to take place next year after due preparation especially as regards exploring the possibilities on conducting such transactions on a covering basis.
6. Exceptions

The Agreement stipulates exceptions from approved tariff reductions and other restrictions to safeguard an infant industry or an important source of revenue. These amount to only sixteen items for Jordan. Negotiations in the Council to remove them are taking place with a progressing chance of their removal next year.

III. THE ARAB PAYMENTS UNION

The Council approved the project prepared by a group of experts to form a payments union among the member countries to serve as a clearing bureau and to extend short-term credit facilities to its members. The governors of the central banks in member countries will hold a meeting in November 1968 in Jordan to decide on the initial capital of the union and the criteria of its allocation. It is expected that the union will come into effect in 1969.

IV. CUSTOMS UNION

1. A project for a unified customs legislation was prepared by a group of experts representing the member countries and will be submitted to the Council for approval in its next session.
2. All member countries agreed to standardize their nomenclature according to that of Brussels.
3. Preliminary studies are being conducted by a special committee for the external common tariff.

V. A unified card was designed and approved by the Council to allow nationals of member countries to travel from one member country to another as a step towards freedom of movement which is an important target of the Agreement. Necessary administrative steps have been taken in the course of the year in the member countries and the card will be implemented by the end of this year.

VI. DEVELOPMENT

1. The Council is a grouping for development, trade being an aspect of the problem. The Council tackles the problem of development simultaneously with the problem of trade. Three standing committees were formed for agricultural, industrial and development plans. They are now engaged in the initial and important stage of exchanging information, compiling and standardizing statistical data and surveying possibilities and potentialities in different fields.
2. Not only the co-ordination of overall plans but also of particular industries is studied. Chief among them are the petrochemical industry, the fertilizers industry, the sugar industry and the textile industry.
3. According to a decision of the Council in its last meeting, the Secretariat is preparing a programme of work for joint projects on a regional basis especially those which enhance economic development in the area and increase the economic and trade ties between member countries. Studies conducted in this respect clearly show that there are very wide possibilities in this respect since the area is endowed with rich and diversified resources and that there are many elements of economic complementarity between member countries. Not only new projects are to be established but also co-ordination between present projects and industries are to be conducted.
4. These joint projects, it may be noted, will result not only in enhancing economic development in the area but also in increasing the volume of trade between member countries. This is an important consideration in all economic groupings of developing countries.

VII. GENERAL REMARKS

1. The Report shows that the Council of Arab Economic Unity is carrying out its programme of work according to schedule in spite of the fact that it has all the challenges of economic integration, since its members have different economic systems on the one hand and different levels of development on the other.
2. Available statistics show that trade between member countries has increased, but as pointed out before, the impact of steps taken will take place in due time especially when co-ordination of plans and establishment of joint projects will be effected.
3. It is noteworthy that the Council is seeking not trade diversion but trade promotion, a point of particular interest to the contracting parties.