

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3311

16 January 1970

Limited Distribution

Original: French

EUROPEAN ECONOMIC COMMUNITY

ASSOCIATION OF MOROCCO AND TUNISIA

Questions and Replies

In document L/3245/Rev.1, contracting parties were invited to submit questions with regard to the Agreements on the Association between the European Economic Community and Morocco and Tunisia.

In reply to the invitation a number of questions were received and transmitted to the parties to the Agreements. The questions and the replies prepared by the parties to the Agreements are reproduced hereunder.

I. GENERAL QUESTIONS

Question No. 1 - The parties state that in their opinion these Agreements are "consistent with the spirit and the objectives of the General Agreement" (L/3226 and 3227). Do the parties consider that they are in conformity with the provisions of Article XXIV of the General Agreement?

and

Question No. 2 - Do the parties consider that the Agreements establish free-trade areas between them?

Reply: The Community, Morocco and Tunisia consider, in so far as each of them is concerned, that the Agreements are in conformity with the provisions of Article XXIV of the General Agreement. The preamble to the Agreements expressly includes a resolution according to which the parties declare themselves determined to remove obstacles to substantially all the trade between their respective tariff territories. The parties consider not only that the Agreements tend to introduce gradually a free-trade area but that they already go a long way towards realizing this aim for a very substantial part of their common trade while at the same time representing an important step in the process of tariff disarmament and a reduction of quotas for other products. Substantial progress has in fact been made in eliminating obstacles for a considerable number of sectors of trade between the parties. Moreover the parties to these Agreements have given undertakings to complete their progress towards their stated aims.

Question No. 2 - Are these Agreements considered as interim Agreements intended to lead to the establishment of free-trade areas in accordance with Article XXIV? If so, what are the plan and the schedule for establishing such an area as required by the said Article XXIV, in view of the fact that the Agreements are concluded for a period of five years?

Reply: The parties agreed to consider those Agreements as being the first step towards the aims which they have in mind. It is in this sense that one must interpret, as regards the Community, the declaration of the representatives of the Governments of the member States which is appended to the Agreements (document L/3226/Add.1, page 185 and document L/3227/Add.1, page 181).

The parties propose to work towards the full achievement of their objectives and have fixed a time-limit for determining the means by which these shall be reached (Article 14:2). The difficulties inherent in linking up economies of very different levels mean that there must be a transitional period during which a realistic plan and schedule can be worked out in more detail for the establishment of free-trade areas.

An extension of the period of uncertainty in which Tunisia and Morocco found themselves as regards the direction which should be taken by their respective economies could not be reconciled with the intention expressed by the member States, when the Treaty of Rome was signed, to maintain and increase their trade with those two countries.

That situation was also calculated to put obstacles in the way of the economic integration of the Community because of the maintenance, authorized by the General Agreement, of preferential relationships between Tunisia and Morocco on the one hand and France on the other hand, which was incompatible with the practice of complete free trade within the Community.

Question No. 4 - To what extent and in what way can it be considered that "substantially all trade" within the meaning of Article XXIV will be exempt from customs duties and free from restrictive regulations at the end of the transitional period?

Question No. 5 - What percentage of imports:

- (a) by the Community from Tunisia;
- (b) by Tunisia from the Community;
- (c) by the Community from Morocco;
- (d) by Morocco from the Community;

will be exempt from customs duties under the Agreement as shown by trade statistics for some recent year?

Question No. 6 - What percentage of the total imports of the Community originating in Tunisia or in Morocco is constituted by:

- (a) products for which obstacles to trade have been completely eliminated?
- (b) products in which a beginning of disarmament has been made?
- (c) products subject to partial tariff disarmament (quotas) or conditional disarmament?
- (d) products at present excluded from the scope of the Agreement?

A full schedule of the items affected should be given.

Reply: As regards imports by the Community of goods originating in Tunisia and Morocco, the abolition of customs tariffs and other restrictive regulations is as follows (average figures for 1966/67):

	<u>TUNISIA</u>		<u>MOROCCO</u>	
	<u>\$ million</u>	<u>%</u>	<u>\$ million</u>	<u>%</u>
Total imports	112.0	100	321.0	100
Headings with no duty	63.1	56.4	157.7	49.1
Headings subject to tariff disarmament	25.8	23.1	76.8	23.9
Headings with duties and not subject to tariff disarmament	23.0	20.5	86.5	27.0

The percentage of each category of products is as follows:

	<u>TUNISIA</u>	<u>MOROCCO</u>
Industrial products	90%	89%
Agricultural products (Annex II)	54%	54%

(b) As regards imports to Tunisia as a percentage of total imports from the Community the position is as follows (average 1965/67):

Total imports \$130.9 million

(i) As regards duty:

	<u>\$ million</u>	<u>%</u>
headings with no duty	10.3	7.9
headings subject to tariff reductions	58.8	44.8
<u>Total</u>	69.1	52.7

	<u>\$ million</u>	<u>%</u>
(ii) As regards quotas:		
headings free from quotas	81.4	62.2
headings subject to quotas in virtue of the Agreement	17.9	13.7

(c) As regards imports to Morocco as a percentage of total imports from the Community, the position is as follows (average 1965/67):

Total imports \$254.7 million

(i) As regards duty:

	<u>\$ million</u>	<u>%</u>
headings with no duty	23.4	9.2
headings subject to tariff reductions	<u>12.9</u>	<u>5.1</u>
<u>Total</u>	36.3	14.3

(ii) As regards quotas:

headings free from quotas	109.2	42.9
headings subject to quotas in virtue of the Agreement	74.6	29.3

(d) The Agreements do not in any way exclude agricultural products.

Question No. 7 - Do the parties consider that tariff disarmament within the framework of quotas or subject to special conditions (e.g. citrus fruits, olive oil) is in conformity with the type of disarmament called for under Article XXIV/8?

What are the supplementary measures intended to be taken in order to bring the Agreement into line with Article XXIV/8 of the General Agreement?

Reply: The general scheme applicable by the Community as from the entry into force of the Agreement to products originating in Tunisia or Morocco was one of importation without quantitative restrictions and free of customs duty or dues having equivalent effect (Annex I, Articles 1, 2 and 7.1). This system applies to most of the products at present exported by the two countries to the Community and will apply to practically all the new products which the countries are proposing to produce under their development programmes.

The scheme applicable to products referred to in Annex I, Articles 3 (certain goods resulting from the processing of agricultural products) and 6 (refined olive oil) is similar to the general scheme above in that the products are imported freely and that total exemption from the invariable component of the tax is equivalent to complete abolition of the protection prescribed in favour of industries in the Community as against third parties. The charging of the variable

component simply means that Tunisian and Moroccan producers are put on a footing of equality with producers in the Community by restoring parity in the prices of the basic agricultural products used in their manufacturing processes.

The conditions applying to tariff preferences or quota preferences applying to citrus fruits (Article 4, Annex 1) and crude olive oil (Article 5, Annex 1), both of which are in any case imported freely, are intended to associate Tunisia and Morocco with the efforts of the Community to establish a balance in the markets for these products. The parties to the Agreements considered that the measures taken were the most suitable to ensure the maximum return for exports from the two countries in question. Moreover the conditions for a balanced market were not compatible with granting complete tariff exemption for these products. In both cases the duties which are still charged are very small or moderate and correspond more or less to the standard of the preferences which Tunisian and Moroccan products enjoyed previously on the French market alone, which was their principal outlet. The desire of the Community from this point of view was to introduce the least possible disturbance in the competitive relationships existing between the main suppliers.

In the case of fisheries products (Annex 2) the system which is applied is essentially the same as that in force between member States as regards both duties and quotas. The few quantitative restrictions imposed in this Annex are well in excess of the present volumes of trade, and the question of their subsequent suppression is linked up with the possible introduction of a joint market organization for these products, the possibility of which has been foreseen by the Community (Article 10).

Products which are not mentioned in the Agreement are not covered either for institutional reasons (Coal and Steel Community) or because the sectors in question are undergoing a slump (articles made of cork) or because in the absence of any agreed policy there is no sufficient basis for an agreement at the Community level.

As was mentioned in connexion with question 4 and demonstrated in the replies to questions 2 to 5, the parties consider that the Agreement already gives effect to the elimination of customs duties and other restrictive commercial regulations for a very large proportion of their trade.

Moreover, for the reasons given in reply to question 3, the parties to the Agreement have decided at a later stage to draw up precise supplementary measures.

Question No. 8 - What is meant by the concept "equilibrium of the Agreement" (Article 7)?

Reply: The sense of Article 7 can be understood only in conjunction with Article 8, paragraphs 1, 3 and 4.

This latter Article enables Tunisia and Morocco to take safeguard measures in the event of serious disturbances. In such cases no compensation is due to the Community.

On the other hand, when Tunisia and Morocco decide, in order to protect their infant industries or to develop their economies, to withdraw certain concessions even if no serious disturbances have so far been noted, they are required to replace them by other concessions so as to maintain the equilibrium of the Agreement.

When the measures involve imposing quantitative restrictions, the matter is expressly dealt with in Article 3 of Annex 3 to the Agreements.

Question No. 9 - What is the relationship between the preferences existing previously within the framework of the franc area and the preferences resulting from the agreements for association?

Reply: The relationships between the earlier preferences and the new ones are of two kinds -- legal and economic.

From the legal point of view, the General Agreement stipulates that the provisions of Article 1, paragraph 1 shall not involve the elimination of the preferences in force between France, on the one hand, and Tunisia and Morocco, on the other hand (cf. Article I, paragraph 2(b) and Annex B).

Similarly, the Protocol appended to the Treaty of Rome, concerning commodities originating in or coming from certain countries and enjoying the benefits of certain special import privileges in one of the member States stipulates that the application of the said Treaty does not call for any change in the customs arrangements applicable to imports into France of commodities originating in and coming from Tunisia and Morocco. However, as is shown by paragraph 2 of the Protocol, these commodities do not circulate freely in that country and therefore constitute exceptions to the system of a common market at which the Treaty of Rome aims. One of the purposes of the Agreements which have recently been concluded is to ensure, within the framework of free-trade areas and on the basis of uniform systems, the free circulation of Tunisian and Moroccan products within the Community.

From the economic and technical point of view, the Agreements which have just been concluded mean in fact either the elimination or the adjustment of existing preferences. In essence, the concrete results of these measures mean the maintenance of the balance of previous preferences. This is true both for the preferences granted by the Community to Tunisia and Morocco and for the preferences granted by Tunisia to the Community.

In the first case the tariff disarmament which is granted under the Common Customs Tariff and which is valid for the whole Community corresponds in fact to the total exemption from duty which these countries enjoy on the French market, which is their principal market within the European Economic Community. This is the case, for example, for citrus fruits and unrefined olive oil, regarding which there were certain discussions between the member States when the two Agreements came into force, with the result that the preference was limited to 80 per cent of

one Common Customs Tariff and 0.5 units of account per quintal (plus a financial allowance of five units of account per quintal, being about half the average charge applicable to this product). For most other exports from Tunisia and Morocco, which are concentrated almost entirely on the French market, the total exemption from duty was extended to the whole of the Community.

In the case of imports from Tunisia, the tariff incidence of the preference granted to the Community was negative when the Agreement came into force (50 per cent of the preference previously granted to France) and as from the third year (70 per cent of the previous preference) involves a balanced situation which is unchanged as compared with the previous bilateral system.

Question No. 10 - Are the earlier preferences concerning products which are not at present covered by the association agreements to remain in force?

and

Question No. 11 - It would seem that certain preferences existing between France on the one hand and Tunisia and Morocco on the other will continue in force side by side with the new preferences provided for under the Agreements. What are the products affected? What are the margins of preference? Is the intention that they shall finally be included in the association Agreements?

Reply: As regards imports into the Community, the problem arises in practice only for France, which, as was pointed out in reply to question 9 above, is authorized both by the General Agreement and by the Protocol to the Treaty of Rome to maintain a preferential system for imports from Tunisia and Morocco.

As a result of the coming into force of the Agreements, preferences have been suspended for all the products referred to in Annexes 1 and 2 to the Agreement. In the case of other products which do not receive any preferential treatment when imported into the Community, the Protocol remains applicable, as was pointed out, to Tunisia and Morocco (cf. exchange of letters reproduced in documents L/3226/Add.1, pages 180-181 and L/3227/Add.1, pages 176-177).

There are therefore two categories of products which enjoy preferential treatment when imported into the Community: on the one hand those listed in the Agreements for which the same system is applied in the Community for the whole of the market (except for fishery products for which the national systems remain in force until a unified market is established), and on the other hand those resulting from bilateral relationships existing between France on the one hand and Tunisia and Morocco on the other.

As regards imports to Tunisia, the same two categories of products exist: the first category includes products listed in the Agreement for which Tunisia applies the same system to all member States, whereas the second includes products not listed in the Agreement but covered by the bilateral relations with France.

Morocco did not grant any preferences and has therefore not set up any differential tariff system.

The objective of the Agreement is to cover all trade between the Community on the one hand and Morocco and Tunisia on the other.

Question No. 12 - Do the Agreements establish new commitments between Tunisia and Morocco on the one hand and the other countries which are associated to the European Economic Community?

The reply to this question is in the negative. However, these Agreements do not prevent the maintenance or introduction of certain relationships or the acceptance of certain commitments (cf. Article 4, paragraph 3).

Question No. 13 - What are the legal bases which justify the European Economic Community in considering these Agreements as constituting an association?

Reply: As regards the legal justification for the Community, the Agreements with Tunisia and Morocco are based on Article 238 of the Treaty of Rome.

In the preamble to the two Agreements the parties expressly refer to the declaration of intention of the member States drawn up at the time that the Treaty of Rome was signed, with a view to the association of the independent countries in the franc area with the European Economic Community, in which it is pointed out that these Agreements are merely a first application of the principle and do not involve its complete application.

Question No. 14 - After the first five years, what extensions or enlargements of the Agreement do the parties envisage under Article 14?

Reply: The declaration of intention appended to the Agreements expresses the desire of the member States to maintain and intensify their traditional trade relationships with Tunisia and Morocco as well as with other countries and to contribute to the economic and social development of the two countries mentioned.

The procedure and the aims laid down in Article 14 of the Agreements reflect the will of the parties to the Agreements to extend them to all trade between the Community on the one hand and Tunisia and Morocco on the other.

It is in accordance with this objective that the negotiations referred to in Article 14 of the Agreements will be undertaken.

Moreover, the provisions of Article XXIV do not make it compulsory to cover all types of product from the outset. In this connexion it should be noted that for certain sectors in which preparations are being made to develop common policies it was not possible in this early stage to define the means by which they could be included in the Agreements.

Question No. 15 - How will the inverse preferences contribute to the economic development of Tunisia and Morocco?

Reply: The parties to the Agreements consider that the elimination of obstacles to trade within a framework providing for effective safeguards (taking into account, as was already mentioned, the comparative degree of economic development of Tunisia and Morocco and their desire to protect their infant industries) are a decisive factor for promoting the general and, more particularly, the industrial development of those two countries. Gradually meeting growing and varied competition, with all the precautions indicated in the Agreement, will prove an incentive to specialization and to the development of mutually complementary industries in the zones in which free exchanges are to be developed and will thus, as has been found to be the case elsewhere, make a contribution to the general establishment of free trade.

Within the framework of the associations which are thus being set up the progress of industry and the expansion of trade for Tunisia and Morocco will be decisive factors in ensuring a balanced development of their relations with third countries.

II. CONCESSIONS BY THE EUROPEAN ECONOMIC COMMUNITY (Annexes 1 and 2)

Question No. 16 - Do the parties to the Agreements consider that the preferential treatment granted to certain specified products from Tunisia and Morocco is temporary?

Reply: The signatories do not consider the system set up under these Agreements as being temporary. The Agreements are concluded for a period of five years and they make provisions for the conclusion of new Agreements on a wider basis.

During the five years for which the Agreements are in force, there may be changes which prove possible in the system laid down by the Agreements. For this reason, the Community has reserved the right to modify the regulations applying to Tunisian and Moroccan products (Annex 1, Article 2, paragraph 5 and Annex 2, Article 10) in the case of petroleum and fishery products for which a joint market organization or a common policy is contemplated.

Moreover, in the case of agricultural products and commodities produced by working up these products, the system laid down in the Agreements may be changed if there is any change in the general regulations for the European Community (Annex 1, Article 8 for Tunisia and Article 9 for Morocco).

Question No. 17 - What proportion of the imports by the Community from Tunisia and Morocco consists of agricultural products which are excluded from the special treatment? How does the European Community justify these exceptions in view of the conditions laid down in Article XXIV. paragraph 8(a)(i)?

Reply: The agricultural products not covered by the provisions laid down in the Agreements represent 21.7 per cent and 27 per cent of the total imports to the Community from Tunisia and Morocco respectively (average figures for 1966-1967) and are practically the only products which are not covered.

The Community considers that the percentages indicated above confirm the statement made in point 1 above to the effect that essentially all the trade is covered by the concessions from the moment that the Agreements come into force.

The reason for this situation is that it is difficult for the Community at this stage to prescribe a system for the benefit of Tunisian and Moroccan products and the fact that the parties did not wish to delay the implementation of the Agreement until solutions could be found for those difficulties (cf. point 3).

Question No. 18 - What are the exceptions to the abolition of quantitative restrictions by the European Community for exports from Tunisia and Morocco?

Reply: The Agreements do not provide for any exception to the abolition of quantitative restrictions for non-agricultural products.

In the case of refined petroleum products dealt with in Annex 1, Article 2, there is a safeguarding clause which could be invoked by the Community in the event of difficulties in its market, or if the volume of trade rose beyond a ceiling which is well above the present volume of trade. However, the application of this clause would imply only a total or partial reduction of the system introduced by the Agreement and not any quantitative restrictions.

In the case of agricultural products covered by the Agreements, the only exception to the abolition of quantitative restrictions refers to fishery products covered by Annex 2, as was indicated under point 7.

These restrictions result from the fact that no common policy has so far been worked out and that, consequently, certain protective measures resulting from the continued existence of national systems remain in force.

In the agricultural sector, these exceptions are therefore of a provisional nature and are tied up with the introduction of a common marketing system.

Question No. 19 - In the case of agricultural products which are not yet subject to the Community system, what will happen when the Community draws up common rules?

Reply: The system laid down for products which at the time of the signature of the Agreements with Morocco and Tunisia were not subject to common organization, was determined in the light of the situation for these products coming from Tunisia or Morocco on the market of the various member States of the Community. The Community thus reserved for itself the possibility of revising the system laid down in the Agreements when it established a market organization. It is obvious that when it comes to setting up this organization, it will be careful not to injure the interests of associated countries, which were taken into consideration in the provisional system introduced by these Agreements.

Question No. 20 - What is the meaning of the provisions of the Agreements guaranteeing to Tunisia and Morocco:

- (a) equivalent advantages with respect to petroleum imports (Article 2, paragraph 5 of Annex 1);
- (b) equivalent preferences with respect to imports of agricultural and processed agricultural products (Article 8 of Annex 1 for Tunisia and Article 9 of Annex 1 for Morocco);
- (c) the same favourable treatment with respect to fishery products (Article 10 of Annex 2)?

Reply:

- (a) In the case of petroleum products (Annex 1, Article 2), it is impossible to foresee the nature of the measures which may be taken by the Community or what their effects may be on the system of trade prescribed by these Agreements. For this reason, the undertaking given by the Community in paragraph 5 was so drafted as to permit the adoption of appropriate measures in each case. In giving this undertaking, the Community wished to guarantee to its partners that the measures which it reserved the right to take would not injure those partners.
- (b) This question is to some extent linked with the previous one. The Articles referred to (Article 8 of Annex 1 for Tunisia and Article 9 for Morocco) refer to cases in which the Community might be led to change the Community system in force at the rate on which the Agreements took effect in respect of agricultural products for which a special system of imports was provided, if these products came from Tunisia or Morocco.

It is reasonable to expect that any changes in the common system, which are introduced to meet the desires of the Community, will be such as not to have a harmful influence for partners, as this would among other things tend to upset the balance of concessions granted mutually by the contracting parties.

In the light of these considerations, the provision referred to under question 20(b) means that if the Community should, as a result of some change in the general scheme of imports, be led in practice to withdraw certain advantages which it had previously granted to its partners, it should take adequate steps to offer those partners some other advantage, the nature and extent of which would restore the balance of the Agreement. In this connexion, it should be noted that the provision in question refers to "a comparable advantage" and not to "equivalent preferences", as indicated in the question.¹

(c) Article 10 of Annex 2 described two undertakings which are different in scope:

- in paragraph 2 of Article 10, it is stated that when setting up a joint organization for fishery products, the Community shall take due account of the interests of Tunisia and Morocco. In point of fact, the same uncertainty as in cases (a) and (b) above exists as to the nature and scope of the measures which might be applied to imports from third parties and consequently to the schemes which might be adopted in favour of the two associated parties in question.
- in paragraph 3, the situation after bringing into effect a Community system would be the same as explained in paragraph (b) above.

Question No. 21 - Do the guarantees referred to in question No. 20 above limit the European Community's capability to negotiate most-favoured-nation concessions with other GATT contracting parties?

It is stipulated in the two Agreements that if the Community decides to apply quantitative restrictions on imports of certain petroleum products preferential treatment will be guaranteed to Tunisia and Morocco as compared with third parties (Article 2, paragraph 4 of Annex 1). What are the precise measures which it is intended to take to give effect to this provision?

The reply to the first question is in the negative.

¹Translator's note

There is some confusion here, owing to the fact that the question 20(b), which was originally submitted in English, referred to "equivalent preferences". This corresponds to the English version of Article 9(1) of Annex 1 to the Agreement with Morocco (document L/3227/Add.1, page 13), which speaks of "a preference equivalent to". However, the French version (which was the original) refers to "un avantage comparable à ...".

It is therefore impossible to give a meaningful translation of this sentence in the reply.

As regards the second question, the possibility of introducing quantitative restrictions on imports of petroleum products referred to in Article 2, paragraph 2 is purely hypothetical. For this reason it did not seem necessary to prescribe in advance what precise measures would be taken to guarantee preferential terms to Tunisia and Morocco. Moreover, any attempt to lay down precise rules would have met with the same technical difficulties as were explained in reply to question 20.

Question No. 22 - How does the European Economic Community reconcile the following provisions with Article I of the General Agreement:

- (a) Article 4 and Article 7 paragraph 3 (Annex 1) provide for admission into the Community of certain products at 20 per cent and 50 per cent respectively of the CCT.
- (b) Article 5 (Annex 1) provides for a reduction of levies on olive oil of 5 UA/100 kgs.
- (c) Article 8 (Annex 1) of the Agreement with Morocco provides for a reduction of levies on hard wheat imported from Morocco into the Community by specified amounts according to weight.

Reply: In accordance with the provisions of Article XXIV, paragraph 5 the establishment of a free-trade area involves departure from the provisions of Article I of the General Agreement.

There is no provision in Article XXIV whereby the parties to a free-trade area are obliged to eliminate all obstacles to all trade.

The three cases mentioned under (a), (b) and (c) above represent a partial disarmament in the levies charged on imports.

Question No. 23 - What are the reasons underlying the differentiation between preferences concerning fishery products according to the member States to which they are delivered (Annex 2)?

Reply: The reasons for differentiating between the preferences for fishery products for different members of the Community which are importing these products is due to the absence of any common policy in this sector of activity at the time when the Agreements came into force. That is why Article 10 of Annex 2 provides that the régime laid down in Articles 1-8 of the Annex shall apply until a common fisheries policy comes into force within the Community. Such an event would naturally involve the need for establishing, for products in this sector as in others, a single régime for imports applying to the whole of the Community.

Question No. 24 - With respect to products not listed in Annexes 1 and 2, bilateral treatment (including existing tariff and quota preferences) will apparently continue to apply (L/3226/Add.1, pages 180 and 182 and L/3227/Add.1, pages 176 and 178).

What are the products covered and what is the extent of preferential treatment granted by members of the European Community to Tunisia and Morocco respectively outside the terms of the present Agreements?

Reply: As regards France, which is authorized to maintain the preferential régimes, which are unilateral, for the benefit of Tunisian and Moroccan products not covered by Annexes 1 and 2, the matter has already been dealt with in the replies to questions 9 and 10 above.

The other member States grant no tariff preference for these products. The undertaking by member States towards Tunisia and Morocco, as laid down in the exchanges of letters referred to in the above question, therefore applies only to non-tariff commercial advantages existing in the bilateral agreements already concluded by those States at the time when the Agreements came into force. These advantages were granted in accordance with the rules laid down in the General Agreement to which the member States are parties.

Question No. 25 - What is the nature of the preference accorded by Articles 3 and 6 (Annex 1)?

Reply: The nature and scope of the preference granted by the Community to the products in question were described under question 7, paragraph 2.

III. CONCESSIONS BY TUNISIA AND MOROCCO

(i) Tunisia

Question No. 26 - On what percentages of Tunisian imports from the European Community will "duties and other restrictive regulations of commerce" be:

- (a) reduced?
- (b) eliminated entirely?

A full schedule of items affected is requested.

Reply

- (a) Reduction in customs duties applies to the products shown in List 1, representing 41.23 per cent of the total imports from the EEC (average for 1965-1967).
- (b) The elimination of restrictive trade regulations applies to List 2, representing 55.70 per cent of the total imports from the EEC (average for 1965-1967). It should be pointed out that the products in this list form part of the liberalization programme.

The Agreement simply confirms this system which, according to Notification-No. 106 of 28 October 1969, applies to all countries except those which have payment agreements with Tunisia or those with which Tunisia has no trade relations.

Question No. 27 - Article 1 provides that certain specific percentage preferences will be applied by Tunisia to products from the European Community specified in List 1. How does Tunisia reconcile those preferences with the provisions of Article I of the General Agreement?

Question No. 28 - How does Tunisia propose to justify the special treatment granted to the EEC by the establishment of sub-quotas for products which are subject to quota?

Reply: Tunisia considers that the Agreement between Tunisia and the EEC is in conformity with the provisions of Article XXIV, paragraphs 5 to 9 of the General Agreement.

From this point of view the advantages which have been granted cannot be extended to other contracting parties to GATT since the customs duties and other trade regulations affecting third parties have not been raised or made stricter in consequence of the Agreement between Tunisia and the EEC.

Question No. 29 - Is it intended that at some future date Tunisia should extend the preferential tariff margin in respect of products coming from the EEC?

Question No. 30 - Is it intended that Tunisia should extend the list of products in respect of which it has granted tariff reductions to the EEC? If so, which products will be affected?

Reply: The Agreement contains no provisions for the extension of the preferential margin or the list of products. However, Article 14 of the Agreement stipulates that as from the end of the third year at latest negotiations can be undertaken with a view to the conclusion of a new Agreement on a wider basis.

Question No. 31 - In view of the provisions of Articles XI, XII and XIII of the General Agreement, how can one justify the allocation of special quotas to the European Community? How can one avoid the application of these quotas leading to increased discrimination? Will the establishment of these special quotas prevent the liberalization of the global quotas?

Reply: Tunisia is acting within the framework of Article XXIV. Nevertheless, if one refers to Articles XI, XII and XIII, the quantitative restrictions which are applied and which are known to the CONTRACTING PARTIES have not been adversely affected as a result of the Agreement between Tunisia and the EEC.

The establishment of special sub-quotas will not prevent the liberalization of products at present subject to a global quota.

Question No. 32 - Articles 5 and 6 provide that the percentage of total imports of Tunisia shown in Lists 4 and 5 shall be allotted to the EEC and in certain cases raised to a specified level. Do those provisions not constitute new barriers to trade of other contracting parties, contrary to paragraph 5(b) of Article XXIV?

Reply: The provisions of Articles 5 and 6 of the Agreement between Tunisia and the EEC do not constitute fresh obstacles to the commercial relationships between Tunisia and third parties. The quotas referred to were fixed on the basis of import statistics for the last three years.

Question No. 33 - The Agreement contains a provision guaranteeing to the Community a growing proportion of Tunisian imports of products subject to quantitative restrictions (Article 5 of Annex 3). Does this mean that imports from other countries will be reduced to a corresponding extent or that they cannot be increased?

Reply: The quotas for products in List 4 were fixed on the basis of the actual statistics of imports to Tunisia from the EEC. Moreover, the parties agreed to a ceiling, in different cases, of 50 per cent or 85 per cent, whereas in some cases the actual percentage exceeds these figures.

This system does not involve any reduction to a corresponding extent of imports from third parties because the percentage increases take into account both the development of the total imports of Tunisia and the development of purchases from the EEC. Here again the percentage increases were limited to reasonable proportions which are below the actual level and provide scope for a growing participation by other countries.

Question No. 34 - How are import restrictions and the allocation of quotas officially carried out in Tunisia?

Reply: Restrictions on imports to Tunisia include prohibitive measures and overall quotas. The first of those measures are taken by decree of the Ministry of Economic Affairs, whereas the latter are contained in a notification to importers which is published annually. In both cases the restrictions apply to all countries.

There is therefore no geographical allocation of overall quotas.

Question No. 35 - What is the criterion for the choice of products coming from the Community which will be subject to sub-quotas when entering Tunisia? What is the criterion for determining the volume of these sub-quotas for the various products?

Is there any reason to believe that these tariff quotas will be extended to other products or that their volume will be changed?

Reply: The Agreement makes no provision for introducing tariff quotas.

Question No. 36 - It would appear that the products which are not included in Annex 3 will continue to be subject to bilateral agreements with the existing tariff and quota preferences (L/3226/Add.1, page 183). What are those products and what is the scope of the preferential regime which Tunisia might apply to member States of the European Community outside the scope of the provisions here referred to?

Reply: The situation mentioned concerns only France.

The preferential régime granted to that country refers only to products which are not covered by the Agreement between Tunisia and the EEC, and is in accordance with the provisions of the General Agreement. There are no preferential agreements between Tunisia and other member States of the EEC.

Question No. 37 - Does the Community enjoy preferential treatment in the administration by Tunisia of non-tariff and para-tariff barriers?

Reply: In its administration of non-tariff and para-tariff barriers, Tunisia will grant the same treatment to the EEC and to other countries.

(ii) Morocco

Question No. 38 - On what percentage of Moroccan imports from the Economic Community will "duties and other restrictive regulations of commerce" be:

- (a) reduced?
- (b) eliminated entirely?

A full schedule of the items affected is requested.

Reply: The reduction in customs duties applies to the products shown in List 1 to Annex 3 of the Agreement. List 2 to that Annex indicates the products which are exempt from customs duties when imported to Morocco. The elimination of restrictive regulations of commerce applies to products in List 3 to the Annex in question. It should be pointed out that the products in this list form part of the liberalization programme. The Agreement simply confirms that system.

Question No. 39 - Article 1 provides that the EEC products in List 1 on entry into Morocco shall enjoy the benefit of certain specified tariff rates. Is there any obligation for Morocco to maintain a preference for the EEC on these items?

Reply: When the Agreement creating an association between the EEC and the Kingdom of Morocco was signed the Government of the Kingdom of Morocco stated that the tariff reductions referred to in Articles 1 and 2 of Annex 3 to the Agreement were not of a preferential nature.

Question No. 40 - Is it intended that Morocco should extend the list of products in respect of which it has granted tariff reductions to the EEC? If so, which products will be affected?

Reply: The Agreement contains no provisions for the extension of Lists 1 and 2. However, Article 14 of the Agreement stipulates that as from the end of the third year at latest negotiations can be undertaken with a view to the conclusion of a new Agreement on a wider basis.

Question No. 41 - In view of the provisions of the Treaty of Algeciras how does Morocco justify the allotment of sub-quotas to the European Economic Community?

How will these sub-quotas be administered to prevent further discrimination?

Will the establishment of these sub-quotas inhibit the liberalization of the global quotas?

Reply: Morocco, when granting quotas to the Community on products for which prior authorization for importation is required, was merely confirming an existing situation resulting from a traditional trend of trade with the member States of the Community. A practical study of the development of Moroccan imports over recent years would show that the situation was confirmed at a level substantially below that of present imports.

Moreover, the granting of quotas by Morocco means that new possibilities for exports are being opened to the Community, but does not in any way imply an undertaking by Morocco to buy any products.

Finally, the granting of quotas in favour of the Community does not prevent Morocco from continuing to liberalize conditions for products which still require prior authorization in order to be imported.

Question No. 42 - Article 6 provides that the percentage of total Moroccan imports specified in List 5 shall be attributed to the EEC. Article 7 provides that the percentages in List 6 shall be increased annually up to specified limits. Do not these provisions constitute new barriers to trade of other contracting parties contrary to paragraph 5(b) of Article XXIV?

Question No. 43 - How does Morocco propose to justify the special treatment granted to the EEC by the establishment of sub-quotas for products which are subject to quota?

Reply: Morocco considers that the association Agreement is in conformity with the provisions of Article XXIV of the General Agreement, paragraphs 5 to 9. From this point of view the advantages granted cannot be extended to other contracting parties of GATT since the customs duties and other commercial regulations have not been raised or made stricter as a result of the Agreement between the Community and Morocco.

It may be well to point out that List 5 in Annex 3 covers products for which Morocco is offering import possibilities to the Community, expressed as a percentage of its annual programme of imports, since it is impossible to foresee in advance what its actual requirements will be. Failing any such provision the export possibilities for other contracting parties would have been seriously compromised, at least in certain years.

List 6 of Annex 3 is a special pending list depending on the progress of industrialization. It will cease to have any point as the Moroccan programme of industrialization is achieved.

Question No. 44 - What is the criterion for the choice of products coming from the Community which will be subject to sub-quotas when entering Morocco? What is the criterion for determining the volume of these sub-quotas for the various products? Is there any reason to believe that those tariff quotas will be extended to other products or that their volume will be changed?

Reply: The Agreement makes no provision for introducing tariff quotas.

Question No. 45 - With respect to products not listed in Annex 3, bilateral treatment (including existing quota preferences) will apparently continue to apply (L/3227/Add.1, page 179). What are the products covered and what is the extent of preferential treatment, if any, granted by Morocco to the member States of the Community outside the terms of the present Agreement?

Reply: Apart from the provisions contained in the Agreement between the Community and Morocco, Morocco does not grant any preferential régime on a bilateral basis to member States of the Community.

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Question No. 46 -- Does the Community enjoy preferential treatment in the administration by Morocco of non-tariff and para-tariff barriers?

Reply: The Community does not enjoy any preferential treatment in the administration by Morocco of non-tariff or para-tariff barriers.

It should be pointed out that in Morocco there are no internal taxes equivalent to customs duties.