

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT BY THE WORKING PARTY ON ACCESSION OF THE UNITED ARAB REPUBLIC

1. The Working Party met on 9, 10, 23 and 24 February 1970 under the Chairmanship of Mr. E. Buresch (Austria). It had before it the report of the Working Party which in 1962 recommended provisional accession for the United Arab Republic (BISD, Eleventh Supplement, page 75); a list of tariff concessions offered by the United Arab Republic in the negotiations which had taken place at the time of the Kennedy Round; the Memorandum on the foreign trade régime of the United Arab Republic (L/3069 and addendum); and the written replies of the United Arab Republic to questions put by contracting parties (L/3338). The introductory statement in which the leader of the United Arab Republic delegation recalled the history of his country's relations with GATT and gave additional information on his Government's economic and commercial policy is attached hereto.
2. Members of the Working Party welcomed the application of the United Arab Republic and expressed the hope that the deliberations of the Working Party would lead to that country's accession pursuant to Article XXXIII of GATT, having due regard to the active participation of the United Arab Republic in the Kennedy Round negotiations as well as other activities of GATT. One member while not opposing accession of the United Arab Republic in principle, stated, for the reasons given in paragraphs 18, 24 and 27 hereunder, that accession should be delayed until the United Arab Republic had amended certain policies which caused concern to a number of contracting parties.
3. The Working Party carried out an examination of the various points raised in the written questions and those arising from the replies of the United Arab Republic delegation. The essential points of the discussion are set out hereunder.

Tariffs

4. As notified to all contracting parties (L/3346) the Working Party proceeded on the assumption that only those contracting parties who had indicated, during the period of the Kennedy Round, their intention to enter into tariff negotiations with the United Arab Republic needed to be consulted on the formal conclusion of these negotiations. The Working Party understood that nearly all negotiations had been completed. Provision was made in paragraph 4 of the Protocol for the formal conclusion of any negotiations which might be outstanding when the Schedule is presented to the CONTRACTING PARTIES.

5. In reply to questions regarding the effectiveness of the customs tariff in the light of the import control régime, the representative of the United Arab Republic emphasized its importance as a protective device. Duties were an important component in the price of imports and an essential element of their commercial policy. Furthermore, the tariff was not applied selectively as between countries: imports from all sources (excepting, of course, the Arab Common Market and the parties to the Tripartite Agreement) were subject to the same customs duties.

Import control

6. With respect to the word "liberalization" used in some questions of contracting parties, the representative of the United Arab Republic wished to make it clear that imports were not subject to restriction. How much and what was imported was determined both by the availability of foreign exchange, as allocated by the foreign exchange budget, and by the requirements of the development plan. Full publicity regarding import targets of the Commodity Boards was available locally by contact with the trading companies; information was available abroad through the foreign offices of the trading companies or the normal trade channels.

7. All imports, including those imported by publicly-owned companies but destined for the private sector, were carried out within the framework of the foreign exchange budget. The exchange allocated to private or publicly-owned companies came from one single pool. The private sector might, however, import beyond its allocations of foreign exchange provided no transfer of currency from the United Arab Republic was involved. Asked further about the proportional shares of the private and the public sector in total imports, the representative of the United Arab Republic replied that no fixed percentage could be given because, while imports were the task of the trading companies, the latter operated in the interest of the economy as a whole and not of one or the other sector.

8. It was pointed out that in the Memorandum on its commercial policy as well as in the discussion of 1962, the United Arab Republic had undertaken, in accordance with the recommendations of the International Monetary Fund, to move away from bilateralism. It was not denied that the United Arab Republic had, indeed, done so to the extent that the number of its bilateral agreements had decreased from fifty-two to thirty. However, the table appearing on page 9 of document L/3338 was much less encouraging in that it showed that the percentage of total United Arab Republic trade covered by bilateral "trade and payments agreements" had passed from 28 per cent in 1965 to 50 per cent in 1968 and, conversely, trade with countries not covered by bilateral agreement had declined from 72 per cent in 1965 to 50 per cent. Furthermore, even bilateral agreements conceived and applied with the least restrictive aims, were by their mere existence a serious deterrent to trade. In this connexion it was recalled that a multilateral trading system as provided for in the GATT was the most efficient means of increasing world trade.

9. The representative of the United Arab Republic explained that his Government was well aware of the problem and called attention to the following paragraphs in his Government's reply to question 12:

"Reference may be made to the Memorandum submitted by the United Arab Republic Government (document L/3069 - Part IV) where it is stated that as a result of the adoption of the stabilization programme in May 1962, in agreement with the International Monetary Fund, the United Arab Republic undertook to bring to an end all bilateral payments agreements with members of the Fund.

"The payments agreements already terminated include agreements with Belgium, Austria, the Netherlands, Portugal, Switzerland, Cyprus, Ethiopia, Niger, Lebanon, Libya", to which may be added the Cameroon.

"It is already agreed upon that agreement with Yugoslavia will be terminated at the end of June 1970."

Thus, the bilateral trade and payments agreements at present in force were twenty-one in view of the fact that the nine agreements providing for credit facilities between Central Banks should not be considered as payment agreements. Furthermore assurances were given to the Working Party by the representative of the United Arab Republic that any product lists attached to bilateral agreements were purely indicative and involved no import commitments by the United Arab Republic.

10. The representative of the United Arab Republic also pointed out that part of the change in the ratio of bilateral and multilateral trade figures was due to reduced imports from the United States, in particular wheat deliveries. His Government would, naturally, be glad to operate in a multilateral trading world, but, in the first place, this was not possible with all countries. Secondly, if bilateral agreements were abruptly terminated, his Government would not be able to settle all existing commitments at once and would lose certain credit facilities which were at present made available.

11. Members of the Working Party welcomed the undertaking of the representative of the United Arab Republic to submit regularly figures such as those contained in the table "United Arab Republic Imports from Bilateral Agreement and Other Countries" (L/3338, page 9). It was to be noted, however, that similar information was being submitted regularly to the Committee on Balance-of-Payments Restrictions.

State trading

12. Reference has been made above to the doubts expressed by some representatives as to the effectiveness of the tariff, both as a protective device and as an instrument of commercial policy. Questions were equally asked on the subject of State trading which aimed at ascertaining the nature and effects of the United Arab Republic's trading system. It appeared that the private sector had been left with a small proportion of the international trade of the United Arab Republic.

The question, therefore, arose whether the proposed accession of the United Arab Republic might not more appropriately be considered in accordance with the procedures followed for countries with State-trading economies.

13. In this connexion the representative of the United Arab Republic said that, while the bulk of the foreign trade was carried out by publicly-owned companies, a fundamental feature concerning the way in which these companies conducted their business should be borne in mind. Not only did the foreign trading companies compete among themselves and follow the GATT principles of non-discrimination but they also operated on a purely commercial basis taking into account such factors as prices, quality, delivery dates, etc. Furthermore, although the share of the private sector in foreign trade was quite small, its share as a user importing its requirements through publicly-owned companies was a major one.

14. A representative referred to paragraph 2 of Article XVII and asked whether the United Arab Republic intended to participate in the current non-tariff barrier exercise of GATT and co-operate with contracting parties towards a reduction of any barriers which might be operated so as to create serious obstacles to trade. The representative of the United Arab Republic said that his country was already participating in this exercise and would continue to do so.

15. The Working Party took note of the assurances given by the representative of the United Arab Republic that their State-trading arrangements would continue to conform fully with the GATT.

Fiscal measures

16. The Working Party discussed the 10 per cent "consolidation of economic development tax", imposed on imports into the United Arab Republic (the rate being reduced to 5 per cent ad valorem on imports of certain listed products). The Working Party noted that this tax was not to be considered as a charge for services rendered. Nor, in the view of the representative of the United Arab Republic, were the provisions of Article III applicable, since there was no question of national treatment. The tax was applied only on imports and as such had an effect equivalent to that of a customs duty. This view appeared to be analogous to that set forth in paragraph 7 of the report of the 1962 Working Party. The Working Party noted the assurance given by the United Arab Republic that the tax was a temporary measure, in the sense that this tax had been enacted to help finance the Five-Year Development Plan ending in 1975, by which time, if the measure was still in effect, the matter should be reviewed by the CONTRACTING PARTIES.

17. In further elucidation of the written reply to question 27 (L/3338, page 14), the representative of the United Arab Republic said that the "film tax" was a licence fee on imported films and not an internal tax. With respect to the relationship of this fee to the provisions of Article III:2 of the General Agreement, it was noted that the fee was imposed under legislation in effect prior to accession and was thus exempt from obligations under Part II of the General Agreement, normally assumed by newly acceding contracting parties.

Boycott

18. One member of the Working Party recalled that from the outset, the boycott had been conceived as a measure directed at third parties trading with her country and not only as a direct boycott. It was thus directed against third country firms and persons who:

- maintained subsidiaries or branches, assembly plants or general regional agencies in Israel;
- granted to Israel the right of using their trade names, trade marks, manufacturer's or inventor's licences;
- owned shares in Israel firms or business;
- rendered consultative or technical assistance services to Israel;
- represented Israel firms abroad;
- were members of bilateral Chambers of Commerce with Israel.

Firms or individuals who engaged in any of those activities were put on the so-called black list and firms which did business with black-listed firms, although not themselves directly involved with Israel, were also liable to be black-listed, which was clearly contrary to Article XI of the General Agreement. If a businessman gave in to the boycott, he lost actual or potential business in Israel. If he resisted he might lose actual or potential business in the United Arab Republic. In either case, there would be a diminution of international trade. The red tape involved in establishing whether a firm was or was not guilty in the eyes of the boycott bureaucracy was in itself an obstacle to trade. The description, in the replies to the questionnaire, of what a third country firm had to go through before it could be taken off the black list confirmed this. The United Arab Republic also requested so-called "negative certificates of origin" attesting that merchandise exported to the United Arab Republic from third countries did not originate, even in part, in Israel. In this connexion it should be noted that the Executive of the International Chamber of Commerce had adopted a resolution on this problem in November 1964 to the effect that under no circumstances should Chambers of Commerce and Industry agree to deliver such negative attestations. The fact remained, however, that the mere request for such certificates of origin was contrary to Article XI:1 and was likely to act as a barrier to trade. It was pertinent to point out that the United Arab Republic was not only going along with the regulations of the Arab League's Central Boycott Office. Egypt had been among the founding members of the Office in 1951 and an Egyptian-United Arab Republic official has headed the Office ever since. With regard to the argument that the boycott was directed against persons and firms, it should be borne in mind that the bulk of world trade was carried out by individual firms and traders, and it was the responsibility of governments to create conditions in which these could function freely and efficiently. The major international instrument created by governments for this purpose was the General Agreement on Tariffs and Trade. The maintenance of the secondary boycott was therefore incompatible with the obligations of a contracting party.

19. The Working Party noted a statement by the representative of the United Arab Republic that primary boycott measures taken directly against the country mentioned in the previous paragraph would not entail any infringement of GATT rules as his Government would, upon its accession, invoke Article XXXV against that country.

20. With regard to the secondary boycott - i.e. measures against persons and firms having certain relations with Israel - some members of the Working Party stressed that those measures created considerable insecurity in trade with the United Arab Republic, constituted a serious obstacle to trade, and also affected the transportation of goods in the Mediterranean area. They could not accept the argument of the United Arab Republic that the measures were directed against individual persons and firms, and not against countries or products; such a distinction could not be justified under the General Agreement. It was pointed out that the secondary boycott constituted a trade restriction contrary to Article XI of the General Agreement. Some members of the Working Party reserved all rights, under GATT or otherwise, with respect to boycott action by the United Arab Republic.

21. It was, however, pointed out that similar boycott measures applied in the past by contracting parties to GATT had not been considered as a major element when judging their participation in GATT's activities. It was stressed by another representative that it was not possible to discuss the economic aspects of the question outside the broader political context. He referred to the boycott measures aimed at his country, which a great power member of the Working Party, had been applying for several years, and which were similar to those under discussion. With regard to the concrete case which was being discussed by the Working Party, he recalled that his government's views had been set out before the United Nations Assembly.

22. The representative of the United Arab Republic pointed out that the history of the Arab boycott was beyond doubt related to the extraordinary circumstances to which the Middle East area had been exposed. The state of war which had long prevailed in that area necessitated the resorting to this system. The boycott was thus part and parcel of a major political issue known as the Middle East problem. This problem had been embraced by the famous Security Council Resolution of 22 November 1967 which his country had fully endorsed, while it had been rejected by Israel. Had the aforementioned Resolution been accepted by Israel, the boycott problem would have ceased to exist. In view of the political character of this issue, the United Arab Republic did not wish to discuss it within GATT. As certain members of the Working Party had mentioned that some of their firms were black-listed because of the rules of boycott, the United Arab Republic representative regretted that such situation had arisen for firms in friendly countries, but he called for the comprehension of these countries; the justification was to be found in the existing state of war. It would not be reasonable to ask that the United Arab Republic should do business with a firm which transferred all or part of its profits from sales to the United Arab Republic to an enemy country. The imposition of the boycott rules was necessitated by the national interests of the United Arab Republic. Nonetheless, the United Arab Republic was always ready to consider any complaint according to the rules of boycott which, in essence, was not directed against any contracting party or

any specific product. The system of boycott, at any rate, was not unique; it had been resorted to during the course of history and had been applied by different countries during various periods characterized by the prevalence of hostilities. The system of boycott was enacted by the Arab League to which some other Arab Member countries of GATT also belonged. The system was applied flexibly and the lifting from the black list was always effected as soon as reasons for violation proved to be non-existent. In reply to questions he said that the boycott rules were published and well-known by the firms concerned. Each case of boycott was judged on its merits; the procedures for taking a firm off the black list might seem cumbersome but were designed to ensure a fair treatment.

23. Several members of the Working Party supported the views expressed by the representative of the United Arab Republic that the boycott measures were of an exceptional and temporary character and that their background was political and not commercial. It was pointed out that the operation of the boycott measures applied by the United Arab Republic appeared to be limited in nature and also that it did not have any effect on the volume of trade of the contracting parties with the United Arab Republic.

24. The representative of Israel stated that she would not reply to the political issues raised, since these were being discussed in the competent organs of the United Nations, and expressed the hope that a peaceful solution would be found in the Middle East. She said that the boycott had been considered by the 1962 Working Party and because of it, full accession had not been recommended at the time. The situation was still the same today.

25. In reply to an enquiry from a member of the Working Party, the representative of the United Arab Republic gave assurances that his Government would continue its policy of examining complaints regarding the operation of the secondary boycott with respect to specific cases brought to its attention and consult with the contracting parties concerned within the framework of GATT.

26. The representative of the United Arab Republic further emphasized the following points:

- (1) The view expressed by the representative of Israel that boycott had been the reason for not approving the United Arab Republic accession to GATT, was the only view expressed in that respect. Reference was made in paragraph 23 to the views expressed by several members of the Working Party in support of the views of the United Arab Republic.
- (2) It had been stated in the opening statement by the representative of the United Arab Republic that his country's relations with the GATT dated back long before the provisional accession. He had also stressed the positive contributions of the United Arab Republic to the work of GATT which should amply justify the final accession of the United Arab Republic to the GATT.

- (3) It had been stated in the declaration of 13 November 1962 that pending the accession of the UAR 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 UAR shall be based upon the General Agreement ...".

Transit

27. A member of the Working Party pointed out that Article V of the General Agreement explicitly provided for freedom of transit. However, the United Arab Republic black-listed ships which had called at an Israel port (with the exception of passenger cruise ships). Black-listed ships were not allowed to call at United Arab Republic ports and if they did, they were refused supply facilities. The United Arab Republic also confiscated any merchandise destined for, or originating in, Israel if found aboard ships and planes in transit through any United Arab Republic port or airport. This was done even if the goods were in non-Israel ownership and were transported neither from nor to Israel. Any reference to Israel in the documents was enough for the United Arab Republic authorities to prevent their transit. Exporters to the United Arab Republic in third countries were asked to sign negative undertakings to the effect that their goods would not be transported on Israel ships, or on ships calling at Israel ports, or on already black-listed ships.

28. It was felt by the representative of the United Arab Republic that the reply to question 35 (L/3338, page 16) covered this point and was satisfactory to the Working Party.

Consultations

29. Some members of the Working Party considered that the share of public companies in foreign trade - whatever might be the position in the domestic market - was such that their foreign trade operations were perhaps more akin to those of State-trading countries whose accession had been, or was being, considered by contracting parties. While there was no reason to doubt the assurances given to the Working Party, it was submitted that any departure from GATT rules by countries relying for their protection essentially on the tariff could be easily detected but that, in the case of other types of economies, there was no way for contracting parties to satisfy themselves that the principles of the General Agreement were always observed, unless some form of regular notification and consultation were provided for in the Protocol of Accession. These consultations and notifications would also cover the Foreign Exchange Budget, and progress towards multilateralization of international trade. Some members of the Working Party, taking account of the special problems of the United Arab Republic as a developing country, indicated that they were in this instance prepared to accept the present form of Protocol.

30. The representative of the United Arab Republic pointed out that the consultations on balance-of-payments restrictions, which the United Arab Republic was conducting within the framework of GATT, served this purpose. He further referred to statements recorded elsewhere in this report particularly those relating to the non-discriminatory character of the United Arab Republic commercial policy and the important rôle of the tariff in its economy. He reiterated his readiness to supply information regularly and to consult with any contracting party pursuant to provisions of the General Agreement, but saw no need for special provisions in the Protocol for that purpose. Several representatives supported the views of the United Arab Republic that current procedures for consultations under Article XVIII provided for consultations on the use of State trading or governmental monopoly in imports and should therefore be enough for consulting with the United Arab Republic in regard to its State-trading system. Other representatives, however, considered that the operation of the State-trading system of the United Arab Republic was not covered by Article XVIII of the General Agreement and that, therefore, consultations on it would be more appropriately undertaken in a separate working party rather than in the Balance-of-Payments Committee.

31. The Working Party took note of the economic conditions of the United Arab Republic as a developing country and of the assurances given by the representative of the United Arab Republic that his country shall consult with the CONTRACTING PARTIES - in the light of the provisions of the General Agreement - with respect to its State-trading operations, progress towards the multilateralization of foreign trade, and their possible effects on the trade of other contracting parties, and this in conjunction with balance-of-payments consultations. These consultations should also review the position of the "consolidation of economic development tax". Should the balance-of-payments consultations become unnecessary, the timing of the consultations in the matters referred to above would be reconsidered in the light of the circumstances prevailing at the time.

Conclusions

32. Having taken account of the preceding considerations and in the light of the assurances given by the United Arab Republic, the Working Party reached the conclusion that the United Arab Republic should be invited to accede to the General Agreement under the provisions of Article XXXIII.

33. For this purpose the Working Party has prepared a draft Protocol of Accession (annexed to this Report). It is proposed that this text be approved by the CONTRACTING PARTIES when they approve this Report. The schedule of tariff concessions granted by the United Arab Republic will be annexed to the Protocol and a draft Decision (annexed to this Report) for the Accession of the United Arab Republic will be submitted to a vote by contracting parties in accordance with Article XXXIII. When the Decision is adopted, the Protocol would be open for acceptance and the United Arab Republic would become a contracting party thirty days after it accepts the Protocol.

34. The representative of Israel said that she could not agree with the conclusions set out in paragraphs 32 and 33.

ANNEX I

Opening Statement by the Representative
of the United Arab Republic before the
Working Party on 9 February 1970

On behalf of the United Arab Republic delegation I would like to express my thanks to you, Mr. Chairman, and to the Working Party for their interest to consider the application for the full accession of the United Arab Republic to GATT. I would equally like to extend my thanks to the secretariat for its valuable assistance. May I as well take this opportunity to express our pleasure in participating in these deliberations which we are confident will be guided solely by economic considerations and thus brought to a successful conclusion.

The relations of my country with the Contracting Parties had in fact started a long time ago. Desiring to establish the closest possible co-operation with the GATT whose activities are directed towards the promotion of the world economy and the expansion of international trade, the United Arab Republic has taken part as observer long before her formal co-operation in the work of GATT. Considering the objectives of the General Agreement, my Government has endeavoured to improve her foreign trade system in order to create the best possible conditions for the expansion of trade with the Contracting Parties.

In April 1962, the Government of the United Arab Republic made a formal request to join the General Agreement on Tariffs and Trade in conformity with the provisions of Article XXXIII. The Contracting Parties were duly informed on that occasion of the system and objectives of our foreign economic policy aimed at the promotion of our import and export markets. In pursuing this policy, we have managed to foster economic ties and establish trade relations with a great number of countries, most of which are GATT Members.

The basic data concerning our economy in general, and our foreign trade system in particular - contained in a memorandum on the commercial policy of the United Arab Republic - were then submitted to the GATT secretariat (L/1816 and addenda 1 to 3 dated 31 July 1962). These were supplemented by the replies of the United Arab Republic Government to the questions submitted by the Contracting Parties, as well as by the answers and comments made by the United Arab Republic delegation on the various questions raised by the Working Party during the accession proceedings (Spec(62)289 dated 16 October 1962). After going into a thorough examination of the United Arab Republic's foreign trade system and other aspects of our economy, the Working Party recommended the Contracting Parties to make the necessary arrangements for the provisional accession of the United Arab Republic to the General Agreement (L/1876 dated 25 October 1962).

Consequently, the Declaration on our Provisional Accession to GATT was accepted and a decision was adopted on 13 November 1962, providing for the participation of the United Arab Republic in the work of the Contracting Parties. The provisional accession was then renewed twice in order to allow the necessary time for the coverage of the tariff aspect within the framework of the Kennedy Round, pending the final conclusion of the trade negotiations. The accession was subsequently renewed on a yearly basis.

Since our provisional accession we have taken a positive part in the work of the main activities of GATT, with a view to helping achieve the objectives of the General Agreement. The United Arab Republic has participated in the Committee on Industrial Products and the Committee on Agriculture, as well as in the Arrangement on Cotton Textiles and the regular balance-of-payments consultations. Such a record proves beyond doubt our profound interest and appreciation of the major issues dealt with by GATT, and our readiness to co-operate with member countries for devising appropriate solutions.

It is gratifying to recall further positive contributions made to GATT endeavours for the expansion of trade of developing countries; to this end a proposal was put forward by the United Arab Republic for the exchange of preferences among them. This was approved by the Contracting Parties and actually served as basis for the trade negotiations now in progress among more than thirty GATT and non-GATT developing countries under the chairmanship of the Director-General.

The United Arab Republic also participated in the formulation of the text of Part IV of the General Agreement which represents the new look of GATT, as well as in the activities of the Committee on Trade and Development.

Turning to the tariff aspect of the accession, I wish to point out that, in conformity with the rules for the participation of the less-developed countries in the trade negotiations, the United Arab Republic participated actively from the very beginning in all phases of the negotiations. On 7 October 1964 the United Arab Republic advised the GATT secretariat that she wished to avail herself of the opportunity afforded by these negotiations, then in progress, to pursue the procedures for accession (L/2273). Our Government indicated its desire to consider the contribution within the context of the Kennedy Round as constituting the trade negotiations aspect for full accession to GATT. An initial offer to the Kennedy Round - consisting of 115 industrial products - was accordingly submitted in October 1965, and was followed by an agricultural offer in November 1966. On 1 March 1967, the GATT secretariat was requested to circulate a memorandum on our behalf inviting the Contracting Parties to negotiate with the United Arab Republic on the offers tabled for the completion of the tariff side of our final accession (document L/2764). It will be recalled that our positive concessions, after taking into consideration

the additional requests, covered 190 items of the Nomenclature, representing a value of LE 115 million or the equivalent of US\$264.5 million out of total imports in 1965.

While negotiations were satisfactorily conducted, some countries requested supplementary concessions and a draft schedule of concessions embracing the original as well as the supplementary reductions was submitted by the United Arab Republic on 31 May 1967, and duly placed in the records of the secretariat. Thus, while the tariff aspect was practically effected, the June events of 1967 did not make it possible to pursue the other necessary procedural steps established by the Contracting Parties for this purpose. In this connexion I wish to make it clear that the United Arab Republic maintains the unanimous offers made within the framework of the Kennedy Round in the hope that the Contracting Parties which were engaged in these negotiations will find the said offers equally satisfactory.

Now, after so many years of close relationship with GATT as well as active participation in the Kennedy Round, my delegation believes that final accession of the United Arab Republic which has been envisaged since 1967 should now be achieved. As the Working Party formed at that time for this purpose did not convene, we consider that the actual meeting of this Working Party is in a sense resuming the work that had to be accomplished in 1967. We are confident that our country, in continuation of its modest performances within the GATT since its provisional accession would avail itself of the stabilization of its status in the GATT on final accession to further promote its co-operation in the field of international trade.

Now, as regards our foreign trade system and its compatibility with the provisions of the General Agreement, I have already mentioned that the Working Party established to deal with our provisional accession in 1962 had undertaken a thorough examination of that system. Since then there have not been fundamental developments, and the changes introduced aim at bringing the system more in compliance with the General Agreement. Moreover, our obligation in respect of balance-of-payments consultations was fulfilled in 1963, and again in 1965 and 1968. On these occasions further light was thrown on recent developments in our foreign trade system as well as on other matters relevant to the application of the GATT which were thoroughly discussed (L/2105, L/2498 and BOP/R/22). These were further elaborated in the memorandum submitted to the GATT in connexion with our final accession (L/2765 dated 7 March 1967, as amended by document L/3069 dated 16 October 1968).

I wish, however, to stress here certain points relating to our foreign trade policy. In the first place our trade is conducted essentially on the basis of competitive world prices without discrimination. Moreover, our State-trading enterprises carry out their foreign trade operations in accordance with

customary commercial practice and in conformity with the principles stipulated in Article XVII of the General Agreement. The creation of Commodity Boards has been the last step taken for the purpose of regulating and organizing our foreign trade. Such Boards are responsible for making the necessary arrangements for the attainment of the export and import targets laid down for the various commodities within the framework of both the foreign trade and the overall development plan, as well as the foreign exchange budget.

Concerning more particularly our import policy, I wish to emphasize that in November 1964 import licensing was abolished and replaced by direct monetary approvals within the framework of the foreign exchange budget. Allocations are effected on an annual basis in a detailed manner to facilitate operations with the trading countries. Import requirements of the various sectors are scrutinized by the Commodity Boards in the light of these allocations. Priority is given to imports of foodstuffs and other supplies as well as spare parts, intermediary goods and raw materials, while imports of capital goods are usually financed by long-term loans.

In this connexion mention may be made of the facilities granted to the private sector allowing factories to import directly their requirements of raw materials and spare parts.

As regards our export policy, increasing attention is paid to exporters of the private sector by granting certain incentives such as the allocation of a quota of traditional exports to that sector if the export targets for non-traditional products have been realized.

It is to be pointed out that as the outcome of the re-organization of foreign trade and the channelling of imports through the Commodity Boards favourable results have been obtained for United Arab Republic trade. This is attributed mainly to the increased possibility of competition among the importing companies under the supervision of the Commodity Boards, thus ensuring the best terms and conditions for imports from abroad. Larger exports of non-traditional products were also realized within the framework of the new foreign trade system.

Concerning the structure of the United Arab Republic customs tariff, the point should be made that the reform introduced on 1 January 1962 was a clear indication that the United Arab Republic had already taken an important step towards the fulfilment of GATT obligations; as a result the new tariff has been reduced on the average to about 10 per cent of the c.i.f. value of imports.

Turning now to economic developments in my country, I wish to stress that the period since our provisional accession has been an eventful one for the United Arab Republic economy. In fact, this short span of time witnessed the successful implementation of the first Five-Year Development Plan coupled with the introduction of far-reaching economic and social reforms.

In appraising the final results obtained by the implementation of the first Five-Year Plan, it is gratifying to state that despite the fact that planning was an entirely new experience for the country, most targets were realized in the agricultural, industrial and services sectors, as well as in the field of employment. A noticeable increase was recorded in agricultural production and the first stage of the High Dam scheme was successfully accomplished. The remarkable progress in the field of industry was reflected in the diversification and increase of production, as well as the expansion of oil production and refining. As far as foreign trade was concerned, the volume of our trade expanded especially with the Contracting Parties, and new outlets were opened up for United Arab Republic products, whilst our foreign trade policy was reoriented in line with the GATT objectives. During the five-year period the gross national product recorded an increase of 37 per cent at constant prices or an average growth rate of 6.5 per cent per annum as against a rate of 4.8 per cent in the preceding five-year period. This was accompanied by a noticeable redistribution of incomes in favour of wage-earners and small peasants, while the per capita income showed an average rate of increase of 3.6 per cent per annum compared with 2.8 per cent in the preceding period.

These were satisfactory results that bear witness to the successful achievements of the objectives of the first Five-Year Plan. Concomitantly with its implementation certain reforms were carried out to create the prerequisites necessary for sound economic growth.

In the meantime the realization of the Plan objectives was accompanied by some internal and external imbalances. Of these mention may be made here of the large expansion in domestic consumption, certain bottlenecks in the field of industry and the deficit in the balance of payments. Action had to be taken to tackle such imbalances and restore equilibrium.

In laying down monetary and financial policies in order to promote development with stability, great care was taken to check the pressures generated by the greatly increased developmental outlay. Various stabilization measures have been taken since 1962, supported by two stand-by arrangements agreed upon with the International Monetary Fund in May 1962 and 1964. The main features were the checking of expansion in bank credit, the adoption of a realistic exchange rate, reduced dependence on external short-term borrowing

to finance long-term projects, and the reduction of bilateral agreements as explained in the replies to the questions raised by the Contracting Parties.

Stabilization efforts were again supported by a new arrangement with the International Monetary Fund in March 1968, under which a total drawing of US\$63 million was agreed upon, including a compensatory financing drawing of US\$23 million to meet a temporary shortfall in export earnings.

The endeavour to achieve economic growth with stability was continued for the past few years during which yearly investment programmes were carried out. For this purpose due attention was paid to the problems and difficulties which had unfolded themselves in the course of the preceding planning experiment. Thus care was taken to link public expenditure closely to available financial resources in general, whilst checking the increase in current budgetary expenditures. Regarding developmental outlay emphasis was placed on rational allocation of resources, with investment priorities given to the production sectors.

Simultaneously, various price, monetary and fiscal measures were taken as from December 1965, including the raising of the income, property and profit taxes as well as the prices of certain commodities in order to increase public revenues and to attenuate inflationary pressures by restricting consumption. Attempt was also made to reduce the rate of increase in bank credit to the level compatible with the stabilization objectives.

While stabilization measures were successfully implemented the tempo of expansion had unfortunately lost some of its momentum in the two years ending June 1968 as a result mainly of the crop failures in 1966/67 especially the cotton crop, and the aggression on our country in June 1967. The latter event has had its impact not only on the resources available to finance investments but also on their allocation among the various uses.

Consequently, action had to be taken to reconcile the demands of such conflicting objectives on limited resources by curbing expenditure and scaling down developmental outlay as well as raising revenues by appropriate fiscal and other measures in the past two years.

Recent developments bear witness to the fact that despite the exceptional circumstances facing our country, the domestic economy was able to stage a recovery in 1969. This was also echoed in the 1969/70 budget estimates which provide for enlarged outlay on investments to make good the slowing down of the preceding two years.

As regards the balance of payments, it has been reviewed in the various consultations held regularly since our provisional accession until 1968. Developments since the last consultations indicate that on overall account,

taking into consideration transfers of Arab assistance funds and net capital inflow, the balance of payments deteriorated in 1967/68 as a result of the exceptional circumstances following the events of June 1967. This, however, was only temporary and substantial improvement was recorded in 1968/69. On overall account the balance of payments left a surplus of LE 8 million despite an enlarged outflow of capital reflecting the determination of the United Arab Republic to honour her international obligations notwithstanding the difficulties encountered. This improvement is mainly attributed to the large increase in export proceeds to reach a record level.

As far as prospects are concerned it is not an easy task in present circumstances to dwell upon them here at length, but the hope is entertained that the improvement will continue. Land reclamation which has been carried out on a large scale in the past few years, shall be actively continued in future. The addition of new lands to the cultivated area as a result of such reclamation, the double cropping of lands in upper Egypt and the extension of rice cultivation - which has become a major crop - thanks to increased water supplies made possible by the High Dam, coupled with the measures taken to improve productivity and increase crop yields, would ensure a substantial increase in agricultural production which should alleviate further the strains on the balance of payments.

On the other hand, with increased investment and rational allocation of resources, and with emphasis placed on heavy and export industries, the tempo of industrialization will be accelerated, leading to the increase in industrial output especially as past investments in industrial projects come to fruition. Further support should be forthcoming by the excellent prospects for the oil industry and by the generation of 10 billion Kwh. of electric power after the completion of the High Dam scheme. The potential increase in oil production, as a result of the exploitation of the new oil fields in the Red Sea and the Western desert, which have made good the temporary loss of oil fields in Sinai, gives the assurance that the balance-of-payments situation of the oil sector would be entirely altered in the near future. The annual rate of production is estimated to reach 25 million tons by the end of this year and may possibly be doubled by 1975. This should ensure the gradual growth in the exportable surplus as production will by far exceed local requirements, and thus the oil sector will contribute a substantial surplus to the balance of payments.

In concluding this statement, I need hardly stress how much my country cherishes the values of international co-operation. Exchanges between the United Arab Republic and the outside world have existed since time immemorial owing to the unique geographical location of my country - lying as it does at the crossroads for trade between East and West. Recognizing the importance of GATT for the promotion of world trade, and appreciating the advantages of international co-operation, the United Arab Republic fully endorses the principles and objectives of the General Agreement, and declares her determination, within this context, to fulfil her obligations towards the Contracting Parties.

ANNEX II

Draft Protocol for the Accession of the United Arab Republic
to the General Agreement on Tariffs and Trade

The governments which are contracting parties to the General Agreement on Tariffs and Trade (hereinafter referred to as "contracting parties" and "the General Agreement" respectively), the European Economic Community and the Government of the United Arab Republic (hereinafter referred to as "the United Arab Republic"),

TAKING NOTE of the request of the United Arab Republic for accession to the General Agreement, and of the discussions leading to the Declaration on the Provisional Accession of the United Arab Republic, dated 13 November 1962,

TAKING NOTE of the report by the Working Party on the Accession of the United Arab Republic on those aspects of the terms of accession which are not directly related to the tariff negotiations,

HAVING regard to the result of the negotiations directed towards the accession of the United Arab Republic to the General Agreement,

HAVE through their representatives agreed as follows:

Part I - General

1. The United Arab Republic shall, upon entry into force of this Protocol pursuant to paragraph 8, become a contracting party to the General Agreement, as defined in Article XXXII thereof, and shall apply provisionally and subject to this Protocol:

- (a) Parts I, III, and IV of the General Agreement, and
- (b) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Protocol.

The obligations incorporated in paragraph 1 of Article I by reference to Article III and those incorporated in paragraph 2(b) of Article II by reference to Article VI of the General Agreement shall be considered as falling within Part II for the purpose of this paragraph.

2. (a) The provisions of the General Agreement to be applied by the United Arab Republic shall, except as otherwise provided in this Protocol, be the provisions 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, or otherwise modified by such instruments as may have become effective on the day on which the United Arab Republic becomes a contracting party.

(b) (i) Notwithstanding the provisions of paragraph 1 of Article I of the General Agreement, this Protocol shall not require the elimination by 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 and Yemen, provided, however, that these preferences do not exceed the levels in effect on 13 November 1962;

(ii) the preceding paragraph shall be deemed to be a Decision of the CONTRACTING PARTIES under Article XXV:5 of the General Agreement as if it were a Decision pursuant to paragraph 3 of Article I;

(iii) in the event that the United Arab Republic should at some future date desire to modify the preferences referred to in sub-paragraph (i) 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 of the General Agreement;

(iv) nothing in sub-paragraphs (i), (ii) and (iii) above shall affect the rights of the United Arab Republic with respect to the provisions of the General Agreement relating to the formation of a customs union or a free-trade area.

(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 13 November 1962, the date of the Declaration providing for the Provisional Accession of the United Arab Republic to the General Agreement.

Part II - Schedule

3. The schedule in the Annex shall, upon the entry into force of this Protocol, become a Schedule to the General Agreement relating to the United Arab Republic.

4. Should certain negotiations not be completed in time for the results to be annexed to this Protocol when it is opened for signature, any further concessions resulting from those negotiations shall be annexed to this Protocol, and shall be governed by the provisions thereof, as from the day following the signature of a Procès-Verbal by the interested parties.

5. (a) In each case in which paragraph 1 of Article II of the General Agreement refers to the date of that Agreement the applicable date in respect of each product which is the subject of a concession provided for in the schedule annexed to this Protocol shall be the date of this Protocol.

(b) For the purpose of the reference in paragraph 6(a) of Article II of the General Agreement to the date of that Agreement, the applicable date in respect of the schedule annexed to this Protocol shall be the date of this Protocol.

6. The temporary "consolidation of economic development tax" may be maintained in effect, at rates not exceeding the rates in force on the date of this Protocol, on bound duties until 31 December 1975, by which time, if the measure is still in effect, the matter shall be reviewed by the CONTRACTING PARTIES.

Part III - Final Provisions

7. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES. It shall be open for signature by the United Arab Republic until 31 December 1970. It shall also be open for signature by contracting parties and the European Economic Community.

8. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been signed by the United Arab Republic

9. The United Arab Republic, having become a contracting party to the General Agreement pursuant to paragraph 1 of this Protocol, may accede to the General Agreement upon the applicable terms of this Protocol by deposit of an instrument of accession, with the Director-General. Such accession shall take effect on the day on which the General Agreement enters into force pursuant to Article XXVI or on the thirtieth day following the day of the deposit of the instrument of accession, whichever is the later. Accession to the General Agreement pursuant to this paragraph shall, for the purpose of paragraph 2 of Article XXXII of that Agreement, be regarded as acceptance of the Agreement pursuant to paragraph 4 of Article XXVI thereof.

10. The United Arab Republic may withdraw its provisional application of the General Agreement prior to its accession thereto pursuant to paragraph 9 and such withdrawal shall take effect on the sixtieth day following the day on which written notice thereof is received by the Director-General.

11. The Director-General shall promptly furnish a certified copy of this Protocol and a notification of each signature thereto pursuant to paragraph 7, of the deposit of an instrument of accession pursuant to paragraph 9 and of a notice pursuant to paragraph 10 to each contracting party, to the European Economic Community, and to the United Arab Republic.

12. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this day of one thousand nine hundred and seventy, in a single copy, in the English and French languages, except as otherwise specified with respect to the schedule annexed hereto, both texts being authentic.

[One copy of Schedule LXIII - United Arab Republic is being distributed to each contracting party.]

ANNEX III

Draft Decision for the Accession of the United Arab Republic
under Article XXXIII

The CONTRACTING PARTIES,

Having regard to the results of the negotiations directed towards the accession of the Government of the United Arab Republic to the General Agreement on Tariffs and Trade and having prepared a Protocol for the Accession of the United Arab Republic,

Decide, in accordance with Article XXXIII of the General Agreement, that the Government of the United Arab Republic may accede to the General Agreement on the terms set out in the said Protocol.