

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/4015  
18 April 1974

Limited Distribution

---

Original: English/  
French

## AGREEMENT BETWEEN THE EUROPEAN ECONOMIC COMMUNITY AND THE ARAB REPUBLIC OF EGYPT

### Questions and Replies

The contracting parties were invited (document C/M/90 and GATT/AIR/1052) to communicate to the secretariat any questions they might wish to put concerning the Agreement between the European Economic Community and the Arab Republic of Egypt.<sup>1</sup> In response to this request, a number of questions were received and were transmitted to the parties to the Agreement. The questions and the parties' replies are attached.

---

<sup>1</sup>L/3938/Add.1

AGREEMENT BETWEEN THE EUROPEAN ECONOMIC COMMUNITY  
AND THE ARAB REPUBLIC OF EGYPT

Questions and Replies

I. GENERAL CONSIDERATIONS

1. The Agreement between the EC<sup>1</sup> and Egypt makes no mention of the parties' intent to form either a free-trade area or a customs union. How do the parties justify under the Articles of the GATT the formation of a trade agreement which discriminates against other contracting parties' trade interests for the purpose of promoting "an expansion of trade" between the parties?

Reply

In conformity with the preamble and the provisions of its first Article, the object of the Agreement is to promote the growth of trade between the EEC and Egypt and thus to contribute to the development of international trade through the progressive elimination of obstacles to substantially all the trade between the two parties.

The Agreement is in conformity with Article XXIV. It constitutes an interim agreement leading to the establishment of a free-trade area. Therefore it marks the beginning of a process of dismantling tariff and quota obstacles on substantially all the trade and thus creates the necessary conditions in order to fulfil at a later date the provisions and modalities leading to the achievement of a free-trade area.

2. Is the Agreement intended to be an interim arrangement leading to the formation of a free trade area (or of a customs union) in the sense of Article XXIV of the General Agreement? If so, where are the "plan and schedule" as required under Article XXIV:5(c) for the formation of such a free-trade area (or customs union) within a reasonable length of time?

Reply

The Agreement is expressly intended to be a stage in the progressive elimination of obstacles with respect to substantially all the trade. As such, the agreement is an interim agreement leading to the establishment of a free-trade area.

In Article XXIV, paragraph 5(c), the idea of a "plan and schedule" as applied to an "interim agreement" is linked with the idea of a "reasonable length of time" for the establishment of free trade. In this respect the precise timetable for the process of tariff and quota dismantlement laid down in the agreement, the substantial degree of dismantlement to be achieved by the expiration of the agreement and the percentage of the trade involved, make it possible to anticipate,

---

<sup>1</sup>Here and elsewhere in the questions reference is made to the European Communities of Nine.

with due regard to the difference in the level of economic development of the two parties, that the arrangements for a plan and schedule to be made later with a view to continuing and supplementing the measures already contained in Annexes I and II will lead within a reasonable length of time to the establishment of free trade within the meaning of Article XXIV.

3. - The Agreement states in Article 17(2) that eighteen months before its expiry "negotiations may be opened with a view to concluding a new Agreement on a wider basis". In light thereof:

- (a) How can the Agreement be viewed in any way as an interim measure?
- (b) Is the Agreement presented as a request for an Article XXV waiver pending the parties' consideration of the possibility of a wider association taking the form of a customs union or a free-trade area covering substantially all trade and, if an interim agreement, providing a reasonable plan and schedule for its formation?

Reply

- (a) As stated in the reply to question 2, the Agreement is expressly intended to be a stage in the progressive elimination of obstacles with respect to substantially all the trade, and it meets the criteria and conditions for an "interim agreement" within the meaning of Article XXIV, paragraph 5(c). In this sense the procedure and aim referred to in Article 17 are a specific expression of the will of the parties to the Agreement to extend it to cover substantially all the trade between the EEC and Egypt.
- (b) The objective for which the Agreement was concluded, towards the attainment of which it represents a step, comes within the provisions of Article XXIV, paragraphs 5-9, and not Article XXV.

4. What is the experience of the EC and Egypt which leads them to expect that the economic integration of countries at very different stages of economic development and industrial capacity can be achieved in a reasonable period of time within the meaning of Article XXIV?

Reply

The Agreement which is intended to be a stage in the progressive elimination of obstacles with respect to substantially all the trade, defines in concrete terms the modalities of the process of tariff and quota dismantlement to be realized in the course of its duration.

The parties to the Agreement consider that with regard to the difference in the level of economic development of the two parties, the achievement of free trade within the meaning of Article XXIV will be realized within a reasonable length of time.

Eighteen months before the expiry of the Agreement, negotiations may be opened with a view to concluding a new agreement on a wider basis which defines the modalities according to which the progressive elimination of obstacles to substantially all the trade will be pursued.

## II. TRADE COVERAGE

5. What is the proportion of total trade between the EC and Egypt which is already duty free on a most-favoured-nation basis?

### Reply

<u>1969</u>	<u>1970</u>	<u>1971</u>
65.1%	71.2%	75.4%

6. To what extent and in what way can it be considered that substantially all the trade between the parties will be exempt from customs duties and other restrictive regulations of commerce within the meaning of Article XXIV:8?

### Reply

According to the provisions of the Agreement, the process of tariff dismantlement for the first stage covers 89.5 per cent of the total of Community imports from Egypt and quota dismantlement at least 96 per cent.

The obligation of the parties consists in pursuing the elimination of obstacles to commerce in the course of a new agreement in order to achieve at its expiry, a free-trade area within the meaning of Article XXIV.

#### a. Imports by the EC from Egypt

7. Explain why the products listed in List B of Annex I are excluded from the scope of Article 1 of Annex I.

### Reply

The products enumerated in List B of Annex I have been temporarily excluded from the régime of tariff dismantlement because of their economic sensitivity in the relations between the two parties. These products represent 3.6 per cent of the total of imports of products from Egypt.

8. (a) Indicate the products, if any, to which "special regulations" provided for in Article 11 of Annex I, are to be applied.
- (b) Do the parties have the intention to inform GATT of any modification or alteration of Annex I provided for in Article 11 of this Annex?

### Reply

At the present time, the products subject to "special provisions" on importation into the Community, are only those indicated in List A of Annex I of the Agreement. These products, derived from the processing of certain agricultural

primary products, have been temporarily excluded from the general régime of tariff dismantlement and of liberalization provided for in the Agreement.

The parties to the Agreement will not fail to provide the contracting parties with full information on any modifications which might eventually be made to the régime provided for in Annex I of the Agreement in accordance with the provisions of Article 11.

9. Explain why a "time schedule" for the elimination of "the customs duties" is not mentioned in Article 1 of Annex I.

Reply

As stated in the replies to questions 2 and 3, the Agreement is expressly intended to be a stage in the progressive elimination of obstacles to substantially all the trade. In this respect, the first Article of Annex I defines the timetable concerning the tariff dismantlement to be realized in the course of this Agreement.

10. What was the total value of imports into the EC of products originating in Egypt in each of the three most recent years for which statistics are available?

- (a) What value and percentage of the above were comprised of agricultural products?
  - (i) What was the value of citrus imports?
  - (ii) What percentages do these represent of (1) total EC citrus imports and (2) EC citrus imports under preferential tariff treatment?
- (b) What value and percentage of the above were comprised of industrial products?

Reply

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
	<u>Mic \$</u>	<u>Mic \$</u>	<u>Mic \$</u>	<u>%</u>	<u>%</u>	<u>%</u>
Total imports	155.5	201.6	204.1	100	100	100
Industrial products	116.4	156.2	166.1	74.9	77.5	81.4
Agricultural products (Annex II of Treaty of Rome)	39.1	45.4	38.0	25.1	22.5	18.6

of which:

- Citrus	2.7	2.0	3.3
----------	-----	-----	-----

Citrus imports represent 0.6 per cent of the total Community citrus imports originating from third countries and 0.8 per cent of the total citrus imports benefiting from a preferential tariff régime (1971).

11. What was the value (and percentage of total imports) in respect of the following categories of imports into the EC of products originating in Egypt in each of the three most recent years for which statistics are available:

- (a) Imports of products on which customs duties and levies were not imposed?
- (b) Imports of products for which customs duties and charges having equivalent effect are to be reduced?
- (c) Imports of products for which tariff quotas or quantitative restrictions are not to be eliminated?

Reply

	<u>1969</u> <u>Mio \$</u>	<u>1970</u> <u>Mio \$</u>	<u>1971</u> <u>Mio \$</u>	<u>1969</u> <u>%</u>	<u>1970</u> <u>%</u>	<u>1971</u> <u>%</u>
(a) Products on which customs duties and levies were not imposed	101.2	143.5	153.9	65.1	71.2	75.4
(b) Products benefiting from reduction of tariff and/or charges	135.3	176.8	182.6	87.0	87.7	89.5
(c) Products for which quantitative restrictions are not to be eliminated	6.3	3.8	6.5	4.1 (1)	1.9 (1)	3.2 (1)

- (1) These percentages are of the order of 1 per cent.  
In fact, the quantitative restrictions applicable to the products in List C of Annex I of the Agreement, are suspended autonomously (LTA, Long-term Agreement on International Trade in Cotton Textiles).

12. What value and percentage of (1) agriculture and (2) industrial products will be free to enter the EC from Egypt without payment of duties or subject to other restrictive regulations of commerce?

Reply

	<u>1969</u> <u>Mio \$</u>	<u>1970</u> <u>Mio \$</u>	<u>1971</u> <u>Mio \$</u>	<u>1969</u> <u>%</u>	<u>1970</u> <u>%</u>	<u>1971</u> <u>%</u>
(1) Agricultural products (Annex II of Treaty of Rome)	6.7	7.4	8.0	17.1	16.3	21.1
(2) Industrial products	94.6	136.2	145.9	81.3	87.2	87.8

13. What value and percentage of (1) agricultural and (2) industrial imports into the EC from Egypt will be subject to preferential tariffs?

Reply

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
	<u>Mio \$</u>	<u>Mio \$</u>	<u>Mio \$</u>	<u>%</u>	<u>%</u>	<u>%</u>
(1) Agricultural products (Annex II of the Treaty of Rome)	22.4	22.9	15.8	69.1	60.1	52.9
(2) Industrial products	106.2	146.6	158.7	91.3	93.9	95.6

14. What is the purpose of the special charge applied by Egypt to its rice exports to the EC (Annex I - Article 9 on implementation of Article 2(1) of the Agreement)? Will the revenue from this charge be used to promote rice production?

Reply

The purpose of this special charge is to enable the Arabian Republic of Egypt to obtain an economic benefit from its rice exports to the Community which is allowed in the framework of the provisions of paragraph 2 of Article 9 of Annex I of the Agreement.

b. Imports by Egypt from the EC

15. Explain why a "time schedule" for the elimination of "the customs duties and charges having equivalent effect" is not mentioned in Article 1 of Annex II.

Reply

Article 1 of Annex II provides for the following "time schedule" for tariff reductions:

- 30 per cent on the entry into force of the Agreement, i.e. 1 November 1973
- 40 per cent from 1 January 1974
- 50 per cent from 1 January 1975

16. Was Egypt guided by any standard criteria in selecting the items on Lists I-III in Annex II; and if so, what were these criteria?

Reply

In selecting the items on Lists I-III the desire of the Arab Republic of Egypt to promote its imports from the Communities and to consolidate its economy in general has been taken into consideration.

17. What was the total value of imports into Egypt of products originating in the EC in each of the three most recent years for which statistics are available?

- (a) What value and percentage of the above were comprised of agricultural products?
- (b) What value and percentage of the above were comprised of industrial products?

Reply

	<u>Mio \$</u>			<u>%</u>		
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Total imports	192	226	219	100	100	100
Agricultural products	49	50	33	25	22	15
Industrial products	143	176	186	75	78	85

18. What was the value (and percentage of total imports) in respect of the following categories of imports into Egypt of products originating in the EC in each of the three most recent years for which statistics are available:

- (a) Imports of products on which customs duties and levies were not imposed?
- (b) Imports of products for which customs duties and charges having equivalent effect are to be reduced?
- (c) Imports of products for which tariff quotas or quantitative restrictions are not to be eliminated?

Reply

	<u>Mio \$</u>			<u>%</u>		
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
(a) Products on which customs duties and levies were not imposed	50	60	37	26	26	17
(b) Products benefiting from reduction of tariffs and/or charges	30	28	34	16	16	15
(c) The Arab Republic of Egypt does not apply any quantitative restrictions or quota on imports.						

19. What value and percentage of (1) agricultural and (2) industrial products will be free to enter Egypt from the EC without payment of duties or subject to other restrictive regulations of commerce?

Reply

	<u>Mio \$</u>			<u>%</u>		
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
(1) Agricultural products	47	50	32	96	100	97
(2) Industrial products	3	10	5	2	6	3

20. What value and percentage of (1) agricultural and (2) industrial imports into Egypt from the EC will be subject to preferential tariffs?

Reply

(1) Agricultural products: no agricultural product will be subject to preferential tariffs

	<u>Mio \$</u>			<u>%</u>		
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
(2) Industrial products	30	28	34	21	16	18

III. ANTI-DUMPING

21. Egypt seems to have undertaken (Article 10) to apply any anti-dumping measures vis-à-vis the EEC in accordance with the Agreement on the implementation of Article VI of GATT. Is it the intention of Egypt to apply anti-dumping measures vis-à-vis third contracting parties in accordance with the said Agreement?

Reply

In conformity with Article 10 of the Agreement, the contracting parties - after consultations in the Joint Committee - may take the necessary protective measures taking into account the decisions taken during this consultation and the fact that the Arab Republic of Egypt has not signed the **Anti-Dumping Code** concerning the implementation of Article VI of the General Agreement on Tariffs and Trade.

IV. RULES OF ORIGIN

22. Since Egypt does not produce a wide variety of parts and components, finished goods produced in Egypt for export to the EC under the Agreement will be required either to rely largely on sourcing from the EC or will not be eligible for origin treatment. Do the parties have an estimate of the extent to which Egyptian producers will switch sourcing from non-members to the EC as a result of the restrictive rules of origin? Is an estimate available on the extent to which finished goods now produced in Egypt will not be eligible for preferential tariff status when exported to the EC because of the stringent limitations on usage of non-origin sourcing posed by these rules?

Reply

The rules of origin do not prevent Egypt from buying components and parts from third countries. These rules not being based on economic considerations, but on the criterion of sufficient working or processing, the question of working out estimates was not considered, and in addition, it was not practicable to work out such estimates of the extent of possible diversion of sourcing.

23. What measures will be taken by the parties to prevent adverse effects on trade in parts and components from third country suppliers and thus to comply with GATT Article XXIV:5(b)?

Reply

If any adverse effects were to make themselves felt, the contracting parties would examine the problem.

24. How do the rules of origin under this Agreement differ from those of other EC association agreements? What purpose is served by these differences?

Reply

The rules of origin under the EC/Egypt Agreement do not differ in principle from those of other Agreements. Alignment is planned for any remaining differences.

25. For many products it may be very difficult or wholly impractical for producers physically to segregate origin from non-origin materials. In the case of liquid chemicals, for example, materials are often stored in large containers to which fresh supplies are added from time to time, and the provision of separate containers for origin and non-origin materials would not be practicable. Is it the intention of the parties to allow producers to meet the rules of origin requirements on the basis of segregation of inventory records and/or use of proportional accounting methods reflecting the sources of total purchases of inputs over specified periods - allowing thereby for the practicable use of non-origin materials under the EC-Egypt rules? Or, will producers in fact face requirements such as the maintenance of separate inventories or warehousing facilities?

Reply

The contracting parties are not aware of difficulties of the kind raised in the question. The parties to the Agreement will examine closely all comments concerning possible difficulties.

26. What is the purpose of the rule that requires that at least 50 per cent of the materials and parts used (not total value of the product) must be originating products?

Reply

Only the working or processing described in the fourth column of List A (including those concerning the rule that requires that at least 50 per cent of the materials and parts used must be originating products) are considered as sufficient working or processing to grant the products concerned the origin status. These rules are based on objective criteria and are not designed to favour specific producers.

27. These rules of origin generally appear to require multiple changes in BTN tariff heading for textile products, thereby in effect requiring that many phases of the production process be performed within the free-trade area. What is the justification for requiring that multiple phases of the production process be performed within the free-trade area in this sector?

Reply

In the case of textile products only multiple phases of the production process constitutes a sufficient working or processing.

V. SAFEGUARD MEASURES

28. What are the safeguard measures envisaged in Article 12 of the Agreement?

Reply

The choice of the "necessary safeguard measures" envisaged in Article 12 and their nature and extent, would depend on the difficulties to be contended with, and they cannot therefore be specified in advance. It is for the contracting parties to determine the measures in their commercial policy that cause the least disturbance in the functioning of the régime established and do not exceed what is necessary to remedy the difficulties which have arisen. The provisions of Article 12 emphasize the temporary and limited character of these measures.

ANNEX

Additional Questions Asked by Canada

I. GENERAL CONSIDERATIONS

1. Do the parties to the Agreement consider that it is in conformity with Article XXIV of GATT?

Reply

See reply to question No. 1.

2. Will the Agreement inhibit participation of Egypt in future multilateral steps towards trade liberalization?

Reply

Egypt will continue to participate in future in multilateral action for trade liberalization.

3. Egypt is presently invoking Article XVIII for the maintenance of import restrictions. Do the provisions of Article 13 of the Agreement and of Article 3 of Annex II (especially paragraph 2) mean that Egypt will give third countries less favourable treatment than it gives to the Community with respect to the allocation of hard currencies needed for imports, the application of new quantitative restrictions, and other such measures? Do the parties to the Agreement consider that such discrimination would be incompatible with the provisions of Articles XVIII and XIII of the General Agreement?

Reply

No.

II. TRADE COVERAGE

4. To what extent are export duties charged at present (Article 4 of the Agreement)? Do the parties consider that export duties constitute "other restrictive regulations of commerce"?

Reply

The Community does not levy any export duties. Egypt does not apply any export duty except for some products (waste and scrap metal of copper, and lead, molasses, antiques). These duties cannot be regarded as "other restrictive regulations of commerce".

5. How does the European Economic Community reconcile the establishment of tariff quotas on certain products from Egypt (Article 3 of Annex I) with the basic principle of Article XXIV of GATT which calls for reduction of obstacles to trade?

Reply

In the case of the product referred to in Article 3 of Annex I to the Agreement, the general rule of tariff dismantlement also applies, but subject to certain quantity limits that are in fact considerably higher than existing trade flows. This is not a new obstacle to trade, but a controlled form of tariff dismantlement applied to a specific case within the context of an interim transitional agreement.

IV. RULES OF ORIGIN

6. If the rules of origin set out in Annex A of the Agreement have harmful effects on the commercial interests of third countries, would the parties to the Agreement consider modifications in Lists A and B following representations from the countries affected?

Reply

The parties to the Agreement have not arranged to make any changes in Lists A and B following representations from third countries. However, if the rules of origin have harmful effects on the trade interests of third countries, the parties to the Agreement are prepared to consider any specific cases which may arise, allowing for the general effect of these rules on those interests.