

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## AGREEMENT BETWEEN THE EUROPEAN ECONOMIC COMMUNITY AND LEBANON

### Questions and Replies

The contracting parties were invited (document C/M/94 and GATT/AIR/1079) to communicate to the secretariat any questions they might wish to put concerning the Agreement between the European Economic Community and Lebanon.<sup>1</sup> In response to this request, a number of questions were received and were transmitted to the parties to the Agreement.

The secretariat has received the attached replies, and has been informed that statistical information relating to imports of products originating in the EEC into Lebanon would be furnished by that country.

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<sup>1</sup>Circulated with document L/4002.

REPLIES  
TO THE GATT QUESTIONNAIRE  
CONCERNING THE AGREEMENT BETWEEN  
THE EEC AND THE LEBANESE REPUBLIC

- Part A: Main questionnaire
- Part B: Additional questions submitted by Australia

AGREEMENT BETWEEN THE EEC AND LEBANON

Questions and Replies

PART A

I. General questions

1. The Agreement between the EEC and the Lebanese Republic 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 conclusion of a trade agreement which discriminates against other contracting parties in order to "promote 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 the Lebanese Republic 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. If it is the intent of the parties to explain the Agreement as an interim agreement authorized under Article XXIV of the GATT, what is the plan and schedule required under sub-paragraph XXIV:5(c)? Why does the Agreement lack a commitment to any stage of further association beyond the period of five years specified in the Agreement? Since the Agreement only states that negotiations may be opened at a future time with a view to concluding a wider agreement, how can it be viewed in any way as an interim measure?

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, 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.

As stated above, 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 the Lebanese Republic.

3. 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

The definition of a free-trade area for the purposes of the General Agreement, in accordance with Article XXIV:8, implies that duties and other restrictive regulations of commerce are eliminated with respect to substantially all the trade. The obligation of the parties consists in pursuing the elimination of obstacles to trade in the course of the second stage in order to achieve, at its expiry, a free-trade area within the meaning of Article XXIV of GATT.

4. Is it the intent of the parties to seek an Article XXV waiver pending consideration of the possibility of a wider association taking the form of a free-trade area or a customs union covering substantially all trade and, if an interim agreement, providing a reasonable plan and schedule for its formation?

Reply

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.

5. What is the experience of the parties which leads them to expect that 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? Specially, how does the intended time frame for economic integration between the EEC and Lebanon compare with the periods proposed for economic integration under the EEC's other preferential trade agreements with Mediterranean countries?

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 having 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.

6. What is the meaning of the "special provisions relating to the frontier zone"?

Reply

The idea of "special provisions relating to the frontier zone" should be understood in the same way as in Article XXIV:3 of the General Agreement.

II. Rules of origin

7. Under the restrictive rules of origin provisions of this agreement, many finished goods produced in Lebanon either will be required, for sourcing, to rely on parts and components from the EEC, or will not be eligible for origin treatment. To what extent would finished goods now produced in Lebanon not be eligible for preferential tariff status when exported to the EEC because of the stringent limitations on usage of non-origin sourcing posed by these rules?

Reply

The rules of origin do not prevent the Lebanese Republic 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.

8. What measures might be taken to prevent adverse effects on trade in parts and components from third-country suppliers and thus to meet the stipulation of Article XXIV:4 that the purpose of a customs union or a free trade area should be "not to raise barriers to the trade of other contracting parties...".

Reply

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

9. How do the rules of origin under this Agreement differ from those of other EEC association agreements? How will the EEC administer the many rules of origin and preferential tariff provisions, which are different and complex for each EEC preferential trade agreement, in order to assure that these arrangements do not serve as a substantial barrier to trade between the EEC and its associates and to exports of third countries supplying goods to the EEC and the associated countries?

Reply

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

10. Will producers in the EEC and in Lebanon be able 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 under the Agreement of non-origin materials under the EEC-Lebanon rules? Or, will producers in fact be required to maintain separate inventories, warehousing facilities, etc.?

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.

### III. Safeguard measures

11. What are the safeguard measures envisaged? Can the parties to the Agreement provide assurances that safeguards will not be applied in a manner which discriminates against third countries?

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.

No measure taken in pursuance of Article 12 of the Agreement could be applied to third countries unless the conditions of the General Agreement were observed.

### IV. Trade coverage

#### A. Statistics of imports by the EEC from Lebanon

12. What was the total value of imports by the EEC of Nine from Lebanon for each of the three most recent years for which trade statistics are available? What are the comparable figures for imports by Lebanon from the EEC?

Reply

	Million U.A.		
	1970	1971	1972
Total imports by EEC from Lebanon	63.4	91.6	77.9
Total imports by Lebanon from EEC			

13. What value and percentage of these imports are (1) industrial products and (2) agricultural products? What are the values of citrus imported by the EEC?

Reply

	Million U.A.			%		
	1970	1971	1972	1970	1971	1972
(1) Industrial products	50.9	79.2	64.2	80.4	86.4	82.5
(2) Agricultural products (Annex II to Rome Treaty)	12.4	12.5	13.6	19.6	13.6	17.5
Citrus imports (in thousand U.A.)	6	345	48			

14. What value and percentage of (1) imported industrial products, and (2) imported agricultural products will be free to enter the EEC from Lebanon, and enter Lebanon from the EEC without payment of duties or being subject to other restrictive regulations of commerce? What value and percentage of (1) industrial trade and (2) agricultural trade between the parties will be subject to preferential tariffs?

Reply

	Million U.A.			%		
	1970	1971	1972	1970	1971	1972
Products admitted without payment of duties and with- out being subject to other restrictive regulations of commerce:						
(1) Industrial products	45.7	67.0	53.0	89.7	84.6	82.5
(2) Agricultural products	9.3	7.6	8.2	74.5	61.0	60.5
Subject to preferential tariffs:						
(1) Industrial products	50.1	77.2	63.6	98.4	97.5	99.0
(2) Agricultural products (Annex II to Rome Treaty)	9.4	8.9	12.6	75.8	71.4	92.3



15. What was the value and percentage of total EEC imports in respect of the following categories of imports into the EEC products originating in Lebanon in each of the three most recent years for which statistics are available:

- (a) imports of products for which tariff quotas or quantitative restrictions are not to be eliminated?
- (b) imports of products to which Article 1 of Annex I is not to be applied (i.e. those set out in Lists A, B and C)?

Reply

	Million U.A.			%		
	1970	1971	1972	1970	1971	1972
(a) products for which tariff quotas or quantitative restrictions are not to be eliminated	0.8	1.9	0.6	1.3	2.1	0.8
(b) products to which Article 1 of Annex I is not to be applied (Lists A, B and C)	0.8	1.9	0.6	1.3	2.1	0.8

16. What was the value and percentage of total Lebanese imports from the EEC in each of the three most recent years for which statistics are available of products for which tariff quotas or quantitative restrictions are not to be eliminated?

Reply

See under IV B "Statistics of imports by Lebanon from the EEC".

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

Reply

See under IV B.

18. What is the proportion of total trade between the EEC and Lebanon which is already duty free on a most-favoured-nation basis?

Reply

	Million U.A.			%		
	1970	1971	1972	1970	1971	1972
Products already duty free	55.0	74.6	61.2	86.7	81.4	73.7

B. Statistics of imports by Lebanon from the EEC

Replies to questions Nos. 12, 13, 14, 16, 17, 18 to be furnished by Lebanon.

Anti-dumping

19. Lebanon 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 Lebanon 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 Lebanese Republic has not signed the Anti-Dumping Code concerning the implementation of Article VI of the General Agreement on Tariffs and Trade.

PART B

Additional Questions Submitted by Australia

1. What is the proportion of total EEC/Lebanon trade on which duties and other restrictive regulations of commerce have already been eliminated?

Reply

See reply to question No. 18 in Part A.

2. What provision is there in the Agreement for the elimination of duties and other restrictive regulations of commerce during the five years in which it is in force?

Reply

See reply to question No. 1 in Part A.

3. What provision is there in the Agreement for the reduction of duties and other restrictive regulations of commerce during the five years in which it is in force?

Reply

Article 2 of the Agreement and Annexes I and II make provision for the reduction of duties and other restrictive regulations of commerce.

4. Since the Agreement does not provide for any elimination of duties but only their reduction, do the Parties agree that it is merely a vehicle for the exchange of new preferences?

Reply

No. See reply to question No. 2 in Part A.

5. If the Parties do not agree that the Agreement is merely a vehicle for the exchange of new preferences, how do they explain the Agreement's apparent total violation of Articles XXIV:5(c) and XXIV:8(b)?

Reply

The Agreement does not constitute a violation of Article XXIV:5(c) nor of Article XXIV:8(b). See reply to questions Nos. 2 and 3 in Part A.