

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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FREE TRADE AGREEMENT BETWEEN THE EFTA STATES AND TURKEY

Questions and Replies

Addendum

Document L/7186 contains the joint replies of the Parties to the questions they received following the invitation in GATT/AIR/3339 of 20 July 1992. The replies set out below were prepared by the Parties to the Agreement in response to a number of additional questions that were addressed to them during or after the first meeting of the Working Party on 5 April 1993.

1. GENERAL

1.1 Question

Do any provisions of Agreement place constraints on the ability of any Party to make tariff concessions, including reductions to zero, in the future on an m.f.n. basis? If so, which ones?

1.1 Answer

No.

1.2 Question

Please list situations where the Agreement permits or requires one Party to the Agreement to provide a margin of tariff preference for the other Party over goods originating in countries not Party to the Agreement.

1.2 Answer

There are not situations in the Agreement which permit or require one Party to the Agreement to provide a margin of tariff preference for the other Party in relation to goods originating in countries not Party to the Agreement.

1.3 Question

How do the Parties to the Agreement expect the provisions of the Agreement to affect their bilateral trade agreements with other countries?

- (a) Does the Agreement require either Party to renegotiate with third countries any bilateral or other commitments under arrangements consistent with Article XXIV, GATT waivers or other GATT provisions?
- (b) Do the preferential tariff reduction provisions of the Agreement preclude the continued operation of other agreements with third countries that provide m.f.n. treatment?

1.3 Answer

- (a) No.
- (b) No.

1.4 Question

Do both Parties intend to harmonize the relevant provisions in the Agreement with rules and disciplines deriving from the Uruguay Round negotiations? In all of the relevant sectors or only in specific sectors? If only in specific sectors, which sectors?

1.4 Answer

Yes, it is intended that all relevant provisions will be adjusted to the rules and disciplines deriving from the Uruguay Round negotiations.

1.5 Question

Does the Agreement permit Turkey to make bound tariff concessions which would equalize rates of duties payable by the EFTA and third Parties?

1.5 Answer

The provisions of the Agreement do not limit Turkey from making bound tariff concessions with third countries.

1.6 Question

Has the Agreement been ratified by the parliaments of all parties to the Agreements? If not, which parties have not ratified the Agreement and when do you expect each to?

1.6 Answer

The Agreement has been ratified and entered into force in relation to Austria on 1 October 1992, Finland on 1 May 1992, Iceland on 1 September 1992, Liechtenstein on 1 April 1992, Norway and Sweden on 15 April 1992, Switzerland and Turkey on 1 April 1992.

1.7 Question

In GATT Document W.48/3 of 19 November 1992, the CONTRACTING PARTIES extended the time-limit on Turkey's waiver from its Article II obligations

to 30 June 1993. Turkey made this request in order to allow additional time for the completion of Article XXVIII negotiations or consultations. Could the Parties to the Agreement please (a) clarify the status of this exercise vis-à-vis each other and (b) confirm what implications, if any, it has for the operation of the FTA and for third countries (for example, how are principle supplier rights being calculated?)

1.7 Answer

The present practice of the General Agreement will be followed.

1.8 Question

Will Parties explain the manner in which they intend to determine principal supplier rights under Article XXVIII of the GATT? Will preferential trade (i.e. trade with parties to Europe Agreements and/or other preferential trade arrangements) not be included?

1.8 Answer

The present practice of the General Agreement will be followed.

1.9 Question

Can you confirm that substantially all trade between the Parties to the Agreement will be free upon the final staging of tariff and non-tariff reductions in February 2002, as stipulated in GATT Article XXIV:8(b)?

1.9 Answer

Yes.

1.10 Question

What percentage of trade (value) in each direction will be affected by the Agreement, initially and by 2002? Please respond to this question twice - (1) with respect to all trade and (2) with respect to agricultural and fisheries trade only. As trade patterns evolve, how do you anticipate the agricultural/fisheries percentage growing or declining and why? Please submit comprehensive eight-digit trade data for 1992.

1.10 Answer

This question has already been answered in GATT document L/7186. Trade data for 1992 is not yet available.

1.11 Question

To what extent will the Agreement provide for preferential agricultural trade treatment to the EC under the EEA?

1.11 Answer

The EFTA-Turkey Free Trade Agreement does not provide for preferential agricultural trade treatment to the EC.

1.12 Question

What quantitative restrictions currently are in effect between the EFTA countries and Turkey? Which of these will not be abolished as the result of this Agreement?

1.12 Answer

For industrial products in EFTA, Austria has quantitative restrictions on imports on lignite (this quantitative restriction will be applied for a limited period of time only); Iceland has quantitative restrictions on petroleum oils and petroleum oil products and on brooms and brushes. The Icelandic quantitative restrictions are permanent and will not be abolished as a result of the Agreement.

With regard to quantitative restrictions on industrial exports, most EFTA States apply permanent quantitative restrictions on exports of waste and scrap of base metals to safeguard the supply of input material for the metal mills. This seems to be in line with the policy of most industrialized countries and is also in line with Article XI(2) of the GATT.

Concerning agricultural products, the bilateral arrangements between the EFTA countries and Turkey cover only tariff concessions. No quantitative restrictions will be abolished or introduced as a result of these arrangements. Non-tariff barriers are negotiated in the Uruguay Round; liberalization will therefore take place in line with Uruguay Round results. Information concerning agricultural products subject to quantitative restrictions in the EFTA countries can be found, inter alia, in the existing notification system to the GATT, in some cases in the TPRM.

Turkey has no quantitative restrictions on imports or exports.

1.13 Question

Which EFTA farm products currently face prohibitive measures or are banned from entry into Turkey for animal or plant health reasons?

1.13 Answer

None.

1.14 Question

Does Turkey plan to introduce new temporary protective measures against subsidized agricultural imports?

1.14 Answer

There are no such plans.

1.15 Question

(a) Will amendments to the Agreement, e.g. those decided by the Joint Committee, be made public? If so, how and where? Will recommendations by this Committee be made public? Will these be notified to the GATT or made public in some other way? What is the schedule of meetings of the Joint Committee?

(b) Can observers attend Committee meetings? Are there provisions for third countries to bring concerns regarding the operation of the Agreement to the attention of the Joint Committee? Can private individuals attend or bring concerns to the Committee?

1.15 Answer

(a) Amendments to the Agreement will be made public. They will be published by the respective States Parties as part of their normal legislative procedures and will also be available from the EFTA Secretariat. Recommendations by the Joint Committee are likely to concern internal procedural matters of minor interest to third parties and will therefore not be made public on a regular basis. However, the States Parties are willing to provide information if other parties express an interest. The Joint Committee will meet once a year, more often if necessary.

(b) There are no provisions in the Agreement concerning this. However the rules of procedure state that observers can attend Committee meetings in so far as they are signatories to the Agreement. There are no provisions in the Agreement concerning third countries bringing their concerns to the attention of the Joint Committee.

1.16 Question

One of the standards to which free-trade areas are to be held under Article XXIV is that the FTA should lead to trade creation, as opposed to trade diversion. Have the Parties to the Agreement estimated the trade creating versus trade diverting effects of the Agreement? To what extent will this Agreement create trade and to what extent will it divert trade? Please also answer this question with specific attention to the creation or diversion of agricultural trade.

1.16 Answer

It is assumed that free trade agreement concluded in line with Article XXIV will lead to trade creation, thereby having positive effects on the economic conditions of the Parties and thus stimulating foreign trade in general. No estimate on the trade effects can be considered

accurate or reliable, in view of the number of uncertain factors involved. However, EFTA's past experience with free trade agreements has been positive in this regard.

1.17 Question

A large number of agricultural products are not covered by the Agreement between EFTA and Turkey or by the bilateral agreements between each EFTA country and Turkey. What plans are there to extend the Agreement to other agricultural products? If such plans exist, what is the time-frame for implementation? If such plans do not exist, why not?

1.17 Answer

The EFTA-Turkey Free Trade Agreement does not cover basic agricultural products because the EFTA countries do not have a common agricultural policy. Therefore each of the EFTA countries and Turkey have negotiated separate bilateral agricultural arrangements. Nothing in the agricultural arrangements limits the possibility of extending the scope of these arrangements.

2. SCOPE OF THE AGREEMENT (ARTICLE 2)

2.1 Question

Our analysis indicates that the Agreement and the annexed bilateral agreements achieve minimal trade liberalization in agriculture. Specifically, Turkey's only concessions to the EFTA States ensure that EFTA States receive tariff treatment equivalent to that applied to the EC on a minimal range of products, while the EFTA States generally offer tariff elimination on various Mediterranean products not produced domestically. The agricultural product coverage is therefore extremely limited, and full elimination of trade barriers occurs in only a few cases. Could the Parties to the Agreement please explain how the FTA meets the criterion of "substantially all the trade" in GATT Article XXIV(8)(b)? Do the Parties envisage the full integration of the agriculture sector into the FTA at a later stage? Do they intend to harmonize agricultural product coverage?

2.1 Answer

It is important to note that the language used in Article XXIV(8)(b) is "substantially all the trade" and not "trade in substantially all products". The obligation is thus not defined by sector or by products, but by trade as a whole. Bilateral arrangements concluded between Turkey and its EFTA States counterparts providing for measures to facilitate trade in agricultural products have to be seen as a part of, and a contribution to, the harmonious development of economic relations between EFTA States and Turkey.

The Agreement does not cover basic agricultural products because the EFTA countries do not have a common agricultural policy. The Parties to

the Agreement do, however, declare in Article 11 of the Agreement their readiness to foster the harmonious development of trade in agricultural products in so far as their agricultural policies allow. Nothing in the agricultural arrangements limits the possibility of extending the scope of these arrangements.

3. RULES OF ORIGIN AND CO-OPERATION IN CUSTOMS ADMINISTRATION (ARTICLE 3)

3.1 Question

Protocol B, Title I, Article 1(b)(i) states that originating status will be conferred on products incorporating materials which have not been wholly obtained in a State Party to the Agreement, provided that such materials have undergone sufficient working or processing in that State "within the meaning of Article 5". Please confirm that Protocol B, Article 5, paragraphs (2) through (5) are the only operative provisions concerning third party inputs to products which may qualify for originating status under the FTA. For example, if Canada exported computer parts to Finland for assembly into a finished product, would that product have originating status for purposes of the FTA in accordance with Article 5?

3.1 Answer

Title I of Protocol B contains all the provisions on the definition of the concept of "originating products". In order to examine, whether Canadian computer parts could be used in the production of computers in Finland, it would be necessary to consult Annex II to Protocol B and take into account all the other provisions contained in Article 5 or Protocol B.

4. CUSTOMS DUTIES ON IMPORTS AND CHARGES HAVING EQUIVALENT EFFECT (ARTICLE 4)

4.1 Question

Why does coverage differ between EFTA countries in Annex III? Why is Iceland not included?

4.1 Answer

The difference in coverage is due to the fact that individual EFTA countries have different industrial structures. Due to the structure of Iceland's industry, Iceland has not seen the need for a transitional period as provided for in the Annex.

4.2 Question

What is the significance of the reference to 23 November 1970 in paragraph 3 with regard to Turkish abolition of all customs duties?

4.2 Answer

23 November 1970 is the basic date for the reduction of import duties. The date is identical with the date of signature of the Additional Protocol between the European Community and Turkey.

4.3 Question

For the items covered by Annex IV, the duties on goods from all EFTA countries and Turkey, except Austria, will be reduced immediately by 100 per cent. Duties on the covered goods from and to Austria and Turkey will be reduced by 50 per cent. Do Turkey and Austria plan to stage further reductions to zero for these goods or will they remain at 50 per cent of current rates?

4.3 Answer

This question seems to reflect a misunderstanding of the actual content of the Agreement. In fact, the Agreement does not provide for immediate duty free treatment or duty reductions by Turkey to EFTA countries. This does, however, not mean an exclusion of the sector from the scope of the Agreement. The question of further duty reductions is within the responsibility of the Joint Committee.

4.4 Question

In Annex V's timetable for the elimination of customs duties by Turkey, paragraph 2 states that remaining reductions will be specified in 1992 and realised between 1993 and 1995. Does this refer to products not covered by Annexes II, IV and V or does this refer to reductions of duties beyond the 60 per cent and 70 per cent levels specified in sub-paragraphs (a) and (b) of this paragraph?

4.4 Answer

This refers to the reductions of duties in sub-paragraphs (a) and (b) of paragraph 2.

4.5 Question

Following paragraph 2(b) of Annex V, it is stated that "the remaining reductions are to be realized between 1993 and 1995 and will be specified before the end of 1992". Could the Parties to the Agreement please clarify what "remaining reductions" are referred to here and whether these were indeed specified before end-1992. If so, will this information be made available to Working Party members?

4.5 Answer

Upon entry into force of the Agreement, customs duties on products defined in paragraph 2(a) and (b) of Annex V were subject to a reduction of

60 per cent (paragraph 2(a)), and 70 per cent (paragraph 2(b)) respectively. The "remaining reductions" referred to are thus the remaining 40 per cent and 30 per cent respectively.

Customs duties for imports from the EFTA countries have been reduced by 10 per cent as from 1 January 1993. The present level of reduction is thus 70 per cent and 80 per cent respectively for products defined in paragraph 2(a) and (b) of Annex V. The remainder will be abolished by 1995 in parallel with the EC-Turkey Additional Protocol, although no timetable has yet been fixed for the elimination of these remaining customs duties.

5. CUSTOMS DUTIES OF A FISCAL NATURE (ARTICLE 5)

5.1 Question

Explain what is meant by the term "internal tax" as used in Article 5, paragraph 2.

5.1 Answer

The internal taxation referred to in Article 5, paragraph 2 should be understood as internal taxation applied in accordance with the provisions of Article III of the GATT.

5.2 Question

Are all of the duties specified by Iceland, Turkey and Liechtenstein/Switzerland in Annex VI deemed to be fiscal in nature? Does paragraph 1 of Article 5 mean that all duties not specifically maintained under any other Article in this agreement are to be immediately abolished?

5.2 Answer

All duties specified by Iceland, Turkey and Liechtenstein/Switzerland in Annex VI are of a fiscal nature. Paragraph 1 of Article 5 means that only the products enumerated in Annex VI are excluded from the provisions of paragraphs 1 to 3 of Article 4.

5.3 Question

Table A to Annex VI (Iceland) is extensive and wide-ranging, covering many products in HS Chapters 25-97. Further, no Icelandic products appear to be included in Annex III. Could the Parties to the Agreement explain what considerations led to this result, and reconfirm what tariff treatment will exist as between Iceland and Turkey? What percentage of trade is affected by Annex VI as between (a) Iceland and Turkey, (b) Switzerland and Liechtenstein and Turkey, and (c) Turkey and the other EFTA States? Are there plans to replace the fiscal element of the customs duties concerned by internal taxes, and, if so, what are the timetables?

5.3 Answer

Table A to Annex VI covers products which are of a kind not produced in Iceland. The fiscal duties for those products are thus non-discriminatory. Iceland decided that it would not be necessary to protect any products of local production by placing them in Annex III to the Agreement. Any Party applying fiscal duties may replace them by internal taxes at any time. Imports under the Agreement into Iceland, Liechtenstein and Switzerland of products contained in Annex VI are subject to the fiscal duties contained in that Annex, regardless of the origin of the products.

Based on 1991 statistics, the percentage of trade affected by Annex VI between (a) Iceland and Turkey is 4.98 per cent, (b) Liechtenstein/Switzerland and Turkey is almost zero, and (c) Turkey and all EFTA States is 0.2 per cent.

There is no information available about a replacement of the fiscal element of the customs duties concerned by internal taxes.

6. QUANTITATIVE RESTRICTIONS AND MEASURES HAVING EQUIVALENT EFFECT (ARTICLE 7)

6.1 Question

In Table C to Annex VIII, paragraph 2(d) states that all quantitative restrictions affecting imports are to be abolished by the end of 1995. Does this include the goods in Table A to Annex VIII?

6.1 Answer

Table C to Annex VIII relates to quantitative restrictions applied by Turkey. There is no connection between the provisions of Table A to Annex VIII (relating to quantitative restrictions in Austria and Iceland) and the provisions in Table C.

6.2 Question

Could the Parties to the Agreement please confirm what GATT justifications are in place for import and export restrictions on products appearing in Tables A, B and C to Annex VIII? What percentage of trade between the Parties is covered by Annex VIII?

6.2 Answer

Table A: The Austrian import restriction is maintained for energy security reasons, but will be phased out within the next 15 to 20 years. Iceland also maintains quantitative restrictions on petroleum oils for energy security reasons. Iceland maintains quantitative restrictions on imports on brooms and brushes for social reasons, i.e. to protect the

interests of blind people making these products. There was no trade in these products between these respective Parties to the Agreement and Turkey in 1991.

Table B: The export restrictions on ferrous and non-ferrous waste and scrap are intended to safeguard the supply of input material. The percentage of trade between the EFTA countries and Turkey in these products was 0.16 per cent in 1991.

Switzerland is considering to review the measures presently covered in this table.

Table C: This table establishes that there are no Turkish import or export quantitative restrictions in place at the time of the signing of the Agreement.

6.3 Question

What quantitative restrictions, affecting what goods, from what sources, currently exist on imports into Turkey?

6.3 Answer

There are no such quantitative restrictions.

6.4 Question

Please explain how Turkey, under Article 7 of the FTA, will remove its highly protective layers of import taxes and bord charges, such as the Support and Price Stabilization Fund, the Stamp Tax, and the VAT.

6.4 Answer

The import taxes and bord charges, such as the Support and Price Stabilization Fund and the Stamp Tax have been abolished erga omnes as of 1 January 1993. The VAT is not affected by the Agreement.

7. NON-ECONOMIC REASONS FOR RESTRICTIONS (ARTICLE 8)

7.1 Question

Could the Parties to the Agreement elaborate what criteria they intend to use to determine whether a given prohibition or restriction constitutes a "means of arbitrary discrimination or a disguised restriction on trade" between an EFTA State and Turkey? Does Turkey intend to join the TBT Code, and if so, could the Parties to the Agreement explain why there is no related statement in this Article, paralleling language in Article 14(4) on public procurement, Article 19(2) on Dumping, and Article 22 on Balance of Payments Difficulties?

7.1 Answer

The criteria used would be in the spirit of Article XX of the GATT.

8. TRADE IN AGRICULTURAL PRODUCTS (ARTICLE 11)

8.1 Question

Please expand on paragraph 1 of Article 11 of the FTA. Which agricultural policies have the potential to hinder "harmonious development of trade in agricultural products"?

8.1 Answer

The States Parties are committed to work together to facilitate trade in agricultural products in a way which is mutually beneficial to each Party, recognizing that each State Party must take into account their own agricultural policy. Non-tariff barriers are negotiated in the Uruguay Round; liberalization will therefore take place in line with Uruguay Round results.

9. STATE AID (ARTICLE 18)

9.1 Question

In determining whether state aids favour certain "undertaking or the production of certain goods" pursuant to Article 18:1, would the Parties examine whether the aid was de facto limit to an enterprise or industry or group of enterprises or industries, notwithstanding that the legislation or regulations authorizing the aid may not explicitly impose any restrictions as to its availability or use?

9.1 Answer

This will be done to the extent possible. For existing aid schemes the effects can be more easily assessed, but in case of new schemes of horizontal nature it is normally impossible.

9.2 Question

Annex X(c) lists a variety of measures which are characterized as "examples of types of aid normally consistent with the provisions of Article 18". Article 18, in turn, seems to imply that aid which does not "distort or threaten to distort competition by favouring certain undertakings or the production of certain goods" and which would not "affect trade between EFTA States and Turkey" is "compatible with the Agreement". Are the measures listed in Annex X(c) considered consistent with Article 18 because of the desirable purpose for which the aid would be given or because they are considered to be normally non-distortive forms of intervention?

9.2 Answer

The measures listed in Annex X(c) are generally speaking measures which are related to certain desirable objectives or effects, such as technological development, rationalization, increased employment and balanced economic development of various regions. In order to avoid situations where the measures would in addition to their positive effects lead to important distortive side-effects, paragraph (c) sets certain limits to the acceptable aid. The final assessment of the consistency of these measures has to be made on a case-by-case basis.

9.3 Question

Annex X(b) describes measures generally falling outside the scope of Article 18 while Annex X(c) describes measures normally consistent with the provisions of Article 18. If the basis for finding a measure to be within the scope of Annex X(c) is that it is judged to be normally non-distortive, what is the real distinction between Annex X(b) measures and Annex X(c) measures? For example, why would "tax measures ... that are part of the general national income norm for tax purposes, available to all enterprises, and uniformly applied in a country" (Annex X(b)(iv)) be considered outside the scope of Article 18, and yet "aid in the form of general public services to trade and industry on terms and conditions not favouring certain sector and enterprises" (Annex X(c)(v)) is considered within the scope of Article 18, albeit "consistent" with it?

9.3 Answer

See answer to question 9.2.

9.4 Question

Based on the wording of Annex X(b)(iii), it would seem that government equity infusions would not even be considered state aids if the rate of return could be expected to be at least equal to the cost of government borrowing, irrespective of whether the price paid by the government may exceed the market-determined price for the same form of equity. If this is so, how does this standard comport with the "non-distortion" requirements of Article 18?

9.4 Answer

Paragraph b(iii) reflects the so-called "market investor principle", i.e. the States and State agencies should act in the same way as private investors on the market as regards equity infusions. It is normally reasonable to expect that the return on investment in longer term is at least equal to the cost of financing the operation in question. Otherwise an investment would not be economically justified.

9.5 Question

Article 18:3 allows Turkey to grant aid through the types of measures listed in Annex X(c) "with a higher intensity than would be tolerated for

EFTA States" until 1996 so long as it does "not alter the conditions of trade to an extent inconsistent with the interests of the States Parties to" the Agreement. How has this provision been operationalized? What higher levels of "intensity" are contemplated? How is it determined that the type or level of aid alters the condition of trade to an extent inconsistent with the interests of the States Parties to the Agreement?

9.5 Answer

No further rules on the interpretation or implementation have been adopted. Article 18(3) contains a reference to the promotion of economic development in Turkey. Higher aid intensities in Turkey may be justified when there is need to offset certain economic disadvantages. Furthermore, aid granted in the context of a lower level of development is by experience less distortive. The assessment of measures with higher intensity has to be made on a case-by-base basis.

9.6 Question

Annex X(d) lists certain measures that would be considered as not consistent with Article 16. We presume that this list in fact relates to those measures which would normally be considered inconsistent with Article 18; if this is not the case, please clarify.

More specifically, however, could you explain, preferably through examples (either actual or hypothetical), what types of aids would fall under item (d)(iv)? Conversely, what examples have there been (or would there be) of aids "given merely to provide time for the development of long-term solutions and to avoid acute social problems". Again, how could such aid not be inconsistent with the non-distortion as non-trade affecting requirements of Article 18? What criteria would determine whether a "social problem" was or was not "acute"?

9.6 Answer

Annex X(d) relates to measures which would normally be considered inconsistent with Article 18. Rescue aid (paragraph (d)(iv)) can be granted only, if it can be seen that it leads to the restoration of the viability of the undertaking in question. Therefore, the objective is to keep the undertaking in business until the recovery measures take effect and at the same time to avoid the acute social problems (unemployment) which would result if it had to close down its operations. In order to avoid distortive effects the measures have to be limited not only in time but also quantitatively. However, the assessment has to be made on a case-by-case basis.

9.7 Question

Will the criteria set out in Annex X on State Aid apply to subsidies in the agricultural sectors in any of the countries which are a Party to the Agreement?

9.7 Answer

No. State aid rules follow the general scope of application of the Agreement as defined in Article 2(1).

10. DUMPING (ARTICLE 19)

10.1 Question

How would a State Party go about determining that "dumping is taking place" within the meaning of Article 19(1)? Will the Parties to the Agreement rely exclusively on GATT Article VI and related agreements to make this determination?

10.1 Answer

Article 19 of the Agreement makes reference to Article VI of the GATT and the Anti-Dumping Code. Such determinations would be made in the same way as those done in conjunction with GATT Article VI and the GATT Code on Anti-Dumping. In addition, the procedural rules of Article 23 would have to be followed.

11. EMERGENCY ACTION ON IMPORTS OF PARTICULAR PRODUCTS (ARTICLE 20)
PROCEDURE FOR THE APPLICATION OF SAFEGUARD MEASURES (ARTICLE 23)

11.1 Question

Is the language in Article 20, including such terms as "serious injury", "serious disturbances" and "serious deterioration" to be understood as GATT-consistent or GATT-plus? Could the Parties to the Agreement please clarify why there is no incorporation of GATT Article XIX and related instruments, as was done in the previous Article? Does Article 23 envisage the operation of a "snapback" mechanism?

11.1 Answer

The EFTA countries as well as Turkey observe the GATT provisions and regard Article 20 as in conformity with the GATT. Therefore there is no need to include GATT Article XIX into Article 20 of the FTA.

It is unclear what is meant by the term "snapback" mechanism. However, in relevant cases the Joint Committee would immediately be engaged.

11.2 Question

Paragraph 4 of Article 23 notes that safeguard measures taken by an EFTA State or Turkey against an action or omission by one of the EFTA States or Turkey may only affect the trade with that State. If such an action was ever necessary, what procedures would be followed to ensure that this directive is observed?

11.2 Answer

Article 23 to the Agreement provides for consultations within the framework of the Joint Committee.

12. EVOLUTIONARY CLAUSE (ARTICLE 27)

12.1 Question

Could the Parties to the Agreement give an indication of likely "fields" for future coverage by the FTA? Will the Agreement be modified under this Clause to incorporate a Uruguay Round result in areas not currently covered by the FTA?

12.1 Answer

The Evolutionary Clause in this context is a standard clause, and no specific enlargement was considered by the negotiators when drafting this Article. The fields for future deepening and extending the coverage of the Agreement shall be defined by the Parties within the objectives of the Agreement as set forth in Article 1. Intellectual property, investment measures and services, being important trade and trade-related issues, are likely to be eligible for further development of the Agreement.

The Parties to the Agreement, have the intention to adjust all relevant provisions of the Agreement to the rules and disciplines deriving from the results of the Uruguay Round negotiations. Nonetheless, it is impossible at this time to foresee any modifications when incorporating Uruguay Round results in areas not covered by the Agreement until a final result in the Uruguay Round is achieved.