

RESTRICTED

GATT/CP.2/WP.5/5
31 August 1948

ENGLISH
ORIGINAL: FRENCH

GENERAL AGREEMENT ON TARIFFS AND TRADE

NOTE BY THE DELEGATIONS OF THE LEBANO-SYRIAN
CUSTOMS UNION REGARDING THE APPLICATION OF
ARTICLE XVIII, paragraph 6.

The products appearing in Document GATT/CP.2/4/Add.2, under the heading Lebanon-Syria, which are the subject of measures imposed "for the establishment, development or reconstruction of particular industries or particular branches of agriculture", fall into the following categories:

(1) Products under monopoly control

There are in Lebanon and Syria a number of State or concessionary monopolies, the aim of which is to organise purchase, sale or distribution at specific prices laid down by the two Governments. These monopolies relate inter alia to sugar, wheat and other bread grains, to salt and to tobacco and tobaccs.

The existence of these monopolies also satisfies certain fiscal considerations: the two States, in fact, obtain a large part of their budgetary resources from them.

Hence, it is not possible, without complete failure in the aims of these institutions and without seriously affecting, moreover, the balance of the two budgets, to envisage the abolition or even the relaxation of the quantitative restrictions imposed on the basis of these monopolies.

(2) Products of existing industries.

In this category a distinction must be drawn between productive equipment itself and the products of the industries in question.

As regards productive equipment, the two States consider that certain existing industries fully meet the requirements of local consumption, and that it is not possible to authorise the import of fresh equipment without incurring the risk of seriously jeopardising the economy of the said industries by exposing them to unbridled competition which can only bring about their ruin and cause unemployment. The two Governments reserve the right, however, if necessary - that is if it is established that an industry already installed wishes to renew or modernise its equipment - to grant special import licences.

As regards the products manufactured, it is quite natural that the said industries should be able to enjoy protection calculated to help them to keep going, and to develop. Furthermore, the question is governed by a purely financial consideration: it is not possible, at a time when the two States are faced with exchange difficulties, to permit the use of the very limited foreign currency quotas for the purpose of importing goods which domestic industries are in a position to supply to the two countries in sufficient quantities.

(3) Products of newly established industries

During the recent war, and in consequence of import difficulties, industries of various kinds were established and a large amount of capital invested in them. Other industries are in process of being established. These industries chiefly use raw materials of which the local production has itself been developed.

In order to keep going and to develop, these industries require adequate protection. To permit foreign trade to compete with them would inevitably bring about their ruin and would discourage any capitalists wishing to be of service to the economy of the two countries. Such a state of affairs would at the same time considerably increase the number of unemployed, which is already rather high in Lebanon and Syria.

Here again it is as well to repeat that the financial aspect of the question must of necessity be taken into consideration.

(4) Agricultural Products

Lebanon and Syria are essentially agricultural countries. Irrigation, however, has not yet been sufficiently developed. Moreover, a large number of production areas are situated in the mountains or in districts a long way from the consumption centres. The result is that the cost price of agricultural products is sometimes very high.

If the two States were to think of allowing foreign competition to have a free rein in this field, the result would be both a slump in domestic products and an impoverishment of the production areas.

Strong protection is therefore necessary in this sector as well, especially since the very existence of large sections of the Lebanese and Syrian populations is at stake.

In conclusion, Lebanon and Syria wish to recall that since they have only been in control of the destinies of their national economies for a short time, their Governments will be obliged to act with great circumspection for a number of years to come. For that reason it is very difficult, if not impossible, for them to determine the precise period for which the restrictions dealt with in the present note will have to be maintained. Nevertheless, they hasten to state that these restrictions are in practice attended by a fairly large number of exceptions - as can easily be seen merely by consulting our foreign trade year books. In addition, Lebanon and Syria would point out that, since they are mainly consumer countries, their signature of the Geneva Agreements has enabled them only to grant certain concessions without obtaining substantial advantages in return.

Lastly, the Lebano-Syrian Customs Union undertakes to transmit to the contracting parties at an early date a further statement which will not include the products dealt with in tariff negotiations at Geneva and contained in the schedules annexed to the Agreement.

Geneva, 1 September 1948.

Chairman of the
Delegation of
Lebanon

Chairman of the
Delegation of
Syria

