

Contracting Parties
Third Session

WORKING PARTY 2 ON ARTICLE XVIII

Information submitted by the Delegations of
Lebanon and Syria relating to the Measures
which are being considered by the Working
Party.

1. The Statement submitted by the Governments of Syria and Lebanon in support of the maintenance of measures notified under paragraph 11 of Article XVIII is contained in document GATT/CP.3/1/Add.5. In the course of the examination of these measures by the Working Party, certain supplementary statements were made by the representatives of Lebanon and Syria, relating to individual items. In addition, the two delegations concerned also furnished further information in the form of answers to questions presented by members of the Working Party.
2. The following is a collection of such information, compiled by the Secretariat. It contained only such information as is relevant to the measures still under consideration by the Working Party. Part I gives information of a general nature concerning all or most of the items. Part II contains sections relating to individual items with respect to which recommendations will be made by the Working Party.
3. The present paper should be read in conjunction with the following documents:
 - (i) The Statement referred to above (GATT/CP.3/1/Add.5),
 - (ii) Statistical Information Supplied by the Delegations of Syria and Lebanon (GATT/CP.3/WP.2/5), and
 - (iii) Recapitulation of Measures in force in Syria and Lebanon (GATT/CP.3/WP.2/6)

PART I.

Supplementary Information of a General Nature¹

(1) The Exchange Situation.

On 3 December 1939 Syria and Lebanon instituted an exchange control system covering imports and exports as well as dealings in foreign currencies. The Exchange Office, an autonomous body, allotted currency from its own holdings alone without drawing on the Syro-Lebanese currency cover. Hence import licences could be granted without foreign exchange, whereas exporters were required to surrender to the Exchange Office the entire amount of foreign currency representing the value of goods exported by them. This arrangement was continued up to 12 August 1948 in Syria and up to 5 November 1948 in Lebanon.

From these dates onwards, the currency control system was made more flexible in accordance with Article XIV of the Articles of Agreement of the International Monetary Fund, with a view to encouraging repatriation of capital and stimulating exports.

Under the present system established by the decrees of 1 December 1948 in Syria and 5 November 1948 in Lebanon, the Exchange Office allows private individuals to retain 90 per cent of the foreign currency earned by their exports or by dealings in foreign exchange, this 90 per cent to be used for import purposes; while transactions involving the purchase of unquoted currencies and paper money can be carried on freely.

Briefly, the present system can be summarized as follows :

- (i) Imports require an import licence, but there is no obligation on the government to allot foreign exchange to holders of licences.
- (ii) All exports require licences, the exporter undertaking to surrender to the Exchange Office 10 per cent of the foreign exchange earned.
- (iii) The Government's foreign exchange holdings are used either for State requirements, or for importing products essential to the country's economy.

1. Submitted as replies to various questions asked by members of the Working Party.

(2) Fixing and Public Notice of Quotas.

Article XIII, paragraph 2 of the Agreement provides for one or other of the three following methods of applying import restrictions:

- (i) fixing and notification of the total amount of permitted imports - paragraph (a);
- (ii) restrictions by means of licences without a quota - paragraph (b);
- (iii) fixing of a quota and allocation of shares in it among supplying countries - paragraph (d)

The notification provided for under Article XIII 3 (b) is only compulsory "in the case of import restrictions involving the fixing of quotas". In principle the restrictions in force in Syria and Lebanon came under paragraph (b) above and do not as a rule involve any total quota: hence notification is not required. The import programme mentioned in the documents submitted by the delegations does not constitute a total quota as defined in Article XIII. It merely enumerates the products included in the list notified in accordance with Article XVIII, and in many cases the measures are subject to modification in the light of the production situation and of consumption requirements.

Exceptions to this general principle are made in Syria in the case of certain products such as sugar, rice, cement, etc., for which a quota does exist. In such cases, public notice of quotas are given as and when these are fixed, and where a Monopoly product such as sugar is concerned, the quota is fixed by public allocation without the specification of any particular source of supply.

(3) Period for which each of the Measures is to be maintained.

The period during which restrictive measures are to be maintained is about five years. At the end of this period the question will have to be re-examined in the light of the development of each of the branches concerned.

PART II.

Statements relating to Individual Products

Section I : Citrus and other fruits

General Statement

Lebanon. The origin of the plantations of citrus and other fruits in Lebanon goes back to time immemorial. Our oranges have a long-standing reputation - the Tripoli, Antelias, Tyre and Sidon varieties being the finest on the Mediterranean littoral. But the number of plantations - and hence production - was for a long time static; in fact there was no real expansion in this direction until shortly before the second world war. At that time the Lebanese farmers, finding that their land was not sufficiently remunerative, began to realise the advantage of planting fruit trees. The first attempts proved conclusive. The State recognised the importance of the problem and at once set up an Hydraulics Bureau to study and carry out a large-scale irrigation programme aimed at increasing the area of land under cultivation and improving output.

Various circumstances prevented this initial programme from being carried out immediately; then the war came, making it impossible to procure the equipment required for modernising Lebanese agriculture - apart from the fact that during the war years it was no longer possible to set aside in the budget sufficient credits for irrigation operations.

In 1945 Lebanon grew 78,000 tons of citrus fruits on a planted area of 6,500 hectares, and 21,500 tons of apples, pears and quinces on an area of 3,600 hectares. In 1947, as a result of a bad season, production dropped slightly - 70,000 tons of citrus fruits and 20,600 of apples, pears and quinces.

Although this yield shows a marked improvement over the past, it is insufficient even for home consumption; in fact in 1947 we were obliged to import more citrus fruits (9,692 tons) than we exported (2,005 tons). This leaves a gap to be filled by new plantation. Yet as early as 1938 we had been able to export 28,394 tons of citrus fruits, a figure which has not been reached again since the war owing to the start which competing countries have gained over us.

The problem for Lebanon, therefore, is to develop her citrus and other fruit production to the point where it can cater for home consumption and reach and exceed the pre-war export level.

The State decided that to encourage the development of fruit-growing, it was essential to protect it during an interim period, when fruit imported from abroad on a well-organised system can be sold within Lebanese territory, in spite of high customs tariffs, at prices which can compete with those of home-grown fruit of better quality.

With this end in view a decree (No. 3784 of 15 March 1947) prohibited the import of citrus fruits (Tariff Item No. 55) and of apples, pears and quinces (Tariff Item No. 59).

At the same time, a large-scale irrigation programme has been started. The State obtains wherever it can the equipment and machinery required for modernising agriculture. In 1946, Lebanon imported 41 tractors and agricultural motor vehicles; in 1947, 86; and in 1948, 166. These figures, and a comparison between them for the various years, make comment unnecessary. Every year the Ministry of Agriculture sends specialists to America and Europe to get a grounding in new methods of agriculture.

Thus, with the added safeguard of the prohibition of imports, we have every prospect of developing fruit-growing in Lebanon - the more so as the various varieties grown already have a reputation, and as Lebanon has 180,000 hectares still to be cultivated out of a total of 405,000 hectares suitable for cultivation. This stage of development can be reached within the next five years.

Syria. In Syria, the diversity of the climate and the suitability of the soil offer good prospects for a large increase in fruit growing. Large areas are suitable for the plantation of many varieties of fruit trees. Unfortunately the lack of an irrigation system and of capital, and the use of primitive methods, made it impossible until about 1938 to exploit our fruit resources rationally on a large scale. It was not until about that date that the planted area began to be extended and the methods of cultivation improved.

The war helped on this development. According to our figures, the area given over to apple and pear trees increased from 2,280 hectares in 1938 to 4,480 hectares in 1947 - or twice the number. The area under almond trees and walnut trees increased by 1,000 hectares in 1947 as against 1938.

The Syrian Government is making a great effort to encourage fruit growing in every possible way - by extending the irrigation system according to a pre-arranged plan, by increasing the number of nurseries and agricultural colleges, and by taking protective measures. In addition, these activities aimed at developing Syrian agriculture are supplemented by the establishment of refrigeration industries. A large number of freezing plants have been established within the last few years in the chief Syrian centres.

In a word, Syrian fruit production prospects are considerable. Irrigated areas suitable for fruit growing may very well increase from 236,500 hectares to 600,000 hectares.

As to achievements which have so far resulted from the various measures already taken, there is first of all a marked increase in areas planted, and a rise in annual production of 16 per cent.

Costs of Production: (summary of an oral statement). The inherent high costs of production of such fruits as apples, pears and quinces due to the type of land used, was further increased by the rise in labour costs and rendered domestic supply incapable of competing with imported fruits, which threatened to destroy the branch of agriculture. The government of Lebanon therefore intended to modernise the equipment and method of cultivation with a view to lowering the costs of production and to developing the branch of agriculture to the point where it could compete with foreign products.

Reconstruction of Citrus Fruit Production: (written reply to the question:

"If the domestic fruit industry requires extraordinary protection in addition to a 50 per cent duty, how are the exports shown for 1938 and 1947 explained?")

In 1947 citrus fruit imports far exceeded exports, for which year the latter can therefore be ignored.

In 1938 the situation was different, since we did in fact export oranges. But between the two years 1938 and 1947, citrus fruit plantations suffered war-damage. The military operations in 1941 took place precisely in that portion of the Lebanese coastal area where citrus fruit growing was most flourishing before 1939. War damage was one of the chief factors which, as appears from the statement to which members of the Working Party are referred, gave our competitors an advantage over us and has made citrus fruit production difficult for

some time to come. Hence, this industry is one in need of development as well as of reconstruction.

Application Import Restriction: (written reply to the question asked by the representative of the United States:

"It is understood that there is a special exception to the restrictions which provides that restrictions should not apply to the importation of fruits into Lebanon and Syria if it is cleared through a Syrian port. What is the nature of this provision? When was it introduced and for what period will it be applied?")

With regard to the alleged exception to the effect that "restrictions should not apply to the importation of fruit into Lebanon and Syria if it is cleared through a Syrian port", the Syrian Ministry of National Economy wishes to state officially that no such measure exists or has ever existed.

Administrative Decrees: (See GATT/CP.3/WP.2/6 - Page 2.)

Section II: Wheat, Barley and Derivatives.

Development of Wheat Growing: (summary of an oral statement)

The development of this branch of agriculture had always occupied the attention of the two Governments. In particular, parts of the Jezireh area were brought under cultivation and sown to cereals and cotton in 1937, and development of this area was continued throughout the war with the adoption of up-to-date methods of cultivation and modern equipment. 1,500 tons of agricultural machinery were shipped to this area alone in 1948, and the use of chemical fertilizers was gradually promoted.

The decline in the yield in 1947 was due to unfavourable weather conditions and that production had been considerably greater in 1948 and 1949, although no precise figures were yet available.

Relative restrictiveness of the monopolistic control referred to in the Statement and the succeeding control system: (written reply to a question):

The Monopoly Law covering wheat, barley and their derivatives, enacted in June 1942, gave the Authorities a monopoly of the purchase, sale, transport, import and export of the products in question.

The administration in charge of the Monopoly fixed the quota for imports and exports on the basis of the production situation. It was not exempted from the obligation of applying for and obtaining the customary licences, which were issued by the Ministry of National Economy, to the Monopoly Administration and to private individuals alike.

When the Monopoly was abolished in March 1949, the existing licensing system remained in force. The Ministry of National Economy then became responsible for fixing import and export quotas.

The foregoing explanation shows that the quota system has always been the same both under the Monopoly, at the time of notification of the measures, and under the present system. The creation of the Monopoly and its abolition were in fact only internal administrative measures which did not affect the quota and licensing system.

Functioning of the Licensing system: (written reply to the question:-

"It is understood that the former monopoly has been replaced by a licensing system. How does this licensing system continue the functions of the monopoly? (a) In the event of a surplus crop how does this 'affect exports'? (b) In the event of a poor harvest what function does it perform? How does it help development of this branch of agriculture? The Statement (page 4) says that importers not requiring foreign exchange are not required to obtain import licenses. Can this statement be enlarged to indicate the scope of this exception and the reason for it?" —

Details as to the functioning of the licensing system since the abolition of the monopoly are to be found in the preceding paragraph.

In the event of a surplus crop, exportation takes place under separate licences issued by the Ministry of National Economy, no discrimination being made between the countries of destination.

In the event of a poor harvest, the Ministry of National Economy assesses the needs of the population and issues licences without discrimination, as described in the reply contained in the preceding answer.

Decline in average yield: (written answer to the question:

"Allowing for fluctuations from year to year, which are presumably due to climatic conditions and other factors, the yield per hectare in respect of both wheat and barley seems to have declined steadily in the last ten years, including the years since the imposition of the protective measures. (In the case of wheat, while acreage has been almost trebled, production has remained at approximately the same level: in the case of barley,

while acreage has increased about one and a half times, production has declined). It would be helpful to know if there are any special factors which reconcile these facts with the economic development of these two branches of agriculture in the last few years." --

The fluctuations in grain production are mainly due to the climatic conditions prevailing in Lebanon and Syria. The remunerative prices obtained for wheat and barley in the last few years have encouraged farmers to increase the areas under wheat and barley, although there has been a slight decline in the yield per hectare. The authorities are now trying to develop cultivation by extending the irrigation system, and also to reduce costs by using modern machinery and chemical fertilizers.

Comparison between world export prices and domestic prices quoted in the statistical table: (written answer to a question) :

In May 1949 the Chicago market quotation for wheat was \$2.23 a bushel.

As a ton equals 36.75 bushels and the official rate is one dollar - £ L/S 2.20, the price of a ton of wheat at the rate quoted in Chicago is \$81.95 or £ L/S 180.29.

The purchase price of Syrian wheat fixed by the Monopoly was £ L/S 335 per ton in 1942 and £ L/S 350 in 1948. This price is 95 per cent higher than the Chicago prices, viz. \$4.33 a bushel.

After the Monopoly was abolished in March 1949, the price of Syrian wheat dropped on the home market and it is at present quoted at £ L/S 280 per ton or \$3.46 per bushel. Hence it is still 55 per cent above world prices. The downward trend is becoming more marked as more wheat is grown, so that the prices of Syrian and Lebanese crops will very soon approximate to world prices generally.

Law controlling the Monopoly: See GATT/CP.3/WP.2/6 (page 2)

Additional Production Statistics: See GATT/CP.3/WP.2/5 (pages 4-5)

Section III : Sugar

General Statement.

The sugar industry is being established and developed. At the beginning of the war, there was a sugar factory in Lebanon with an output

of 500 metric tons. The capital invested is about 550,000 Lebanese pounds. This industry is concerned with the production and refining of sugar.

Immediately after the war, a new sugar industry was established in Syria with a capital of 12 million Syrian pounds. It is concerned with the transformation of sugar-beets which are easily grown in the vast, irrigated plains of central and northern Syria, and with the refining of raw imported sugar.

The installation of a new factory was completed at the beginning of this year and production is expected to start toward the end of this year.

It is estimated that the annual output will be 10,000 metric tons of sugar; 3,000 metric tons of alcohol (by-product); 5,000 metric tons of starch and glucose which will be extracted from maize.

Although sugar has been under a monopoly since 1941, both governments maintain protective measures to promote the establishment and development of this industry.

The possibilities of expansion are considerable as the present production covers only 30% of domestic consumption; and there remain, in other regions of Syria, large areas suitable for the cultivation of beet and sugar cane.

It may thus be seen that through the establishment and development of this industry, the utilisation of natural resources and labour is made possible; this forms a stabilizing factor in our external trade, since sugar imports amount yearly to some nineteen million Syro-Lebanese pounds.

Excise Tax: (Written reply to a question):

The excise duty levied in Syria and Lebanon, as mentioned in Section B.1(b) of the Statement, applied equally to imported and home-produced sugar.

Section IV : Chocolate and articles made of Chocolate

General Statement.

The first chocolate factories were set up in Syria and Lebanon soon after the first world war but the main development of this industry has taken place since 1938. At the present time, there are 82 chocolate factories in Lebanon, including four large ones and one

completed only last year. Capital investment in the chocolate industry totals nearly two million Lebanese pounds.

The production of chocolate in Lebanon increased considerably during the war, rising from 60 tons in 1944 to 75 in 1945, to 300 in 1946 and to 425 in 1947. Syrian output in 1947 totalled 871 tons.

Although imports have, consequently, declined from 384 tons in 1938 to 209 tons in 1947, there is still a wide gap to be filled before domestic consumption requirements are met, exports amounting to the insignificant figure of only 10 tons a year. War-time development has shown that, if protected from foreign competition, this industry can increase its output within a few years.

Quota regulations for this commodity are contained in Decree No. 2298 dated 19 January 1946 in respect of Lebanon, and Instruction No. 5617 dated 11 November 1946 in respect of Syria.

It is estimated that a five-year period of protection is necessary for the development of this industry.

New Experiments: (summary of an oral statement)

Two new factories had recently been set up at Beirut and Damascus and would manufacture chocolate of the European type to meet the part of domestic demand which had hitherto been met by imported chocolate.

Section V: Preserves of Vegetables and Fruits

General Statement

The preserves industry was established in Syria and Lebanon some years before the war. It is, in general, concerned with the preservation of vegetables and fruits grown in the two countries. The establishment of this industry was necessary to assure the sale of our agricultural products.

During the war, the production of preserves was considerably increased as it was necessary to supply domestic consumers and Allied troops in both countries.

But since the end of the war, with importation once more possible, preserves factories have been faced with considerable difficulties. As a result of the competition of foreign products and in spite of the high duties imposed on preserves (25 to 40%),

not only has the maintenance of the high level of development of this industry been seriously handicapped, but production has sharply decreased, as may be seen in the following table:

Vegetable, Fruit and Pulp Preserves.

	Total	Syria	Lebanon
1944	4300	3200	1050
1945	3900	2400	1500
1946	740	885	55
1947	1265	865	400

It is useless to dwell further upon the harmful results which could arise from the decline of this industry. It is as harmful for agriculture, as for industry and labour.

This situation caused the two countries in 1946 to intervene and impose appropriate protective measures in order to maintain the development of this industry.

An improvement was noted as a result of these measures with production rising from 740 metric tons in 1946 to 1265 tons in 1947.

Reconstruction of the Industry: (Summary of an oral statement)

The measure was maintained chiefly for the reconstruction of the industry, although further expansion was possible from the market point of view. During the last war owing to the presence of Allied troops in the Middle East Area and transport difficulties, exceptionally high demand had stimulated the development of the industry. During the peak period, the factories worked three shifts a day and production had been three times as high as the pre-war level. Overwork of the machinery and inadequate replacement had caused post-war production to fall considerably below the pre-war level. Plans for reconstruction had been adopted and machinery was being purchased from abroad. It was believed that when new machinery was installed the costs of production would be brought down to make the industry competitive and viable.

Section VI: Cement

General Statement

The two factories which exist at present in Syria and Lebanon were established in 1931 and 1933; their output appears in the tables in document GATT/CP.3/WP.2/5 (p.7).

This table shows that the industry declined slightly during the war, due to the lack of petrol and spare parts.

At the end of the war, these two industries invested additional capital in order to renew obsolete equipment and promote production to meet the ever increasing needs of consumers.

There are also projects for the establishment of new factories. Domestic consumption is estimated at 300,000 metric tons for 1949 and 350,000 for 1945 while domestic production amounts now to 257,000 tons.

The result is therefore about 50,000 metric tons for 1949 and 100,000 tons more for 1953, thus showing the need for promoting this industry, were it only to meet local needs.

Also, as cost prices in Lebanon and Syria are still higher than import prices as already shown in the table, the two Governments have felt that protective measures are necessary to support the expansion of this industry and stop a new increase of domestic prices by increasing the tariff.

The measures were consequently taken by Decree 2298 of January 19, 1946 in Lebanon and Decree 5617 of November 11, 1946 in Syria.

Cost of Production: (Summary of an Oral Statement)

There are projects for the establishment of new mills and a new factory had already been constructed in Aleppo and was almost ready for production. The costs of production, however, remain high at present this being due chiefly to the high prices of imported fuel oil used by the industry. It was hoped that the causes of the high costs would be corrected in three or four years, as new pipe-line supplies would be available locally.

Additional Statistical Information:

See GATT/CP.3/WP.2/5 (p.8)

Section VII: Raw Cotton

General Statement

Cotton may be regarded as the most important industrial crop grown in Syria and one whose development might to some extent alter the structure of Syrian agriculture.

Already in the Middle Ages our country was a world centre of cotton production. The cotton grown was of the Gossypium herbaceum asiaticum variety. This variety was dry-planted and the fibre produced is coarse and short (17 - 19 mm).

About 1895 cotton-growing was given up except in one small area. It was not until 1925 that the public authorities began to take an interest in cotton-growing. Trial sowings were made with American and Egyptian seed. The results obtained were conclusive.

The American variety gave an excellent quality fibre 28 - 31 mm. long and very suitable for the textile industry. Experiments repeated in a large number of areas finally confirmed the suitability of Syrian soil for growing the two varieties, American and Egyptian. The area of land suitable for cotton-growing is estimated at 2,500,000 hectares, of which 800,000 hectares can be irrigated.

Therefore, applying the three-course rotation system, the area which could be devoted annually to cotton-growing amounts to about 800,000 hectares, of which 266,000 are in the irrigated zone.

Before the war cotton-growing was fostered to some extent both by the public authorities and by certain private interests. The area under cotton rose from 22,000 hectares in 1922 to about 32,000 in 1938, four-fifths of which was under the American variety.

Between 1922 and 1938, however, there were corresponding variations in the areas sown. In 1932-33, for example, these dropped to 8,000 hectares. This variation was due to fluctuations in world cotton prices, Syrian cotton being normally intended for export, so that cotton-growing was fostered or neglected according as prices varied on the international market.

It was not until a few years before the last war that cotton production tended to become stabilised owing to the establishment in Lebanon and Syria of spinning and weaving mills which provided a domestic market for our cotton.

But progress was comparatively slight, since our imports of cotton and cotton goods in 1938 represented 13.8% of the value of our total special imports.

At the beginning of the war cotton sowings fell away to some extent in comparison with 1938, owing to the rise in prices of cereals, since farmers then preferred to grow the latter.

But since the year 1943-1944 there has been a new twofold development in cotton production; on the one hand, the areas cropped are steadily

increasing while, on the other, exports to other countries are declining. This development is attributable to the expansion of the Syro-Lebanese spinning and weaving industries.

Present and future annual requirements of Syrian and Lebanese spinning mills are estimated at 20,000 tons of ginned cotton, whereas present production amounts to 5,440 tons, as is shown in the table in Document WP.2/5. These requirements will prompt Syrian farmers to increase the 17,900 hectares sown (present figures) to 67,000 hectares.

The need for co-ordinating the development of the spinning industry with that of cotton-growing was responsible for the protective measures adopted in 1943 which establish a quota system based on consumption requirements.

Restriction on Cotton in relation to the Textile Industry:

(Reply to the question:

"It would appear that the expanding Syrian-Lebanon textile is absorbing all of the increased output of raw cotton in Syria and requires additional raw cotton in the form of imports: (a) What evidence is there that increased raw cotton production could not compete with imported cotton? (b) How would restrictions on imports of raw cotton encourage the Syrian-Lebanon cotton textile industry?")

(a) Syrian raw cotton cannot under present conditions compete with imported cotton on account of the discrepancy between the cost price of home produced cotton and that of foreign cotton. According to the information at our disposal the last Syrian crop was sold to the cotton mills in Syria and Lebanon at an average price of 285 Syro-Lebanese piastres per kilo; whereas American cotton for example is sold on the exchange at about 32 cents per lb. of 453 grammes, or 153 Syro-Lebanese piastres per kilo.

(b) We consider it impossible to separate the development of the textile industry from that of domestic raw cotton production. As we have already stated Syria's cotton production capacity is considerable. The object of the restrictions on raw cotton is to encourage the development of this branch of agriculture. The authorities are making every effort to bring down the cost of living in the two countries, which is very high. But obviously it will take some time before domestic prices are brought into line with world prices.

Additional Statistical Information:

See GATT/CP.3/WP.2/5 (p.7)

Section VIII: Cotton Yarn

General Statement

Cotton yarn is the foundation of our weaving industry. The spinning industry is normally designed for processing the cotton we produce and for supplying the raw material for the textile industry. This industry was established during the period 1935 - 1938. At the beginning of the war there were two spinning mills in Lebanon and two in Syria.

The following table shows the figures for cotton yarn production and imports:

	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>
Production	1,800	1,800	2,000	2,100	2,000	2,300	2,500	2,600	2,600	3,380
Imports	2,300	2,000	850	350	2,200	2,800	150	600	1,295	1,005
	4,100	3,800	2,850	2,450	4,200	5,100	2,650	3,200	3,895	4,385

Since the end of the war new spinning mills have been established and others are under construction. The following table shows the number of spindles, their ginned cotton requirements and estimated yarn production.

<u>Cotton-spinning industry</u>			
	No. of spindles	Ginned cotton requirements (tons)	Estimated yarn production (tons)
Industry as it existed in 1944			
Syria	10,000	1,170	1,060
Lebanon	<u>14,000</u>	<u>1,700</u>	<u>1,440</u>
	24,000	2,870	2,500
Industry as it existed in 1947			
Syria	16,200	1,895	1,620
Lebanon	<u>17,600</u>	<u>2,060</u>	<u>1,760</u>
	33,800	3,955	3,380
Projected industry			
Syria	92,800	10,875	9,340
Lebanon	<u>34,400</u>	<u>5,290</u>	<u>4,480</u>
	127,200	16,165	13,820

The development of the spinning industry, as shown in the above table, is explained by the need to meet the requirements of the weaving industry since, as was shown in the earlier table, Lebanon and Syria remain dependent on foreign countries for supplies of yarns and cotton goods. It should be remembered that our imports of cotton goods and yarns amounted in 1947 to 3,676 and 1,107 tons respectively. This brief outline shows that our potentialities and our requirements, as regards development, are still considerable.

The measures to foster this development are adopted pursuant to Decree 2292 of 19 January 1946.

Section IX: Cotton, Silk and Artificial
Silk Textiles

General Statement:

The weaving industry in Syria and Lebanon comprises the weaving of cotton, artificial silk, natural silk and woollen yarns. It is one of the most important of existing industries and it provides work for several thousand operatives. It is an old Syro-Lebanese industry which formerly used hand-loom and its modernizations began in 1929 with the introduction of power-loom, more and more of which are being installed.

The following table shows the number of looms being operated in 1947 with their yarn requirements and estimated production.

<u>Weaving industry</u>			
	No. of looms	Yarn requirements (tons)	Estimated production (tons)
<u>Power-loom</u>			
Syria	1,537	2,400	2,280
Lebanon	<u>495</u>	<u>800</u>	<u>760</u>
Total:	2,032	3,200	3,040
<u>Hand-loom</u>			
Syria	11,845	7,116	6,515
Lebanon	<u>240</u>	<u>144</u>	<u>130</u>
Total:	12,085	7,260	6,645
General Total:	<u>14,117</u>	<u>10,460</u>	<u>9,685</u>

As can be seen, the modernization of this industry is still in its early stages but it must be pressed forward in order to reduce the cost price of fabrics made with hand-loom.

To this end the new weaving industry has introduced, or is contemplating the introduction of, some 1,000 power-loom with an estimated production of 1,500 tons of fabrics.

As for potential development, we may summarize it as follows:

Production and imports of cotton fabrics (in tons)

	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>
Production	4,000	3,800	2,800	2,400	4,000	4,000				

Production and imports of cotton fabrics (in tons)

	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>
Production	4,000	3,800	2,800	2,400	4,000	4,000	3,600	3,200	---	---
Imports	<u>8,000</u>	<u>10,000</u>	<u>6,800</u>	<u>1,600</u>	<u>3,000</u>	<u>1,300</u>	<u>80</u>	<u>1,200</u>	<u>3,062</u>	<u>3,676</u>
	12,000	13,800	9,600	4,000	7,000	5,300	3,680	4,400	3,062	3,676

The above table shows that Lebanon's and Syria's cotton fabric requirements normally amount to 12,000 tons, whilst present production represents one-third of that figure, a fact which points to the need for fostering and protecting the development of the weaving industry.

As for the weaving of artificial silk, the raw material is imported in the form of rayon yarn, since our industry has been unable to meet the consumption requirements.

The same remark applies to the weaving of wool, imports, of which amounted to 611 tons in 1938 and 872 in 1947.

Section X: Hosiery

General Statement:

The hosiery industry was established in 1930, in the same circumstances as the weaving industry, and it continued to develop up to 1939. It has made further progress since the end of the war. New hosiery factories have been established and others are under construction.

The following table shows the number of machines in operation in 1947 with their yarn requirements and estimated production.

<u>Hosiery industry</u>			
	No. of machines	Yarn re- requirements (tons)	Estimated pro- duction (tons)
Syria	240	795	780
Lebanon	<u>225</u>	<u>745</u>	<u>720</u>
	465	1,540	1,500

Production in this branch has so far fallen short of domestic requirements. Imports amounted to approximately 210 tons in 1947.

Section XI: Glass and Glassware

General Statement:

At the beginning of the second world war a primitive artisan industry manufacturing glass from local raw materials existed in Syria and Lebanon. The modern Factory set up at Damascus before the first world war was closed down through lack of credit facilities and sufficient protection.

During the second world war, this industry made some progress and managed, with makeshift machinery, to meet the reduced consumption requirements. As, however, with the end of the war this new artisan industry was again threatened with collapse through complete inability to withstand foreign competition, a limited liability company was formed in Syria in 1946 with a capital of 5,000,000 Syrian pounds, for the purpose of manufacturing glass and glassware of every type, employing the raw material available in large quantities in Syria and Lebanon and the operatives trained during the war.

This new company was just completed the construction of a factory equipped with the very latest plant and intends to start production this year. The production capacity of this new branch of industry is estimated at 10,000 tons of glass and 5,000 tons of glassware, including electric bulbs.

When it is considered that our imports of such articles totalled 5,588 tons in 1947 whilst exports for the same year were 391 tons, it is clear that the home market will provide a big outlet for this industry.

Hence the protective measure was adopted before 1 September 1947 in Syria and Lebanon, in order to foster the establishment of a new branch of industry. The measure consists in including glass and glassware in the schedules of goods subject to quota.

The result of this measure has been to encourage investment in the shares of a new company and the final establishment of the industry.

It is not possible, for the moment, to stipulate the period of time for which this measure will be required, but a five-year period must be envisaged, at the end of which time the question will have to be examined afresh.

Prospects of survival and development: (Written reply to the question:

"Whether the condition of production of glass and glassware in Syria and Lebanon would permit this industry to maintain selling prices sufficiently low to survive when the exceptional measures of protection under Article XVIII will have terminated?")

It is difficult to estimate at present what the selling prices of glass and glassware will be. The big factory referred to in our statement has only just been set up. However, we feel sure that this plant, with its ultra-modern equipment, and using raw materials found in abundance in the country, will survive and develop when the period for which we have requested protection has come to an end.