

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(86)61/Add.1  
5 March 1987

---

Working Party on the Accession of Portugal  
and Spain to the European Communities

DOCUMENTATION RELATING TO CUSTOMS UNIONS  
AND FREE TRADE AREAS

Note by the Secretariat

Addendum

1. At its meeting of 3 December 1986, the Working Party requested the secretariat to provide further details of information supplied to Working Parties established to examine agreements setting up customs unions and free trade areas, in particular on agricultural products, and of points which have received special attention during the examination of these arrangements in the GATT (see Spec(87)2, paragraphs 34 and 35).

Free Trade Areas

2. Although as pointed out in paragraph 5 of Spec(86)61, the question of whether "duties and other restrictive regulations of commerce" are eliminated on "substantially all the trade between the constituent territories" of the free trade arrangement has received particular attention, contracting parties have also examined with special interest other provisions of an agreement whose conformity with Article XXIV they questioned. In fact, contracting parties have reserved their GATT rights with respect to almost all agreements which have been submitted to them. This note does not attempt an exhaustive listing, but limits itself to giving some examples of issues that have been raised. A detailed compilation of issues which have been discussed during the examination in the GATT of individual agreements can be found in the relevant section of the "Analytical Index" (GATT/LEG/2).

3. When the agreements between Finland and certain Eastern Trading Area countries were examined, doubts were expressed about the compatibility with Article XXIV of agreements between countries with different economic systems (BISD, 22S/47, 23S/67, 24S/106, 27S/133). In the case of the agreements between the Communities and their Mediterranean partners, the existence of a plan and schedule for the establishment of a free trade area within a reasonable length of time was questioned. The lack of reciprocal concessions in some of these agreements, justified by a reference to Part IV of the General Agreement, was also the subject of a detailed examination (e.g. BISD, 21S/102 and 25S/114). The issue of the relationship between the liberalization of trade internally and externally has received attention and possible consequences for third countries have been raised in a number of Working Parties, e.g. examination of the Stockholm Convention (BISD, 9S/70), the agreement between the European Economic Community and Finland (BISD, 21S/76) and ANZCERT (Australia/New Zealand Closer Economic Relations - Trade Agreement) (BISD, 31S/170).

Another frequently raised issue related to the provisions of free-trade agreements which dealt with rules of origin and which were considered by some contracting parties as likely to adversely affect the trade of third countries (e.g. BISD, 9S/70, 20S/145, 20S/158, etc.).

#### Customs Unions

4. Relatively few customs unions, or interim agreements leading to the formation of customs unions, have been examined under Article XXIV. Apart from the Treaties establishing the EEC or enlarging it, and some of the Agreements concluded by the Community with its Mediterranean partners, examples of arrangements having as their final objective the establishment of a customs union are the South Africa/Southern Rhodesia Customs Union (reviewed in the GATT in 1949) and the Caribbean Community and Common Market (CARICOM, reviewed in the GATT in 1977). The Arab Common Market was also presented as a Customs Union, but the fact that it lacked a common external tariff meant that it was not considered as such. In the case of CARICOM, information relating to tariffs and quantitative restrictions was supplied, as well as on the trade coverage of the agreement. Particular attention was also paid to the special marketing arrangements for agricultural products contained in the agreement (BISD, 24S/68). In the case of the South Africa/Southern Rhodesia Customs Union, information was submitted by the parties on trade coverage, the elimination of duties and quantitative restrictions, as well as the adoption of a common external tariff (BISD II/176).

#### Agriculture

5. Information has been supplied by parties to both customs unions and free trade areas on the agricultural sector when this has been given special treatment in their agreements. This has not always been the case - ANZCERT treats agricultural products in the same way as other products (BISD, 31S/177). But many regional agreements do contain particular provisions relating to these products. The Stockholm Convention establishing the European Free Trade Association (EFTA); for example, excludes the agricultural sector, although it does provide for the negotiation of bilateral agreements for the liberalization of trade in agricultural products and a number of such agreements have been concluded. When the EFTA was examined in the GATT, the parties provided information on these agreements and the percentage of intra-area trade on which duties and other regulations of commerce would be eliminated (BISD, 9S/84).