

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ARAB COMMON MARKET

### Statement to the Working Party by the Representative of the United Arab Republic, on 17 November 1965

It is for me a great honour and a pleasant task to have been appointed by the Government of the United Arab Republic to submit to you, pursuant to Article XXIV:7(a) of the General Agreement, the Agreement for Arab Economic Unity and the Arab Common Market.

In this brief statement I shall outline to you, in two parts, the fundamental principles of the Agreement for Economic Unity among Arab League States and the Arab Common Market.

#### PART I

##### Agreement for Arab Economic Unity

The Agreement has been signed and ratified by the following States: the Iraqi Republic, the Hashemite Kingdom of Jordan, the State of Kuwait, the Syrian Arab Republic and the United Arab Republic.

In accordance with Article 20, the Agreement entered into force on 30 April 1964.

As indicated in the preamble, the Agreement is designed to organize economic relations among the Arab League States, to strengthen these relations on such bases as shall suit the existing natural and historical ties among them, to realize the best conditions for the development of their economies, to exploit their wealth and to secure the welfare of their countries.

The Agreement contains four chapters comprising twenty articles, and two appendices.

The first chapter is devoted to objectives and means; Article 1 sets forth the following objectives of the Agreement:

1. freedom of movement of persons and capital;
2. freedom of exchange of national and foreign goods and products;
3. freedom of residence, work, employment and the practice of economic activities;

4. freedom of transport and transit and the use of means of transport, ports and civil airports;
5. the rights of ownership, donation and inheritance.

Article 2 sets forth the means for achieving the above objectives.

These are as follows:

1. to consider their countries a unified customs region subject to a unified administration; and to unify the applied customs tariffs, legislations, and regulations in each of them;
2. to unify the policy and systems of import and export;
3. to unify the transport and transit policies;
4. to unify methods of statistical tabulations and classifications.

It should be noted that in order to avoid difficulties which might arise in the application of the principle of unification, provision is made at the end of Article 2 for exceptions in certain cases and for certain countries.

In addition to the means which I have just mentioned, Article 2 lists others based on principles of co-ordination.

Chapter II, entitled "Management", provides for the establishment of a permanent body called "the Council of Arab Economic Unity".

The Council has its permanent seat at Cairo and is composed of one or more representatives of each contracting party. It passes its decisions by a two-thirds majority vote, each contracting country having one vote.

It should be noted that the Council is a supranational authority since its decisions are mandatory for the contracting parties.

The Council is assisted by the following subsidiary bodies:

1. a Secretariat General;
2. a technical advisory office;
3. a central office for statistics;
4. permanent committees which are as follows:
  - (a) the Customs Committee;
  - (b) the Monetary and Financial Committee;
  - (c) the Economic Committee.

Chapter II also determines the duties and powers of the Council in regard to administration, organization and legislation.

Chapter III is concerned with transitional rules and contains provisions for the following:

1. The implementation of the Agreement in successive stages and in the shortest possible time.
2. The drafting of a practical plan indicating the stages of implementation and determining the legislative, administrative and technical measures necessary for each stage.
3. The appreciation of specific circumstances existing in some member countries, without prejudice to the objectives of the Agreement.

Lastly, Chapter IV deals with ratification, accession, withdrawal and implementation.

It provides that States of the Arab League which are not party to the Agreement may accede to it. Arab countries which are not members of the Arab League may also do so, subject to approval by the CONTRACTING PARTIES.

Any contracting party may withdraw from the Agreement after the lapse of five years as from the end of the transitional period. The withdrawal shall be effective after the lapse of one year from the date of the application for withdrawal to the Secretariat General of the League of Arab States.

Lastly, Chapter IV provides that the Agreement shall enter into force three months as from the date of deposit of the ratification documents by three of the signatory States.

Two appendices are annexed to the Agreement and form an integral part of it: the first provides that any contracting party has the right to conclude, individually, bilateral economic agreements for extraordinary political or defence purposes with a country other than the contracting parties to the Agreement, provided that the objectives of the Agreement are not undermined.

The second appendix fixes a period of five years for the preparatory stage, with the possibility of extension for a further period not exceeding five years.

For the preparatory stage, the Agreement envisages objectives whose realization does not involve special difficulties. No fixed time-limit is set for the other objectives which are left to the judgment of the Council.

Lastly, the second appendix authorizes two or more of the contracting parties to agree to end the transitional stage and to move directly to complete economic unity.

Those are the fundamental principals of the Agreement for Arab Economic Unity.

## PART II

### The Arab Common Market

Following the entry into force of the Agreement for Arab Economic Unity, the Council held its first session in June 1964 and appointed a special Committee to draw up a draft establishing the Arab Common Market.

The Committee carried out its task and prepared a draft which was adopted by ~~the Council at its second session on 17 August 1964, together with Decision No. 17~~ establishing the Arab Common Market.

Before outlining the fundamental principles on which our Common Market is based, I wish to emphasize that it was not created by treaty as in the case of other existing common markets, but by a decision of the Council of Arab Economic Unity.

That being so, no Arab country can ask to accede directly to the Arab Common Market; it must first accede to the Agreement for Arab Economic Unity, and thereafter all the decisions taken by the Council for Arab Economic Unity, including that establishing the Arab Common Market, will become fully applicable to it.

The decision establishing the Arab Common Market consists of a preamble and seven parts.

The preamble states that the Market has been established in accordance with the provisions of the Agreement for Arab Economic Unity, in order to achieve social progress and economic prosperity for the contracting parties and to establish economic union on the sound foundations of continuous and harmonious economic development in keeping with the natural and historical links that exist between them.

The preamble also recalls that the Common Market has been established in order to achieve economic integration among the contracting parties and to consolidate their efforts for the attainment of the most favourable environment for the development of their resources, the raising of their living standards and the improvement of working conditions.

The preamble sets out the objectives of the Common Market, which are the same as those in Article 1 of the Agreement for Unity (first four paragraphs).

The seven parts comprise seventeen Articles.

Part I deals with definitions and terminology.

Part II contains general principles, which can be summarized as follows:

1. The contracting States must not introduce new duties, taxes or restrictions or increase existing duties, taxes or restrictions on goods exchanged between themselves.

2. The most-favoured common clause is adopted.
3. The contracting States may not impose on products of other contracting States internal charges which exceed the charges applicable to similar domestic products.
4. It is prohibited to re-export outside the Market domestic products of contracting countries. Provision is made, however, for an exception from this in two specific cases.
5. The contracting countries agree to refrain from granting any subsidy whatsoever to domestic products exported to other contracting countries, where similar products exist in the importing countries.
6. The contracting countries may not re-export to any contracting country any domestic products which are subsidized and of which there is similar domestic production in the country to which the products have been re-exported.
7. Concessions and monopolies in existence in the contracting countries shall not obstruct the application of the provisions of the Arab Common Market.

Part III relates to the exchange of agricultural and animal products and natural resources. It provides exemption from customs and other duties and taxes on the domestic products listed in Table A annexed to the Treaty of 7 September 1955 for the Facilitation of Trade and Organization of Transit Trade between the Arab League States.

It should be noted that the five States which are contracting parties to the Agreement on Arab Economic Unity are also parties to the Treaty of 7 September 1955.

As regards agricultural and animal and natural resources which are not included in Table A and which originate in contracting States, they are to enjoy a reduction of 20 per cent per annum on all duties and taxes, as from 1 January 1965. This means that all customs and other duties and taxes applicable to these products will be completely eliminated by 1 January 1969.

In addition, Part III provides for the progressive liberalization of agricultural and animal products and natural resources subject to restrictions, as from 1 January 1965, at the rate of 20 per cent per annum. This means that all these products will be fully liberalized by 1 January 1969.

Part IV is devoted to the exchange of all manufactures originating in the contracting States; it makes provision for the following:

1. All customs and other duties and taxes are to be progressively eliminated at the rate of 10 per cent annually, as from 1 January 1965. This means that all customs and other duties and taxes on industrial products will be fully eliminated by 1 January 1974.

2. Tables B and C annexed to the Treaty for the Facilitation of Trade and Organization of Transit Trade list manufactured goods receiving a 25 per cent reduction and a 50 per cent reduction, respectively; in order to eliminate all customs and other duties and charges as rapidly as possible on the products included in the two tables, provision is made for a 10 per cent annual increase in the rate of reduction as from 1 January 1965; this means that the products included in Table B will be fully exempted from customs and other duties on 1 July 1971, and those in Table C on 1 January 1969.

3. Industrial products subject to restrictions are to be liberalized at the rate of 10 per cent per annum as from 1 January 1965, so as to become fully liberalized by 1 January 1974.

Part V is entitled "Common provisions" and refers to lists which the contracting parties are to submit to the Council for Economic Union.

Article 14 authorizes the contracting States to apply to the Council of Economic Unity for the exclusion of certain products from the duty and tax exemptions or reductions applied and from the removal of restrictions by reason of real and justifiable causes. The Council has the power to approve such exceptions and to determine their duration for specific periods of time which may not exceed the stages stipulated. In other words, the time-limit will expire on 1 January 1969 for agricultural and animal products and natural resources, and on 1 January 1974 for industrial products.

Contracting States have applied to the Council for exceptions pursuant to Article 14 based on the following motives:

1. Protection of infant industries;
2. Protection of substantial revenue derived from customs duties.

These applications were referred by the Council to an ad hoc committee which was requested to examine them and report thereon.

Part VI refers to settlement of the value of current transactions between the contracting parties.

Lastly, Part VII is entitled "Executive provisions" and states that the contracting parties must implement the provisions of the decision on the Arab Common Market, in accordance with the constitutional principles of their respective countries.

Considering that any common market arrangement requires the establishment of a common customs tariff, the Council adopted a Decision (No. 19) on 13 August 1964, the day on which the decision establishing the Arab Common Market was adopted, and thereby agreed that the customs tariffs of the contracting States should be unified by stages over a five-year period, beginning on 1 January 1970.

The question of the establishment of a common customs tariff was referred to the Customs Committee for the latter to prepare a draft and submit it to the Council for Economic Unity.

In substance those are the fundamental principles of the Arab Common Market.

The provisions establishing the Market must be promulgated by national legislation in order to become mandatory; all the contracting parties have complied with this requirement except Kuwait, whose National Assembly did not approve the provisions.

We hope, however, that the Government of Kuwait will again submit the question to the Assembly for adoption; it should be emphasized, moreover, that the Kuwait Government has stated that it considered itself still bound by the provisions of the Agreement on Arab Economic Unity despite the fact that the Assembly had not approved the Common Market provisions.

Lastly, it should be emphasized that the attainment of all the objectives of the Arab Economic Union and the consolidation of the basic structures of the Arab Common Market constitutes a tremendous undertaking.

The Council has therefore requested its permanent committees and several experts to carry out all the necessary research and studies.

This brings me to the end of my statement. I hope that, in conjunction with the written replies which have been communicated to you, it will have given you a clear general picture of the provisions of the Agreement for Arab Economic Unity and the Arab Common Market.

I venture to hope that you will also find their principles in conformity with the provisions of Article XXIV:5(a) of the General Agreement.

The Government of the United Arab Republic was fully aware of its obligations towards the contracting parties to the General Agreement when it ratified the Agreement on Arab Economic Unity. It has been and will always remain their best spokesman before the Council for Economic Unity. It will always do its utmost to ensure that all decisions taken by the Council for Economic Unity are in conformity with its obligations towards the contracting parties to the General Agreement.

In addition, it will, without fail, transmit all the information and communication which the contracting parties might require.

May I thank you for the kind attention you have shown me. I remain at your entire disposal to reply to any questions and to give you any information which you may wish to request.