

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARAB COMMON MARKET

Report by the Working Party on Arab Common Market

1. The CONTRACTING PARTIES agreed at the twenty-second session that a Working Party should be appointed to examine the texts establishing the Arab Common Market in the light of the relevant provisions of the General Agreement. Accordingly the Council of Representatives established at its meeting on 12 July 1965 a Working Party "to examine, in the light of the relevant provisions of the General Agreement, the Agreement for Economic Unity among Arab League States, other relevant instruments and the decisions and recommendations of the Council of Arab Economic Unity, and to report to the CONTRACTING PARTIES at their twenty-third session".
2. The Working Party met on 17-23 November 1965. It had at its disposal the texts of the Agreement for Economic Unity among Arab League States¹, the Convention for Facilitating Trade Exchange and the Regulation of Transit Trade between States of the Arab League², the decision of the Council of Arab Economic Unity establishing the Arab Common Market³, and the replies³ from the Government of the United Arab Republic to the questions asked by the CONTRACTING PARTIES in accordance with the procedure agreed at the twenty-second session. It noted that the Agreement for Economic Unity among Arab League States and the decision establishing the Arab Common Market had both been ratified by Iraq, Jordan, Kuwait, Syria and the United Arab Republic but that Kuwait had not yet implemented the decision. It was further noted that Kuwait, which is a contracting party, was not present during the deliberations in the Working Party. In these circumstances, it could only be assumed that those members of the Arab Common Market, which were contracting parties to GATT, would accept the same undertakings as those which the United Arab Republic is accepting.
3. The representative of the United Arab Republic in a statement, the full text of which has been circulated in document L/2517, recalled the developments that had led to the creation of the Arab Common Market and gave a summary of the contents of the relevant Instruments and Decisions.

¹ Document L/2566.

² Document L/1816/Add.3.

³ Document L/2473.

4. The Secretary-General of the Council of Arab Economic Unity, who participated as an observer and who shared the views expressed by the representative of the United Arab Republic in his opening statement, in a statement, the full text of which has been circulated in document L/2516, explained the aims and aspirations of the parties to the Arab Common Market and the economic considerations of the arrangements, chief among them the enhancing of economic and social developments in the area, fostering trade relations and consolidating the Arab economy within a framework of international economic co-operation. He stressed the view that the arrangements of economic unity should be considered as a free-trade area leading to a customs union between the member States.

5. During the deliberations, the representative of the United Arab Republic and the Secretary-General of the Council of Arab Economic Unity said that they were fully aware of the special legal and practical considerations which had to be taken into account during the transitional period of the planned customs union and of its obligations under paragraph 5(a) of Article XXIV that the duties and other regulations of commerce imposed at the institution of any such union in respect of trade with contracting parties not parties to such union shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union. Nonetheless they felt that in view of the fact that a period of ten years had been fixed for the establishment of the common customs tariff and that the establishment of such a reasonable period had been accompanied by an undertaking to observe the provisions of the GATT, they were justified in believing that the Arab Common Market could be considered as a customs union in the sense of paragraph 5(a) of Article XXIV. Should some members of the Working Party feel that the necessary elements required for the formation of a customs union at this stage were not complete, they were prepared to share this view on the assumption that, with regard to the free trade arrangements, all the elements required by paragraph 5(b) of Article XXIV for the establishment of a free-trade area were present. A time-limit had been fixed for the full implementation of free trade in national products, which was 1 January 1969 for agricultural and animal products and natural resources, and 1 January 1974 for industrial products. The temporary exceptions from the free trade régime were not of a nature to prevent the free circulation of national products within the fixed time-limit and they did not affect the character of the free-trade area. In their opinion there existed in law, and in fact among the parties to the Arab Common Market, a free-trade area in the sense of paragraph 5(b) of Article XXIV which would ultimately become, when the relevant plan and schedule had been established, a customs union.

6. Certain delegations asked the representative of the United Arab Republic regarding the intentions with respect to information which these delegations felt should be supplied in advance to the CONTRACTING PARTIES whenever measures of

importance were decided in relation to the implementation of the Arab Common Market by its members. He expressed the intention of his Government to supply at appropriate times all information which might be of interest to the CONTRACTING PARTIES. The Working Party expressed the expectation that members of the Arab Common Market which were at the same time members of GATT would submit regular progress reports on developments in the Common Market. The representative of the United Arab Republic undertook to provide such regular reports.

7. Members of the Working Party expressed their full support for the aims and aspirations embodied in the Instruments and Decisions before them and shared the views expressed by the spokesmen of the members of the Arab Common Market with regard to the importance of regional integration in fostering economic development.

8. The Working Party addressed itself to the task of obtaining further information and clarification on the measures and steps through which it was proposed to achieve the expressed aims of the member countries.

9. In reply to a question relating to the limits of the Council's authority in matters of trade and payments agreements of member States, the spokesman of the Common Market said that as a matter of principle any such agreement would require the approval of the Council.

10. The spokesman of the Common Market confirmed that the decisions of the Council had binding force on all members of the Common Market. It was true that Kuwait had not yet implemented the Decision of 13 August 1964 establishing the Arab Common Market but he had every reason to believe that this matter would be satisfactorily settled in the near future.

11. Questions were also raised as to the conformity with Article XXIV of the Instruments and Decisions referred to in paragraph 2 above because some of the parties to these Instruments and Decisions were not contracting parties to the GATT. The Working Party considers that this also is a matter which could more appropriately be taken up at a later stage.

Provisions for free trade among member States

12. The Working Party considered the plan and schedule for the dismantling of barriers to trade between the member countries of the Arab Common Market laid down in the Decision of the Council of Arab Economic Unity of 13 August 1964 (Annex B of document L/2366). In this connexion some members, in order to ascertain whether the arrangements made under the Decision covered "substantially all the trade between the constituent territories", asked if the lists of items to be excluded under Article 14 from the duty reductions and from the removal of restrictions could be made available. Reference was made to the fact that certain members of the Common Market were understood to have extensive lists of exceptions.

13. The representative of the United Arab Republic indicated his willingness to submit such lists to the CONTRACTING PARTIES. He said that, in so far as his country was concerned, the number of exceptions was very limited. The Secretary-General of the Council replied that exceptions were expected in the transitional period, since the arrangements stipulated some exceptions to protect an infant industry or an important source of income. With more co-ordination of the economies of the member States, it was planned that those exceptions would be kept down to a bare minimum. It was further pointed out that the exceptions were of a purely temporary nature and would be eliminated as from 1 January 1969 on agricultural and animal products and natural resources and, as from 1 January 1974, on industrial products.

14. A member of the Working Party asked whether charges such as the statistical tax of 5 per cent or the municipal tax of 2 per cent of the customs duty imposed by one of the member States were considered as duties to be eliminated in accordance with the provisions of Articles 10 and 11 of the Decision. The Secretary-General of the Council promised that this matter would be clarified and that information would be furnished at a later stage.

15. The question was asked if foreign exchange was being made available to importers so that they could take advantage of the removal or reduction of the obstacles to trade between the member countries. The Secretary-General of the Council said that the necessary foreign exchange would be easily provided. The possibility of establishing a clearing arrangement was under study, and contracting parties would be informed of the steps that would be taken.

16. The representative of the United Arab Republic explained that the phrase "prepare lists of further preferences" used in Articles 10 and 11 of the Decision referred to the inclusion of new items in Tables A, B and C listing the products, which were subject to an accelerated tariff reduction, or to an acceleration in the reduction of duties as established in Articles 10 and 11.

17. The representative of the United Arab Republic confirmed that it was his intention to provide contracting parties with full statistical and other information on the development of the trade of the member countries and on the relevant future Decisions and Resolutions by the Council of Arab Economic Unity.

18. The Working Party reiterated their fullest support for the desire of the members of the Arab Common Market to co-ordinate their development efforts and to increase trade among themselves with the objective of raising output and improving the standard of living of their peoples. The dynamic expansion of the Arab Economy, it was asserted by the Secretary-General of the Council, would lead to the expansion of trade and the fostering of co-operation with other countries, especially the developing ones. This view was shared by the representative of the

United Arab Republic, who confirmed that this would be done in accordance with the rules and provisions of GATT as regards countries bound by these rules and provisions. Some members of the Working Party expressed their full support for the plans for the dismantling of trade barriers between member countries; some would have welcomed more precise information, and some of the latter expressed the view that since further information was required, they were not yet in a position to evaluate the compatibility of the arrangements made by the Decision of 13 August 1964 with the requirements of paragraphs 5(b) and 8(b) of Article XXIV of the GATT. Some members agreed with the views expressed by the Secretary-General of the Council of Arab Economic Unity in his opening statement urging the need for flexibility in the application of the provisions of the GATT towards developing countries.

19. As appears from the considerations contained in the foregoing paragraphs the Working Party feels that there remain questions of a legal and practical nature which it would be difficult to settle solely on the basis of the texts before it, and that these questions could be more fruitfully discussed in the light of the application of the relevant Instruments and Decisions. For these reasons the Working Party at this juncture finds it premature to propose to the CONTRACTING PARTIES that they make recommendations to the parties to the Arab Common Market pursuant to paragraph 7(b) of Article XXIV.

20. The Working Party welcomed the readiness of the United Arab Republic to furnish further information pursuant to paragraph 7(a) of Article XXIV and considered that the absence of any recommendation at this juncture by the CONTRACTING PARTIES pursuant to paragraph 7(b) of Article XXIV does not in any way prevent the parties to the Common Market, which are bound by the provisions of the GATT and which accept the commitments undertaken by the United Arab Republic in this report, from proceeding with their plans for free trade among themselves in accordance with the relevant provisions of the Instruments and Decisions examined by the Working Party. This action, of course, does not prejudice the rights conferred on the CONTRACTING PARTIES under Article XXIV of the GATT.

Customs union

21. The Working Party noted that the Convention for Economic Unity among Arab League States provides in Articles One and Two for a complete economic unity among the Arab League States to be achieved, inter alia, by the establishment of a unified customs region subject to a unified customs administration and customs tariff. It further noted that to this end the Council of Arab Economic Unity, as appears from the reply to question 10 on page 12 of the questionnaire referred to in paragraph 2 above, had on 13 August 1964 decided to study both:

"(i) Unification of customs legislations and regulations of member States in five years starting January 1965.

"(ii) Unification of customs tariffs and other duties of the contracting countries vis-à-vis the other countries in gradual stages of five years starting January 1970".

22. Without wishing in any way to discourage the creation of a customs union as envisaged in the texts before it, and taking note of the determination of the countries concerned to integrate their economies and to form a customs union, the Working Party feels that it is premature to consider as a customs union in the sense of Article XXIV:5(a) the arrangements they have made, since a common external tariff and common regulations of commerce had not yet been completed and therefore could not be examined. The Secretary-General of the Council pointed out in this connexion that the member States thought it more advisable to draw up the common external tariff on a well-studied factual basis and that the Council had already embarked on this study.