

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

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CO-OPERATION AGREEMENT BETWEEN THE EUROPEAN ECONOMIC COMMUNITY AND ALGERIA

Questions and Replies

The contracting parties were invited (document C/M/116 and GATT/AIR/1311) to communicate to the secretariat any questions they might wish to put concerning the Agreement between the European Economic Community and Algeria.<sup>1</sup> In response to this request, a number of questions were received. These questions and the replies by the European Economic Community are attached.

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<sup>1</sup>Copies of the text of the Agreement were sent to each contracting party with document L/4380.

CO-OPERATION AGREEMENT BETWEEN THE EUROPEAN ECONOMIC  
COMMUNITY AND ALGERIA

Annex I

Questions and Replies

I. GENERAL CONSIDERATIONS

1. In the notification of the Agreement to the CONTRACTING PARTIES (L/4380), it is stated that "as from the entry into force of the trade provisions of the Agreements, the Community is respecting the obligation to eliminate duties and other restrictive regulations of commerce with respect to substantially all its trade with Algeria". However, the Agreement makes no mention of the parties' intention to form a free-trade area.

- (a) Does this mean that the Agreement is intended to form a free-trade area in the sense of Article XXIV of the General Agreement, covering substantially all the trade between the parties?
- (b) Does this mean that the Agreement is intended to be an interim agreement leading to the formation of a free-trade area in the sense of Article XXIV?

Reply

The establishment of wide-ranging co-operation between the European Communities and Algeria as regards trade arrangements represents the normalization at Community level of the special relations that existed hitherto between Algeria and certain member States.

As regards its own contribution to trade co-operation in the context of the Agreement, the Community considered that the attainment of the objectives set forth in Article 1 of the Agreement, and in particular the attainment of a better balance in trade, implied appropriate obligations on its part, being economically the more developed party.

Consequently, the Community views its own obligations as taking the form of arrangements for free access to its market, as provided in the General Agreement in connexion with the formation of a free-trade area.

2. If the answer to question 1(a) is in the affirmative, what is the opinion of the parties on the compatibility of the Agreement with Article XXIV:8(b), in view of the fact that Algeria is not required to assume the same obligations as the European Economic Community (EEC) with respect to the elimination of duties and other restrictive regulations of commerce on products imported from the other party?

3. If the answer to question 1(b) is in the affirmative, is there a plan and schedule for the formation of such a free-trade area within a reasonable length of time, as required by Article XXIV:5(c)?

Reply to questions 2 and 3

The fact that in view of its present development needs, Algeria is not required initially - as regards imports of products originating in the Community - to assume obligations corresponding to the undertakings given by the Community, is consistent with the spirit and the letter of Part IV of the General Agreement. This fact in no way impairs the validity and applicability of the provisions of Article XXIV as far as the Community is concerned. Since the entry into force of the trade provisions of the Agreement, the Community has respected the obligation to eliminate duties and other restrictive regulations of commerce with respect to substantially all its trade with Algeria.

In the course of the reviews provided for under the Agreement, the parties to the Agreement will seek opportunities to make progress towards the removal of obstacles to trade. The Agreement should therefore be seen in a dynamic perspective of economic development where the principle embodied in the basic rule - in this case Article XXIV - retains its full validity. For these reasons, the parties to the Agreement are not requesting that this Agreement be made the subject of a waiver.

4. If the answers to questions 1(a) and (b) are in the negative:
- (a) What is the opinion of the parties with respect to the compatibility of the Agreement with the r.f.n. principle of the General Agreement?
  - (b) By virtue of which provision(s) of the General Agreement do the parties consider the Agreement could be justified?
  - (c) Are the parties requesting a waiver under Article XXV, pending their consideration of the possibility of a wider association taking the form of a free-trade area covering substantially all their mutual trade, or pending the provision of a plan and schedule for the formation of a free-trade area?

Reply

Not applicable.

II. INTERIM AGREEMENT

5. With respect to Article 2:

- (a) What percentage of trade between the parties will be granted entry free of quantitative restrictions and duties as specified in Article 2?

- (b) Do the parties consider that the percentage of trade covered by Article 2 represents a significant proportion of their trade?
- (c) Will these concessions be granted on an m.f.n. basis?

Reply

- (a) On the basis of the 1975 trade figures, 98.1 per cent of the Community's total imports from Algeria are free of quantitative restrictions and duties as specified in Article 2.
  - (b) Yes.
  - (c) The provisions of the Agreement govern relations between the Community and Algeria only.
6. With respect to Article 3:
- (a) Which tariff items are affected by Article 3?
  - (b) What is the nature of, and reason for, the "fiscal element" of customs duties referred to under this Article?
  - (c) Paragraph 2 of Article 3 indicates that the United Kingdom shall replace the fiscal element of the customs duties referred to in paragraph 1 by an internal tax. Will this internal tax apply to all contracting parties?
  - (d) If the answer to the preceding question is affirmative, does this not increase the protective element on imports from other contracting parties?

Reply

- (a) The tariff items affected by Article 3 are the following:

No. in United Kingdom customs tariff on 1.1.1972	Description of goods
24.01	Unmanufactured tobacco; tobacco refuse: (A) Containing 10% or more by weight of moisture (B) Other
24.02	Manufactured tobacco; tobacco extracts and essences: (A) Manufactured tobacco: 1. Cigars 2. Cigarettes 3. Cavendish or negrohead: (a) Manufactured in bond (b) Other 4. Snuff and snuff work (including tobacco dust or powder and ground tobacco) 5. Other

- (b) The fiscal element of customs duties referred to in Article 3 is a specific component expressed in pounds sterling (£) per pound weight (lb).

It has been included in the customs duties for administrative reasons, inter alia in order to facilitate collection at the frontier. For the same reasons the United Kingdom has been authorized to maintain until 31 December 1977 an overall amount in respect of "customs duties - fiscal charge".

- (c) The internal tax replacing the fiscal element of customs duties will apply to imports from all countries (contracting parties, member States of the European Communities, EFTA States and other States).
- (d) The fiscal element does not increase the protective element on imports from other contracting parties since a very clear distinction has been made between the protective element and the fiscal element for each of

the customs duties concerned. In each case only the fiscal element will be converted into an internal tax on 1 January 1978 and this internal tax will be consistent with paragraphs 1 and 2 of Article III of the General Agreement.

7. With respect to Article 8:

- (a) What percentage of the trade between the parties will be affected by the provisions of Article 8?
- (b) What percentage of the trade between the parties in agricultural products will be affected by the provisions of Article 8?

Reply

- (a) On the basis of the 1975 trade figures, 1.0 per cent of the Community's total imports from Algeria are affected by the provisions of Article 8.
- (b) On the same basis 51 per cent of the Community's agricultural imports from Algeria are affected by the provisions of Article 8.

III. RULES OF ORIGIN

8. Potentially the most damaging to trade interests of other contracting parties are the rules defining the concept of "originating products". Rules of origin have a tendency to redirect trade away from third countries towards EEC and Maghreb countries. Raw materials and semi-fabricated materials originating in the EEC and Maghreb countries are considered originating products of the Maghreb once they are further processed in these countries, whereas the same products from third countries face content requirements.

- (a) Do the parties consider that the rules of origin as laid down in Protocol No. 2 are compatible with Article XXIV:5(b)?
- (b) In the event that the rules of origin have prejudicial effects on the trade interests of third countries, will there be provisions for modifications?

Reply

Generally speaking, the main purpose of rules of origin is to avoid deflection of trade under preferential arrangements.

As regards Algeria's exports to the Community, however, the provision quoted does not prevent Algeria from importing and utilizing products and spare parts from third countries, provided that substantial processing - the only guarantee of real development - actually takes place in the Maghreb countries.

Furthermore, the fact that in this connexion products wholly obtained in Morocco or Tunisia or in the Community are considered as having been wholly obtained in Algeria and working or processing carried out in Morocco or Tunisia or in the Community is considered as having been carried out in Algeria where the products in question or the products obtained from the working or processing in question undergo further processing in Algeria, makes it easier for a product to incorporate components from third countries while still being eligible for originating status than would be the case if the rule applied solely to the territory of Algeria.

Lastly, the provisions of the Agreement concerning origin affect only Algeria's exports to the Community and not its imports of products or worked or processed parts intended for incorporation in products to be sold on the domestic market or exported to third countries.

- (a) Yes, since by definition the rules of origin cannot affect the provisions of Article XXIV:5(b) of the General Agreement;
- (b) If any such "prejudicial effects" became apparent, the problem would be examined by the parties to the Agreement, who could agree on the action to be taken.

#### IV. TRADE COVERAGE

9. The following information on trade values and percentages between the parties to the Agreement are requested with respect to the three most recent years for which statistics are available.

- (1) Imports from Algeria to the European Communities
  - (a) Total imports.
  - (b) Imports of the products which are subject to the elimination of the existing quantitative restrictions and the elimination or reduction of customs duties.
  - (c) Of which, the products which are newly subject to the above measures on the basis of the Agreement.

(2) Imports from the European Communities to Algeria:

- (a) Total imports.
- (b) Imports of products not subject to customs duties or to levies having equivalent effects.
- (c) Imports of products upon which customs duties or levies having equivalent effects are permitted under the Agreement.
- (d) Imports of products subject to quantitative restrictions.

Reply

(1)

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
(a) Total imports	1,053,512	100	2,031,037	100	1,926,715	100
(b) Imports benefiting from the elimination of existing quantitative restrictions	1,053,512	100	2,031,037	100	1,926,715	100
Imports benefiting from the elimination or reduction of customs duties	1,046,461	99.3	2,029,154	99.9	1,922,954	99.8

(c) Prior to the entry into force of the trade provisions of the Agreement, the Community did not apply any tariff measure in favour of imports originating in Algeria.

(2) - - -

Annex II

Additional Questions Asked by the United States

I. GENERAL QUESTIONS

1. In Article 4, paragraph 1, of the Agreement the parties state that one of the purposes of co-operation between them is "the encouragement of private investments which are in the mutual interest of both parties". What incentives are contemplated to encourage such investments? Will these incentives be available to third-country investors on the same basis as investors from the EC and Algeria?

Reply

The Co-operation Council established by the Co-operation Agreement will be responsible for seeking ways and means of encouraging investments.

The provisions of the Agreement relate solely to investments originating in the Community or in Algeria.

2. Article 12 of the Agreement describes annual ceilings which will apply to EC imports of certain products from Algeria. The Article notes that the EC may reintroduce duties at the level applied to third countries when ceilings are reached. What criteria will be used to determine whether, in fact, duties will be reintroduced when ceilings are reached?

Reply

The system of ceilings is intended to enable the Community's processing industries to adjust progressively to competition from imported products. Accordingly, no criterion is necessary for triggering the reintroduction of the customs duties applicable in respect of third countries. The simple fact of the ceiling being reached will therefore be sufficient reason for the Community to decide to reintroduce the duties should it prove necessary to invoke such a safeguard clause. It should be noted, furthermore, that the ceilings have been calculated in such a way that they should normally cover Algeria's export capability up to 1 January 1980, when they are to be completely abolished.

3. Article 20 of the Agreement sets out tariff quotas for EC imports of wine from Algeria. Will EC duties be raised automatically to levels applied to third-country imports when the quotas are reached, or will discretion be exercised?

Reply

A preferential duty subject to a quota is applicable only within the limit of the volume of the tariff quota. Immediately this volume has been taken up the normal CCT duties are automatically applicable. It should be noted, however, that the volume of the tariff quota provided for in Article 20 of the Agreement has been calculated to cover Algeria's export capability.

4. In the exchange of letters, which form an integral part of the EC/Algeria Agreement, reference is made to products not covered by the Agreement which will continue to enjoy preferential access to the French market. Would the parties specify these products and describe the preferential access referred to?

Reply

In this exchange of letters France reserved the right to maintain special customs treatment for certain products imported from Algeria pending the review of the Agreement scheduled to take place in 1978. France alone is responsible for determining the details of that treatment.

5. The rules of origin contained in the Agreement constitute a restrictive requirement and may divert Algerian imports toward higher cost suppliers and thereby increase the cost of development. What measures are contemplated by the parties to offset this negative effect of the rules?

Reply

The parties to the Agreement cannot accept the statement that the rules of origin contained in the Agreement constitute a restrictive requirement. The rules in question are based on objective criteria and are not intended to favour specific suppliers.

6. Are the parties prepared to consult regarding any problems that third countries may experience as a result of the restrictive rules of origin contained in the Agreement?

Reply

See reply to question 8(b) of the general questionnaire.

7. None of the Maghreb countries are full contracting parties to GATT. Algeria has been applying the General Agreement on a de facto basis for over ten years, Tunisia has "provisionally acceded" to GATT and Morocco is not a member of GATT. Do the parties to the Agreement have any information on the plans of Algeria with regard to the GATT?

Reply

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8. The preamble of the Agreement describes it as a "new model for relations between developed and developing States". What is meant by this phrase?

Reply

The Agreement is presented as a "new model for relations between developed and developing States" because its provisions constitute a comprehensive approach to development. They provide for the combined use of a whole range of means of action which will contribute to Algeria's economic and social development in such spheres as economic, industrial, financial and technical co-operation, trade co-operation and co-operation in the field of labour.

9. Article 12 of the Agreement concerns the EC's imports of, inter alia, petroleum products from Algeria. How will the EC administer the quota arrangement? Has Algeria committed itself to supply each year a certain amount of petroleum products to the EC? If so, has Algeria committed itself to a specified price? If so, what is that price?

Reply

See the answer to question 2 above. It should be noted, furthermore, that Algeria has not committed itself to supply a certain amount of petroleum products to the Community.

## II. STATISTICAL QUESTIONS

### A. EC imports from Algeria

10. What was the total value of imports into the EC of products originating in Algeria in each of the three most recent years for which statistics are available?

11. What value and percentage of imports into the EC of products originating in Algeria were comprised of agricultural products?

- (a) What was the value, if possible broken down month by month, of citrus imports during the last three years?
- (b) What percentages do these represent of the total EC citrus imports and citrus imports under preferential tariff treatment?

12. What value and percentage of imports into the EC of products originating in Algeria in each of the three most recent years for which statistics are available were comprised of industrial products?

Replies to questions 10, 11 and 12

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
10. Total imports of which:	1,053,512	100	2,031,037	100	1,926,715	100
11. <u>Agricultural products</u> of which:	86,047	8.2	53,271	2.6	35,785	1.9
(a) Citrus fruit <sup>1/</sup>						
- Total imports of citrus fruit (extra EEC)	615,147	100	601,099	100	687,635	100
of which: Algeria	10,735	1.7	10,866	1.8	8,621	1.3
- Total imports of citrus fruit under preferential arrange- ments (extra EEC)	423,067	100	464,687	100	524,204	100
of which: Algeria	10,735	2.5	10,866	2.3	8,621	1.6
12. <u>Industrial products</u>	967,465	91.8	1,977,766	97.4	1,890,930	98.1

<sup>1/</sup> Monthly statistics are not available.

13. What were the value and percentages of total imports of the following categories of imports into the EC of products originating in Algeria in each of the three most recent years for which statistics are available:

- (a) Imports of products in which customs duties and levies will not be imposed? Of these imports, what percentage gain duty-free entry as a result of the EC generalized system of preferences and what percentage as a result of agreements now under consideration?

- (b) Imports of products for which customs duties and charges having equivalent effect are to be reduced?
- (c) Imports of products for which quotas or quantitative restrictions are not to be eliminated?

Reply

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
Total imports of which:	1,053,512	100	2,031,037	100	1,926,715	100
(a) Imports exempt from customs duties and levies						
(1) under the generalized system of preferences <sup>1/</sup>	860,750	81.7	1,857,509	91.5	1,712,944	88.9
(2) under the Agreement	981,743	93.2	1,990,829	98.0	1,901,140	98.7
(b) Imports benefiting from reductions in customs duties and charges under the Agreement	64,716	6.1	38,325	1.9	21,814	1.1
(c) Imports subject to quotas or quantitative restrictions	0	0	0	0	0	0

<sup>1/</sup> It should be noted, however, that in the case of industrial products the granting of exemption is subject to the application of certain rules (inter alia overall ceilings opened in respect of all beneficiary countries).

14. What value and percentage of agricultural imports will be free to enter the EC from Algeria without payment of duties or subject to other restrictive regulations of commerce such as variable levies? Of these imports, what percentage gain duty-free entry as a result of the EC generalized system of preferences and what percentage as a result of agreements now under consideration?

15. What value and percentage of agricultural imports into the EC from Algeria will be subject to tariffs?

Replies to questions 14 and 15

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
Imports of agricultural products of which:	86,047	100	53,271	100	35,785	100
14. Imports free of duties and levies						
(a) under the generalized system of preferences	3,303	3.3	3,611	6.8	2,690	7.5
(b) under the Agreement	14,278	16.6	18,163	34.1	10,210	28.5
15. Imports subject to customs duties	71,769	83.4	35,108	65.9	25,575	71.5

16. What value and percentage of industrial imports will be free to enter the EC from Algeria without payment of duties or subject to other restrictive regulations of commerce? Of these imports, what percentage gain duty-free entry as a result of the EC generalized system of preferences and what percentage as a result of agreements now under consideration?

17. What value and percentage of industrial imports into the EC from Algeria will be subject to tariffs?

Replies to questions 16 and 17

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
Imports of industrial products of which:						
Imports of industrial products not subject to duties or other restrictive regulations						
(a) under the generalized system of preferences. <sup>1/</sup>	967,465	100	1,977,766	100	1,890,930	100
(b) under the Agreement	967,465	100	1,977,766	100	1,890,930	100

<sup>1/</sup> It should be noted, however, that in the case of industrial products the granting of exemption is subject to the application of certain rules (inter alia overall ceilings opened in respect of all beneficiary countries).

B. Algerian imports from the EC

18. What was the total value of imports into Algeria of products originating in the EC in each of the three most recent years for which statistics are available?

19. What value and percentage of imports into Algeria of products originating in the EC in each of the three most recent years for which statistics are available?

20. What value and percentage of imports into Algeria of products originating in the EC were comprised of industrial products?

21. What were the values and percentages of total imports of the following categories of imports into Algeria of products originating in the EC in each of the three most recent years for which statistics are available?

- (a) Imports of products on which customs duties and levies will not be imposed?
- (b) Imports of products for which customs duties and charges having equivalent effect are to be reduced?
- (c) Imports of products for which tariff quotas or quantitative restrictions are not to be eliminated?

22. What value and percentage of agricultural products will be free to enter Algeria from the EC without payment of duties or subject to other restrictive regulations of commerce?

23. What value and percentage of industrial products will be free to enter Algeria from the EC without payment of duties or subject to other restrictive regulations of commerce?

24. What value and percentage of agricultural imports into Algeria from the EC will be subject to preferential tariffs?

25. What value and percentage of industrial imports into Algeria from the EC will be subject to preferential tariffs?

Replies

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III. FINANCIAL AND TECHNICAL CO-OPERATION QUESTIONS

26. Protocol 1 of the Agreement specifies that loans from the European Investment Bank (EIB) will be made available to Algeria (89 million u.a.). What percentage of these loans will be made by the EIB from its own funds under "ordinary operations" and what percentage will be provided by EC member States via the EIB "special operations"?

27. Paragraphs 1 and 3 of Article 12, Protocol 1 of the Agreement indicate that third-country suppliers will be prevented from bidding on contracts "financed by the Community" except in exceptional cases. Does this include projects financed by the EIB under both "ordinary operations" and "special operations"? What kinds of situations would constitute "exceptional cases"?

Replies

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