

RESTRICTED

L/4643

14 March 1978

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GENERAL AGREEMENT ON
TARIFFS AND TRADE

Original: English/
French

AGREEMENT BETWEEN THE EUROPEAN ECONOMIC COMMUNITY
AND LEBANON

Questions and Replies

The contracting parties were invited (document C/11/122 and GATT/AIR/1397) to communicate to the secretariat any questions they might wish to put concerning the Agreement between the European Economic Community and Lebanon.¹ In response to this request, a number of questions were received and were transmitted to the parties to the Agreement. The following replies to these questions have been received.

¹Copies of the text of the Agreement were sent to each contracting party with document L/4524.

ANNEX

Questions and Replies

I. GENERAL CONSIDERATIONS

Question 1

The Agreement makes no mention of the parties' intent to form a free-trade area. Do the parties intend to form an eventual free-trade area, under Article XXIV of the General Agreement, covering substantially all trade between them?

Reply 1

The Agreement, which is of unlimited duration, sets out the arrangements for comprehensive co-operation between the two parties. As indicated in Article 1, the object of the Agreement is to promote trade between the Contracting Parties, taking account of their respective levels of development and of the need to ensure a better balance in their trade. The Community therefore considered, as far as its own contribution in the matter of trade co-operation was concerned, that the attainment of the aims defined in Article 1 implied appropriate obligations on its part, as the economically more developed party.

Consequently, the Community sees its own obligations as consisting in the introduction of arrangements for free access to its market, as required in the General Agreement for the establishment of a free-trade area.

Question 2

- (a) If the answer to the above question is in the affirmative, what is the parties' view as to the compatibility of the Agreement with Article XXIV:8, since Lebanon does not have the same obligations with respect to the elimination of customs duties and quantitative restrictions on products imported from the European Economic Community (EEC) as the EEC has on products imported from Lebanon?
- (b) If the answer is in the negative, by virtue of which provisions of the General Agreement do the parties consider that the Agreement can be justified?

Question 3

Is the Agreement intended to be an interim agreement leading to the formation of a free-trade area in the sense of Article XXIV? If so, is there a "plan and schedule", as required under Article XXIV:5(c) for the formation of a free-trade area or customs union "within a reasonable length of time"?

Replies 2 and 3

The fact that Lebanon is initially allowed, in view of its current development needs, not to enter into obligations, as regards the importation of products originating in the Community, corresponding to the undertakings entered into by the Community is in accordance with the spirit and letter of Part IV of the General Agreement. This fact in no way calls into question the validity or applicability of Article XXIV as regards the Community, for from the moment of the entry into force of the trade provisions of the Agreement, the Community assumes the obligation to eliminate the customs duties and other trade restrictions on the bulk of its trade with Lebanon.

On the occasion of the examinations provided for under the Agreement, the parties will look for possible ways of making progress towards the elimination of barriers to trade. The Agreement thus reflects a dynamic attitude to economic development in the context of which the basic rule, namely that expressed in Article XXIV, retains its full value as a guiding principle. For these reasons, the parties to the Agreement are not requesting that it be covered by a waiver.

Question 4

Is the Agreement presented as a request for an Article XXV waiver, pending the parties' 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, if it is to be an interim agreement, of "the plan and schedule" for its implementation?

Reply 4

Not applicable.

II. RULES OF ORIGIN

Question 5

The rules of origin contained in the Agreement, because of their restrictiveness, may well divert some amount of Lebanese imports towards higher cost suppliers and thereby raise development costs. What measures are contemplated by the parties to offset this negative effect?

Reply 5

The parties to the Agreement cannot accept the assertion that the rules of origin set out in the Agreement are restrictive. These rules are based on objective criteria and are not intended to favour specific suppliers.

Question 6

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 6

If prejudicial effects were to arise, the matter would be examined by the parties to the Agreement, who could then agree on the measures to be taken.

III. TRADE COVERAGE

(a) Imports from Lebanon into the EEC

Question 7

What was the total value of imports into the EEC of products originating in Lebanon in each of the three most recent years for which statistics are available?

Question 8

What value and percentage of imports into the EEC of products originating in Lebanon in each of the three most recent years for which statistics are available comprise industrial products?

Replies 7 and 8

	1974		1975		1976	
	EUR'000	%	EUR'000	%	EUR'000	%
7. Total imports	200,341	100	54,908	100	40,102	100
of which:						
8. Industrial products	184,701	92.2	44,479	81.0	36,729	91.6

Question 9

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

- (a) Imports of products which are subject to the elimination of quantitative restrictions and customs duties including levies having equivalent trade effects.
- (b) Imports of products which are subject to the reduction of customs duties and levies.
- (c) Imports of products on which customs duties, levies and charges with equivalent effect will not be imposed. Of these imports, what percentage gain duty-free entry as a result of the EEC scheme under the Generalized System of Preferences (GSP), and what percentage as a result of the Agreement?
- (d) Imports of products for which customs duties and charges having equivalent effects are to be reduced.
- (e) Imports of products for which quotas or quantitative restrictions are not to be eliminated under the Agreement.
- (f) Imports of products which are not subject to the elimination of tariff quota and quantitative restrictions.

Reply 9

	1974		1975		1976	
	EUR '000	%	EUR '000	%	EUR '000	%
Total imports	200,341	100	54,908	100	40,102	100
(a) imports in respect of which existing quantitative restrictions are to be removed	200,341 ^{1/}	100	54,908 ^{1/}	100	40,102 ^{1/}	100
(b) imports in respect of which customs duties and levies are to be reduced	3,495	1.7	1,995	3.6	1,215	3.0
(c) imports free of customs duties and levies of which:						
1. under the generalized preferences*	184,701	92.2	44,479	81.0	36,735	91.6
2. under the Agreement	194,295	97.0	51,794	94.3	38,537	96.0
(d) see Question (b)						
(e) imports subject to quotas or quantitative restrictions	<u>1/</u>		<u>1/</u>		<u>1/</u>	
(f) see Question (e)						

^{1/} There is in fact no quantitative restriction on any imports originating in this country.

* It should be noted, however, that, in the case of industrial products, free entry is subject to the application of certain arrangements (notably overall ceilings opened for all the beneficiary countries).

Question 10

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

Reply 10

	1974		1975		1976	
	EUR '000	%	EUR '000	%	EUR '000	%
Total imports	200,341	100	54,908	100	40,102	100
Industrial products granted entry free of duties under Article 2	184,700	92.2	44,424	80.9	36,725	91.6
Industrial products granted entry free of quantitative restrictions	184,700	92.2	44,424	30.9	36,725	91.6

Question 11

What value and percentage of industrial imports will be free to enter the EEC from Lebanon without payment of duties or subjection to other restrictive regulations of commerce? Of these imports, what percentage gain duty-free entry as a result of the EEC scheme under the GSP, and what percentage as a result of the Agreement?

Question 12

What value and percentage of industrial imports into the EEC from Lebanon will be subject to: (a) customs duties? (b) other charges? (c) quantitative restrictions?

Replies 11 and 12

	1974		1975		1976	
	EUR'000	%	EUR'000	%	EUR'000	%
Imports of industrial products	184,701	100	44,479	100	36,729	100
11. Industrial products allowed duty-free entry of which:						
under the generalized preference scheme	184,701	100	44,479	100	36,729	100
under the Agreement	184,701	100	44,479	100	36,729	100
12.						
(a) Industrial products subject to customs duties	-		-		-	
(b) Industrial products subject to other charges	-		-		-	
(c) Industrial products subject to quantitative restrictions	-		-		-	

Question 13

What percentage of trade between the parties will be affected by the provisions of Articles 9 and 10?

Reply 13

	1974		1975		1976	
	EUR'000	%	EUR'000	%	EUR'000	%
Total imports	200,341	100	54,908	100	40,102	100
of which:						
agricultural products on which customs duties are reduced under Articles 9 and 10 of the Agreement	3,495	1.7	1,995	3.6	1,215	3.0

Question 14

What percentage of trade between the parties in agricultural products will be affected by the provisions of these Articles?

Reply 14

	1974		1975		1976	
	EUR '000	%	EUR '000	%	EUR '000	%
Imports of agricultural products	15,640	100	10,429	100	3,373	100
of which:						
Agricultural products on which customs duties and levies are reduced under the Agreement	3,495	22.3	1,995	19.1	1,215	36.0

Question 15

What value and percentage of imports into the EEC of products originating in Lebanon comprised agricultural products?

- (a) What was the value of citrus imports from Lebanon during the last three years?
- (b) What percentages do these represent of the total EEC citrus imports and of citrus imports under preferential tariff agreements?

Reply 15

	1974		1975		1976	
	EUR'000	%	EUR'000	%	EUR'000	%
Total imports	200,341	100	54,908	100	40,102	100
of which:						
Agricultural products	15,640	7.8	10,429	19.0	3,373	8.4
of which:						
Citrus fruit						
total citrus imports (from outside EEC)	629,952	100	731,575	100	820,246	100
of which: Lebanon	61	0.4	1	-	-	-
total citrus imports under preferential arrangements (from outside the EEC)	486,992	100	544,877	100	659,507	100
of which: Lebanon	61	0.4	1	-	-	-

Question 16

What value and percentage of agricultural imports will be free to enter the EEC from Lebanon without payment of duties or subjection to other restrictive regulations of commerce such as quantitative restrictions and variable levies? Of these imports, what percentage gain duty-free entry as a result of the EEC scheme under the GSP, and what percentage as a result of the Agreement?

Question 17

What value and percentage of agricultural imports into the EEC from will be subject to: (a) customs duties? (b) other charges? (c) quantitative restrictions?

Replies 16 and 17

	1974		1975		1976	
	EUR'000	%	EUR'000	%	EUR'000	%
Imports of agricultural products	15,640	100	10,429	100	3,373	100
16. Imports allowed duty-free entry						
1. under the generalized preferences scheme	-	-	-	-	6	0.2
2. under the Agreement	9,594	61.3	7,315	70.1	1,788	53.0
17. Imports subject to:						
1. full customs duties	2,551	16.3	1,119	10.7	370	11.0
2. other charges	-		-		-	
3. quantitative restrictions	-		-		-	

(b) Imports from the EEC to Lebanon

Question 18

What was the total value of imports into Lebanon of products originating in the EEC in each of the three most recent years for which statistics are available?

Reply 18

Total imports by Lebanon from the Community:

in US\$ million

<u>1974</u>	<u>1975</u>	<u>1976</u>
1,025.5	847.6	180.1

Question 19

What value and percentage of imports into Lebanon of products originating in the EEC comprised industrial products?

Reply 19

Imports of industrial products from the Community:

<u>in US\$ million</u>		
<u>1974</u>	<u>1975</u>	<u>1976</u>
922.7	759.4	111.5

As a percentage of total imports from the EEC:

<u>1974</u>	<u>1975</u>	<u>1976</u>
89.8	89.6	61.9

Explanatory note: The percentages indicated represent the industrial part of exports by the EEC to Lebanon.

Question 20

What value and percentage of imports into Lebanon of products originating in the EEC comprised agricultural products?

Reply 20

Imports of agricultural products from the Community:

<u>in US\$ million</u>		
<u>1974</u>	<u>1975</u>	<u>1976</u>
104.8	88.2	68.6

As a percentage of total imports from the EEC:

<u>1974</u>	<u>1975</u>	<u>1976</u>
10.2	10.4	38.1

Explanatory note: The percentages indicated represent the agricultural part of exports by the EEC to Lebanon.

Question 21

What were the values and percentages of total imports of the following categories of imports into Lebanon of products originating in the EEC in each of the three most recent years for which statistics are available:

- (a) Imports of products on which customs duties, levies, and other charges with equivalent effect 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 are not to be eliminated.
- (d) Imports of products for which quantitative restrictions are not to be eliminated.

Question 22

What value and percentage of industrial products will be free to enter Lebanon from the EEC without payment of duties or subjection to other restrictive regulations of commerce?

Question 23

What value and percentage of agricultural products will be free to enter Lebanon from the EEC without payment of duties or subjection to other restrictive regulations of commerce?

Question 24

It is our understanding that in the Agreement Lebanon does not grant reverse preferences to the EEC. If our understanding is not correct:

- (a) What value and percentage of industrial imports into Lebanon from the EEC will be subject to preferential tariffs?
- (b) What value and percentage of agricultural imports into Lebanon from the EEC will be subject to preferential tariffs?

Replies 21-24

Under the EEC-Lebanon Agreement, Lebanon has not granted any preferences of the kind enumerated in these questions.

IV. OTHER QUESTIONS

Question 25

Are the parties prepared to have a re-examination in GATT when the Interim Agreement is succeeded by the Co-operation Agreement? What is to be the duration of the Co-operation Agreement?

Reply 25

The Co-operation Agreement is of unlimited duration. The purpose of the Interim Agreement is the advance implementation of the trade provisions of the Co-operation Agreement pending the completion by the national parliaments of the ratification procedures necessary for its entry into force.

Question 26

Which tariff items are affected by the provisions of Article 3?

Reply 26

United Kingdom customs tariff heading at 1 January 1972	Description
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 work (including tobacco dust or powder and ground tobacco) 5. Other

Question 27

What is the nature of and reason for the "fiscal element" of customs duties referred to under this Article?

Reply 27

The "fiscal element" of customs duties referred to in Article 3 is a specific element expressed in £ per lb.

It was included in the customs duties for administrative reasons, in particular to facilitate collection at the frontier. For the same reasons, the United Kingdom was authorized to maintain until 31 December 1977 a total amount made up of a fiscal charge and customs duty. As from that date, the United Kingdom abolished all customs duties of a fiscal nature.

Question 28

For certain agricultural products, the provisions of Article 11 result in a reduction in import levies into the EEC provided that Lebanon levies a special export charge. Do the parties intend to eliminate all duties and other restrictive regulations on imports of products covered by this Article, consistently with Article XXIV?

Reply 28

The question is not applicable since there are no customs duties or other restrictive regulations on imports of the products referred to in Article 11. As far as levies are concerned, there is no provision for reductions other than those set out in Article 11.

Question 29

The Declaration to the Agreement specifies that the EEC is ready to consider improvements in the concessions granted in Article 9(1) of the Agreement, for oranges, mandarins and other varieties of citrus, to take effect for the 1977/78 marketing year. Have the parties to the Declaration improved the concessions? If so, do they intend to consider improving concessions for the 1978/79 marketing year?

Reply 29

The Contracting Parties have not as yet made any improvements in the concessions envisaged. Discussions are currently taking place in the Council of the European Communities with a view to the implementation of this Declaration. It would therefore be premature to prejudge the results of this examination.

Question 30

The parties in a Joint Declaration to the Agreement declared their readiness to foster, as far as their agricultural policies allowed, the development of agricultural trade for those products not covered by the Agreement. Do the parties intend to add such products to the Agreement in the future?

Reply 30

The purpose of the Declaration is to avoid the difficulties that might arise with regard to trade in agricultural products not subject to the Agreement and not to prejudge the review provided for in the Agreement itself.

The possible extension of the Agreement to include such products depends on the results of the review provided for in Article 44 of the Co-operation Agreement.