UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

Distr.
LIMITED

E/ECWA/MTN/SEM.1/6
2 September 1977

Original: ARABIC

ECONOMIC COMMISSION FOR WESTERN ASIA

Seminar on Multilateral Trade Negotiations (MTN)
19-24 September, 1977
Beirut, Lebanon

The Advantage to ECWA Countries of Accession to the General Agreement on Tariffs and Trade (GATT)

77-1068

C O N T E N T S

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Preface

The aim of this study is to help to define the extent to which ECWA countries [1] would benefit by joining GATT. This paper gives particular coverage to the Syrian Arab Republic, the Republic of Iraq, the Lebanese Republic and the Hashemite Kingdom of Jordan as examples of countries in the region with a present potential for relatively diversified production and exports. Other countries of the region possessing less diversified types of production and exports either follow the same pattern, considering the composition of their production [2], such as the Yemen Arab Republic and the People's Democratic Republic of the Yemen, or are countries that produce and export few products, mainly oil and oil by-products, or a small number of other exportable commodities, such as the Arabian Gulf States [3]. In this paper, therefore, reference will only be made to the situation of other countries not included in the example when such reference may be useful or feasible.

This paper is in two parts. Part I is general and contains a brief description of the General Agreement on Tariffs and Trade, while Part II deals in particular with the benefits that could be derived by selected countries in the region through joining GATT.

It should be noted that the conclusions arrived at in this paper are both preliminary and general and it might be of benefit for this paper to be followed up by detailed position papers on certain important products currently being exported or likely to be exported on a large scale to the developed countries, given the appropriate conditions.

1/ Jordan - The United Arab Emirates - Bahrain - Saudi Arabia - Syria - Iraq - Oman - Qatar - Kuwait - Lebanon - The Yemen Arab Republic (North Yemen) - The People's Democratic Republic of Yemen (South Yemen).

2/ With the exception of coffee produced by the Yemen Arab Republic.

3/ Since many of these countries produce or are planning to produce petrochemicals, a separate study has been prepared on that industry. See Seminar Working paper No. 4, "Petrochemicals - history in the Kennedy Round and prospects for the MTN".

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Part I

Provisions and Features of the General Agreement on Tariffs and Trade

Introduction

At the end of the Second World War nineteen countries drew up an agreement called the General Agreement on Tariffs and Trade (GATT).

Since that time several amendments have been made to the text of the Agreement. A great number of countries have joined, bringing the present day membership to 86 countries, with 83 full members and 3 provisional members. More than two thirds of the member States are developing countries including, from the Arab World, Egypt, Kuwait and Tunisia (1). Although Lebanon and Syria were among the founder members, they subsequently withdrew in the early part of 1951.

In this paper the name "General Agreement on Tariffs and Trade" will occasionally be abreviated to "General Agreement" or "Agreement". Similarly, the term "Contracting Parties" will be used to denote member countries when jointly taking their decisions as required under the provisions of the General Agreement in certain cases.

The Principles of the Agreement

The General Agreement on Tariffs and Trade is a collective agreement for the regulation of international trade. Its text was drawn up after the Second World War, following negotiations primarily between the major industrial nations, and put into effect at the start of 1948.

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(1) The member countries are listed in Annex 1.

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At that time development issues were not accorded the importance that they enjoy today. Hence, the original text of the General Agreement was mainly an expression of the needs of the industrial nations in the sphere of international trade relations. The increasing significance of development issues, however, led to the introduction of several amendments into the text of the General Agreement, primarily the rewording of Article XVIII in 1957 in order to take into account the needs and circumstances of the developing countries, and the addition to the Agreement in 1966 of a new Part IV relating to trade and development. These amendments did not change the basic features of the Agreement but were, on the whole, confined to mitigating the obligations placed on developing member countries. Many of the provisions of the General Agreement are currently under review and it is probable that several modifications will be made therein, some of which may be more responsive to the interests of the developing countries. This paper, however, will not go into details of these projected amendments, but will be confined to the main principles outlined in the General Agreement as it stands today.

The principles of the General Agreement conform with the thinking of neo-classical economic theory in the sphere of foreign trade policy. This can be summed up as the postulation that the treatment of all countries on an equal basis and the removal of restrictions on external trade are conducive, on a global scale, to a better utilization of productive resources, an increase in income and the attainment of an improved standard of living for the population. The primary objectives of the Agreement are as follows:-

1. Non-discriminatory treatment for all countries.
2. Prevention of the use of quantitative restrictions.
3. Liberalization of international trade through negotiations.

The Agreement includes other principles which are also refered to below.

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1. Non-discriminatory Treatment for All Countries

Articles I and II of the General Agreement refer to the most-favoured-nation (MFN) principle and specify that any reduction in customs duties and any preference of whatever nature granted by a member country to any other country shall be automatically applied to all member countries. With regard to customs duties, exceptions are made by the General Agreement to the MFN principle only in the case of two types of preference:

One: Preferences already established between certain industrial nations, such as Britain and France and their dominions. In this connexion, it should be noted that paragraph 3 of Article I permits States formerly belonging to the Ottoman Empire to accord each other mutual preferences as an exception to the MFN principle, provided that the preferences meet with the approval of the Contracting Parties.

Two: Mutual preferences accorded by States which are participating in a customs union or in a free trade area.

In effect, the most-favoured-nation principle is now applied only by the industrial nations. If an industrial nation grants a preferential customs tariff to another industrial nation outside the customs union or the free trade area, such preferential treatment is extended equally to all industrial and developing member countries. If, however, developing countries accord each other mutual preferences, or if an industrial country grants preferences to a developing country, the MFN principle is no longer necessarily applied.

(a) Mutual preferences granted among developing countries

The Contracting Parties agreed in 1968 to allow three developing countries (India, Yugoslavia and Egypt) to conclude a trade agreement which provided for reciprocal preferences as an exception to the most-favoured-nation rule. Subsequently, they took a decision in principle at their twenty-third meeting to the effect that the exchange of preferences among developing countries outside the context of a customs union or free trade area may make a significant contribution to the stimulation of their trade and, consequently, achieve the objectives of the General Agreement.

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In pursuance of this new principle an agreement was formulated in December 1971, following negotiations conducted under the auspices of the GATT organization, under the title of "Protocol relating to Trade Negotiations among Developing Countries". This Protocol aims at the exchange of preferences among developing countries adhering to it and which are thus exempt from the MFN principle. The Protocol is open to all developing countries irrespective of whether or not they are members of the General Agreement. As of April 1977, it had been signed by eighteen developing countries (1).

Seven Asian countries (2) also concluded a trade agreement which became effective in June, 1976, and under which they accord each other tariff and non-tariff preferences as an exception to the MFN principle. The agreement has been submitted for approval by the Contracting Parties.

(b) The granting of preferences by the industrial countries to the developing countries

In June, 1971 the Contracting Parties agreed on a waiver from the MFN principle that allowed the industrial countries to introduce the Generalized Systems of Preferences (GSP) under which the industrial countries could grant developing countries general tariff preferences which were not extended to other member countries.

In addition, the European Economic Community has concluded agreements with a number of developing countries which accord them special exclusive preferences. These agreements include the Lomé Agreement, embracing 49 developing countries, and bilateral agreements with all of the Maghreb countries, Egypt, Jordan, Lebanon and Syria. These agreements have been or will be submitted for approval by the Contracting Parties.

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(1) The signatory countries are:- Bangladesh, Brazil, Chile, Egypt, Greece, India, Israel, Korea, Mexico, Pakistan, Paraguay, Peru, The Philippines, Spain, Tunisia, Turkey, Uruguay and Yugoslavia. Mexico is not a member of the General Agreement and the Philippines joined it on a provisional basis.

(2) The seven Asian countries are: Bangladesh, India, Korea, Laos, the Philippines, Sri Lanka and Thailand.

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From the foregoing it is possible to draw two conclusions of significance for the countries of the ECWA region:-

(1) The provisions of the General Agreement are compatible with the establishment and extension of the Arab Common Market in which certain countries of the region, such as Syria, Iraq, Jordan and Kuwait, are participating.

(2) Accession to the General Agreement will neither prevent the countries of the region from continuing to exchange tariff preferences with other Arab States under the terms of current agreements, nor from extending and broadening these preferences in the future.

2. Prevention of the Use of Quantitative Restrictions

The General Agreement lays down the principle of the **elimination of quantitative** restrictions as instruments of foreign trade policy. Countries do not have the right to ban the import or export of any commodity or to subject such import or export to protective licensing or quota systems. The General Agreement does, however, include several exceptions to this principle. In general, considerations of public health and morality may justify the use of quantitative restrictions. Other exceptions to this principle include:

Articles XII and XVIII of the General Agreement permit recourse to quantitative restrictions in order to prevent a serious decline in monetary reserves or to increase these reserves if their levels are very low. In such cases, the member country is obliged to enter into consultations with the Contracting Parties regarding the balance of payments difficulties which it is facing, the various corrective policies open to it, and the probable effects on the economies of other member countries of the restrictions that it will impose. These consultations are renewed every year if the country concerned is an industrial nation and every two years if it is a developing country.

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Article XVIII, as amended in 1957, now permits the developing countries to make use of quantitative restrictions for the protection of their domestic production, on the condition of approval by the Contracting Parties.

The General Agreement also provides for the possibility of using quantitative restrictions in the following cases:

(1) Restricting the export of raw materials when these are essential for a domestic industry.

(2) Restricting the export of foodstuffs or other products essential to the exporting Contracting party to relieve or prevent critical shortage.

(3) Restricting imports or exports if necessary for the application of regulations concerning the classification, grading or marketing of commodities in international trade.

(4) Restricting the import of agricultural products if such restriction is designed to bolster programmes aimed at limiting production and quantities for marketing.

Article XIX permits a member country to have recourse to quantitative and other restrictions, as an exceptional case, in the event of a serious and unexpected increase in imports of a particular commodity which has a locally produced equivalent, if the imports pose a serious threat to this production.

Finally, every member country may request permission from the Contracting Parties to use quantitative restrictions on the basis of paragraph 5 of Article XXV, which stipulates that the Contracting Parties may absolve a member country from the obligations imposed on it by the Agreement, provided that such permission is granted by a two-thirds majority of votes cast and that more than half of the member countries take part in the vote.

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Although almost thirty years have passed since the General Agreement was first put into effect, many quantitative restrictions are still being applied by member countries, frequently in contravention to the provisions of the Agreement. While developing countries apply these restrictions on the basis of Article XVIII, which allows them to have recourse to quantitative restrictions in order to protect their domestic production and ensure the balance of their external payments, a large number of quantitative restrictions applied by industrial nations cannot be justified under the provisions of the Agreement.

After most of the industrial nations recovered in the 1950s from the balance of payments difficulties they had experienced as a consequence of the Second World War, they retained several quantitative restrictions in order to protect their domestic production. The Contracting Parties gave special permission for some of these restrictions in the hope that the countries concerned would be enabled to gradually abolish them. This hope, however, was not realized.

The quantitative restrictions applied in the industrial countries chiefly affect foodstuffs, agricultural produce and certain significant industries in the developing countries (1). In recent years, the industrial countries have begun to have recourse to alternative measures for protection, which give results similar to those of the quantitative restrictions. Such measures include variable levies, voluntary export restraints, and orderly marketing arrangements. Quantitative restrictions, as well as all other non-tariff barriers to trade, constitute important topics in the current round of multilateral trade negotiations being conducted in Geneva. These restrictions were included for negotiation in the previous Kennedy round, but without great success.

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(1) It is notable that quantitative restrictions are most frequently applied by the industrial countries to protect industries which are labor-intensive, with relatively low skill and capital requirements, and which are thus, by nature, usually important industries for developing countries.

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3. The Liberalization of International Trade

The third and possibly most important objective of the General Agreement is to free international trade from the obstacles impeding its expansion and development. This liberalization is effected by way of trade negotiations organized by the Contracting Parties. Since the signing of the GATT, the Contracting Parties have organized seven conferences or, as they are called in GATT terminology, seven "rounds" of negotiations. The first five rounds took place between 1947 and 1961, while the sixth round, known as the Kennedy round, began in 1964 and ended in 1967. The seventh round was officially inaugurated at a ministerial meeting in Tokyo in September 1973, which produced the Tokyo Declaration. This "Tokyo round" began at Geneva in the early part of 1975 and has not yet been concluded.

The General Agreement does not contain rules for negotiations. These procedures are laid down for each separate round of negotiations by the participating countries. Some of these rules have been enshrined in Article XXVIII bis which was added to the Agreement in 1957 and in Article XXXVI, added in 1966. The negotiating rules have changed greatly with the passage of time, particularly in recent years. Since the Kennedy round, negotiations are no longer confined to tariffs but also include other trade barriers. The changes have also effected the three following points: participation in the negotiations, the principle of reciprocal benefits and negotiating procedures.

(a) Participation in negotiations

Participation in negotiations is not obligatory for member countries. There are, for example, fourteen GATT members which are not participating in the current Tokyo round.

Furthermore, participation at negotiations does not bind the countries participating to the results of the negotiations. A country need not subscribe to results that do not accord with its interests.

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Participation at the first six rounds was limited to the GATT membership. At the current Tokyo round, however, it was decided to open participation to all the developing countries, whether or not they had acceded to the General Agreement, so that twenty-five non-member developing countries are now participating.

(b) The rule of reciprocal benefits

Negotiations on trade at the first five rounds were founded on the reciprocity rule. Any country that sought concessions from another was expected to reciprocate with an equivalent concession. It was left to each country to determine whether the concession it was to receive was commensurate with the concession it was offering. Since the Kennedy round, however, this rule has not been applied to the developing countries.

Developing countries, in general, need their customs duties for meeting fiscal requirements. They are obliged to utilize these revenues, and to adopt other forms of trade restrictions, to maintain equilibrium in their external balance of payments and to protect local industries. Their capacity for liberalizing their foreign trade and for exchanging concessions with the industrialized countries are, therefore, very limited indeed.

Accordingly, it was decided during the Kennedy round and during the current Tokyo round that negotiations between the industrialized and the developing countries should be excepted from the reciprocity rule. Paragraph 8 of Article XXXVI which confirmed this exception was interpreted to mean "that the less-developed contracting parties should not be expected in the course of their negotiations to make contributions which are inconsistent with their individual development (and) financial ...

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needs". In effect, this means that now the aim of multilateral trade negotiations is to liberalize trade restrictions that are practiced by the industrialized countries but not necessarily those practised by the developing countries.

(c) Negotiating procedures

At the first five rounds, negotiations were conducted with a product-by-product approach and on the basis of the "principal supplier" rule. Bilateral request lists were submitted and followed up by bilateral offer lists. Agreed concessions were subsequently multilateralized. No country could request a tariff reduction on a given commodity unless the requesting country was the principal supplier or could become the principal supplier of that product to the country from whom the reduction was requested.

This procedure was not very favorable to the developing countries. It effectively excluded them from negotiations on most commodities, for the developing countries, especially the smaller ones among them, are rarely the principal suppliers of any product and certainly not of industrial goods.

At the sixth, or Kennedy round, negotiations were aimed at "across-the-board" tariff reductions to be implemented by all participants, with the exception of the developing countries and a few of the industrialized countries (1). Each country had the right to submit a list of commodities it wished to be excluded from the reductions and to consult over this list with its principal trading partners.

(1) Four industrialized countries (because of their special trading structures) were excluded from the across-the-board principle (Canada, Australia, New Zealand, and South Africa) and were permitted to negotiate on the commodity-by-commodity principle.

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This procedure will continue to be followed at the current Tokyo round. It is generally more advantageous to the developing countries than the previous approach, as it affords a wider opportunity for participation in negotiations. But the role of the developing countries in negotiations, even on the basis of this new procedure, remains weak. This procedure, as mentioned earlier, is founded on the following two steps:

(1) Determination of the across-the-board percentage tariff reduction to be inplemented by the industrialized countries. In practice, negotiations for agreement on this reduction take place principally, if not entirely, among the industrialized countries. All the proposals so far submitted at the Tokyo round on the subject of across-the-board reductions have originated from industrialized countries.

(2) Determination of the exceptions lists, or the commodities that each industrialized country wishes to exclude from these reductions.

The Kennedy round experience has confirmed the fact that the power of the developing countries to influence lists of exclusions drawn up by industrialized states is indeed limited.

The first five rounds which took place on the basis of the reciprocity and principal supplier rules did not result in benefits to the developing countries worth mentioning. For example, of 4,400 concessions exchanged at the fifth round only 160 involved a commodity of interest to the developing countries. The Kennedy round, too, failed to come up with results acceptable to the developing countries. Nor have the industrialized countries at the current Tokyo round, now in its third year of negotiations, shown greater readiness to take the interests of the developing countries into consideration.

As a general rule, negotiations are in fact taking place on the basis of the reciprocity rule. Each country strives to obtain the greatest gain in return for the smallest loss. This principle is being generally applied in all trade negotiations, whether conducted on the commodity-by-commodity approach or the across-the-board approach that permits the exclusion of specific commodities.

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This does not preclude member countries from granting unilateral trade advantages to other countries in order to serve some political consideration or to assist some developing countries. The donor country determines these advantages according to its interests and possibilities. To this end, it approaches the beneficiary country in the manner of the negotiations which took place recently between Lebanon and the EEC, which resulted in the conclusion of an economic agreement that granted Lebanon a number of non-reciprocal trade preferences. Apart from such exceptions, it is clear that the developing countries have obtained very few advantages from the industrialized countries in the area of trade negotiations. The reason for this is the limited capacity of the developing countries for reciprocating the concessions they receive from the more developed countries. The exception from the reciprocity rule introduced by the Contracting Parties on behalf of the developing countries has only the force of a recommendation and is not effectively binding on the advanced countries.

4. Regulatory Provisions

The General Agreement contains a number of provisions that regulate aspects of international trade relationships. The purpose of these provisions is primarily to promote the effective implementation of the principle of "non-discrimination" among all countries, to discourage the application of internal regulations and charges for the protection of national products, and to give member countries the means to protect themselves against disruptive imports. The following is an outline of the major number of these provisions:

Internal charges: Article III prohibits the subjection of imported goods to internal charges higher than those imposed on comparable national products.

Transit: Article V provides for the free passage of goods in international transit and stipulates that no charges except those commensurate with administrative expenses entailed by transit or with the cost of services rendered should be imposed by the country of transit. It also provides that "each member country shall accord to products which have been in transit through ... another member country treatment no less favorable than that which would have been accorded to such products had they been transported from their place of origin to their destination directly."

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Export subsidies: Article XVI authorizes the subsidization of the export of primary products and prohibits the granting of such subsidies for the export of industrial goods. But this prohibition is not mandatory on all members; it blinds only those industrialized countries that have accepted it voluntarily and have subscribed to the Protocol that was adopted in this regard.

Countervailing duties: Article VI gives members the right to subject all products that enjoy an export subsidy to countervailing duties provided that the product in question is imported in quantities large enough to prejudice an established industry or to retard materially the establishment of a new industry. The countervailing duty may not exceed the size of the estimated subsidy.

Dumping: Article VI also condemns the practice of dumping under the same circumstances established for countervailing duties - that is, when there is the possibility of causing material injury to an established industry or materially retarding the establishment of a new industry. The country thus injured may act to offset the effects of dumping by levying an anti-dumping duty on goods imported at dumping prices.

Valuation for customs purposes: Article VIII provides that customs duties on imported merchandise should be calculated on the basis of the actual value of the goods and should not be based on the value of comparable merchandise of national origin or on some fictitious value. The "actual value" of a commodity is its value as determined in the ordinary course of trade conducted under fully competitive conditions between autonomous buyers and sellers.

State trading enterprises: Article XVII enjoins these enterprises to treat all member countries with equality, not to make any purchases or sales except in accordance with purely commercial considerations - including price, quality, transportation and other conditions of purchase or sale.

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Disruptive imports: The obligations that GATT imposes on member countries must not prevent them from defending themselves against unexpected increases of imported goods that threaten serious injury to domestic producers. Article XIX of the General Agreement authorizes member countries caught in this situation to suspend their obligations and even to take measures contrary to these obligations. In defence of its industries it can resort to setting quantitative restrictions and to increasing customs duties previously lowered or committed to a certain limit. Member countries, however, are enjoined to consult with the Contracting Parties and with specific member countries having a substantial interest as exporters before any new action is taken. When the situation demands speed, discussions should be effected immediately after action is taken.

Consultation: Consultation is the procedure for resolving disagreements that arise among member countries. Article XXII of the General Agreement stipulates that member countries should accord sympathetic consideration to any representation made by another member country regarding any matter affecting the operation of this Agreement. If consultations between the conflicting members do not lead to satisfactory adjustments, the matter may be referred to the Contracting Parties which at that point shall make appropriate recommendations to the member countries concerned.

The willingness to enter into consultation with individual member countries or with the Contracting Parties is one of the principal obligations prescribed by the Agreement.

Accession to GATT:

Any country that accedes to GATT shall benefit automatically from the customs duties prevailing among member countries at the time of accession, and which had been reduced during prior negotiations among member countries. The new member must, therefore, be prepared to offer the other member countries reciprocal concessions. These concessions, which will be referred to as the "Entrance fee", are determined at bilateral negotiations between the member countries and the country applying for membership. These concessions are in the form of reductions in the customs duties on a number of products, and/or a commitment not to increase them beyond their present level or beyond another agreed-upon limit.

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The "entrance fee" required of developing countries has decreased with time. The exception from the reciprocity principle, in accordance with paragraph eight of Article XXXVI, is also applicable to the accession negotiations. At these and at multilateral trade negotiations, the developing countries are no longer being required to offer concessions that may be injurious to their developmental, commercial and financial needs. In fact the "entrance fees" actually levied upon new adherents to GATT from the developing countries in recent years have been nominal.

Along with the formality of acceding to GATT as a full member, any country may accede to it as a provisional member. Such accession does not involve the conduct of negotiations or the payment of an "entrance fee", but it also does not give the new member the right to vote.

Finally, those countries that have recently achieved independance and that were previously attached to a GATT member may accede to the Agreement without entering negotiations by simply announcing their wish to accede. It is then incumbent upon the new member to implement the obligations incurred on its behalf by the State to which it was attached.

This situation is applicable to a number of ECWA countries: Kuwait, Bahrain, UAE, Qatar, and Democratic Yemen. Since Britain, the member State to which they were attached, had not made any commitments to the member countries on their behalf, it would be possible for these countries to join the GATT with a simple declaration and without paying any "entrance fee". But to this date only Kuwait has exercised this right.

The adherence of a country to GATT does not require that it implements the GATT provisions vis-à-vis all present and future members. Article XXXV provides that the General Agreement "shall not apply as between any contracting party and any other contracting party if:

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(a) the two contracting parties have not entered into tariff negotiations with each other, and

(b) either of the contracting parties, at the time either becomes a contracting party, does not consent to such application."

ECWA countries which intend to accede to GATT may invoke this Article if they wish to avoid implementing the Agreement with respect to specific countries. This, in fact, was done by Egypt, Kuwait and Tunisia, with respect to Israel.

Violations of the Agreement

What happens when a member country violates the provisions of the General Agreement? The remedy stipulated in the Agreement is based on the assumption that all member countries have an interest in discharging their obligations to one another, as the concessions they enjoy are reciprocal. This mutuality of interest should in principle suffice to motivate member countries to discharge their obligations voluntarily. But when a member does break a commitment, other member countries which are adversely affected are authorized to withdraw the concessions they had granted the delinquent member in response to the broken commitment. In this way the principle of reciprocity is reestablished. Furthermore, when a concession is withdrawn from a delinquent member country it must in effect be withdrawn from all member countries if the"non-discrimination" rule is to be respected. Member countries have the right, in turn, to withdraw their concessions in conformity with the reciprocity rule. But this rarely happens, especially when the delinquent is one of the developing countries. Violations on the part of the developing countries do not generally bring retaliation from the industrialized countries.

Following this exposition of the aims and provisions of the General Agreement, we come to the question of the extent of the advantages which member countries would derive from accession to this Agreement. This question is indeed the point of this study.

The answer calls for a comparison between the advantages that the/selected aforo-mentioned ECWA countries could derive from accession to GATT and the costs they would have to pay in return. This matter is the subject of Part II of this study.

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Part II

The Interest of ECWA Countries in GATT Membership

Obligations of Membership

The accession of any country to GATT entails the assumption of a number of obligations that can be considered as the membership fee paid in return for certain advantages it is to obtain. These obligations can be summed up as follows:

1. Financial contribution to the budget of the GATT organization.
2. Obligations concerning tariffs.
3. Restraints on the use of international trade policy measures, including import and export licenses.
4. Obligations to supply information or to enter into consultations with the Contracting Parties and/or other GATT members in certain circumstances.
5. Obligations to modify existing trade regulations which are contrary to GATT provisions.

What follows is an examination of each of these obligations.

1. Financial contribution

Every member country of GATT, even if its membership is provisional, must contribute to the organization's budget. The annual financial contribution of each member is determined on the basis of the proportion of the value of its own imports and exports to the value of total imports and exports of all member countries for the last three years for which statistics on foreign trade are available.

Considering the fact that the volume of foreign trade of the ECWA countries is small in relation to the volume of world trade, their financial contributions would be relatively small. In 1972, for example, the contribution of Egypt was US$ 12,890, of Kuwait $ 19,110, and of Tunisia of $ 5,330. While Kuwait's contribution could now have doubled as a result of the increase in the value of its exports since 1974 and the attendant increase in the value of its imports, the contributions of Egypt and Tunisia have not changed significantly. It could be expected that the contributions required from other ECWA countries, such as Syria, Iraq, Jordan, and Lebanon, would not exceed these values, while that of Saudi Arabia would not exceed two and a half times the present Kuwaiti contribution. All of these contributions are relatively modest in size.

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2. Tariff reductions and commitments not to increase tariffs

It was mentioned in Part I of the paper that countries acceding to GATT are required to engage in negotiations leading to tariff reductions on some products and/or commitments generally not to increase tariffs. The result of these negotiations is referred to as the "entrance fee", as was indicated previously. During negotiations, the industrialized countries are usually concerned with the tariffs levied upon their own exports to other countries - in this instance, the ECWA countries. The industrialized countries export to these countries almost every kind of product, the most important of which are machinery and equipment. The position of the ECWA countries, if they were to enter into negotiations for GATT membership, is indicated by the treatment they accord these imports.

Imported machinery and equipment can be divided into two categories: The first includes capital goods which are subject to relatively low or non-existent customs duties in all the countries of the region, in order to encourage investment and industrialization. Since this situation accords well with interests of the industrialized countries, they would not be likely to request tariff reductions below the present level. The second category includes machinery and equipment that is destined for consumption, such as automobiles, particularly private passenger cars, television sets, recorders, musical instruments, radios, refrigerators, washers, stoves and the like. The policies of the different countries of the region with regard to such imports vary considerably. These countries can be divided accordingly into three groups:

a) The first group includes those countries that place a heavy duty on the above-mentioned goods to protect their local production or balance of payments position or for fiscal purposes. Among these countries Syria occupies a special place, since its customs duties and import fees have increased to reach a rate of between 100 and 300 per cent on cars, and around 127 per cent on refrigerators, gas stoves and similar appliances, and also on cigarettes. It is likely that Syria would be requested to lower its tariffs on some of these goods, particularly on cars which are not produced locally in Syria.

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b) The second group includes Iraq, Jordan, Lebanon, and Yemen, which impose moderate duties on the above-mentioned machinery and equipment. It is not likely that the industrialized countries would insist on tariff reductions when negotiating with members of this group, but it is expected that they would seek commitments that tariffs would not be raised.

c) The third group consists of those countries of the region which place very low customs duties on the aforementioned imports, in particular, the Kingdom of Saudi Arabia and the Gulf States. There is little room in these cases for the industrialized countries to discuss tariff reductions, but they could request commitments that tariffs not be increased.

The conclusion is that for most of the countries of the region, with the exception of Syria, accession to GATT would not involve tariff reductions of great magnitude on most imports. In Syria, it is likely that it would be requested to reduce its tariffs on cars and a number of luxury products. Other than cars, Syria does not import luxury products in great quantities, since it has been pursuing a protectionist policy in favour of its local industries. It is possible, in any case, for Syria to counter tariff reduction requests with the claim that it needs to protect its current balance of payments. This claim is sanctioned by GATT and has been recognized by member countries, especially when asserted by a developing country. It is not possible to calculate the amount of customs revenues Syria would lose as a result of "entrance fee" tariff reductions, since Syria might not be required to take such reductions at all, or the reductions might be very limited, in which case the exact amount would be a function of the rate or rates of reduction established and the value of Syria's imports.

3. Restraints on use of foreign trade policy measures

Accession to GATT imposes a number of restrictions on the freedom of members to manipulate their foreign trade policies, especially with regard to duties and quantitative restrictions.

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a) Customs duties

The countries of the region would, upon accession to GATT, completely retain their freedom to modify customs duties which were not specifically reduced or bound during membership negotiations.

On the other hand, customs duties which are reduced or bound during entrance negotiations limit the liberty of member countries, since they cannot modify them except upon the reopening of negotiations or in the following circumstances and conditions:

(i) When protecting new local production. In this instance, the country in question would consult with the member countries which have an export interest in the industries where protection is sought, as well as with the Contracting Parties, and it would probably be required to pay compensation in return for abandoning its previous commitments.

(ii) When an unexpected and sizeable increase of imports threatens disruption or serious injury to established local production. In this case, the country concerned also has the obligation to consult with the interested member countries and with the Contracting Parties.

In practice, a country need not resort to increasing customs duties in order to protect national production in the circumstances described under (i) and (ii). It can easily protect its production through the application of quantitative restrictions - an area where it preserves its freedom of action - as will be shown below. In the presence of quantitative restrictions, customs duties become more useful as a tool for increasing treasury revenues than as a tool for protecting production.

b) Quantitative Restrictions

As has been discussed, GATT prohibits the use of quantitative restrictions and sanctions them only in specific circumstances - the most important of which are the maintenance of equilibrium in the balance of payments and the protection of local production in developing countries - and subject to the approval of the Contracting Parties.

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The countries of the ECWA region can be divided into two groups according to the measures taken to restrict imports: those that habitually resort to quantitative restrictions, including Syria, Iraq, Jordan, South Yemen, and, on a limited scale, Lebanon and North Yemen; and those countries that resort to these measures very rarely - boycott measures apart - including the Kingdom of Saudi Arabia and the Arab Gulf States.

The countries of the first group, in order to protect their local production or their balance of payments, in view of the scarcity of foreign currency, resort to restrictive measures on imports by prohibiting the import of certain goods, or by subjecting their importation to the approval of certain authorities or to certain conditions, as well as to import licenses. In fact this has often been done in Syria, Iraq, Southern Yemen, and to a lesser extent in North Yemen, Lebanon, and Jordan.

Syria, in protection of its local industry, has, for example, suspended the importation of refrigerators, washing machines, gas stoves, and carpets (except in certain cases, such as when they are part of a shipment of household effects or are part of the display of a country participating in the Damascus International Fair). Other imports which are prohibited include toilet tissue, household furniture and certain types of cloth, clothes, shoes, etc. Iraq prohibits the import of a number of goods such as inner linings for clothes, soaps and detergents, and other goods produced locally on a large scale. The Democratic Republic of Yemen pursues a stringent policy that generally restricts imports to the bare necessities, in order to protect its balance of payments. Lebanon prohibits the import of citrus fruits and apples of all kinds, olives except of high quality, and pine nuts (except for products imported directly from Jordan and Saudi Arabia that are exempted from licensing, and except for products imported from Syria which are subject to import licensing, only granted following the examination of the appropriate adminstration). Lebanon also prohibits the entry of a number of agricultural products except within specific time periods.

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The Contracting Parties would be expected to allow the ECWA countries of the first group, upon their accession to GATT, to continue to utilize the quantitative import restrictions already in force. This measure would, in effect, permit the ECWA countries to use these restrictions to protect their local industries or to balance their payments. But then these countries would be obliged to obtain the approval of the Contracting Parties before proceeding to impose new quantitative restrictions. They would also be barred, following accession to GATT, from resorting, for political or other motives, to the prohibition of imports from certain member countries, as was done following the 1967 War, when imports from Britain, West Germany, and the United States of America were prohibited, and following the 1973 War, when some ECWA countries barred imports from Portugal, Holland and the U.S.A.

As for the ECWA countries of the second group, they are not likely to resort to quantitative restrictions in favour of some economic policy in the near future. Their commitment not to resort to such restrictions, therefore, would not constitute for them an obligation they need worry about.

c) Import and export licenses

A number of ECWA countries utilize a system of import and export licenses. Such a system is applied for almost all imports in Syria, Iraq, Jordan, and North Yemen and only partially in Lebanon, where a license must be obtained in advance from the Ministry of Agriculture for the import of a number of agricultural and animal products such as grapes, bananas, onions, garlic, peanuts, raisins, cucumbers, tomatoes, silkwarm cocoons, deboned meats and race-horses. These licenses are only granted following examinations by the appropriate officials on the basis of need in order to protect local production. There are also a number of items subject to advance licensing by the Ministry of National Economy, such as live poultry (except for breeders), silkworm cocoons, grains, flour, olive oil, apple preserves, lemon and orange juice, salt, tiles, marble, cement, asphalt, petroleum products, natural silk thread, porcelaine sanitary fixtures, glass, copper wire, aluminium pipes, and brushes. Advance licensing of imports is not required in any of the remaining ECWA countries.

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Import licenses are granted automatically for authorized goods in Syria, Jordan and North Yemen, once the necessary foreign currency is secured. Licenses are withheld, of course, when the importation of the goods in question is prohibited or suspended. If the importation of certain goods is subject, by regulation, to specified conditions, then these conditions must be met before any license is granted. In Syria, if the necessary foreign exchange temporarily is unavailable, the Exchange Department suspends the transaction until the currency is secured. In the Republic of Iraq and the People's Democratic Republic of Yemen, these licenses are granted in accordance with a foreign trade and currency plan. In Iraq, for example, a foreign currency budget is adopted annually and appropriations are set aside for import managed by the Import Programme Committee. Practically all private imports are subject to an advance license. These licenses are distributed among specified importers on the basis of the value of the lincenses they received the previous year and according to the identity of the exporting country.

There are commercial agreements between Iraq and a number of other countries which provide for barter trade or trade according to specified conditions. In the People's Democratic Republic of Yemen, foreign trade has become a monopoly of the public sector, and a large proportion of this trade is conducted on the basis of agreements concluded with other countries. Consequently, for the countries of the first group, the license is an organizational tool, while for the second group it is a policy instrument used in the implementation of general plan.

Membership in GATT involves a departure in principle from the system of import licensing, which is authorized only with the agreement of the Contracting Parties and in special circumstances. Those include the correction of a serious balance of payments disequilibrium until the equilibrium is restored; protection of local production from serious damage following a sudden surge in imports; or the protection of an infant industry in the developing countries.

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The obligation to abandon the system of import licenses would constitute a burden that is difficult for some ECWA countries to support, such as Syria, Iraq, Jordan and Lebanon, which rely on the system of import licenses as one of the important instruments of economic policy, in general, and foreign trade, in particular. It would be necessary, therefore, that the GATT member countries be convinced of the reasons and circumstances that require the maintenance of this system in some countries.

The persuasiveness of ECWA countries in this matter would hinge on two factors: the extent to which licenses restrict the freedom of foreign trade; and the seriousness of the motives justifying their imposition.

As for the other ECWA countries, the abolition of the system of import licensing would impose no significant burden, either because such system is non-existent, as in the Kingdom of Saudi Arabia and the Gulf States, or because it can be abolished at no great sacrifice. This is the case in countries where importation is monopolized by public sector, as in Southern Yemen, which can implement its plan by manipulating the distribution of imports among the institutions of the public sector, and as in North Yemen, where an open-door policy is in force, where there are a few local industries where protection can be effected through the application of quantitative restrictions which dispense with the need for a licensing system.

The import licensing system is used almost across the board in each of Syria, Iraq, and Jordan, and to a limited extent in Lebanon, where the import of livestock, silkworm cocoons, grains, dry legumes, sugar, asphalt, paper and cardboard scraps, a number of ores, scrap metal, liquid gas cylinders, spraying machines, some foodstuffs, fodder and newsprint. Also in Lebanon, the importation of a number of goods requires a license from the Ministry of Agriculture, such as potatoe seed, fodder oil cakes, some poultry and pine nuts.

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GATT membership authorizes countries to resort to export licenses for the purpose of securing the needs of local industries for raw materials, and the country's needs of foodstuffs and other essentials; for the purpose of classification and supervision, as was noted in the discussion of quantitative restrictions above; or for administrative and/or statistical purposes. Thus GATT membership should present no difficulties in this regard for any ECWA country.

4. Provision of Information and Entry into Consultations

Accession to GATT places an obligation on member countries to supply information to other member countries and to the Contracting Parties and to enter into consultations with them on a variety of subjects, the most important of which are the following:

a) Quantitative Restrictions

(i) ECWA countries acceding to GATT would be obliged to enter consultations with the Contracting Parties once every two years in order to discuss the quantitative restrictions that they practice in protection of their external balance of payments. As was noted above, such restrictions are in force in Syria and Southern Yemen.

(ii) Every member country which has an export interest in certain goods which are subject to advance licensing by other members of GATT may request information on the mechanics of the application of this system, on the licenses granted during a certain time period, and on the distribution of these licenses among exporting countries. GATT members are obliged to respond to these requests.

(iii) Any country that accedes to GATT must enter into consultations with the Contracting Parties when another GATT member requests it after having ascertained that the quantitative restrictions in practice violate the "non-discrimination" principle provided in Article XIII of the General Agreement, and that its commercial interests would suffer as a result of this violation.

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Some of the regulations in force in a number of ECWA countries violate the "non-discrimination" rule: in Syria, for example, oranges may not be imported from any country other than Turkey and a number of Arab countries including Lebanon, Egypt, and Jordan. Animal fats of Japanese origin are also prohibited, and soap may be imported only from Iraq. Flowers may be imported only from the countries of the Arab Common Market; and so forth. In Lebanon, the importation of citrus fruit, apples, olives (other than high quality) and pine nuts is prohibited except when they originate from Jordan or Saudi Arabia and are imported directly to Lebanon free from advance licensing, or from Syria while they are subject to import licensing. In Jordan, the importation of tea has been partially restricted to India: the importer must import from India 50 per cent of the total quantity of tea if the value of the purchase exceeds 1,000 Jordanian dinars. These measures would have to be reviewed if an ECWA country would seek to accede to GATT, but it is not believed that this obligation would involve any damage to the economy of any ECWA country.

(b) Export Subsidies

According to paragraph 1 of Article XVI of the General Agreement, member countries which subsidize their exports are obliged to supply the Contracting Parties with written information concerning the export subsidies and the reasons such subsidies are deemed necessary. They must also consult with all other member countries or with the Contracting Parties to examine the possibility of lowering these export subsidies when it is determined that they inflict damage upon the interests of other member countries.

A number of ECWA countries accord financial support to some of their exports. In Syria, decree no. 1847 issued by the Ministry of Industry on 18/6/1974 provides that cotton fibre, some cotton fabrics, under clothing, blankets, carpets, towels and kuffies, shall benefit from export subsidies of between 25 Syrian piasters per kilogram of cotton fibre and 170 piasters per kilo of printed fabric.

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In Lebanon, subsidies are granted for the export of a number of textile products. In Iraq there is a special fund for subsidizing exports, which is financed from the revenues levied on import licenses. This fund grants subsidies of up to 25 per cent of the value of the exports. No other ECWA country provides this kind of subsidy.

Those ECWA countries that grant subsidies for their exports are obliged to implement the provisions of paragraph 1 referred to above. It is not likely, however, that the countries concerned would demand a change in the status quo in these ECWA countries, as exports that benefit from subsidies are very little indeed.

(c) State Trading Enterprises

The General Agreement does not preclude the possibility that foreign trade be conducted by the public sector, as is the case in a number of member countries, such as Czechoslovakia, Poland, Romania, and Yugoslavia. However it does oblige the foreign trade institutions of the public sector to accord all member countries equal treatment and to make this import and export decisions on purely commercial grounds.

For a number of goods, importation is limited to or controlled by public or semi-public institutions in some ECWA countries. In Syria, the importation of prepared baby food and medicine, for example, is monopolized by a public company called "Pharmex"; wine and whiskey to "Ghuta"; cars, motorcycles, and harvesters to "Aftomachine", etc. Likewise with exports, the export of cottonseed oil and fertilizers is controlled by a company called "Tafco"; the export of silk fabrics and stockings and a number of cloths is controlled by the Union of Spinning and Weaving Industries; and sunflower seed by the nationalized Syrian Company for Vegetable Oil in Aleppo.

In Iraq, the greater part of the import trade has become monopoly of state institutions and companies. Eleven basic goods, as well as crude oil, are now exported exclusively by such state institutions. These goods make up more than 50 per cent of Iraq's exports, excluding petroleum.

.../

In 1967 in the People's Democratic Republic of Yemen the companies involved in foreign trade were nationalized and by 1971 the bulk of exports was handled by state institutions, especially the National Foreign Trade Company. The result was to eliminate from the list of imports a large number of goods which were considered unnecessary.

In the Yemen Arab Republic the importation of petroleum and petroleum products is a monopoly of the Yemen Petroleum Company. The import of tobacco and cigarettes is a monopoly of the National Tobacco and Match Company. These are mixed companies with state participation. The import of some medicines was once restricted to the mixed Yemeni Pharmaceutical Manufacturing and Importing Company. This monopoly was recently cancelled and in 1976 a foreign trade company completely owned by the State was established and granted a monopoly on the import of a restricted number of supplies. There are also a number of goods which importation is prohibited without the approval of public sector institutions, such as cotton textiles ((Public Spinning and Weaving Corporation) and cement (Cement Public Corporation)).

In Lebanon the only produce monopolized is tobacco (in all its forms), which is a monopoly of the Regie Nationale des Tabacs et des Tombacs.

In Jordan, there is no public sector monopoly on foreign trade. In the Gulf States foreign trade is generally in the hands of the private sector, with the exception of petroleum, which is restricted effectively to state-owned companies and to foreign companies which were nationalized in part or in full by the state. Thererare a few exceptions, for example, as in Kuwait, where the import of grain is restricted to the Kuwait Flour Mills, half-owned by the State; and in Bahrain, where the import of a number of agricultural products and cement is restricted to the Import-Export Company, ten per cent of whose shares are held by the State, and where the Department of Supply of the Ministry of Commerce imports certain foodstuffs alongside private importers.

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These public sector institutions and companies which exercise monopolies on the import and export of certain goods in the ECWA countries are in fact applying the principle of non-discrimination. Thus the accession of any of them to GATT would only involve the obligation to provide information to the contracting parties concerning the goods whose import and export is monopolized or regulated by the public sector.

5. Export Prohibition

The General Agreement, as was discussed above, authorizes the prohibition of the export of some goods in certain instances, such as when these materials are necessary for local industries.

There are a number of materials whose export is prohibited in some ECWA countries. In Syria, the exportation of detergents, synthetic thread, woolen thread, and dry batteries is prohibited. Therefore, Syria would be required to justify this prohibition to the contracting parties if so requested when applying for GATT membership. It would not be difficult, however, for Syria to justify its prohibition of the export of other raw materials and foodstuffs. In Lebanon export licenses are granted or withheld for goods subject to licensing according to the results of studies undertaken by the relevant officials. They are granted routinely in Jordan, as was stated above, except under special circumstances justified by food supply needs. In Iraq, eleven items, as well as petroleum, may only be exported by the public sector. The decision to grant or to withhold a license is left to the relevant authority. As for the remaining exportable goods, licenses are granted as a matter of routine unless there is some impediment related to supplies or defence. In Southern Yemen, where exports are monoplized by state institutions, the decision to grant or withhold a license is made by the authorities. In North Yemen due to supply considerations local vegetables may not be exported.

Most probably the prohibitions on most goods whose export is forbidden or restricted in some ECWA countries can be justified as they are motivated in most cases by the need to meet local necessities.

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6. Internal Duties

It was noted that the imposition of internal duties on different products does not conflict with the General Agreement unless the duties imposed on imported goods are higher than those on comparable domestic products. This rule is generally respected in the ECWA countries with minor exceptions.

In Syria the domestic tax on imported alcoholic beverages is about three times as high as that on local products, and the tax on perfumes is twice as high. In the case of accession to GATT, Syria would have either to obtain the approval of the contracting parties for maintaining this disparity or to remove the disparity. It would not be difficult for Syria to remove this disparity before applying for membership by transforming this domestic tax into a customs duty on the goods in question.

In Jordan there are domestic duties on a number of goods such as matches, vegetable fats, woolen cloths, mineral oils and cement. But these duties fall in equal amounts on domestic and imported goods.

The situation in Lebanon is similar to that in Jordan.

7. Transit and Import from the Country of Origin

Regulations in force in some ECWA countries require that goods imported by sea must enter thought one of its own seaports, so is the case in Syria. Imports into Jordan were restricted except through Aqaba port or else bear an additional duty of 20 per cent of C.I.F. value. This regulation was cancelled, however, in February 1976. The restrictions of imports to national ports contravenes the freedom of transit provision stipulated in Article V of the General Agreement, which states that goods destined for a member country and passing in transit through the territory of another member country must be given the same treatment accorded to goods that are imported directly from the country of origin. Syria would have to justify its policy or else modify its position in this regard.

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Regulations in force in some ECWA countries, especially in Syria, Jordan, Iraq, North Yemen and Bahrain require that goods be imported directly from the country of origin. These countries as well as Kuwait and the United Arab Emirates require that commercial agents should be nationals or national companies in which their national's participation exceeds the proportion of 50 per cent of the capital. But it is not likely that there is anything in the measures that contravenes the rules of GATT as they represent nothing more than internal regulations and an effort to by-pass foreign middlemen.

Summary of the costs to ECWA countries of accession to GATT

The costs to ECWA countries of accession to GATT can be summed up as follows:

1. Payment of a financial contribution towards the organization's budget (but this contribution would be relatively small).
2. Justification of a number of high customs duties and other charges levied on imported merchandise. The possibility is very small that these countries would be requested to lower their high customs duties. Egypt, for example, continues to maintain its high tariffs despite its recent accession to GATT.
3. Justification of the quantitative restrictions in force, especially in Syria, Iraq, Jordan and Lebanon. However, it should not be difficult to justify those restrictions related to the protection of their balance of payments and/or their new industries for development purposes.
4. Provision of certain information and entry into consultations with the Contracting Parties. The most important of these consultations would be the periodic discussions related to the quantitative restrictions in force in some states for balance of payments difficulties. It should be noted, however, that consultations are normally conducted with speed and in most cases, are only a matter of form where the developing countries are concerned.
5. Justification of the prohibition or restriction of the export of certain products. Since the prohibition of the export of important supplies and raw materials is deemed justified, the removal of export prohibition on other goods would not be expected to inflict any disadvantage to the country in question.

.../

6. Non-discriminatory treatment of all countries in all export and import transactions. There would be no problem of an economic nature in this obligation.
7. Harmonization of internal charges levied on imported and local products in Syria. It would probably not be difficult to replace these charges by higher customs duties before accession to GATT.
8. Abolition of the Syrian regulations restricting imports to national seaports.

It should be clear from the preceeding that most of these obligations are not of the kind that would be difficult to bear or that would inflict serious losses or damages upon the country acceding to GATT.

II. Advantages of Accession to GATT

The advantages that could accrue to countries from accession to GATT as against the obligations they would have to bear - as noted in the first part of this study - derive primarily from the following three sources:

1. Benefits accruing from the "most favored nation" provision applied by member countries.
2. Participation in the trade negotiations that are conducted within the GATT framework.
3. Strengthening the capability of the new member to resolve disputes with the member countries.

a) The Most Favored Nation (MFN) Principle

Accession to GATT accords the new member the right to benefit from the MFN principle applied by the member countries of GATT, with the exception of those countries which are not bound by it under the Agreement. The effect of this provision is that goods exported by the new member to one of the other GATT members must be accorded a treatment no less favorable than the treatment which the latter accords to comparable goods imported from any other country, with the exception of countries which participate in a customs union, free trade area or which grant special preferences allowed by the General Agreement. This treatment includes customs duties and other trade barriers (such as import licenses, quotas, and administrative restrictions).

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As for the question of customs duties, it is known that many countries impose different rates of customs duties and that the rates imposed on a specific item differ with the country of origin. For instance, the tariff schedule of the United States contains two different rates: the first are the rates that apply to countries which benefit from the MFN clause. The second are the rates that are applicable to all other countries and these are generally much higher than the first. The customs duties of the European Economic Community are also divided into two rates: the first are the rates known as "conventional", and are applied to countries benefiting from the most favored nation clause, and the second are the higher "autonomous rates, and these are applied to the remaining countries. Many other countries, however, have, by product line, a single rate of customs duty (such as, Norway, Finland, Australia, Cyprus and others) and which apply them uniformly upon the goods of all countries, except where they have preferential agreements. These rates are called normal or general rates.

The accession of an ECWA country to GATT would gain the right to benefit from the rates of the first category in the United States, the "conventional" rates in the European Common Market and the general or normal rates in the remaining countries.

Accession to GATT, however, is not essential in order to benefit from these MFN rates. An ECWA country, in effect, can so benefit either through unilateral declaration on the part of concerned countries, such as the United States of America and the EEC countries, or whenever the normal or general rates happen to be uniformly applied to all countries that do not enjoy preferential treatment, as is the case for instance in Cyprus or Finland.

The ECWA countries, furthermore, may benefit from the general preferences (GSPs) accorded the developing countries by the industrialized countries. Also, three ECWA countries (Jordan, Lebanon and Syria) now benefit from special preferences granted by the EEC. It is not likely that any of these countries would reap additional benefits for its exports in this regard by acceeeding to GATT.

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b) Participation in Negotiations

The right to participate in negotiations was, perhaps, the most important incentive for seeking GATT membership prior to this round of negotiations. In principle, participation in negotiations gives the opportunity to each country to try to expand its export trade by working to reduce barriers to its foreign trade. In the current Tokyo round, the door to negotiations is open to all developing countries, whether or not they have acceded to GATT, but there is no guarantee that this situation will continue in the future. It is possible that negotiations would once again be restricted to GATT member countries. Thus, in the last analysis the advantage of GATT membership to ECWA countries depends upon the extent to which they have an interest in participating in the multilateral trade negotiations held under GATT auspices.

Obviously, the interest that any country has in participating in trade negotiations is related to the magnitude of the exports that could benefit from the reduction or elimination of customs duties which might emerge from these negotiations and which would help them compete in foreign markets. The interest that a given country places in those negotiations, then, is a function of the size, nature and geographic distribution of its exports.

It is also clear that the interest of a given country in negotiations would be greater, the greater are the existing barriers imposed upon its exports in the other countries participating in the negotiations, with the hope that these trade barriers could be reduced. These barriers generally are higher on agricultural and manufactured consumer products in protection of local production, and they generally are lower on articles for which there is heavy demand, such as crude oil and raw materials. Thus it is advisable to analyze the exports of the ECWA countries, separating their petroleum exports from the rest, in order to ascertain the extent of the benefits they would probably derive from multilateral trade negotiations. What follows is a discussion of these possibilities with regard to each of Syria, Iraq, Jordan and Lebanon, and with regard to the ECWA countries in general, based on what statistical information is available.

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A. Syria

Syria's exports reached around $ 902 million in 1975. But if crude oil, whose export does not require negotiations to alleviate trade barriers (such as tariffs and quantitative restrictions), is excepted, Syria's exports in 1975 become approximately $ 260 million (see table 2). For the purpose of comparison, Switzerland's exports in 1974 reached $ 12,000 million and those of Sweden $ 16,000 million. This means that Switzerland's exports were 13 times those of Syria and when crude oil is excepted 46 times. Furthermore, over half the value cited represents raw materials such as cotton, wook, crude tobacco, uncured leather, phosphates, animal intestines and the like.

With the exception of uncured tobacco, these goods are normally exempt from customs duties and quantitative restrictions in the importing countries and, consequently, do not require negotiations. If we subtract their value, excluding tobacco, from the $ 260 million we obtain the approximate figure of $ 129 million, representing Syria's exports of raw tobacco, agricultural consumer products and industrial goods to all the countries of the world.

It should be noted that a significant part of these exports goes to the Arab countries. The regulation of Syria's relations with these countries does not require the process of trade negotiations within the GATT framework, but takes place under bilateral and collective agreements concluded by Syria with certain Arab countries or within the framework of the Arab League or the Council of Arab Economic Unity. In 1975 Syria's exports of commodities, excluding petroleum and raw materials, to the Arab countries amounted to around $ 61 million, or 47.58% of these exports (see attached table 3.4).

In the same year Syria also exported around $ 8 million or 5.91% of these commodities to countries of the European Economic Community. Syria concluded a special preferential agreement with the EEC under which it obtained special tariff reductions and exemptions. It is not, therefore, anticipated that Syria will obtain further concessions from these countries in multilateral trade negotiations.

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In the same way, Syria's exports to countries of the Council for Mutual Economic Assistance (CMEA) depend more on agreements concluded between Syria and these countries and on the foreign trade policies adopted by these countries than they do on customs duties and trade concessions resulting from multilateral trade negotiations. In 1975 these countries' share in Syria's exports of the above mentioned commodities amounted to around $ 24 million or 18.25% of Syria's total worldwide exports of these goods.

If we subtract what Syria exports to the Arab countries, the countries of the EEC and the countries of CMEA, her remaining exports of commodities, excluding raw materials and petroleum, to other countries amount to no more than 23.65% of these items, of which only 5.4% represents its exports to the EFTA countries (in northern and western Europe), the United States of America and Japan with the remainder going to other countries. This proportion represents an amount of only $30.535 million.

The smallness of this amount in both absolute and relative terms shows the limited advantage to Syria of multilateral trade negotiations.

The flaw in this argument, however, is that it is based on current statistics in their static form. A dynamic view of these statistics may possibly change the picture somewhat as regards the advantage of negotiations, since there are undoubtably some goods that Syria could export, or export in larger quantities, to industrial countries participating in negotiations if barriers to trade imposed by these countries were reduced or eliminated. To ascertain the extent of the potential advantage that Syria could derive from tariff reductions and other concessions gained by negotiations it would be necessary to analyze the items in which Syria could expand production, given an improved demand in the countries participating in negotiations.

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B. Lebanon

What has been said about Syria is also true to a large extent, of Lebanon, even though Lebanon's probable benefit from the concessions afforded by negotiations appears at first sight to be greater than Syria's probable benefit in absolute and relative terms. In 1973, Lebanon's exports amounted to around $ 322 million, of which approximately $ 290 million (as against $129 million in the case of Syria) were agricultural commodities and industrial products subject to tariff and non-tariff barriers in other countries, which constituted around 90% (as against 14% in the case of Syria) of Lebanon's total exports (see table 2). In the same year Lebanon's exports of these products to the Arab countries amounted to around $ 204 million (70.5% of her total exports) and an improvement in the terms of Lebanon's export trade to these countries does not necessarily require membership in GATT or participation in multilateral trade negotiations. Lebanon's remaining exports, amounting to 29.5%, were sent to other countries, with 11.87% going to the countries of western Europe, the United States of America and Japan, 6.4% to the CMEA countries, and 11.21% to other countries (see table 3.3).

Returning to Lebanon's exports to the countries of western Europe, the United States and Japan, we find that more than half of these exports (around 5.98%) went to the EEC, from which Lebanon has obtained special preferences. It is unlikely that she will obtain more favorable concessions as a result of multilateral negotiations. Based on the above it is also clear that the advantage to Lebanon of membership of GATT and participation in trade negotiations is limited, especially if the statistics are viewed from a static point of view. The advantage would probably increase a little if these statistics were looked at from a dynamic viewpoint, as in the case of Syria.

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C. Jordan

Jordan's position appears less positive than that of Syria and Lebanon with regard to the possible benefits of membership of GATT and of multilateral trade negotiations. In absolute terms its exports of tobacco and agricultural and industrial goods in 1974 did not exceed $ 60.84 million dollars (see table 2). A glance at table 3.2 shows that exports of these goods to the Arab countries amounted to around $ 53.481 million, or about 88% of Jordan's total exports of these goods to all countries. Jordan's exports of the above commodities to other countires did not exceed 12% of these exports, of which only 0.32% went to the European countries, the United States of America and Japan and 11.72% to the rest of the world. This meager proportion reflects the benefit to Jordan of GATT membership and trade negotiations. This present picture might, however, change in the future if new branches of production should emerge in Jordan with an export potential to non-Arab countries.

D. Iraq

It is clear from table 2 that crude oil forms the greater part of Iraq's exports, accounting for around 98.58% of these exports in 1975. If Iraq's exports of raw materials, accounting for 0.19%, are added to this proportion, the combined exports of oil and raw materials would constitute around 98.77% of the country's total exports. The remaining exports of tobacco, industrial goods and agricultural commodities, subject to export restrictions in that year amounted to around $ 104 million, which in absolute terms is less than the amount of these goods exported by either Lebanon or Syria and, in relative terms, represents only 1.23% of Iraq's total exports.

The amount of these goods exported by Iraq to the Arab countries came to around $ 23.377 million, or 22.5% of these exports (see table 3) and its exports of these goods to the CMEA countries totalled around $ 7.456 million or 7.18% of its exports thereof. Since these exports to the Arab countries and CMEA are not affected by membership in GATT or multilateral trade negotiations, this value can be subtracted from its total exports of these goods. The remainder of Iraq's exports of these goods to other countries amounts to around $ 73.5 million or 70.31% of its exports thereof, representing the benefit of GATT membership and participation in trade negotiations. Of this amount $ 15.67 million (15.08%) were exported in the same year to European countries, including the EEC, the United States of America and Japan, while the remainder, amount to $ 57.377 million (55.24%), was exported to other countries.

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In spite of the lowness of these figures in absolute terms in relation to other countries of the size of Iraq, its population and economic potential, their relative significance in relation to its exports of these goods is clearly high, in contrast to what might seem to be indicated if they are compared to Iraq's total exports including oil. Hence, Iraq's accession to GATT and its participation in multilateral trade negotiations is a matter worthy of consideration from this aspect and becomes more important if a dynamic view is taken of Iraq's future and economic potential.

E. Common aspects of the exports of certain countries of the region to the principal market economies outside the Arab countries

The common aspects of the exports of Syria, Lebanon, Jordan and Iraq to countries outside the Arab World, excluding countries with centrally planned economies, can be summarized as follows:

(i) The small volume of these exports, in general, with the exception of oil.

(ii) These exports mainly consist of fuel and raw materials.

(iii) Only a small range of items is exported by countries of the region to the developed market economies.

(iv) With the exception of a limited number of commodities, the products exported by the countries of the region to the industrial countries constitute only a small proportion of the latter's imports (or of the exports of the countries of the region themselves).

For example, it can be seen from table 6 that only two items exported by Iraq to the EEC account individually for more than 1% of the imports of these items by these countries, namely liquorice roots (forming 23.7% of total EEC imports of this item) and crude oil (6.9% of total EEC imports of this item). No single item exported by Jordan to the EEC constituted greater than 1% of these countries' imports of that item. There are six items exported by Lebanon to the EEC which each account for greater than 1% of the total EEC imports of these items, namely animal intestines, dried vegetables, lentils, anise seed, travel goods, bed covers and the like.

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Syria only exports two items to the EEC which represent over 1% of total EEC imports of such items, namely liquorice roots, accounting for 24.5% of EEC imports of this item, and dried vegetables, which make up 1.4% of their imports thereof. Table 5 gives a similar picture with regard to the imports of Switzerland from four countries of the Economic Commission for Western Asia region. Columns one and two of Table 4 support this picture with regard to the imports of the United States from the same four mentioned countries.

The importance of this phenomenon lies in the fact that a country importing from one of the ECWA countries an item that represents only a minor proportion of its imports of this item would gain no advantage from granting concessions to the exporting country in exchange for limited counter benefits. This is because any concession obtained by an ECWA country would, in accordance with GATT rules, be extended to all other countries, including those which export this item in large quantities to the importing country. Consequently, the country granting the concession would pay an exorbitant price for a limited benefit obtained from the ECWA member country. This high price leads to reluctance to grant such a concession.

From the static view point therefore, this phenomenon, in addition to other common aspects, confirms the limited nature of the advantages to ECWA countries of GATT membership and of multilateral negotiations. From the same perspective even if these countries do not participate in negotiations, it is probable that other countries with greater interests at stake, due to the significance of their export volume in relation to their economies or to world trade, will participate therein. By virtue of the most favoured national principle, the countries of the region may benefit from the results obtained by these other countries for the removal of barriers to their exports. This may happen without the ECWA countries having to join GATT or make any commitments or concessions.

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f) The Advantages to other ECWA Countries of Multilateral Trade Negotiations

The advantages to other member countries of ECWA in joining GATT and entering into multilateral trade negotiations do not differ significantly from those in the examples discussed above,

It is well known that, apart from crude oil, the Kingdom of Saudi Arabia has no exports of absolute or relative significance at the present time with the exception of nitrofertilizers, the exports of which amounted to around 38 million riyals in 1973. Dates, skins and scrap iron are exports of secondary importance. This picture may change if the Kingdom of Saudi Arabia moves from this stage toward greater industrialization and in particular, to the manufacture of petro-chemicals. At such time it may have an important incentive to join GATT and to participate in trade negotiations.

In varying degrees the same is true for most of the Arabian Gulf States. Apart from crude oil, the main exports of Kuwait at the present time are chemical fertilizers. In 1975 Kuwait exported 48.582 million Kuwaiti dinars of these fertilizers (equivalent to approximately $173.5 million) or about 13% of its total exports.

With the exception of crude oil, Bahrain's primary export is aluminium. In 1975 Bahrain exported 26.74 million dinars (approximately $ 57.5 million) of aluminium, out of a total export figure of approximately 71.7 million dinars or $ 154 million, including re-exported goods.

The main exports of Oman are dried limes and certain vegetables and fruits which are of relatively minor importance with regard to their total foreign exchange earnings.

The principal exports of the United Arab Emirates, excluding petroleum, are dried fish, dates, uncured skins and scrap iron, which together represent only a small proportion, as is the case in the Kingdom of Saudi Arabia.

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The chief exports of the Yemen Arab Republic are cotton, coffee, uncured skins, cotton seeds and dried fish which, apart from coffee, are raw materials. The country's entire exports only cover 6-7% of the value of its imports and represent a very minor proportion of world trade.

The main exports of the People's Democratic Republic of Yemen consist of refined petroleum oils, cotton, skins, dried salted fish, cotton seeds, cotton fabrics, rice, coffee and scrap metal. With the exception of the refined oils, the relative importance of these items is very minor both for Yemen and for the world at large.

These countries' exports of non-petroleum products undoubtedly include important items such as chemical fertilizers deserving promotion either through participation in multilateral negotiations or bilateral agreements, but the number of these commodities, as we have seen, is small at the present time.

3- Ability to defend commercial interests

The membership of one of the countries of the region in GATT or its participation in multilateral trade negotiations might enable it to defend its commercial interests if these interests were threatened as a result of a measure taken by any other country, since the country which interest is affected has the right to request the country concerned to rescind its measure if this contravenes the GATT rules and to further request that both parties enter into consultations. If such consultations should fail to provide a satisfactory result, the country which interest is injured may submit a complaint against the other country to the Contracting Parties and other injured countries may endorse this complaint, thus supporting the former country in its stand.

This ability to defend the country's commercial interests is furthered by the country's negotiating power. The greater the volume of its imports of competitive commodities from the country which is the subject of the complaint, and the greater the reliance of that country on the exports of the complaining country, the greater this power becomes. It is well known that the negotiating power of the rich oil producing countries of the region and especially of the Kingdom of Saudi Arabia has increased in recent times in view of the expanding volume of its foreign trade and the growing importance of oil following the price increases of 1973. The negotiating power of other member countries of ECWA, such as Syria, Lebanon, Jordan and Yemen is, however, limited firstly by the small volume of their trade in relation to world trade and the markets of their trading partners and secondly by their lack of strategic products that could be exported in significant quantities.

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In addition to the above, the accession of a country of the region to GATT and its participation in multilateral trade negotiations would enable it to become more fully acquainted with the import and export regulations of other countries of the world and also with changes in these regulations, which would make it easier for it to benefit from available opportunities if it should so wish. The experience obtained in this field through the participation of its nationals in negotiations would also have an importance that should not be ignored.

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Summary and conclusions

It seems clear from the foregoing analysis that the direct advantage to most countries of the region of membership in GATT and of multilateral trade negotiations is limited in view of the small volume, in absolute and relative terms, of their exports which are subject to tariffs or other barriers in the industrial countries. The way to reduce or eliminate existing barriers in the Arab countries is not necessarily through GATT membership of multilateral trade negotiations. Similarly the course to reduce trade barriers facing the exports of ECWA countries in the countries of centrally planned economies is to conclude economic agreements to this effect with them rather than through multilateral trade negotiations. However, this picture may change to some extent in the future if account is taken of: Firstly, the possibility of an increase in the exports of countries of the region to the outside world, particularly to the industrial countries with market economies, given an appropriate climate, especially a responsive attitude on the part of the countries importing these goods towards the elimination of barriers, and flexibility of supply and adaptation on the part of the countries of the region; and secondly, of the possibility of certain countries of the region moving into a second stage of production in which new export-oriented types of production, such as petro-chemicals may appear. The export of such commodities will be subject to barriers that joint negotiations would help to eliminate. This aspect is made even more significant by the fact that the crude oil exports of the oil producing countries may provide them with negotiating power for the export of their other products on a bilateral basis through which they may gain even more than they would through multilateral trade neotiations. It should be noted that the current round of trade negotiations is due to end in 1978. After their conclusion, it stands to reason that consideration will be given to a new round or measure in which greater concern may be shown for the interests of the developing countries.