NOTE BY THE PRESIDENT

Meeting on 24 June 1980

1. The Working Party on Accession of Greece to the European Communities held its first meeting on 24 June 1980. It had available the text of the documents concerning the accession of Greece to the European Communities (EC) as well as the replies to questions which had been asked by contracting parties (L/4969). After having heard general statements, the Working Party proceeded to an examination of the Act based on the questions and replies. The content of the general statements and the main points made during the discussion relating to the questions and replies are set out below.

I. GENERAL STATEMENTS

2. In his opening statement, the spokesman for the EC first recalled that this was the second occasion in which the EC had presented an enlargement to their trading partners in the GATT, and the third occasion if the presentation of the Treaty of Rome was counted. The economic and commercial implications of the accession of Greece to the EC were of a quite different order of magnitude from those examined in 1972. As the Working Party proceeded with its work, it was important to bear these differences in mind, in particular the existence of a very large flow of preferential trade among the parties to the enlargement and

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1Referred to in this document as the "Act".
the absence of very large flows of agricultural trade. The extension to a customs union had been one of the main objectives of the Association Agreement between the EC and Greece - itself the first agreement of that kind to be concluded after the entry into force of the Treaty of Rome. The culmination of the process of Greece's progressive incorporation into the customs union of the EC was the completion of a process which had begun nearly twenty years ago. Greece had been making the necessary adaptations to its economy. Virtually all of Greece's agricultural and industrial trade with the EC was duty free. There would not be substantial changes in the pattern of trade between the enlarged EC of the Ten and the rest of the world. This was a substantial difference between the present case and the enlargement of 1972-73.

3. The spokesman for the EC underlined the relationship between the Association Agreement and the Act. The Act governed the rights and obligations of the parties in relation to the EC as a whole. It contained many provisions of interest only between the partners, which did not affect the rights and obligations of third countries. The Act went a good deal further than the Association Agreement by incorporating a number of more binding and more precise obligations on Greece and on the EC. For example, Greece would be required not only to apply the common customs tariff (CCT) but the customs legislation as well. The Act provided a new legal basis between the parties and introduced a qualitative change in their relationship.

4. The question had been raised of the relationship between the internal obligations and the external relations, and whether certain benefits which were foreseen between the parties to the enlargement would be extended to all GATT countries on an m.f.n. basis. In some cases the m.f.n. application of
these benefits was foreseen, in other cases it was not although this was not excluded. There was in fact no obligation in this respect under Article XXIV which precisely permitted the creation of a customs union in derogation from other provisions of the General Agreement. It was of course recognized that, as stated in Article XXIV:4, the whole purpose of an enlargement of a customs union was to create trade, to be a dynamic element and not to raise barriers to the trade of other contracting parties. Experience had shown that the operation of the customs union within the EC and of its enlargement had been of a dynamic nature and had lead to trade creation.

5. The spokesman for the EC said that his delegation would be emphasizing throughout the work of the Working Party that Greece's acceptance of the obligations in the Act would ensure that the conditions of Article XXIV:5(a) were fully met. The examination of the matter in detail was likely to establish that there was a substantial credit for the enlarged EC in the sense that there was a considerable movement in Greece towards liberalization, i.e. greater access and reduction of tariffs. On an overall basis, the general incidence of all these changes would be very positive. In adopting the CCT, Greece would be moving from an average duty rate of 18 per cent to one of 4 per cent, or 6 per cent when petroleum products were excluded. That figure would be subject to the reductions which the EC had agreed to make in the Multilateral Trade Negotiations, the results of which would also be binding on Greece from the date of accession. These figures were applicable to industrial products, but they gave an order of magnitude of the degree of liberalization which took place. The number of tariff bindings applicable to Greece would also increase by a factor of three. There would be a considerable increase in security for the interests of third parties. As regards quantitative restrictions, Greece would be liberalizing its import régime for about
200 products from the date of accession, and the benefits for third parties would also be very substantial. For all of these reasons, the EC thought that, when the Working Party would come to reach a conclusion with respect to Article XXIV:5, the conclusion should be a very positive one.

6. Associating himself with the statement of the spokesman for the EC, the representative of Greece recalled that his country had been the first to enter into an association with the EC in 1962 and that the trend in trade between the parties and in relation to third countries, which had been regularly reviewed every two years within GATT, had been beneficial to all countries and had not resulted in any trade diverting effects for third countries. The trend in the Greek trade balance showed that the deficits were increasing to the detriment of Greece. The Act established a new framework for relations within the Community and with third countries, i.e. relations with other non-EC developed countries, State-trading countries and developing countries. The Act was a definitive agreement consistent with Article XXIV of the General Agreement and not an interim arrangement. Greece was to become a full member of the EC on 1 January 1981. Taking into account the specific characteristics of the Greek economy, the Act contained some transitional provisions for technical adaptation. Those provisions were of a temporary character, whereas the commitments entered into by Greece were of a permanent nature. Those commitments were all the more important in the case of third countries. In accepting the Community patrimony Greece was accepting additional obligations vis-à-vis those countries in the framework of the external relations of the EC and of the Tokyo Round, without any real prior negotiation, and without any counterpart from third countries, in particular developed countries. That was the irreversibly positive aspect of the contribution by Greece, which had already been underlined in the Trade Negotiations Committee and before the CONTRACTING PARTIES. Although it was
very difficult, if not impossible, to calculate **a priori** the aggregate cost for the Greek economy and to quantify it, that cost seemed very high for Greece because of its substantial concessions vis-à-vis its trade partners within GATT in the tariff and non-tariff areas in a period of recession. In accordance with the provisions of the Act regarding external relations, Greece was to apply the generalized system of tariff preferences, participate in the preferential agreements of the EC, introduce the Multifibre Arrangement (MFA) and subscribe to the results of the Tokyo Round under the conditions stipulated in the Act.

7. One member of the Working Party stated that according to Article XXIV:4, the purpose of the Act should be "to facilitate trade between the constituent territories and not to raise barriers to trade of other contracting parties with such territories". On the basis of the available information it was his preliminary evaluation that the Act did not meet the requirement of not raising barriers to trade of other contracting parties with the constituent territories. As a consequence of the Act, the duties and other regulations of commerce of the enlarged EC in respect of trade with his country would be on the whole higher and more restrictive than the general incidence of duties and regulations applied by Greece in its trade with his country prior to the Act. Due to this change, at least 60 per cent of total exports to Greece by his country would be subject to higher duties and more restrictive barriers, including the introduction of common organizations of market for agricultural products of major export interest to his country, such as cheese and curd, pork meat, bovine meat; and buses. In addition, some of the export products would be subject to quantitative restrictions not consistent with Article XIII which would be a totally new and astonishing development in the
import régime of Greece. Another unfavourable consequence of the accession on his country's exports consisted of the fact that the size of some of the quotas appearing in the Annexes to the Act were extremely low; the quotas introduced in relation to all State-trading countries together were in some cases lower than his country's present export volume alone for a given product. The open tender procedure followed hitherto by Greece would cease to exist, due to the introduction of the so-called list of approved suppliers. The export possibilities to the Greek market would further deteriorate by the application of the Common Agricultural Policy (CAP) as well as by the extension of the MFA to his country's exports to Greece. The effect of the MFA on exports could not yet be judged. The introduction of separate quantitative restrictions listed in Annexes V and VI to the Act towards State-trading countries amounted to a violation of contractual obligations of Greece towards his country, both under the provisions of Article XIII and of paragraph 4(a) of the Protocol of Accession of his country to the GATT. The general conclusion was therefore that the Act did not meet the criteria of Article XXIV:4 and 5(a) of the General Agreement.

8. Another member of the Working Party said that the objective of his delegation in the Working Party was based on the general interest that his country has held in the operation of Article XXIV and the continuing process of integration of the European economies. There was also a particular interest in ensuring that his country's rights under the General Agreement and specific trade interests were protected. In order to provide a basis for judgement on these two questions, additional clarification and information was needed, inter alia, relating to the Greek import régime after 1 January 1981 and the operation of the EC's common commercial policy within
the enlarged EC. His view was that this meeting of the Working Party could only be an initial one and that the relationship between the provisions of the Act and the General Agreement had to be considered more fully. While he appreciated the efforts being made by the parties to provide information and respond to the questions, he had found that in many instances the answers had been less than would have been hoped, and in some instances they had been vague and evasive. Several detailed questions had been raised as to whether the Act was an interim agreement in the sense of Article XXIV but the answer had been simply that the agreement was not an interim but a definitive agreement laying down transitional measures. He wanted to keep the Act open for examination by the Working Party until certain transitional measures were clarified.

9. Another member of the Working Party welcomed the opportunity to discuss the Act. The initial efforts of the two parties to supply information were appreciated, but further clarification and more data were required for a full review. His delegation would be looking at the Act from the point of view of the entirety of Article XXIV and not just at specific parts of it.

10. Another member of the Working Party said that there was a need to obtain a lot more information than was available at present. He agreed with one of the previous speakers that further meetings were needed to examine the additional information which should be provided. Recalling the views expressed by the spokesman for the EC as to the differences between this review and the earlier one in 1972-73, he said that since the accession of Denmark, Ireland and the United Kingdom, the members of the Working Party had gained more experience which was particularly important with respect to the questions which had been left open at that earlier review. The present review was also important because other countries were expected to join the EC. As to the
beneficial effects of the enlarged EC on the development and expansion of trade between the EC and third countries, the experience of his country in the agricultural sector was far from that described by the spokesman for the EC. In some instances, trade had completely ceased, and in other instances it had been reduced to insignificant proportions. He was reserving the rights of his country under Article XXIV:6 of the General Agreement.

II. QUESTIONS AND REPLIES

1. General considerations

II. With reference to the reply to questions 1-11, one member of the Working Party said that his delegation did not share the view expressed by the EC according to which the implementation of the Treaty of Rome and the enlargement of the EC by Denmark, Ireland and the United Kingdom in 1973 had had beneficial effects on the trade of third countries. As a consequence of the accession of the United Kingdom to the EC, his country had lost its traditional export market in bacon, boxed ham, butter and canned turkey. The most important export product to the EC, namely cattle and bovine meat, had almost disappeared and his country was facing a most unpredictable supply situation in pork meat and cheese. The situation was identical in the export of mutton due to the recent development in the EC. All these factors offered a very bleak outlook for the bovine meat export to the Greek market. The total exports of processed agricultural products of his country to the EC had decreased from $414.2 million in 1973 to $296 million in 1976. The rates of decrease were very substantial and as high as 76 per cent for vegetables or 72 per cent for horses for slaughter. He added that he could not accept the view of the EC that there was no place for any further examination under Article XXIV of certain provisions of the Act which remained to
be formulated. According to Article 22 of the Act, Greece had to align its import régime to that of the EC including the quota system applied vis-à-vis the so-called State-trading countries. In the absence of complete information as to the future import régime of Greece, his delegation was not in a position to pass judgement on the legal nature and the effects of the measures which had yet to be formulated.

12. One member of the Working Party referred to Article 31 of the Act which provided for the progressive introduction of the CCT by Greece. He asked the parties to the Act for information concerning the list of products where the present Greek tariff was lower than the EC tariff.

13. One member of the Working Party expressed reservations with respect to the benefits of the enlargement to the trade of third countries and recalled that his country had experienced some problems relating to agricultural products due to the previous enlargement.

14. As to the remarks made by the previous speakers to the effect that the trade of specific products from their countries might be adversely affected, the spokesman for the EC stated that this was not the object of the discussions at this stage, noting that the provisions of Article XXIV:5 provided for a global examination relating to the creation of a customs union. Only under Article XXIV:6 could each contracting party request compensation. He added that agricultural and industrial trade had grown since the previous enlargement and that access to the EC market had continued to increase. Everything tended to show that Article XXIV:4 and 5 had been respected in the past and would be respected in the future. It was evident that the number of tariff bindings had increased. He assured the Working Party that the EC would supply the Greek customs tariffs, which would be part of the documentation required.
15. One member of the Working Party referred to the reply given by the spokes­
man for the EC and pointed out that an important part of the examination by
the Working Party was to assess the Act and, in this respect, urged the two
parties to the Act to provide the following information as soon as possible
in order to expedite the work of the Working Party: the CCT and the Greek
tariff as applied on 1 July 1980, the bindings of the two schedules and the
countries with whom the bindings had been negotiated, a concordance between
the CCT and the Greek tariff, the conversion of all specific and compound to
ad valorem duties, and EC import statistics for the latest three-year period.
Without this data, it would be impossible for the Working Party to assess the
general incidence.

16. Another member of the Working Party associated himself with the previous
speaker as to the detailed documentation which was needed. With respect to
the replies to questions 1-11, he said that the information provided by the
parties on the level of access before and after the enlargement were inade­
quate and did not cover the totality of Greek trade. Any judgement on the
conformity of the Act with Article XXIV:5 could not be based on trade in
industrial products only. A detailed description of the EC and the Greek trade
régimes was therefore required including customs tariffs, data on variable
levies and non-tariff measures on the main agricultural products and the
proposed new régime for Greece on these products. The specific interests of
his delegation were in respect of beef and veal, sheep meat, dried wine fruit
and canned fruits with particular emphasis on peaches. He said that he had
difficulty with the comment made by the spokesman for the EC on the subject of
the beneficial effects of the earlier enlargement. He requested the dele­
gation of the EC to provide specific and detailed information on which that
comment was based.
17. One member of the Working Party supported the requests by the previous speakers for documentation and reiterated that, in the light of the provisions of Article XXIV:5(a), it was the explicit task of the Working Party to reach an assessment of the changes in the levels of incidence of protection. In this regard, it would be valuable to dispose of the customs duties, to know about the variable levies in the case of agricultural products and, in respect of industrial products, to receive a complete list of the quantitative restrictions and other non-tariff measures which would be introduced by Greece. As far as the general comments by the spokesman for the EC were concerned, his delegation agreed that the examination under Article XXIV:5(a) should be on a global basis, which, however, consisted of individual elements. He referred to the opinion expressed by some members of the 1972-73 Working Party on Accessions to the European Communities, as reproduced in paragraph 4 of document Spec(73)2, who "agreed that the examination under paragraph 5(a) should be on a global basis, but ..... considered it appropriate and relevant that attention be drawn to the impact of the enlargement of the trade of individual countries".

18. The spokesman for the EC replied that it was not the sum of many individual problems which could provide a global conclusion. As to the documentation which had been requested, a good deal of it would be provided, even if all of this information was not necessary and if in certain cases it was already available. The CCT was published; the Greek tariff, the tariff schedules of the parties and the list of quantitative restrictions were available. If this documentation was compared with the provisions of the Act, a fair assessment could be made of the degree of liberalization that would take place in Greece. He was of the view that not all this information had to be made available at this stage for the purpose of Article XXIV:5(a).
He recalled that in the last Working Party of this kind, the EC did provide a very large amount of highly detailed information, which had never been equalled in this sort of an exercise. As to the remark made by a previous speaker that the EC had not dealt with agriculture in the questionnaire, he said that this affirmation was not completely correct. The reason why the EC did not quote tariff averages in the agricultural sector was well known. As to a similar remark made by another previous speaker that it would be absolutely necessary to have details of all the variable levies before the Working Party could reach a judgement under Article XXIV:5(a), he said that this was not the view of the EC. If the Working Party were to follow that course, it could never reach any conclusions. This had always been the position of the EC and this was sufficiently discussed in the 1972-73 Working Party. He also said that Greece would not introduce any new quantitative restrictions upon the enlargement but some existing ones would be maintained.

Referring to the proposal by the spokesman for the EC to provide certain information, one member of the Working Party stated that at this stage he was not clear about the kind of information which would be submitted. On the subject of levies, he could not accept the views of the spokesman for the EC that enough had been said on this subject on the occasion of the 1972-73 Working Party. On the contrary, this exercise demanded that the Working Party examine all types of restrictions which would apply after the Greek accession, the effect of the restrictions on trade and the extent to which variable levies were a restriction on trade and had the effect of a duty. In addition to the information sought by a previous speaker, the same sort of information should be provided on variable levies, including ad valorem equivalents. It was evident that the Working Party could not satisfactorily conclude its task without the sort of information requested.
20. The spokesman for the EC replied that the mandate of the Working Party was not to examine the common agricultural policy of the EC. The task of the Working Party was to make a global judgement whereas details relating to particular products and countries would be taken up under Article XXIV:6. He was not sure how long the Working Party would be meeting and whether its members were prepared to wait for some of this information to become available, for example the new arrangements on sheep meat under discussion. As to the remarks on variable levies, he added that the point of view of the EC had not changed since the 1972-73 Working Party.

21. With reference to the statement by the spokesman for the EC on the CAP and the nature and effects of the variable levy system, one member of the Working Party expressed the view that it was undeniable that the major objective of the CAP was to protect domestic agricultural products of the EC against more effective and consequently cheaper agricultural exports. The price regulation and levy system of the CAP was fulfilling the same functions as those of duties, or even more as quantitative restrictions on imports. This situation was reflected in the reply given to question 48 that agricultural products which were not yet part of a Greek national market organization should be regulated by quantitative restrictions until the introduction of a common organization of markets at EC level. His delegation could not accept the view that the levy system could not be quantified or should be disregarded from the examination by the Working Party. A levy as a restriction against imports from third countries was negotiable which was demonstrated by the fact that the EC had entered into several undertakings in this respect during the MTN.
22. In reply to a question, the spokesman for the EC stated that his delegation was preparing several of the documents mentioned by previous speakers, although he did not necessarily think that this documentation was relevant to the examination under Article XXIV:5(a). In the past exercise of that kind, a lot of this information was provided for the purpose of negotiations under Article XXIV:6 and this was what his present intention was. Under Article XXIV:5(a), it had been possible in the past to try to reach some general conclusions, perhaps of an interim nature, until the procedures of Article XXIV:6 had been further advanced. One possibility was that the work should move forward in parallel, without getting bogged down because of the need to have all of this information immediately for the purpose of Article XXIV:5(a). The information requested was highly detailed and would be necessary for the purpose of Article XXIV:6. The EC were not yet able to provide all that information.

2. Import duties and other regulations of commerce

23. One member of the Working Party, with reference to reply 14, was of the view that no basis for assessing the overall effect of the Act without the information requested existed. He urged the spokesman for the EC to supply the documentation required and said that he would come back to this question in the future.

24. Another member of the Working Party asked whether the basic duties mentioned in Article 24 of the Act and the bound or legal duties in the respective tariffs of the EC and Greece were identical. The spokesman for the EC replied in the negative. The opinion of the EC was that the bound or legal duties in the EC and the Greek tariff schedules were relevant and not the basic duties.
25. One member of the Working Party said that his authorities had great difficulties in establishing the situation on tariffs levels. He pointed out that, for the purpose of an evaluation of both the requirements of Article XXIV:5(a) as well as Article XXIV:6, information, particularly of a concordance nature, concerning the trade and tariffs of the two parties was required. His authorities had no basis for reviewing the claim made by the two parties that the duties on average would fall from 18 per cent to 4 per cent.

26. The spokesman for the EC replied that the date of 1 July 1980 which appeared in the Act was relevant for the Act only and that the relevant date for the Working Party was 1 January 1981. The question of whether the applied rates were lower might be of general interest in relation to Article XXIV:5. The figures concerning the CCT were widely known from the Tokyo Round. At a later stage, his delegation would be providing the Greek tariff schedule.

27. As to question and reply 15 which referred to the latter half of Article 26 of the Act, two members of the Working Party asked for clarification, in particular with respect to the "necessary measures for the maintenance of Community preference".

28. The spokesman for the EC replied that the text of Article 26 of the Act was identical in the Accession Treaty as discussed by the 1972-73 Working Party. Article XXIV allowed a variety of measures which would ensure that duties applied between the parties to the enlargement were less than those applied to third parties. This was an implicit part of the philosophy of Article XXIV.

29. As to question and reply 17, one member of the Working Party asked whether charges having equivalent effect to customs duties on imports, such as import deposit scheme, prepayment and stamp tax requirements, would be
reduced and eliminated, in accordance with the timetable in Article 29 of the Act, as between Greece and the EC as well as towards other contracting parties.

30. In reply, the spokesman for the EC stated that internal matters between the parties to the enlargement should not be taken up by the Working Party. The provisions dealing with these charges defined an obligation of a general nature which did not necessarily mean that such charges existed or would exist on 1 January 1981. They provided for a procedure if such charges were identified. There was no analogous provision in the appropriate section on external relations. An answer could not be given to the specific question as to the position towards third countries. If charges were to be abolished among the parties but not towards third parties, this would still be consistent with Article XXIV. He added that the particular measures that had been quoted did not fall within the EC definition of charges having equivalent effect.

31. One member of the Working Party reiterated a question which had been raised by previous speakers as to the intention of the parties to assure third countries that the conversion from specific and compound rates to ad valorem rates did not impair previously bound rates.

32. In reply, the spokesman for the EC said that the conversion of specific and compound rates to ad valorem rates, or vice versa, was relevant to the exercise under Article XXIV:6. However, it was not necessary to have available all of the detailed conversions before the Working Party could reach some judgement on the general incidence, given the frequency of the specific duties in the Greek tariff. Some general conclusions could be reached on the basis of the documentation already available. This was perhaps an area where work had to be done in parallel.
33. With reference to question and reply 20, one member of the Working Party stated that when comparing on a preliminary basis the level of present Greek customs duties on tariff positions bound with his country with those of the CCT, it was found that in the case of approximately 20 tariff positions, the present Greek customs duties were lower. In the light of Article XXIV:6, as well as the procedures set forth in Article XXVIII, his authorities wanted to examine the matter with the parties to the enlargement and reserved their right to enter into negotiations with them if the results of the examination made it necessary. For the purpose of the examination, his authorities needed some additional information, particularly on the conversion of present specific Greek customs duties to ad valorem rates, the methodology used and trade statistics. He added that he supported the request made by previous speakers with respect to the communication of additional documentation by the parties to the Act.

34. The spokesman for the EC replied that Article XXIV:6 dealt with movements in bound rates and not with actually applied rates. Consequently, only changes in bound rates should be examined under Article XXIV:6.

35. One member of the Working Party pointed out that neither Article XXIV nor the relevant Community legislation required uniformity as to the regulations of commerce of parties to a customs union, in this case the EC and Greece. Consequently, Greece could have maintained its non-discriminatory import régime towards all third countries. The reply to question 21 showed that there was not yet a common policy on quantitative restrictions. There was no EC legislation which would force an acceding country to introduce quantitative restrictions into its import régime, especially restrictions inconsistent with Article XIII. In spite of the clear provisions of Article XIII and paragraph 4(a) of his country's Protocol of Accession, Greece undertook to
introduce quantitative restrictions not consistent with these provisions on imports from his country. He asked for clarification from the Greek delegation on the reasons and considerations to introduce such restrictions.

36. In reply, the spokesman for the EC pointed out that present restrictions in Greece applied to all contracting parties on a non-discriminatory basis. No new restrictions would be introduced at the time of the Greek accession. The test against the background of Article XXIV:5 was the general incidence of such restrictions. Their consistency with Article XIII and the Protocol of Accession was another question which was not relevant to the examination under Article XXIV:5.

37. The member referred to in paragraph 35 above took note of and confirmed the statement of the spokesman for the EC that at present, i.e. before the accession to the EC, the restrictions in Greece were applied to all contracting parties on a non-discriminatory basis. He did not share the interpretation of the spokesman for the EC that the consistency with Article XIII of measures to be applied by Greece as a consequence of the accession were not relevant to the examination under Article XXIV:5.

3. Existing trade and other regulations

38. With respect to question 25(d) concerning technical regulations for safety and sanitary purposes, one member of the Working Party sought information on the timing of the changes which were required in relation to the EC plant health legislation in order to meet the stated target of full implementation by 1 January 1981. The spokesman for the EC replied that in general
terms the objective was that all technical adaptations to secondary legislation should be carried out by 1 January 1981. If for technical reasons this could not be done, the EC could take provisional measures until the technical problems were solved.

39. Concerning questions 29 through 31 and the responses to them, one member enquired whether the parties could indicate how the current import approval schemes and schemes for the verification of authenticity of payments were to be modified. Another member sought further clarification on how exactly the current import approval system in Greece would be modified vis-à-vis third countries after the accession and whether the new system would be applied on an m.f.n. basis.

40. The representative of Greece stated that accession to the EC entailed adaptation to EC regulations which would further simplify Greece's general import régime. In conformity with Articles 38 and 116 of the Act, the prior deposits still required would be eliminated in four reductions of 25 per cent over a three-year transitional period, applicable to all GATT contracting parties without discrimination.

41. With respect to reply 34 one member did not accept the view taken that Regulations (EEC) Nos. 925/79 and 926/79 of the Council of the Communities were in full conformity with the provisions of the GATT. The very parallel existence of these two regulations meant that they were not consistent with the basic m.f.n. obligations, according to which, unless justified under relevant GATT rules, no distinction based on origin could be made between like and similar products from different sources. Regulation No. 925/79 laid
down a specific and discriminatory treatment in relation to products imported from so-called State-trading countries. The motivation of this regulation was the different economic structure of these countries. This delegation's position was that this notion had no standing under the GATT.

42. The spokesman for the EC noted the statement made and replied that he upheld reply 34 as it had been given. In addition to provisions of the General Agreement which had been mentioned, there were also the provisions of the relevant Protocols of Accession. He added that the "toutes licenses accordées" system did not constitute a restriction.

43. The member referred to in paragraph 41 above, in replying to the spokesman for the EC, stated that neither the provisions of the General Agreement, nor those of his country's Protocol of Accession left any doubt as to the discriminatory nature of quantitative restrictions still applied vis-à-vis his country. In this respect he quoted paragraph 4(a) of his country's Protocol of Accession.

4. Quantitative restrictions

44. In connexion with question 35 and the reply thereto, one member requested clarification as to the future of existing restrictions in Greece which in the case of ten products discriminated against imports from his country. The spokesman for the EC replied that as far as he was aware there was nothing in the present Greek import régime which discriminated against the country in question but, at any rate, any such restrictions had to be abolished upon the accession of Greece to the EC.
45. The reply to question 35 was also taken up by another member of the Working Party, covering at the same time the replies 36, 37, 38 and reply 1 to the additional questions. This member did not accept the replies provided by the parties. First, the parties to the Act had not given any GATT justification for the maintenance of restrictions listed in Annexes V and VI of the Act. Eight of the quantitative restrictions contained in Part I of Annex V were maintained only vis-à-vis third countries; their existence was contrary to Article XI of the GATT. In addition, new discriminatory quantitative restrictions on three CCCN headings (appearing in Annex V, Part II of the Act), were introduced into the trade between his country and Greece which were not consistent with Article XIII of the GATT. Consequently, the respective provisions of the Act were not in conformity with the provisions of Article XXIV because duties and other regulations of commerce would be more restrictive than before accession; they were also contrary to the provisions of Article XIII and violated paragraph 4(a) of his country's Protocol of Accession. This member, therefore, reserved his position as to the conformity of the Act with the provisions of Article XXIV and reserved fully his rights under the GATT, including his country's Protocol of Accession. He said that his delegation would revert to this subject in an appropriate forum.

46. Another member of the Working Party associated himself in general with the previous statement. He pointed out that Greece had not in the past applied discriminatory import restrictions in the trade with his country. The accession of Greece to the EC would result in the application of common
rules for imports from State-trading countries, including the application of quantitative restrictions covered by Article 115 of the Act. According to a preliminary evaluation, the ensuing import régime would increase the protection on the Greek market. The quotas so far established, in particular in Annex VI of the Act, were also very low. This member wondered what measures the EC and Greece intended to take in the light of Article XXIV:6 if an increase in protection for individual products could be established.

47. The spokesman for the EC, in a preliminary reply, stated that the level of a quota could of course be examined and might usefully be discussed bilaterally, but particular figures which had been given did not accord with EC records and would have to be looked into again. In general terms, however, it would not be true to say that the quotas were fixed at levels lower than present trade; moreover, Article XXIV:5 of the GATT referred to "the general incidence", viz. the incidence of the trade régime of the enlarged EC on all of their partners. The quota régime set out in the Act, covering only the five-year transitional period, showed that there could be no doubt that the incidence was positive as a whole to all of the ECs' partners because the number of restrictions indicated in the relevant Annexes was very small compared to the present situation in Greece; even where quotas were relatively low, they might often replace what had been a situation of virtually no imports at all. Looking at the incidence on a particular group of countries - which Article XXIV:5 did not require -, the liberalization which would take place in Greece's régime was also substantial and permitted no doubt as to the positive incidence in respect of these countries. This, he said, was relevant for the Working Party rather than specific questions about the Annexes V and VI. With regard to Annex V, it contained no new
Greek restrictions but listed existing restrictions which were being continued by way of a temporary derogation and would be phased out. These derogations had no implication for the import policy of other EC member countries. Greece would, on the other hand, align its trade policy to that of the EC which did not mean that for any product which was under restriction in the EC, Greece would also have to apply a restriction.

48. In reply, the member of the Working Party mentioned in paragraph 45 above, stated that he could not speak on behalf of the so-called State-trading countries, even less so because he did not recognize the validity of this distinction in the context of the GATT. The CONTRACTING PARTIES had decided that individual cases should be dealt with on a case-by-case basis and on their own merits. His country's trading system had been thoroughly examined, discussed and negotiated with the result that the partners had entered into certain contractual obligations. An increase both of the level of protection and of the element of discrimination was clearly relevant to the present work.

49. The spokesman for the EC replied that what might be relevant in another forum was less so in a Working Party which had as its task to look into the general incidence. Article XXIV:4 had to be considered as the expression of a general principle rather than giving detailed guidelines. Furthermore, the EC held that its arrangements had in the past and would in the future facilitate trade amongst the constituent territories and would not raise barriers to its partners. With reference to Article XXIV:5 and against the background of the very considerable liberalization of restrictions which would occur in Greece, it was very hard to claim that barriers were being created; even if it might be true for one or two products, the overall situation was clearly the opposite.
50. Another member of the Working Party agreed in part with the views of the spokesman for the EC but said that further detailed information and documentation was needed in order to make a meaningful appraisal of the Act.

5. Agreements of the European Communities with third countries

51. On question and reply 39 one member of the Working Party asked whether there had been any further progress with respect to the negotiations provided for in Article 118 of the Act, with third countries. The spokesman for the EC informed the Working Party that agreements with five EFTA countries had been initialled and negotiations for most of the other agreements were under way.

6. Commodities

52. One member stated that the reply to question 41 did not provide the requested information on product prices and wondered when such information could be made available. Another member asked what timing had been foreseen for the alignment of price levels and to which products this would apply.

53. The spokesman for the EC made a general statement relating to agriculture which is reproduced in the Annex. As to the specific clarifications sought with regard to question and reply 41, a calculation of prices in Greece as compared to the EC had been undertaken in 1978 and was reflected in Annex 2 to L/4969. A definite calculation would probably be made in the second half of 1980; its result could be expected to be made available to members of the Working Party at that time.

54. With reference to the general statement of the EC to the effect that measures equivalent to customs duties and quantitative restrictions had been eliminated by the EC, one member further asked how the EC defined these
concepts. The spokesman for the EC replied that the EC did not regard a variable levy to be a measure having effects equivalent to customs duties; what was meant in this context were e.g., sanitary measures.

55. Another member requested information, when it became available, on the time-table for Greece's introduction of levies under the common agricultural policy with respect to the following specific products: live cattle, unsweetened milk, poultry for breeding, wheat, wheat flour, wheat gluten and barley.

56. One member asked whether in view of the information given in reply 42 it would be possible to indicate at present what products would receive production aid in Greece greater than that presently being received. The spokesman for the EC replied that no sectors in Greece were likely to receive any greater aid than hitherto. In order to be precise in this respect one might revert to this matter in the autumn when the details were likely to be laid down. In the light of this reply one member enquired whether the aid referred to included such EC schemes as support to private storage or whether it only dealt with price support in terms of the CAP. The spokesman for the EC replied that the fixing of agricultural aids was essentially a political question, the outcome of which he could not prejudge. There was no intention at present, however, to increase the amounts of agricultural aid, all products taken together.

57. One member noted that while reply 42 indicated that production incentives would not be provided for products currently in surplus in the EC, a particular provision of the Act foresaw such aid to be given to the production of olive oil. The spokesman for the EC replied that the EC was presently a net importer of this product.
58. Turning to reply 43, one member put on record his delegation's interest in negotiations on the basis of the provisions of Article XXIV:6, taking into account that there were some export products of his country for which tariffs and other regulations of commerce, including the introduction of a levy system by Greece, became more restrictive after the accession of Greece to the EC. A non-exhaustive list of such products included cheese and curd, pork meat and bovine meat, products in which his country was second or third supplier to the Greek market. A calculation made by his authorities on the restrictive effect of the introduction of a levy system on these products, taking into account his country's actual export prices to the Greek market in 1978 and the average amount of levy perceived on these products by the EC in the same year, had resulted in a levy protection of 135 per cent on cheese and curd, 40 per cent on pork meat and 90 per cent on bovine meat. Also in the context of Article XXIV:6, his country had a major interest in buses, being first supplier to the Greek market.

59. The spokesman for the EC reiterated the EC's readiness to enter into Article XXVI:6 negotiations on GATT-bound items. Due account would, however, have to be taken of the credit claimed by the EC for the reduction of other tariffs. In this context all existing bindings, including on industrial products, had to be considered. The EC felt that in global terms its partners had been compensated. With respect to the figures which had been cited, he did not deem it appropriate to attempt to quantify the variable levies, because a number of world market factors as well as internal EC prices were playing a rôle.

60. One member of the Working Party could not share the view by the EC concerning the balance of concessions and tariff increases relating to different products.
61. On question 44 one member stated that the answer provided by the EEC was meaningless, wrong and misleading because the GATT had never "traditionally employed" any method for the determination of variable levies. Another member of the Working Party also queried what these traditional methods were. This delegation could not accept the contention by the EC relating to variable levies and reiterated in this respect his basic view expressed in paragraph 21 above.

62. The spokesman for the EC agreed that a concordance of views had not been reached in the GATT on how to carry out the exercise envisaged in Article XXIV:5 in respect of variable levies. In the light of the relatively recent tradition to which the EC had referred, the Working Party ought to reflect on this problem. Attempts which the EC had made earlier to measure levies through their effect on trade had shown that the evolution of EC's agricultural trade compared with that of adhering countries was such that the EC agricultural system was not more restrictive or unfavourable than other sorts of protection in use. The EC would attempt to furnish a demonstration of why in the sense of Article XXIV:5 the protection of the EC was not higher than that which had been applied by Greece, but rather the opposite.

63. The member referred to in paragraph 61 above recalled that the method of measuring levies through their effect on trade flows had been rejected in 1972. That methodology was no more acceptable now than was the case at the time of the earlier EC enlargement. He stated that levies were like customs duties in that both imposed a price disadvantage on foreign suppliers. This price disadvantage was fixed in the case of levies. If this contention was not accepted, then levies were clearly classified within the reference in Article XXIV to "other regulations of commerce". Obviously, this clause was designed to cover the large number of particular measures which could regulate commerce at the frontier and which it would not be possible to specify in
advance. Thus, there was no question but that variable levies would need to be included in the present examination by the Working Party.

64. In connexion with question 45 and the reply thereto, one member asked whether an assessment had been made as to the impact of Greece's accession on m.f.n. suppliers' trade in dried fruits, citrus and canned and processed fruits such as peaches and canned mixtures. Another member asked whether in the light of the price support system in the EC there had been an increase in production in the member States which had acceded previously. Yet another member asked whether the granting of levy reductions on certain imports by sea into Italy was contemplated also in the case of Greece.

65. The spokesman for the EC stated that he did not believe that total agricultural production in Greece would be substantially modified as a result of the price support policy of the EC. He recalled in this connexion that the price support offered in the EC had to be seen in the light of existing inflation rates. The levy reductions referred to were motivated by higher unloading costs in a particular port.

66. On reply 47 one member asked whether any recent developments could be reported with respect to Regulation (EEC) No. 516/77 and the treatment in that context of raisins and dried figs. The spokesman for the EC replied in the negative.

67. One member enquired how the preferential tariff rates dealt with in reply 50 would be maintained. The spokesman for the EC replied that the EC did not intend to make any changes in these preference schemes as a result of the Greek accession.

68. On the reply to question 52 one member requested a more precise statement on the limitation of processing subsidies for peaches and the criteria used for in determining whether a production potential gave "cause for a serious imbalance". The spokesman for the EC stated that although the
possibility of limiting these subsidies existed, this did not necessarily mean that such action would be taken. It was not possible at the present stage to say when and what possible future action the Council of Ministers might take in this respect. A number of criteria could be taken into account, a basic one being the evolution of prices, in particular if they fell under a certain level over a certain number of days in a representative market.

69. Concerning imports of sheep meat into Greece (reply 53), the Greek representative stated that this product had created certain problems in the fields of storing, sanitary requirements, etc. which made it necessary for the Government to impose regulations from time to time. However, imports had occurred in spite of the fact that as a general principle, imports were prohibited.

7. Other questions

70. Concerning the special arrangements which were referred to in reply 58 in respect of Greece's acceptance of the Agreement on Government Procurement, one member wondered whether this meant that Greece would conduct entity negotiations with Agreement signatories. The spokesman for the EC recalled that this Agreement had been signed by the Commission for the EC; it followed that no separate signature by Greece of this particular Agreement was necessary. There might, however, be a need for certain special arrangements, the form and extent of which were still not clear. Such arrangements would seem to be a matter for the signatories to the Agreement to discuss amongst themselves.

71. On the Agreement on Import Licensing Procedures taken up in question 59, one member stated its interest in knowing what provisions were being made in Greece to enable its accession. The spokesman for the EC stated that this Agreement would become part of the common commercial policy of the EC to which Greece by virtue of its accession would accede.
8. Additional questions

72. The statement by one member in relation to reply 1 is set out in paragraph 45 above. One other member associated himself with this statement. The spokesman for the EC took note of the interpretations expressed, which he did not share.

73. One member asked whether Greek trade restrictions maintained for balance-of-payments purposes would be applied to other member States of the EC. The spokesman for the EC recalled his view earlier expressed that too rigid positions ought to be avoided. Therefore, the question raised should be discussed on a bilateral basis as it had no direct relationship to the mandate of the Working Party. The member who had raised this question stated that he had done so in the context of Article XXIV.

74. In response to a question, the President indicated that all members of the Working Party had the right to submit further questions to the secretariat for circulation.

III. FURTHER WORK OF THE WORKING PARTY

75. The Working Party agreed to reconvene on 14 July 1980 for the purpose of establishing which type of additional documentation and data would be required, and at what time, in order for the Working Party to carry out its mandate.
ANNEX I

Statement by the EC Representative
Under Point VI "Commodities" (see Paragraph 53 of the Note by the President)

The guiding principle in the negotiations for enlargement of the EC to include Greece was based on the acceding party taking over the Community patrimony, and from the moment of its accession Greece adopts the various mechanisms of the common agricultural policy. On the other hand, the alignment of agricultural prices, the introduction of aids and completion of the customs union are effected progressively in the course of the transitional period.

For the majority of products that period is five years, with the exception of peaches and tomatoes, for which it is seven years.

With respect to the customs union, the rule applied is that of progressivity, except in cases where the customs duties are inconsistent with the specific mechanisms of a common organization of the market. In such case, the Greek duties are replaced, as from accession, by the system in force in the market organization concerned. On the other hand, where a common organization of the market comprises a price mechanism in addition to a customs duty, the Greek tariff alignment is made immediately.

It must be underlined that the Community patrimony provides for elimination of all measures equivalent to quantitative restrictions both in intra-Community trade and in trade with third countries. The same elimination is provided for quantitative restrictions except in respect of certain Greek cheeses, chickpeas, hazelnuts, lentils and beans. These latter restrictions will be eliminated progressively during the transitional period.

With respect to alignment of aids and prices, it should be noted that national aids inconsistent with the Community provisions are eliminated as from accession, while others will be eliminated progressively. Aids granted
within the framework of EC market organizations are introduced in Greece according to the specific mechanisms of each such organization, but in general in a progressive manner. Differences between prices in Greece and in the EC will be narrowed by equal instalments throughout the transitional period, and will be calculated on the basis of a representative period for each product. Alignments in respect of aids and prices will commence as from the beginning of the first marketing season after accession.

In cases where the institutional prices applicable on Greek territory, during the transitional period, are at levels different from those in effect in the EC, compensatory amounts will be charged in order to avoid any distortion. These compensatory amounts are charged or granted in trade between Greece and the EC; those same amounts are deducted or added to levies and refunds in trade between Greece and third countries.

Where the situation so warrants, in the course of the transitional period, both Greece and the EC have the possibility of resorting to safeguard measures in respect of their mutual trade.