WORKING PARTY 2 ON ARTICLE XVIII

Additional information concerning the measures notified by Lebanon and Syria

The Lebanese and Syrian delegations have submitted the following information concerning the production of:

<table>
<thead>
<tr>
<th>Product</th>
<th>Tariff Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolate and articles made of chocolate</td>
<td>132</td>
</tr>
<tr>
<td>Cabling, cordage and twine</td>
<td>566</td>
</tr>
<tr>
<td>Footwear</td>
<td>600 - 605</td>
</tr>
<tr>
<td>Glass and glassware</td>
<td>663 - 661</td>
</tr>
<tr>
<td>Doors, windows and manufactures of wood</td>
<td>398(a), 401 - 405</td>
</tr>
</tbody>
</table>
CHOCOLATE AND ARTICLES MADE OF CHOCOLATE

The first chocolate factories were set up in Syria and Lebanon soon after the first world war but the main development of this industry has taken place since 1938. At the present time, there are 82 chocolate factories in Lebanon, including four large ones and one completed only last year. Capital investment in the chocolate industry totals nearly two million Lebanese pounds.

The production of chocolate in Lebanon increased considerably during the war, rising from 60 tons in 1944 to 75 in 1945, to 300 in 1946 and to 425 in 1947. Syrian output in 1947 totalled 871 tons.

Although imports have, consequently, declined from 384 tons in 1938 to 209 tons in 1947, there is still a wide gap to be filled before domestic consumption requirements are met, exports amounting to the insignificant figure of only 10 tons a year. War-time development has shown that, if protected from foreign competition, this industry can increase its output within a few years.

Quota regulations for this commodity are contained in Decree No. 2298 dated 19 January 1946 in respect of Lebanon, and Instruction No. 5617 dated 11 November 1946 in respect of Syria.

It is estimated that a five-year period of protection is necessary for the development of this industry.

CABELING, CORDAGE AND TWINE

The production of cabling, cordage and twine is a long-established artisan industry, employing hemp, a home-produced primary commodity of some importance.

In Syria, the areas under hemp in 1944, 1945 and 1946 were 5,840, 5,220 and 4,740 hectares respectively. Whereas cabling, cordage and twine exports fell from 371 tons in 1946 to 213 tons in 1947, imports rose from 9.8 tons in 1946 to 64.6 tons in 1947.
There is thus definite evidence, on the one hand, of a decline in the area under hemp and in exports of cabling, cordage and twine and, on the other hand, of an increase in the imports of such articles.

In this connection, it should be pointed out that Syrian cabling, cordage and twine manufactured from hemp are markedly superior in quality to imported articles of similar type.

If a free rein were allowed to foreign competition, the low-quality imported goods might well oust our high-quality domestic products from the market and thus threaten these two branches of agricultural and industrial activity not merely with a bar to their future development but with complete ruin.

In view of this, the competent Syrian authorities, wishing, at the same time, to maintain a certain influx of low-quality imports at suitable prices, have found it necessary, since the beginning of 1947, to submit imports of cabling, cordage and twine to quota restrictions calculated according to requirements of low-quality goods and to the state of domestic production.

FOOTWEAR

The manufacture of footwear in Syria and Lebanon is essentially an artisan industry, utilizing local leather. The industry turns out two types of footwear, the ordinary shoe worn in Western countries and our own, and the sandal-type shoe worn in the rural areas of other Arab countries in the Near East. In 1947, we exported only 171 tons compared with 416 in 1938. Inquiries on the spot revealed that this decline was due to a slump in the sales abroad of our ordinary footwear, the cost price of which had become far higher than that of similar articles manufactured elsewhere by more modern methods.
The 171 tons which we succeeded in exporting were of sandal-type shoes manufactured exclusively in Syria and Lebanon.

At the same time, imports which, on account of their lower cost price, offer serious competition to local footwear, rose from 100 tons in 1938 to 109 in 1947.

The quota system, established in Lebanon by Decree No. 2298, dated 19 January 1946, and in Syria by Instruction No. 5617, dated 11 November 1946, is intended to prevent articles of foreign manufacture from ruining a domestic industry in process of development. This protection should enable Syrian and Lebanese artisans to improve their methods and to produce goods made of local leather at lower prices.

**GLASS AND GLASSWARE**

At the beginning of the second world war a primitive artisan industry manufacturing glass from local raw materials existed in Syria and Lebanon. The modern factory set up at Damascus before the first world war was closed down through lack of credit facilities and sufficient protection.

During the second world war, this industry made some progress and managed, with makeshift machinery, to meet the reduced consumption requirements. As, however, with the end of the war this new artisan industry was again threatened with collapse through complete inability to withstand foreign competition, a limited liability company was formed in Syria in 1946 with a capital of 5,000,000 Syrian pounds, for the purpose of manufacturing glass and glassware of every type, employing the raw material available in large quantities in Syria and Lebanon and the operatives trained during the war.

This new company has just completed the construction of a factory equipped with the very latest plant and intends to start
production this year. The production capacity of this new branch
of industry is estimated at 10,000 tons of glass and 5,000 tons of
glassware, including electric bulbs.

When it is considered that our imports of such articles
totalled 5,588 tons in 1947 whilst exports for the same year were
391 tons, it is clear that the home market will provide a big outlet
for this industry.

Hence the protective measure was adopted before 1 September 1947
in Syria and Lebanon, in order to foster the establishment of a new
branch of industry. The measure consists in including glass and
glassware in the schedules of goods subject to quota.

The result of this measure has been to encourage investment
in the shares of the new company and the final establishment of the
industry.

It is not possible, for the moment, to stipulate the period
of time for which this measure will be required, but a five-year
period must be envisaged, at the end of which time the question will
have to be examined afresh.

DOORS, WINDOWS AND OTHER MANUFACTURES OF WOOD

The industry producing doors, windows and other manufactures of
wood in Syria and Lebanon makes use of plywood coming mainly from
our own forest resources but also imported from abroad. It supplies
both countries with building joineries and with furniture. In the
East, doors and windows are made entirely of wood.

Until 1930, this industry was run by artisan joiners who,
working on their own with limited capital, had, of necessity, a
limited output. Since 1930, factories turning out joinery work
and manufactures of wood have sprung up and have begun to modernise
and mechanise their processes. Considerable capital has been
sunk in such undertakings with the result that in 1937 our imports of such articles fell to 135 tons at the same time as our exports rose to 1,026 tons. Since then, however, a two-fold tendency has made itself felt: a progressive increase in imports (149 tons in 1938, 173 in 1946) combined with a much steeper decline in exports (744 tons in 1938 and 294 tons in 1946).

In order to call a halt to this two-fold trend: harmful to an industry of great importance to the country, the Syrian and Lebanese governments in 1946 agreed together to apply a quota system in connection with imports of doors and windows and other manufactures of wood. The relevant decree is No. 2298. The initial effect of this measure has been to maintain the 1946 level of imports in 1947 and to increase exports very slightly (337 tons in 1947). This result is admittedly most inadequate and, at the urgent request of the industrialists concerned, who are threatened with a complete close down, the two governments intend to apply the quota system with much greater severity this year.

This measure will be relaxed as soon as the modernisation of our factories allows of production at prices equal to those of foreign markets.