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WORKING PARTY 2 ON ARTICLE XVIII

Supplementary Information on the Measures
notified by Lebanon and Syria

The delegations of Lebanon and Syria have furnished the following replies to the questions put to them by members of Working Party 2 on Article XVIII (Documents WP.2/W.1, WP.2/W.1/Add.1 and WP.2/W.1/Add.2). The replies follow the same order and numbers as the questions.

(1) The Exchange Situation. On 3 December 1939 Syria and Lebanon instituted an exchange control system covering imports and exports as well as dealings in foreign currencies. The Exchange Office, an autonomous body, allotted currency from its own holdings alone without drawing on the Syro-Lebanese currency cover. Hence import licences could be granted without foreign exchange, whereas exporters were required to surrender to the Exchange Office the entire amount of foreign currency representing the value of goods exported by them. This arrangement was continued up to 12 August 1948 in Syria and up to 5 November 1948 in Lebanon.

From these dates onwards, the currency control system was made more flexible in accordance with Article XIV of the Articles of Agreement of the International Monetary Fund, with a view to encouraging repatriation of capital and stimulating exports.

Under the present system established by the decrees of 1 December 1948 in Syria and 5 November 1948 in Lebanon, the Exchange Office allows private individuals to retain 90 per cent of the foreign currency earned by their exports or by dealings in foreign

exchange, this 90 per cent to be used for import purposes; while transactions involving the purchase of unquoted currencies and paper money can be carried on freely.

Briefly, the present system can be summarized as follows :

- (i) Imports require an import licence, but there is no obligation on the government to allot foreign exchange to holders of licences.
- (ii) All exports require licences, the exporter undertaking to surrender to the Exchange Office 10 per cent of the foreign exchange earned.
- (iii) The Government's foreign exchange holdings are used either for State requirements, or for importing products essential to the country's economy.

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(2) Licensing System at the time of Notification and Monopoly Situation.

The Monopoly Law covering wheat, barley and their derivatives, enacted in June 1942, gave the Authorities a monopoly of the purchase, sale, transport, import and export of the products in question.

The administration in charge of the Monopoly fixed the quota for imports and exports on the basis of the production situation. It was not exempted from the obligation of applying for and obtaining the customary licences, which were issued by the Ministry of National Economy, to the Monopoly Administration and to private individuals alike.

When the Monopoly was abolished in March 1949, the existing licensing system remained in force. The Ministry of National Economy then became responsible for fixing import and export quotas.

The foregoing explanation shows that the quota system has always been the same both under the Monopoly, at the time of notification of the measures, and under the present system. The creation of the Monopoly and its abolition were in fact only internal administrative measures which did not affect the quota and licensing system.

(3) (4) (14) Fixing and Notification of Quotas. Article XIII, paragraph 2 of the Agreement provides for one or other of the three following methods of applying import restrictions.

- (i) fixing and notification of the total amount of permitted imports - paragraph (a);
- (ii) restrictions by means of licences without a quota - paragraph (b);
- (iii) fixing of a quota and allocation of shares in it among supplying countries - paragraph (d).

The notification provided for under Article XIII 3 (b) is only compulsory "in the case of import restrictions involving the fixing of quotas". In principle the restrictions in force in Syria and Lebanon come under paragraph (b) above and do not as a rule involve any total quota; hence notification is not required. The import programme mentioned in the documents submitted by our delegations does not constitute a total quota as defined in Article XIII. It merely enumerates the products included in the list notified in accordance with Article XVIII, and in many cases

the measures are subject to modification in the light of the production situation and of consumption requirements.

Exceptions to this general principle are made in Syria in the case of certain products such as sugar, rice, cement, etc., for which a quota does exist. In such cases, quotas are notified as and when they are fixed, and where a Monopoly product such as sugar is concerned, the quota is fixed by public allocation without the specification of any particular source of supply.

- (5) (6) (7) Questions asked in respect of all items on the List. When the
(9) (10) Secretariat was drawing up the list of questions, the delegations of Syria and Lebanon submitted statements covering each of the tariff items. Members of the Working Party are asked to refer to these statements.

(8) Period for which each of the Measures is to be maintained.
As has been mentioned in various statements, the period during which restrictive measures are to be maintained is about five years. At the end of this period the question will have to be re-examined in the light of the development of each of the branches concerned.

(11) Measures relating to Fruits. With regard to the alleged exception to the effect that "restrictions should not apply to the importation of fruit into Lebanon and Syria if it is cleared through a Syrian port", the Syrian Ministry of National Economy wishes to state officially that no such measure exists or has ever existed.

- (12) Measures relating to Cereals. In May 1949 the Chicago market quotation for wheat was \$2.23 a bushel.

As a ton equals 36.75 bushels and the official rate is one dollar = £ L/S 2.20, the price of a ton of wheat at the rate quoted in Chicago is \$81.95 or £ L/S 180.29.

The purchase price of Syrian wheat fixed by the Monopoly was £ L/S 335 per ton in 1942 and £ L/S 350 in 1948. This price is 95 per cent higher than the Chicago prices, viz. \$4.33 a bushel.

After the Monopoly was abolished in March 1949, the price of Syrian wheat dropped on the home market and it is at present quoted at £ L/S 280 per ton or \$3.46 per bushel. Hence it is still 55 per cent above world prices. The downward trend is becoming more marked as more wheat is grown, so that the prices of Syrian and Lebanese crops will very soon approximate to world prices generally.

As regards cereals other than wheat, members of the Working Party can make the comparison asked for by referring to the prices included in the information previously communicated by our delegations.

- (13) Measures relating to Sugar. The excise duty levied in Syria and Lebanon, as mentioned in Section B.1(b), applies equally to imported and home-produced sugar.

- (15) General question - Imitation Leather. Where no production figures or other explanation are given, it should be understood that no statistics are available. This does not mean that there is no domestic production.

In regard to imitation leather, it can be seen from the statistics transmitted at the same time as the measures under examination that even in 1938, Syria and Lebanon exported 37 tons 410 kilos as against a mere 468 kilos imported. Thus it is clear that there is a domestic imitation leather industry in Syria and Lebanon.

- (16) Beer. A mistake has crept into document CP.3/1 Add.5 referred to in question 16. However the import and export figures given in that document show that our production is still below local consumption requirements, since we import far more beer than we export. Members of the Working Party are requested to refer to our statement on beer.
- (17) Matches. It is true that Syria and Lebanon export matches, but these are made from local materials and their quality is not yet up to standard; hence the home-produced article could not compete with better quality foreign matches. To lift the prohibition would ruin this domestic industry, which as it develops will improve the quality of its products.
- (18) Miscellaneous Articles. Members of the Working Party are asked to
to
(21) refer to the statements already made on hides and skins, rubber soles, plywood and raw cotton. Incidentally, there are no restrictions on the import of raw hides (Tariff item no. 348).
- (22) Machines for manufacturing footwear. There is no intention of not developing the mechanized footwear industries. The Governments of Syria and Lebanon imposed this restriction because they wish to ensure the gradual and smooth change-over from one system of production to another, without causing unemployment through the sudden importation of too many machines. Import figures for 1946 and 1947 are moreover included in our statistics.
- (23) Citrus Fruits. In 1947 citrus fruit imports far exceeded exports, for which year the latter can therefore be ignored.

In 1938 the situation was different, since we did in fact export oranges. But between the two years 1938 and 1947, citrus fruit plantations suffered war-damage. The military operations in 1941 took place precisely in that portion of the Lebanese coastal area where citrus fruit growing was most flourishing before 1939.

War damage was one of the chief factors which, as appears from the statement to which members of the Working Party are referred, gave our competitors an advantage over us and has made citrus fruit production difficult for some time to come. Hence, this industry is one in need of development as well as of reconstruction.

- (24) Wheat, barley and derivatives. Members of the Working Party are asked to refer to our reply given above to question (2) for details as to the functioning of the licensing system since the abolition of the Monopoly.

In the event of a surplus crop, exportation takes place under separate licences issued by the Ministry of National Economy, no discrimination being made between the countries of destination.

In the event of a poor harvest, the Ministry of National Economy assesses the needs of the population and issues licences without discrimination, as described in the reply to question (2) mentioned above.

- (25) Rye, rice, barley, oats, maize. Grains other than wheat, barley and derivatives were not subject to the Monopoly control before this was abolished. They have always come under the licensing system described above.

- (26)(27) Oats and buckwheat

a) The meaning of the question regarding oats is not clear since on referring to the figures given in document CP/3/1.Add 5 we find that imports of oats in 1938 amounted to 131 tons and exports to 129 tons. Incidentally we would point out that document GATT/CP/3/W.2/6 to which the question refers deals with texts in force in Syria and Lebanon for the prohibition and restriction of imports in virtue of Article XVIII, paragraph 2, and does not quote any figures.

b) Buckwheat is a variety of wheat. Although in Lebanon it bears a special name, in Syria it is included in the total figures for production of wheat, spelt and meslin (Tariff item no. 68). This explains the high figures for buckwheat exports in 1938 and 1947 as compared with Lebanese production and imports of this commodity.

A further point is that the cost of production is roughly the same in Lebanon as in Syria as a result of the economic union between the two countries.

(28) Cement. The comparative table of cement prices will be found on page 8 of document GATT/CP3/WP.2/5.

(29) Cotton and cotton textiles.

a) Syrian raw cotton cannot under present conditions compete with imported cotton on account of the discrepancy between the cost price of home produced cotton and that of foreign cotton. According to the information at our disposal the last Syrian crop was sold to the cotton mills in Syria and Lebanon at an average price of 285 Syro-Lebanese piastres per kilo; whereas American cotton for example is sold on the exchange at about 32 cents per lb. of 453 grammes, or 153 Syro-Lebanese piastres per kilo.

b) We consider it impossible to separate the development of the textile industry from that of domestic raw cotton production. As we have already stated Syria's cotton production capacity is considerable. The object of the restrictions on raw cotton is to encourage the development of this branch of agriculture. The authorities are making every effort to bring down the cost of living in the two countries, which is very high. But obviously it will take some time before domestic prices are brought into line with world prices.

(30) Silk. Syria and Lebanon are producers of pure silk, but not of rayon or nylon.

(31) Wheat, barley. The fluctuations in grain production are mainly due to the climatic conditions prevailing in Lebanon and Syria. The remunerative prices obtained for wheat and barley in the last few years have encouraged farmers to increase the areas under wheat and barley, although there has been a slight decline in the yield per hectare. The authorities are now trying to develop cultivation by extending the irrigation system, and also to reduce costs by using modern machinery and chemical fertilizers.

(32) Glass and glassware. It is difficult to estimate at present what the selling prices of glass and glassware will be. The big factory referred to in our statement has only just been set up. However, we feel sure that this plant, with its ultra-modern equipment, and using raw materials found in abundance in the country, will survive and develop when the period for which we have requested protection has come to an end.