

THE AGREEMENT OF ARAB FREE TRADE AREA

Agreement To Facilitate and Develop Trade Among Arab States

The Governments of the Member-States of the League of Arab States;
Proceeding from their national faith in the unity of the Arab Nation;
Being Aware of the vitality of Arab economic integration as a Being step towards Arab economic unity and as an essential vehicle for the promotion of Pan-Arab development in the context of a free, developed, inter-related and balanced Arab economy.

Putting into effect the provisions of Article Two of the Charter of the League of Arab States on the need to achieve close cooperation among the League Member-States in economic and financial affairs, including facilitating and expanding trade in the fields of agriculture, industry and related services;
Giving effect to the provisions of Articles Seven and Eight of the Joint Defense and Economic Cooperation Treaty among Member-States of the Arab League and,

Invoking Resolution No. 712 of February 22, 1978, of the Economic Council of the Arab League on the drawing up of a new agreement to facilitate inter-Arab trade Exchange with the evolving economic conditions in the Arab Homeland;
Hereby agree on the following:

Introductory Chapter - Definitions

Article I:

For the purposes of this Agreement, and unless otherwise required by the Context, the following works and phrases have the respective meanings herein set forth:

1. Agreement:
The Agreement on Facilitating and Developing Inter-Arab Trade.
2. Arab State(s):
A Member-State of the League of Arab States.
3. Party-State:
An Arab State for which the Agreement is effective.
4. Council:
The Economic Council established under Article (8) of the Joint Defense and Economic Cooperation Treaty among Member-States of the League of Arab States, approved by the League's Council on April 13, 1950, and any amendment thereto.
5. Customs Duties and Taxes of a Similar Effect:
Charges imposed by a party-state in accordance with the customs tariffs on imported goods, as well as other charges and taxes imposed on imported goods but not imposed on the products of the party-state itself, whatever names such charges and taxes may assume.
This definition excludes charges levied for a specific service such as demurrage, warehousing, transport, loading and unloading charges.

6. Non-Tariff Restrictions:

Actions and measures that may be taken by a party state to control imports, other than for organizational and statistical purposes. Specifically, such restrictions include quantitative, monetary and administrative restrictions imposed on imports.

7. Less-developed States:

The party-states considered by the Council as such.

Chapter One - General Provisions

Article II:

This Agreement is designed to:

1. Free trade Exchange among Arab Countries from various charges and restrictions imposed on it, in accordance with the following rules:
 - A. Full relief for some Arab goods and products traded between Member-States from varied charges and restrictions imposed on non-national (non-Country) products.
 - B. Gradual reduction of Various Charges and restrictions imposed on some other traded Arab goods and products.
 - C. Provision of gradual protection for Arab goods and products to face competition from similar or alternative non-Arab goods.
 - D. Determination of the goods and products referred to in paragraphs (A, B and C) in the light of the guiding criteria set forth in Article IV or determined by the Council.
2. Harmonized matching between production of and trade in Arab goods, using various means, particularly provision of funding facilities required for their production.
3. Facilitating the funding of inter-Arab trade and settlement of payments resulting from such trade.
4. Granting special concessions to services associated with trade among party-states.
5. Adopting the principle of direct exchange in trade among party-states.
6. Taking into account the development conditions of each of the party-states.
7. Equitable sharing of the benefits and burdens resulting from the enforcement of the Agreement.

Article III:

The principle agreed upon in the Agreement shall constitute the minimum level of trade cooperation among the party-states. Each party-state shall be entitled to grant further advantages and preferences to any other Arab state or states, through concluding either bilateral or multilateral agreements.

Article IV:

Selection of the Arab goods and products referred to in paragraph (3) and (5) of Article VI and in Article VII shall be guided by one or more of the following criteria:

1. That the good occupies a strategic place in the consumption pattern satisfying the population's needs.
2. That the good be in substantial and continuous demand.
3. That the value of production of the good account for a significant percentage of the gross product of a party-state.
4. That the good occupies an important place in the interrelations within the production machinery of a party-state.
5. That growth of trade in the good lead to increased acquisition of technological capacity and location and development of appropriate technology.
6. That the good be of major export significance to a party-state.
7. That the good be important to the development of a party-state but face severe discriminatory or restrictive measures in foreign markets.
8. That growth of trade in the good lead to strengthening Arab economic integration.
9. That growth of trade in the good lead to realization of national security in general and military security in particular.
10. Any other criteria adopted by the Council.

Article V:

Economic sanctions among party-states in the trade area regulated by the Agreement may be used only by resolution of the Economic Council and for supreme national reasons.

Chapter Two - Substantive Provisions

Article VI:

The following Arab goods shall be exempted from customs duties and other taxes of similar effect as well as from non-tariff import restrictions:

1. Agricultural and animal products, whether in their primary form or after changes are introduced to make them consumable.
2. Mineral and non-mineral ores, whether in their primary form or in a form suitable for processing.
3. Semi-finished goods included in lists approved by the Council if they enter in the production of industrial goods.
4. Goods produced by Arab joint ventures established within the framework of the League of Arab States or Arab organizations operating within its context.
5. Finished goods to be agreed upon in accordance with lists approved by the Council.

Article VII:

1. The parties concerned shall negotiate the gradual reduction of customs duties and taxes of a similar effect imposed on imported Arab goods, in the percentages and ways consistent with the lists approved by the Council.
2. The relative reduction shall be gradual and for a specified period of time by the end of which all customs duties and taxes of a similar effect imposed on trade among the party-states shall be terminated.
3. Without prejudice to the provisions of paragraphs (1) and (2) of this Article, the products of party-states determined by the Council to be less developed shall be granted preferential treatment in accordance with the criteria and limits it may determine.
4. A party-state may grant any additional advantages to another Arab state or states under bilateral or multilateral agreements, whether or not it is party to this Agreement.
5. No party-state may grant any preferential advantages to a non-Arab state that exceeds those granted to party-states.

Article VIII:

1. The parties concerned shall hold negotiations with the aim of imposing uniform and appropriate minimum customs duties, taxes and restrictions of a similar effect on goods imported from non-Arab States, which are competitive with or alternative to Arab goods. Resolution in the shall be

adapted by the Council, Which will also gradually increase them from time to time, in consultation with the said states.

2. The party-states shall determine a comparative advantage for Arab Goods vis-a-vis competitive or alternative non-Arab goods. Priority of application shall be accorded to government purchases.

The Council shall establish the conditions for determining the comparative advantage in accordance with the circumstances of each party-state or group of party-states, taking into account, in particular, determining a comparative advantage for Arab goods related to food security or national security in general.

3. The Council may adopt any other measures in excess of the limits referred to in this Article, with a view to dealing with cases of dumping and discriminatory policies that non-Arab states may adopt.

4. Should the products of party-states be inadequate to meet the needs of the local markets of the importing party-states, the latter shall be entitled to import quantities of similar products to bridge the gap while observing the limits specified in accordance with the provisions of this Article.

Article IX:

1. To treat to good as Arab for the purposes of this Agreement, it shall meet the rules of origin determined by the Council, and the value added as a result of its production in a party-state shall not be less than 40 value when finished. This percentage shall be reduced to a minimum of 20 Percent for Arab assembly industries. The Council shall work out a timetable to increase these two percentages gradually.

2. Any party-state may request the Council to lower the percentage referred to in paragraph (1) of this Article if the good is of a strategic nature or has special importance to for a specific period of time.

Article X:

1. Party-states shall, through their monetary and banking policies, promote trade among them, facilitate required funding and expand its base under preferential and concessional terms and conditions.

2. In accordance with its Articles of Agreement, the Arab Monetary Fund shall work out a suitable system to facilitate the settlement of payments resulting from trade among party-states. It shall also be asked to submit proposals for banking policies that would serve the same purpose to Arab central banks and monetary institutions in.

3. Joint Arab financial institutions shall, in accordance with their regulations, be urged to promote trade exchanges among party-states, facilitate and provide necessary funding and expand their base under preferential and concessional terms and conditions.

4. The Inter-Arab Investment Guarantee Corporation and other specialized Arab institutions shall be urged to provide necessary guarantees to trade

among party-states under preferential terms and conditions, and in accordance with their rules.

Chapter Three - Supervision of Agreement Implementation

Article XI:

1. The Council shall supervise the implementation of the Agreement. Specifically, it shall:

A. Draft and publish collective lists of goods exempted from (customs) duties and taxes of a similar impact as well as from tariff (sic) restrictions.

B. Draft and publish collective lists of goods enjoying reduced (customs) duties and taxes of a similar effect as well as from tariff (sic) restrictions.

C. Draft and publish lists of non-Arab goods competitive with or alternative to Arab goods.

D. Determine the rules and conditions under which gradual reduction of (customs) duties and taxes of a similar effect, as well as tariff (sic) restrictions shall be made.

E. Determine the less developed party-states for the purposes of this Agreement.

F. Examine the complaints by party-states of discriminatory problems encountered in trade transactions with other states.

2. The Council shall adopt its resolutions related to the provisions of this Agreement by a two-thirds majority of Member-States.

3. The Council may form committees to be entrusted with some of its powers referred to in this Agreement.

Article XII:

The General Department for Economic Affairs at the General Secretariat of the League of Arab States shall draft an annual report to be submitted to the council on progress of trade among party-states to the Agreement, difficulties facing enforcement, solutions thereto, and proposals to deal with the situation.

Chapter Four - Settlement of Disputes

Article XIII

Disputes arising from the enforcement of this Agreement shall be submitted to the Council for resolution. It may refer them to a committee or sub-committees to which it shall delegate some of its powers. It may also apply thereto the dispute

settlement provisions set forth in Chapter Six of the United Agreement for the Investment of Arab Capital in Arab States and its annex. In each case, the Council shall determine the method of settling a dispute

Chapter Five - Final Provisions

Article XIV:

Goods and products traded in accordance with this Agreement shall be re-exported to another non-party country only with the approval of the country of origin.

Article XV:

Any party-state may request the imposition of some duties and taxes of a similar effect or quantitative or administrative restrictions, or maintenance of existing ones, on a temporary basis, to ensure the growth of a certain domestic product. The Council shall approve this for the period of time it shall specify.

Article XVI:

Bodies of the General Secretariat of the League of Arab States shall collect and analyze necessary information to identify the course of trade among the party-states and between them and other states.

Party-states shall provide all data considered necessary by the General Secretariat for the effective enforcement of the Agreement.

Article XVII:

Goods shall be traded among party-states directly and without mediation of a non-Arab party.

Article XVIII:

The party-states shall cooperate to facilitate transport and communications among them by all means, on a preferential basis, and also to facilitate transit trade associated with the exchange of Arab goods among party-states.

Article XIX:

The party-states shall cooperate to strengthen and coordinate their economic and trade relations with other states or with international and regional economic organizations and blocs, on a bilateral or joint basis. They shall seek to take unified stands in international economic conferences and seminars, in line with their common interests.

Article XX:

While enforcing this agreement, the terms and principles of Arab boycott and relevant decisions made by various competent agencies shall be observed.

Article XXI:

No party-state may enact legislation or make a decision which is in conflict with the provisions of this Agreement or which may block its enforcement.

Article XXII:

1. The Agreement shall be deposited with the General Secretariat of the League of Arab States for signature.
2. The Agreement shall become effective three months after its ratification documents have been deposited by at least five Arab States.
3. Documents of Arab states and enforce the Agreement in relation to each acceding state one month after it has deposited its ratification documents.
4. States to deposit ratification documents with it.

Article XXIII:

No party-state shall withdraw from the Agreement before the lapse of three years after enforcement in relation thereto. Withdrawal shall be by written notice addressed to the Secretary General of the league of Arab States, and shall become effective one year after notice has been served to him.

Article XXIV:

This agreement shall be amended by approval of two thirds of the party-states, and the amendment shall become effective in respect to the ratifying states one month after parties or by at least five states.

Article XXV:

1. The Council shall assume its powers stipulated in the Agreement as soon as two thirds of the Member-States have acceded to this Agreement, in which case non-party-states shall not have the right to participate in voting.
2. Until the event set forth in the previous paragraph has taken place, representatives of party-member states of the Council shall meet as a board to be called (the Arab Trade Board) which shall assume the powers of the Council stipulated in this Agreement.
3. The General Department for Economic Affairs at the General Secretariat of the League of Arab States shall carry accordance with by-laws to be issued by the Board, which shall have determine its resources and how to dispose of.

This Agreement has been drafted in Arabic in Tunis on Friday the 22nd day of Rabie II, 1401H; corresponding to the 27th of February, 1981 AD, in one original copy to be kept with the General Secretariat of the League of Arab States. A true copy shall be delivered to each of the States signing or acceding to the Agreement.

For the Hashemite Kingdom of Jordan
For the United Arab Emirates
For the State of Bahrain
For the Republic of Tunisia
For the Democratic popular Republic of Algeria
For the Republic of Djibouti
For the Kingdom of Saudi Arabia
For the Democratic Republic of the Sudan
For the Syrian Arab Republic
For the Democratic Republic of Somalia
For the Iraqi Republic
For the Sultanate of Oman
For Palestine
For the State of Qatar
For the State of Kuwait
For the Lebanese Republic
Jamahiriya
For the Kingdom of Morocco
For the Islamic Republic of Mauritania
For the Yemen Arab Republic
For the Democratic Popular Republic of Yemen