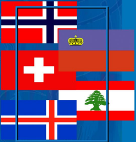
Lebanon-EFTA

FREE TRADE AGREEMENT



Lebanon's trading history dates back thousands of years. The country's unique position at the crossroads between Asia, Africa and Europe, its long tradition of liberal economic policies, full currency convertibility, free movement of capital and a developed banking system, allowed it in the past to become a major trade and business hub in the region. The economic strategy of Lebanon, which aims at repositioning the country and placing it on a sustainable growth path, is based on two basic pillars: economic modernization and reforms and integration into the global economy. Along these lines, Lebanon has signed and ratified the Association Agreement with the EU, joined the Wider Europe Initiative, accelerated its accession process to the World Trade Organization (WTO) and recently signed a free trade agreement with the European Free Trade Association (EFTA), a European bloc that groups Iceland, Liechtenstein, Norway and Switzerland.

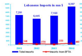
The EFTA-Lebanon Free Trade Agreement (FTA) covers trade in industrial goods, including fish and other marine products, as well as processed agricultural products. The Agreement contains substantive provisions on intellectual property, competition, dispute settlement and covers certain aspects of services, investment and government procurement. Trade in agricultural products is governed by bilateral agreements between each EFTA Member State and Lebanon and forms part of the instruments creating the free trade area. A Joint Committee responsible for monitoring the implementation of the Agreement was established.

The FTA between Lebanon and EFTA is based on three pillars: trade relations between market economies, the respect of democratic principles, and the protection of human rights. The objectives of the Agreement are the following:

- Achieve the liberalisation of trade in goods, in conformity with Article XXIV of the General Agreement on Tariffs and Trade (GATT);
- Develop gradually an environment conducive to increased investment flows and enhanced trade in services;
- Ensure adequate and effective protection of intellectual property rights;
- Liberalize progressively government procurement;
- Support the development of long term economic relations between the concerned Parties through the expansion of trade, economic and technical co-operation.

Talks between Lebanon and the EFTA date back to 1997 when a Declaration of Cooperation was signed calling for the creation of an enabling legal and economic environement which would lead to a free trade area. However, formal negotiations were launched between the two parties in Beirut in April 2003. Two rounds of negotiations followed ending with a free trade agreement signed on the 24th of June 2004 in Montreux, Switzerland.

EFTA - Lebanon Trade Patterns



Source of Lebanese Imports

	1999	2000	2001	2002	2003	2004
Arab Countries	8.99%	12.32%	12.93%	10.82%	12.84%	14.30%
o/w GCC	3.28%	4.63%	5.56%	3.90%	4.92%	6.96%
EU	46.35%	44.02%	42.04%	43.49%	42.76%	38.70%
Other European countries	13.50%	14.92%	14.76%	12.89%	13.11%	15.18%
o/w EFTA	7.26%	7.02%	4.67%	4.25%	3.11%	4.33%
NAFTA	8.76%	7.98%	7.64%	7.72%	6.50%	6.36%
ROW	22.40%	20.75%	22.63%	25.08%	24.78%	25.45%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Destination of Lebanese Exports

	1999	2000	2001	2002	2003	2004
Arab Countries	43.51%	45.76%	44.46%	48.55%	41.83%	52.86%
o/w GCC	25.57%	27.46%	23.22%	23.97%	18.98%	20.99%
EU	25.97%	19.89%	19.24%	14.35%	9.38%	8.94%
Other European countries	9.99%	10.82%	11.57%	16.10%	27.95%	12.72%
o/w EFTA	6.62%	7.20%	7.17%	12.67%	24.96%	10.77%
NAFTA	7.22%	7.57%	8.34%	5.77%	4.84%	3.20%
ROW	13.30%	15.95%	15.49%	15.24%	15.99%	22.18%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Scope of the Free Trade Agreement

Trade in Goods: The EFTA-Lebanon FTA covers trade in industrial products, including fish and other marine products, as well as processed agricultural products (PAPs). The FTA allows for assymetric tariff dismantling. Lebanon will enjoy a grace period until 2008, after which, a gradual tariff reduction on EFTA industrial products will be adhered to until total elimination of tariff rates by 2015. The EFTA member states will, on the other hand, remove all tariff duties and other restrictions on Lebanese industrial exports immediately upon the entry into force of the Agreement. The Agreement adopts the Pan-Euro-Mediterranean Rules of Origin model. Trade in basic agricultural products is governed by bilateral agreements with each EFTA member state.

Payments and transfers, trade in services and investment: Under the Agreement, payments pertaining to trade and investment-related transfers must not be restricted. The parties share the goal of promoting an attractive and stable environment for reciprocal investments. Accordingly they aim at achieving a gradual liberalization and a mutual opening of their markets for trade in services in accordance with the provisions of the General Agreement on Trade in Services (GATS). Moreover, the EFTA States and Lebanon will consider extending to each other additional benefits that either side may grant to a third party.

Government Procurement: The parties aim at a reciprocal and gradual liberalization of procurement contracts, to be implemented on the basis of decisions taken by the Joint Committee created by the Agreement. The Agreement opens for negotiations the extention of potential future benefits granted to third parties by either the EFTA member states or Lebanon.

Economic co-operation and technical assistance: In order to facilitate the implementation of the Agreement, the EFTA member states and Lebanon will elaborate modalities for technical assistance and co-operation and will coordinate their efforts with relevant international organisations.

Protection of Intellectual Property: The Agreement sets a high standard for the protection of intellectual property rights, covering areas such as patents, copyright, undisclosed information, industrial designs and geographical indications, in some cases going beyond the WTO Agreement on Trade Related Aspects of Intellectual Proterty Rights (TRIPS) requirements.

Competition: Cartels and abuse of a dominant position are prohibited by the Agreement and parties are allowed to raise concerns over these practices before the Joint Committee. The Agreement also foresees an exchange of information between Lebanon and EFTA member states with regards to the enforcement of their respective competition laws.

Dispute Settlement: Clear rules and procedures to address the settlement of disputes are included in the Agreement.

Under the agreement with EFTA, trade in agriculture products is governed by bilateral agreements negotiated with each EFTA member state. However, many items are treated the same way as in the EU Association Agreement, while others are subjected to the conditions of the EFTA agreement with Lebanon.

Agricultural exports to the EFTA

Almost all Lebanese agricultural exports, current and future, will enter duty-free, immediately following the coming into force of the agreement, with no quantitative restrictions with the exception of some items.

Bilaterals Lebanon/	Main Concessions
Switzerland	Tariff exemptions on 125 tariff lines including hundreds of goods as follows: - Tariff exemptions all year round (most of the items), - Tariff reductions during specific time of the year subject to change depending on the time of the year, - Total tariff exemption on defined quantities in particular flowers, olive oil, juices, jams, citrus fruits, nuts, water, grapes, watermelon, avocados... - Major tariff reductions on apples, pears, apricots and cherries.
Norway	Concessions up to 0% on 162 tariff lines including bulbs, tubers, cut flowers, tomatoes fresh or chilled, oils including olive oil, onions, garlic, citrus fruits, grapes fresh or dried, Apples, cherries,... Some of these items are subject to seasonal tariffs such as onions, tomatoes, apples, pears, and others.
Iceland	Free entry (0%) to 62 tariff items inluding hundreds of goods in particular honey, garlic, onions, olive oil, water, juices, jams, and all fruits...
Liechtenstein	The Agreement on Agriculture between Lebanon and Switzerland shall likewise apply to the Principality of Liechtenstein as long as the Customs Union Treaty of 29 March 1923 between Switzerland and the Principality of Liechtenstein remains in force.

Agricultural imports from the EFTA

- Gradual reduction (starting in year 4) applies to several items whose tariff rates start to decrease according to a uniform and gradual schedule reaching 0% by year 11
  - Switzerland: milk, all non-olive oil, meats, coffee
  - Norway: cheese (processed, blue-veined,..)
  - Iceland: meats, live horses, skins and other parts of birds
- Lebanon offered no reduction on olive oil, the same for other oils derived from olives
- Annual reduction over 8 years, starting on March 1st, 2008 on items such as: fermented or acidified milk and cream, corn, sweet corn, potatoes, palm heart, tomato ketchup, water. On the completion of the transition period, tariffs on the aforementioned products would be reduced by 30%, by 50% on ice cream and by 37.5% on beer made from malt.

Bilaterals Lebanon/	Main Concessions
Switzerland & Liechtenstein	Tariffs on pure-bred breeding animals; goats; meat and edible meat offal; milk in powder, granules or other solid forms; bovine semen; coffee, roasted; other black tea and other partly fermented tea; ginger; saffron; turmeric; bay leaves; curry and other spices; guavas or mangos purée; bananas; strawberries; apricots; purée, extracts, essences and concentrates of tea or mate; preparations of mineral materials, are reduced by 100%. Tariffs on kashkaval, citrus fruit, and concentrated purée of a kind known as dibs, and some other products, the reduction will reach 30%; for pears, apricots, cherries by 25%, and for other cheese except kashkaval, thyme by 20%.
Norway	Reduction of the tariff rate on cheese by 100% except for fresh and kashkaval cheese where the rate will reach 30% (not zero%).
Iceland	The tariff reduction on live animals, meat and edible meat offal, products of animal origin, not elsewhere specified or included, is to reach 100% except for skins and other parts of birds where the total reduction will apply as of 1 march 2008.

No new import duty or tax having an equivalent effect is to be introduced on traded industrial products between the EFTA member states and Lebanon. The products originating from Lebanon are immediately admitted duty-free. On the other hand, Lebanon was granted a 4 year grace period, after which tariff rates start to decrease according to a uniform and gradual schedule until they reach 0% by year 11.

Time Frame	Reduction Rate
4th year (March 1, 2008)	88% reduction of the basic rate
5th year (March 1, 2009)	76% reduction of the basic rate
6th year (March 1, 2010)	64% reduction of the base rate
7th year (March 1, 2011)	52% reduction of the base rate
8th year (March 1, 2012)	40% reduction of the base rate
9th year (March 1, 2013)	28% reduction of the base rate
10th year (March 1, 2014)	16% reduction of the basic rate
11th year (March 1, 2015)	All tariffs abolished

In the event of serious difficulties, the applicable timetable may be revised by mutual agreement; however the timetable cannot be extended for the product concerned beyond the maximum period of 11 years.

Lebanon also got an exception on Smoked Salmon (HS ex 0305.41) for a similar period of reduction as shown above.

Lebanon was requested to provide the EFTA States the same treatment granted to EU Countries under the EU Association Agreement in particular Lebanon's concessions related to agro-industrial products. However, Lebanon succeeded in maintaining separate results on its concessions. The provision of this agreement shall apply to the following products:

- Vegetable products not elsewhere specified or included (cotton linters).
- Animal or vegetable fats on oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared (vegetable fats and oils and their fractions like hydrogenated castor oil, so called " Opal-wax)
- Animal or vegetable fats and oils and their fractions, boiled, oxidized, dehydrated, sulphurised, blown, polymerized by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading No. 1516; inedible mixtures or preparations of animal or vegetable fats or oils of this Chapter, not elsewhere specified or included (Linoxyn).

Agro-industrial Exports to the EFTA

Bilateral agreements govern the exportation of Lebanese agro-industrial products. Some items are subject to a fixed duty; while others are subject to a non-fixed duty. Products such as buttermilk, curdled milk and cream, yogurt keplin and other fermented or acidified milk and cream, will be treated similarly in the whole of the EFTA region, and will be subject to a fixed duty.

The bilateral agreement between Norway and Lebanon stipulates a list of essential products allowed to enter the market duty-free. Those include: coffee; tea; vegetable saps, extracts and products; fruit and nuts; waters,…

Agro-industrial Imports from the EFTA

Agro- industrial imports from EFTA are divided into two categories:

- Group 1: Items subject to a similar treatment as EU imports. This category includes: sweet corn, chocolate and other food preparation containing cocoa, pasta, vegetables, fruits, nuts, coffee, wine.

- Group 2: Items subject to a direct reduction so that the customs duty decreases to 30%. This category includes products such as: yoghurt, potatoes, palm hearts, varieties of sweet corn, tomato ketchup. Beer made from malt and ice cream will be subject to an immediate reduction following the end of the grace period respectively by 37.5% and 50% to be followed by a gradual reduction over 8 years.

Intellectual Property

Protection & enforcement of intellectual property rights: Parties to the Agreement are required to ensure adequate, effective and non-discriminatory protection of intellectual property rights. They are also required to provide enforcement measures against any infringement of intellectual property rights (such as counterfeiting and piracy).

Patents: The Parties will ensure in their national laws adequate and effective patent protection for inventions in all fields of technology. Any granting of compulsory licenses shall be in compliance with the conditions of the TRIPS Agreement.

Undisclosed information: The Parties will protect undisclosed information in accordance with Article 39 of TRIPS. The Parties shall prevent applicants for marketing approval for pharmaceuticals and agricultural chemical products from relying on or referring to undisclosed test or other undisclosed data submitted by prior applicants to the competent approval authorities of the respective Parties for a period, from the date of approval, of at least six years, except where approval is sought for original products, or unless the first applicant is adequately compensated.

Designs: The Parties shall ensure in their national laws adequate and effective protection of industrial designs for at least 25 years from the date of application. The Parties may provide a shorter period of protection for designs of component parts used in the purpose of the repair of a product.

Geographical indications: The Parties shall insure trough their legal system an adequate and effective protection of geographical indications and appellations of origin to all products. Lebanon shall make every effort to protect geographical indications with regard to all services.

International conventions: The Agreement lists a number of multilateral conventions to which Lebanon and the EFTA States will undertake appropriate measures to adhere by 1 March 2008.

Multilateral Conventions	Version
Paris Convention for the Protection of Industrial Property	Stockholm Act
Bern Convention for the Protection of Literary and Artistic Works	Paris Act
WTO Agreement on Trade-Related Aspects of Intellectual Property Rights	15 April 1994
Protocol relating to the Madrid Agreement concerning the International Registration of Marks	27 June 1989
Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure	28 April 1977
Patent Cooperation Treaty	Washington Act, amended in 1979 and modified in 1984
International Convention for the Protection of New Varieties of Plants	1978 or 1991 Act

The Parties shall make every effort to ratify the following multilateral conventions at the earliest possible opportunity:

- The Hague Agreement Concerning the International Registration of Industrial Designs (Geneva 1999);
- WIPO Copyright Treaty (Geneva 1996);
- WIPO Performances and Phonogram Treaty (Geneva 1996);

Technical Assistance

Switzerland and Lebanon have signed, on February 2004, a Memorandum of Understanding regarding a technical assistance program which will be implemented over the 3-year period following the signature of the EFTA – Lebanon Free Trade Agreement. The program consists of the following components:

Investment promotion: The existing agreement with Switzerland on the promotion and mutual protection of investments signed on March 3rd 2000 provides the necessary legal framework needed to promote investment within the two countries. In order to encourage the flow of investments towards developing countries, Switzerland has established the "Swiss Organisation for Facilitating Investments (SOFI). A memorandum of understanding on collaboration has been signed between SOFI and the Investment Development Authority of Lebanon (IDAL) on October 14th, 2003.

Trade-related capacity building: Switzerland will allocate a maximum amount of CHF 5,000,000 to this effect:

- A maximum of CHF 450,000. will be allocated to assist Lebanon in the integration process into the multilateral trading system.
- A maximum amount of CHF 4,200,000 allocated to finance an export promotion program for agriculture and processed agriculture products. The program will be complemented by a contribution to the improvement of quality management in this sector. In this context a project on Organic Agricultural Certification and Market Development was launched on June 2005. The project aims at facilitating the strategic marketing of Lebanese organic agricultural products in international markets, as well as ensuring fair trading practice and promotion of a competitive and efficient market places. For this purpose an amount of CHF 1,200,000 had been planned.
- A maximum amount of CHF 350,000 will be allocated to support Lebanon in defining and in assisting in the implementation of a strategy for the Protection of Lebanese Geographical Indications (GIs). The project was launched on June 2005. It aims at defining an adequate system for geographical indications, carrying out an inventory of Lebanese products with a potential for GIs and drafting the necessary regulatory framework for the setting up of the system. The project will imply intensive consultations among all stakeholders in Lebanon.

Switzerland will also include Lebanon in its Cooperation Program with the International Standard Organization (ISO) in Geneva. Lebanese specialised institutions will access the resources and expertise of the ISO, fostering awareness and implementation of ISO standards.

Lebanon and EFTA member states are committed to encourage e-business opportunities by promoting the TRADO platform aiming at business-to-business relations for enterprises in the information and communication technologies sector.

Other area of cooperation:
Switzerland is ready to continue its support to the Sustainable Business Associates (SBA) – Delta Program aiming among other things at improving the environmental awareness of entrepreneurs and business associations and introducing eco-management systems in small and medium-size enterprises.

Lebanon will also benefit from CHF 100,000,- in technical assistance projects presented by the EFTA Secretariat.

Expected Implications

Exports: The Agreement offers Lebanon an opportunity to strengthen its relationship with leading trading partners such as Switzerland and tap into new markets such as Norway and Iceland. This agreement completes the triangle of agreements and creates a larger economic bloc, the first being the Association Agreement with the EU and the second the European Economic Area (EEA) which links the EFTA states with the European Union. With the enlargement of the EU and the launching of the Wider Europe Initiative, Lebanon would be part of the largest economic bloc in the world that is moving closer to greater economic integration and harmonization. Exports or transit activity would face no tariff or non-tariff barriers in all of Europe, most importantly to or through Lebanon's principal partner Switzerland.

Investment & technology transfer: Over the medium to long-term, the Agreement with EFTA will promote the transfer of technology and the harmonization of technical standards which will enhance the competitiveness of the Lebanese economy. Lebanon would benefit from potential investments and know-how coming from Norway or Iceland but more importantly it stands to strengthen its historic and cultural relations with Switzerland and increasing bilateral investments in numerous sectors such as agro-food, jewelry, electronics, as well as services.

With deeper economic integration, the banking and financial sector is expected to be a principal winner knowing the similarity in both Lebanon and Switzerland. Technology and know-how transfer as well as alliances and joint ventures could lift the Lebanese sector to higher standards and help reposition it as a true hub for the region and the whole Arab world rendering Beirut again a world financial capital.

Jewelry is another potential niche sector for Lebanon. Trading activity with Switzerland is not restricted to precious metals in raw status but Lebanese design and artistic work has penetrated Swiss markets and with increased joint investment projects, Lebanese designers can be entrenched in Geneva and Zurich and the rest of the 29-nation European Economic Area.

Culture and Development: Lebanon has been known as the Switzerland of the Middle East for a good reason. Cultural and educational ties were strong and they stand to benefit from closer economic and political relations.The Agreement can open the door for long-term cultural and economic cooperation facilitated by a common language, similarities in business interests, and a large potential for economic joint activities.

Competition and Growth: The agreement with EFTA stands to open new markets for Lebanese enterprises, foster industrial cooperation, but more importantly will improve productivity and competitiveness. By signing an FTA with EFTA, Lebanon would have paved the way for greater harmonization and integration with the 29-member country EEA in addition to the Mediterranean Partners. The transition period for Lebanon will bear some static cost but will out weighted by the medium to long-term benefits resulting from a more competitive and innovative Lebanese economy thus placing Lebanon on a path of sustainable growth and economic development.

European Free Trade Association (EFTA)
Tel: 00 41 22 332 2626
Fax: 00 41 22 332 2699
e-mail: mail.gva@efta.int
http://www.efta.int

Ministry of Economy & Trade (MOET)
Tel : 00961 1 982360/1/2/3/4/5
Fax : 00961 1 982297
e-mail: info@economy.gov.lb
http://www.economy.gov.lb

Ministry of Industry
Tel: 00 961 1 427046 - 427006
Fax: 00 961 1 427112
e-mail: economydpt@industry.gov.lb
http://www.industry.gov.lb

IDAL
Tel: 00 961 1 983306/9
Fax: 00 961 1 983302/3
e-mail: invest@idal.com.lb
http://www.idal.com.lb

Beirut Chamber of Commerce and Industry and Agriculture (CCIAB)
Tel: 00 961 1 353390/1/2/3 - 744160/1
Fax: 00 961 1 353395
e-mail: library@ccib.org.lb
http://www.ccib.org.lb

Trade Information Center (TIC)
Tel: 00 961 1 345250/5
Fax: 00 961 1 349459
e-mail: TIC@economy.gov.lb
http://www.economy.gov.lb

NOTES

REPUBLIC OF LEBANON
MINISTRY OF ECONOMY & TRADE