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# EU - Lebanon Trade Relations

I. EU engagement with neighbouring countries in the region – Lebanon focus

II. EU - Lebanon trade and investment relations

III. Access to the EU market: opportunities and challenges

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# Long standing relations between the EU and its neighbours

- **Privileged relations** with its Mediterranean partners based on **preferential treatment**
  - Barcelona process started in 1995
  - European Neighbourhood policy 2004
- **Regional approach alongside bilateral** to bring stability and growth:
  - **Euromed process between the EU and the region:**
    - Union for Mediterranean Ministerial launched 2008
    - Technical WG on standards, anti-counterfeit
    - Pan-Euromed Rules of Origin
  - **Bilateral agreements and instruments**
    - Turkey Custom Union 1995
    - Association Agreements with Free Trade Area in force with most Euromed countries: Palestinian Authority 1997, Tunisia 1998, Morocco 2000, Israel 2000, Jordan 2002, Egypt 2004, Algeria 2005, Lebanon 2006
    - Syria initialled 2008, signature suspended; Libya negotiations suspended

# Renewed partnership

- **Renewed European Neighbourhood Policy in 2016**
  - more targeted focus
  - co-ownership
- **Partnership Priorities**
  - Partners commitments on regulatory reforms with a view to closer integration into EU market (eg technical regulation, SPS etc.)
  - EU commitment to support the reform process
  - Lebanon: Four priorities incl. ***fostering growth and job opportunities***
- **Compacts - refugees**
  - Jordan and Lebanon
  - More specific actions on both sides
- **External Investment Fund**

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# EU-Euromed Association Agreements: bilateral Free Trade Agreements

- **Market access**
  - Liberalisation of all industrial goods
  - Degree of agricultural, processed agricultural and fishery products varies by country
    **EU – around 80%**
    - Large scope: Morocco, Egypt, Jordan, Palestine, Lebanon
    - More limited scope: Tunisia, Algeria
  - Asymmetric in favour of Euromed partners
    - Immediate dismantling of tariffs by the EU vs. Progressive dismantling of tariffs by Mediterranean countries
    - Some preferences on agricultural produce from Mediterranean partners but not full reciprocity with EU
  - Rendez-Vous clause for agriculture & services

- **Rules**
  - Basic commitments on regulatory areas

# Towards a full regional Free Trade Area

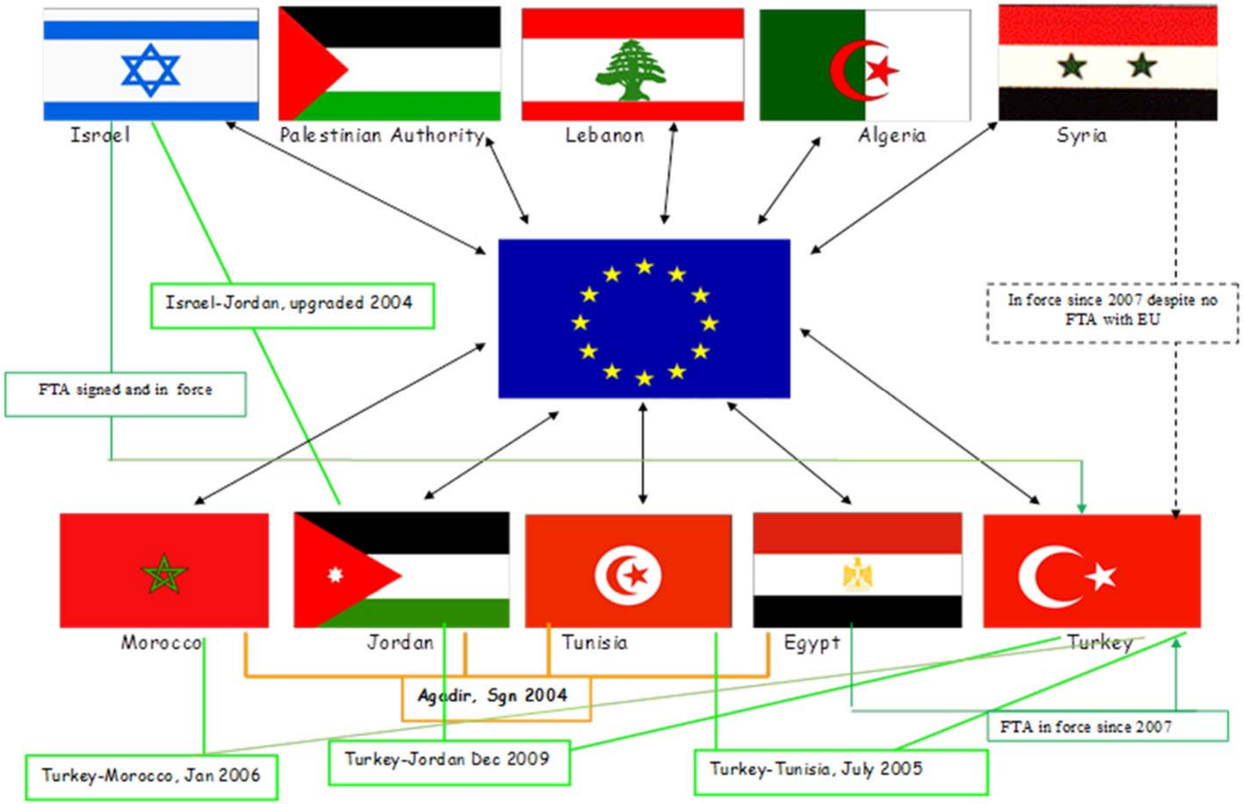
***Southern Mediterranean countries today have the lowest level of regional economic integration in the world***

- **South-South FTAs**
  - Mediterranean countries offer one another similar concessions to those granted to the EU in the Association Agreements (with exceptions on agriculture)
  - Incomplete network

- **PanEuroMed Rules of Origin**

- **Rules as important as market access**
  - Enhancing economic integration beyond trade liberalisation, i.e. creating a common regulatory platform amongst Euromed partners
  - Euromed / Union for Mediterranean
  - Agadir Process (Egypt, Jordan, Morocco, Tunisia + Palestine, Lebanon)

# NETWORK OF FTAs in the Euromed region



# PanEuroMed Rules of Origin

***Rules that determine the country of origin of a product for the purpose of trade relations and tariff treatment***

- Protocols attached to each Free Trade Agreement
  - similar rules but not identical
  - EU-Lebanon 2002

- Regional convention on PanEuroMed preferential rules of origin
  - common rules within Euromed and beyond (e.g. Western Balkan)
  - enlarged sourcing possibilities: diagonal cumulation (between countries with FTAs) - incentive for investment and economic integration
  - easier to modernise at once without disturbing trade
  - ***Lebanon signed in 2014 but not yet ratified by Lebanon***

- Modernization of PEM RoO on-going and almost finalised

# Challenges for the Euromed trade

- Mediterranean exports **insufficiently diversified**
  - essentially energy (25%) and textile/clothing (30%)
  - Some improvement since FTAs in Association Agreements: share of chemicals, machinery, processed agriculture increased

- **South-south trade** not yet liberalised: intra-med trade = 5-6% of total trade (among the lowest in the world, compared to for example above 30% in Asia)
  - economic complementarity or competition?
  - infrastructure bottlenecks and trade barriers

- **Lack of attractiveness to Foreign Direct Investment** (Meds attract 1% of EU outward FDI)
  - Size of the market: lack of a regional integrated market
  - Transparency, business environment and investment climate
  - Infrastructure (transport, electricity, telecom)
  - Suppliers, services, logistics, customs

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# EU-Lebanon Free Trade Agreement – asymmetric agreement in favour of Lebanon

COVERAGE: EU 98% of products, Lebanon lower %

- Both sides to liberalise industrial goods
- EU to fully liberalise all but 27 agricultural product lines
- Lebanon to only liberalise a limited list of agricultural products

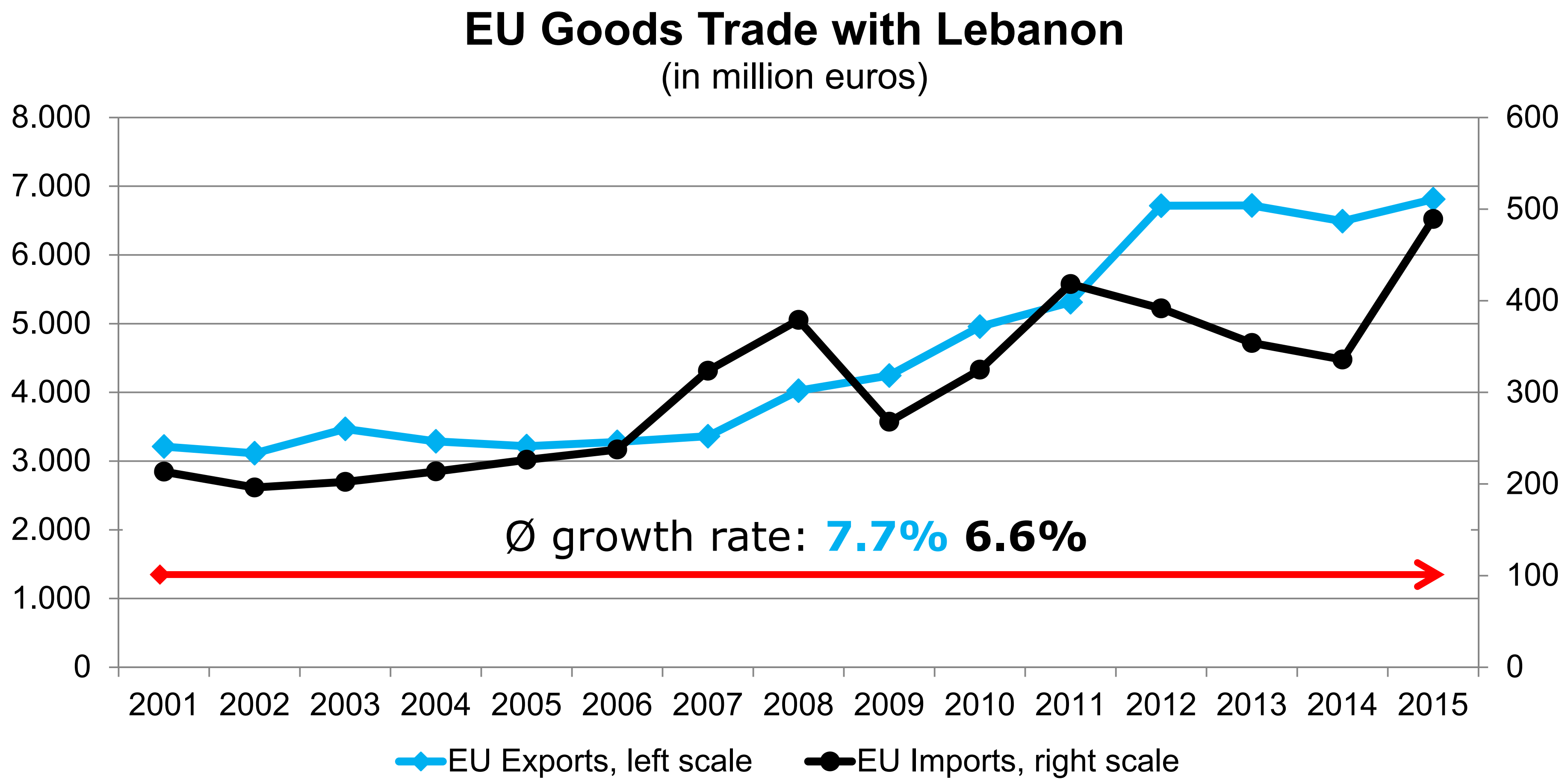
TIMELINE: EU immediate, Lebanon progressively

2003 **EU** fully opened its market upon entry into force of interim Association Agreement

2015 **Lebanon** opened its market after 12 years

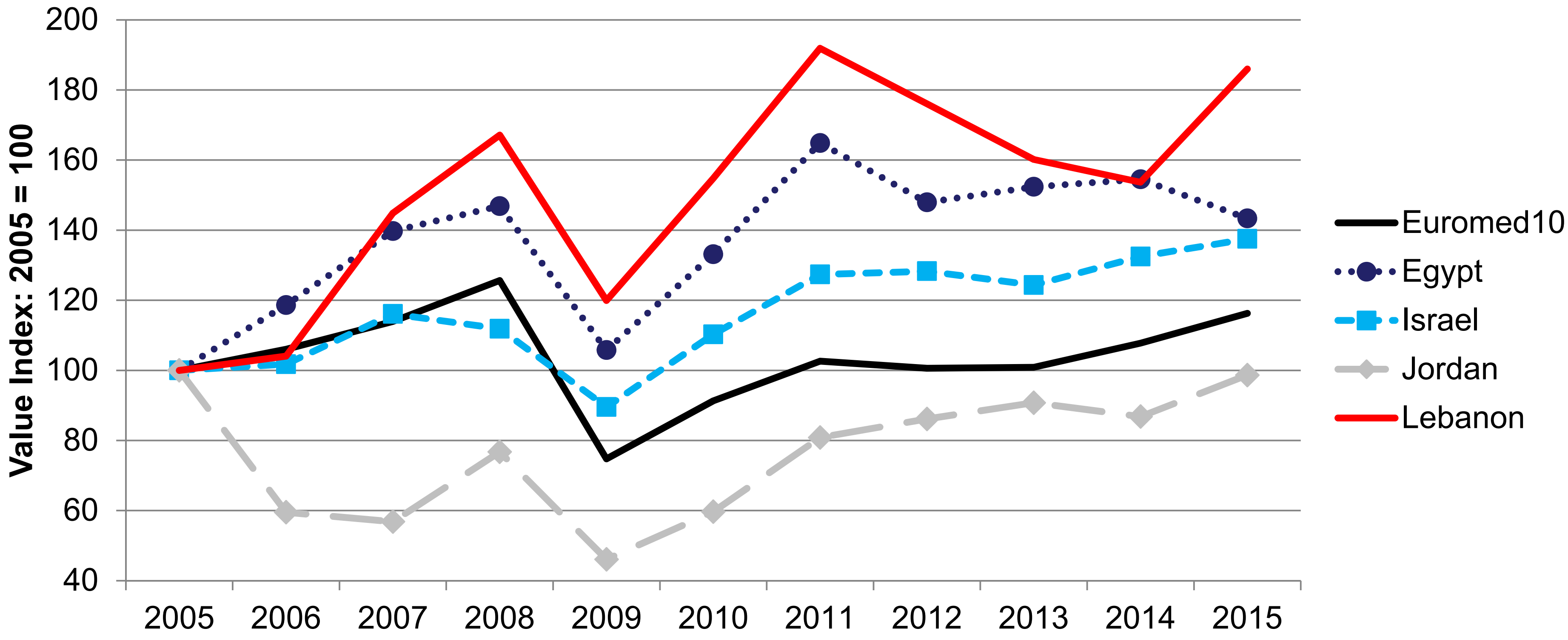
- 5 year grace period
- progressively reducing tariffs afterwards

# EU Lebanon trade and investment relations




Source: ITC (Reporter: EU)

## EU Imports from Lebanon and other Euromed countries (Non-Energy products only)




Source: Eurostat; Note: Non-energy = all goods excluding HS 27.

# EU Lebanon trade and investment relations (2015)

- The EU is the first trading partner for Lebanon, covering
  - 41% of Lebanese trade
  - 43% of Lebanese imports
  - **11% of Lebanese exports (POTENTIAL!)**

- Lebanon exports to the EU consisted mainly of base metals and articles thereof (20.4%), chemicals (13%), foodstuffs (11.7%) and plastics (11.1%).
- EU exports to Lebanon consist mainly of mineral products (27.4%), machinery and appliances (14%), chemicals (12.3%) and foodstuffs (7.2%).

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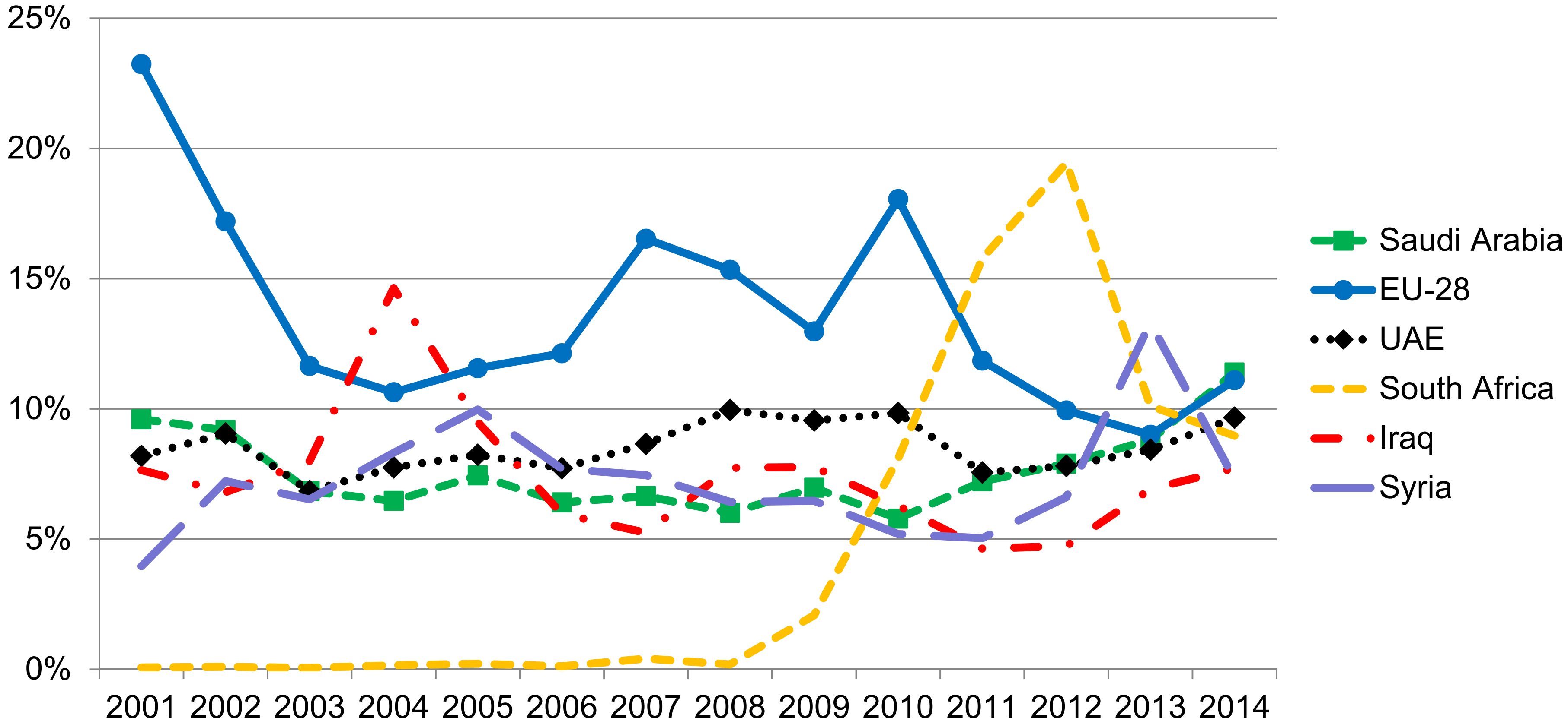
| Table 1: Top ten destinations for Lebanese exports in 2014 | | | |
|---|---|---|---|
| | **Export Partner** | **Value of Exports (bn euros)** | **% of Exports** |
| 1 | Saudi Arabia | 284 | 11.4% |
| 2 | EU-28 | 277 | 11.1% |
| 3 | United Arab Emirates | 241 | 9.7% |
| 4 | South Africa | 223 | 9.0% |
| 5 | Iraq | 193 | 7.7% |
| 6 | Syrian Arab Republic | 182 | 7.3% |
| 7 | Turkey | 109 | 4.4% |
| 8 | Jordan | 98 | 3.9% |
| 9 | Qatar | 70 | 2.8% |
| 10 | Switzerland | 65 | 2.6% |

Source: ITC (Reporter: Lebanon)

# Lebanon's most important export destinations

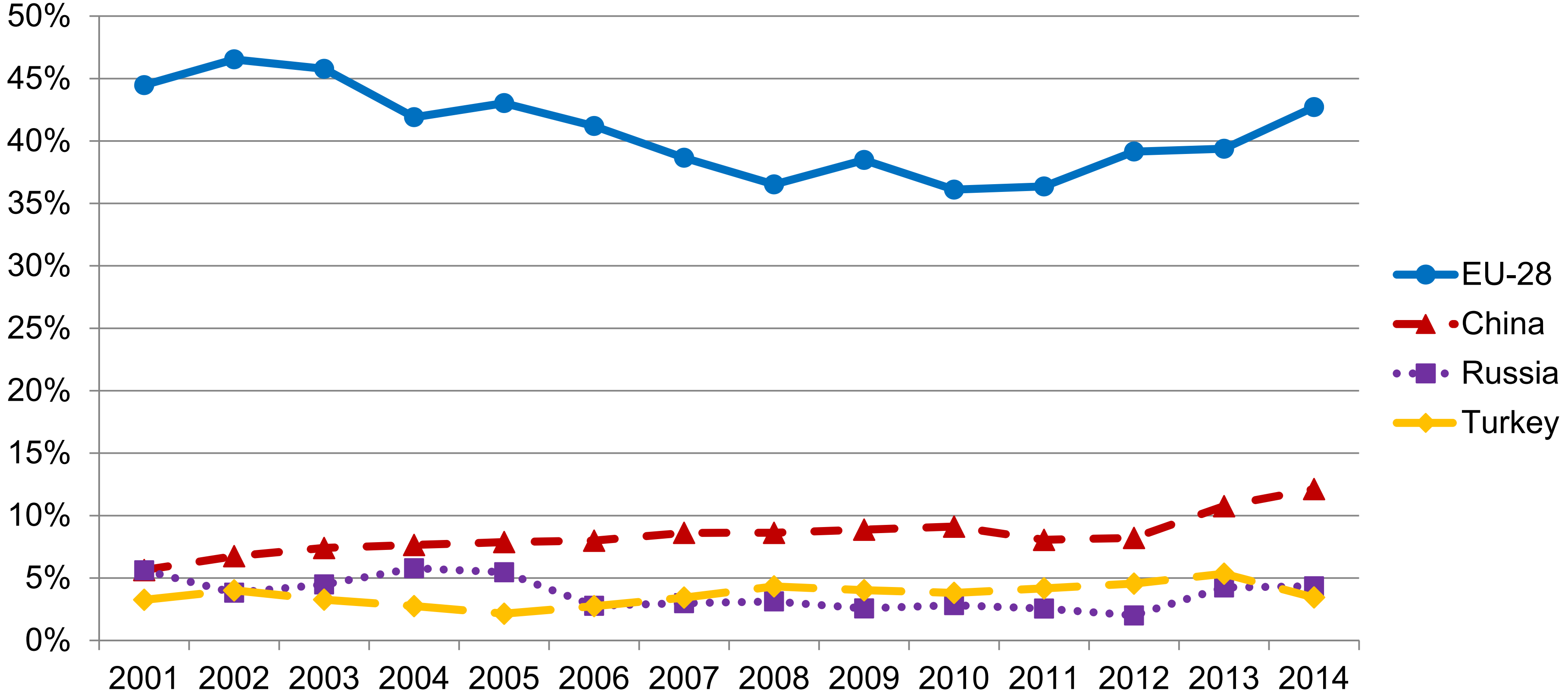
(Share in global exports)




Source: ITC (Reporter: Lebanon)

## Lebanon's most important import sources

(Share in global imports)




Source: ITC (Reporter: Lebanon)

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## Access to the EU market: opportunities and challenges

- EU is an open market
- Rules of origin – to ensure only Lebanese products benefit and complementarity
- Mechanisms to protect public interest in the EU
  - SPS for agro-food
  - Technical regulations for industrial products
  - Animal welfare, environment protection
- Transparent conditions
- No discrimination between EU or foreign producers

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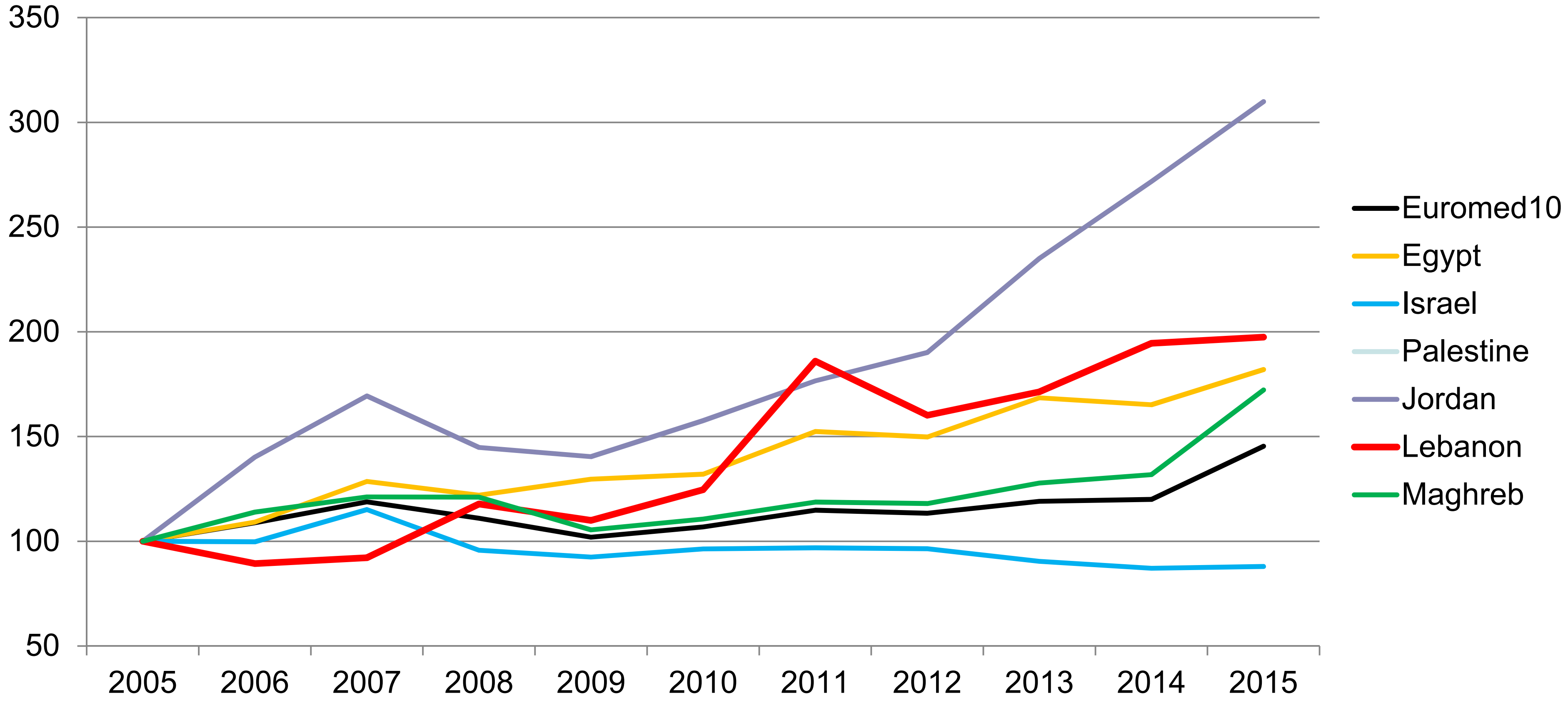
# EU Market is largely open

| | % of total EU imports from LB | % fully liberalised trade | | % under special arrangements | |
|---|---|---|---|---|---|
| Industrial Goods | 78.4 | 100 | | 0 | |
| Basic agri goods | 17.3 | 87 | 89% | 13 | 11% |
| Processed agri goods | 4.3 | 95 | | 4.3 | |
| Total | 100 | 98 | | 2.5 | |

Source: COMEXT

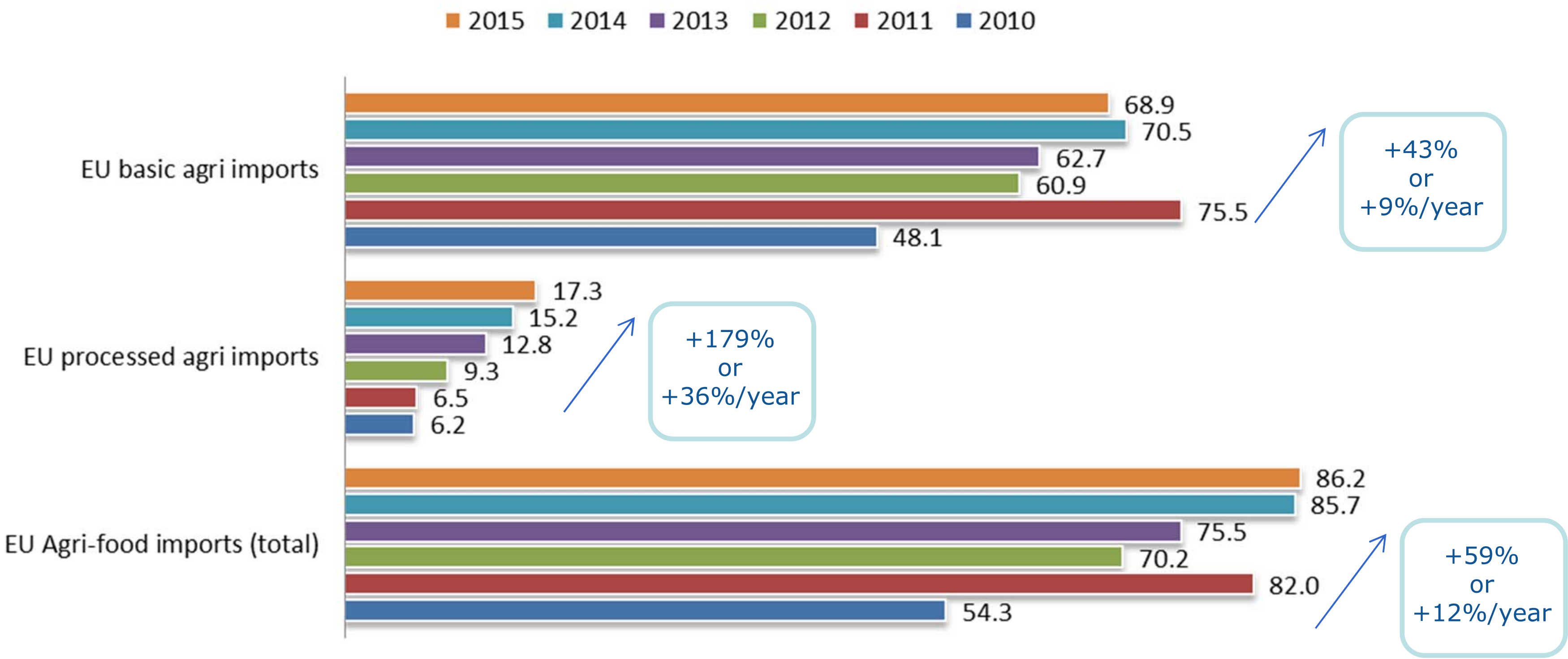
## EU Imports from Euromed10 of AGRI (HS 1-24)

(Value Index: 2005=100)




Source: Eurostat

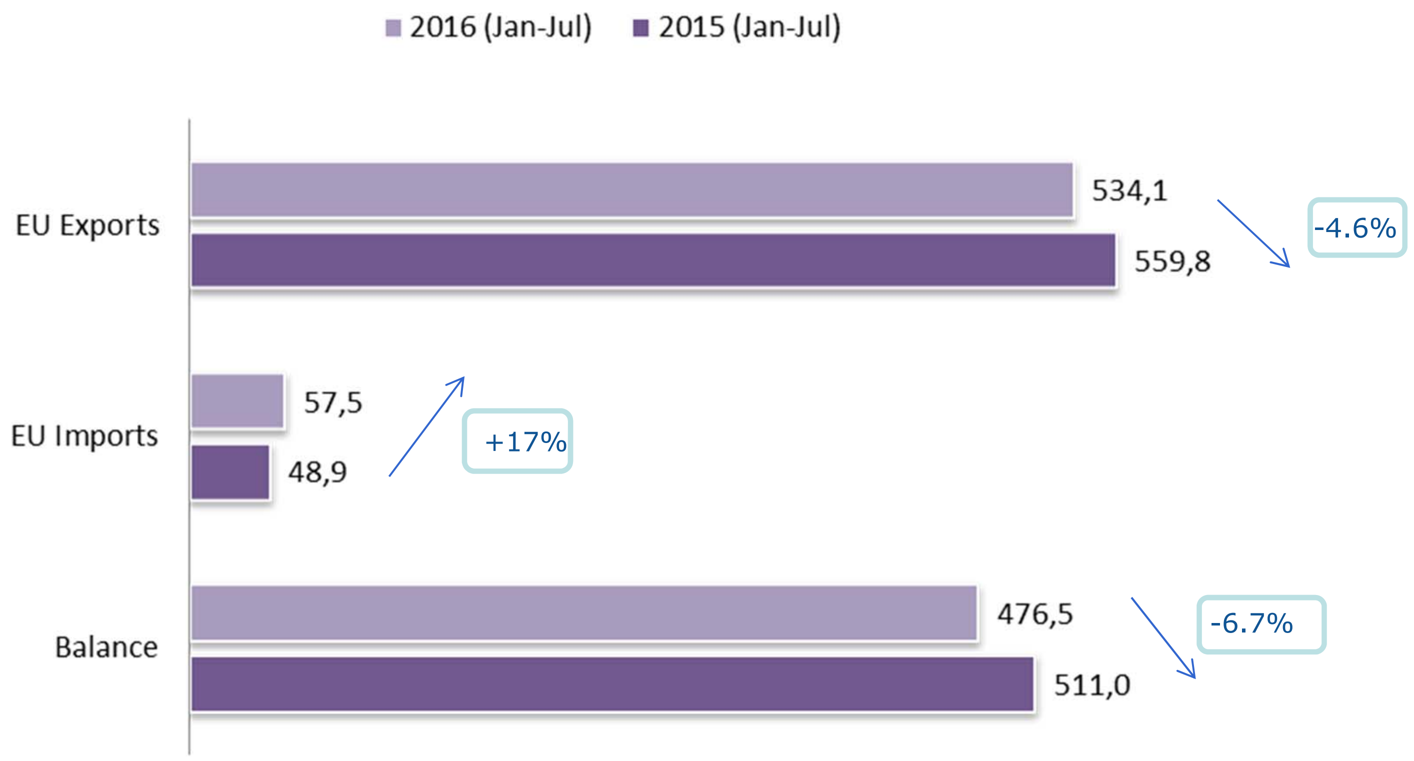
# EU imports of Agri-food Goods from Lebanon
(Mio €)




Source: COMEXT

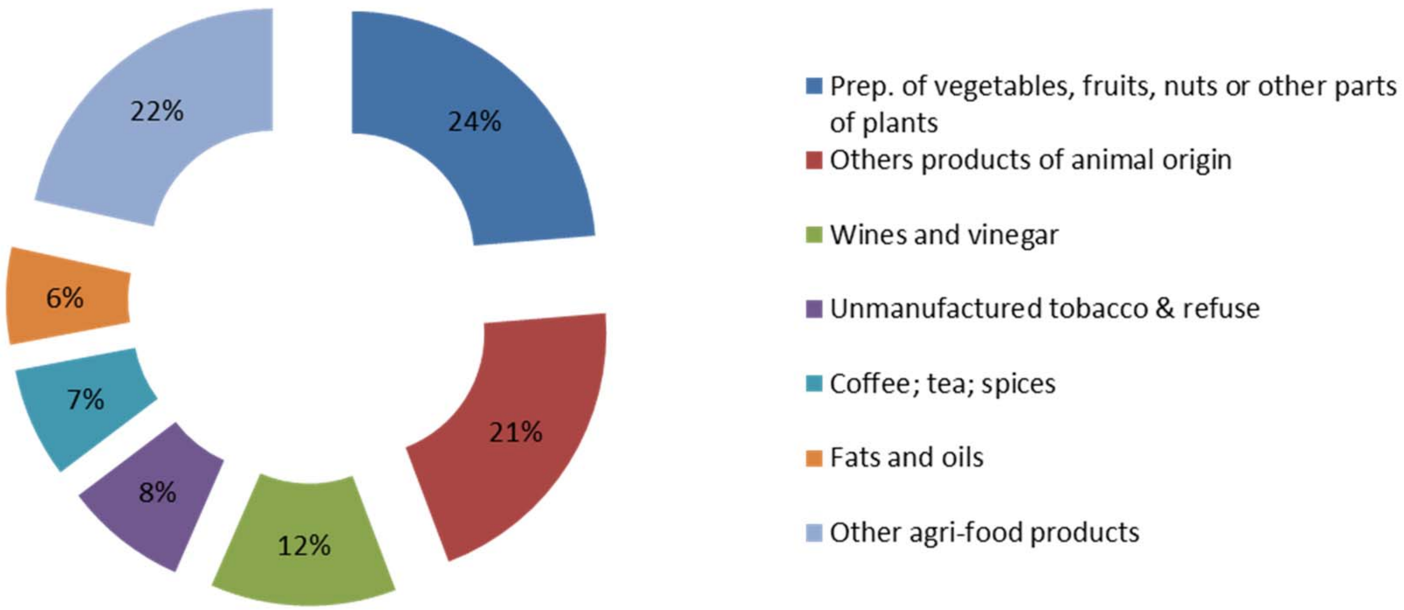
# EU-Lebanon Trade in Agri-food Goods (Mio €)

(incl. basic and processed agricultural products)




Source: COMEXT

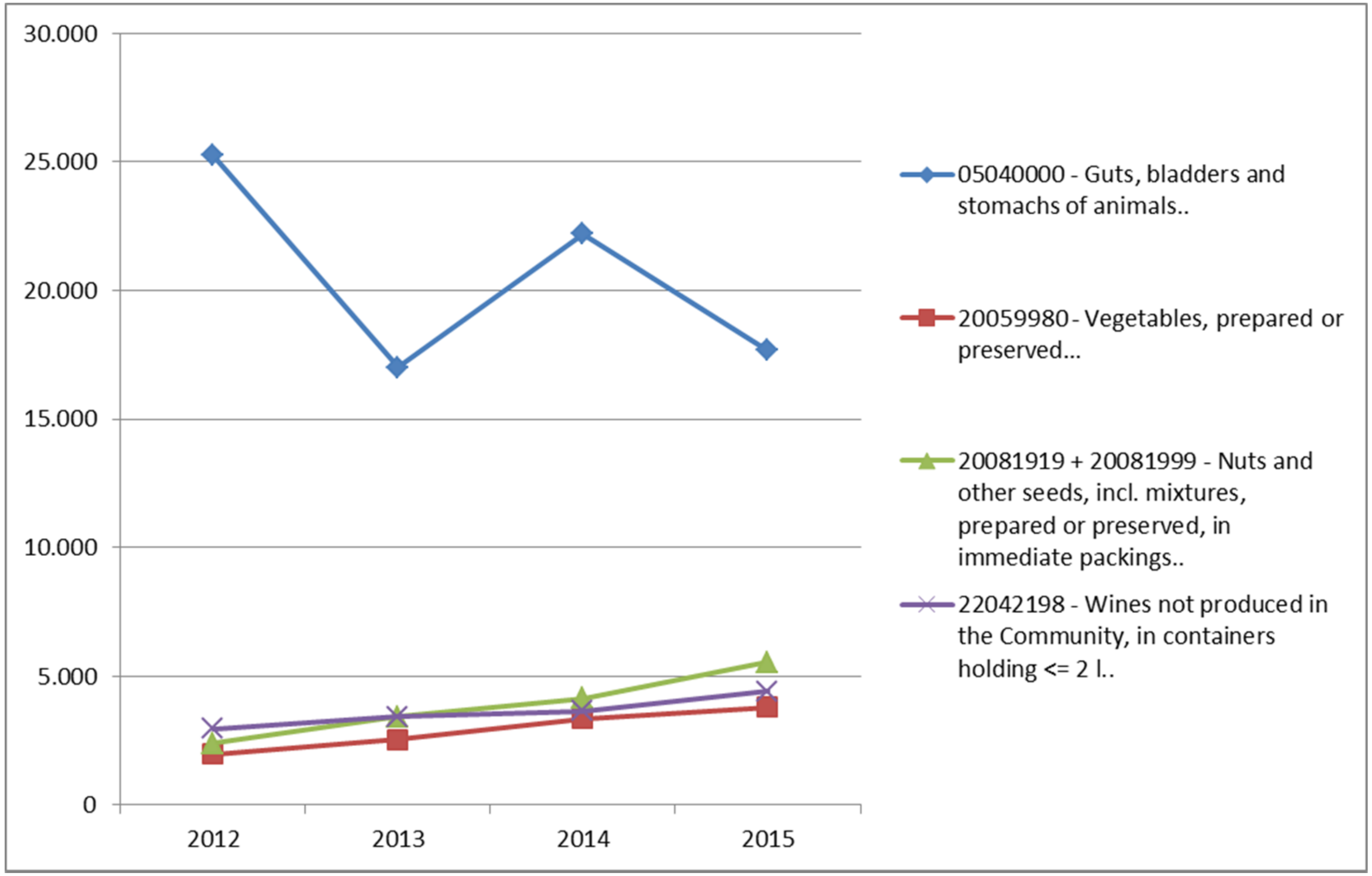
# EU Imports in 2015




**86 Mio €**

Source: COMEXT

# EU Imports for specific products (1 000 €)




Source: COMEXT

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| **Total** | 100 | 98 | | 2.5 | |

Source: COMEXT

# 13% of Lebanese trade of basic agri products for which there are special arrangements

(less than 30 product lines)

**Under TRQ**

(15 product lines)

- Table grapes
- Olive oil
- Prepared/preserved tomatoes

**Under reduced duties**

(9 product lines)

- Oranges
- Lemons
- Plums

**Under MFN**

(3 product lines)

- Flowers
- Sugar
- Wine

# Use of EU TRQ's by Lebanon in 2015 / 2016

(tonnes)

| | TRQ in 2015 | Used TRQ 2015 | % (in 2015) | TRQ in 2016 | Used TRQ (Jan-Oct 2016) | % (Jan-Oct 2016) |
|---|---|---|---|---|---|---|
| New potatoes, from 1 January to 31 May | 22.000 | 0 | 0 | 23.000 | 0 | 0 |
| New potatoes, from 1 June to 31 July | 44.000 | 0 | 0 | 46.000 | 0 | 0 |
| New potatoes, from 1 October to 31 December | 44.000 | 0 | 0 | 46.000 | 0 | 0 |
| Tomatoes | 17.000 | 0 | 0 | 18.000 | 0 | 0 |
| Garlic | 5.000 | 0 | 0 | 5.000 | 0 | 0 |
| Garlic | 3.000 | 0 | 0 | 3.000 | 0 | 0 |
| Olives for uses other than the production of oil | 1.000 | 0 | 0 | 1.000 | 0 | 0 |
| Preserved olives for uses other than the production of oil | 1.000 | 0 | 0 | 1.000 | 0 | 0 |
| Table grapes, from 1 October to 30 April and 1 June to 11 July | 6.000 | 373 | 6 | 6.000 | 217 | 4 |
| Table grapes, from 1 October to 30 April and 1 June to 11 July | 4.000 | 0 | 0 | 4.000 | 24 | 1 |
| Apples | 10.000 | 0 | 0 | 10.000 | 0 | 0 |
| Apricots | 5.000 | 0 | 0 | 5.000 | 1 | 0 |
| Cherries | 5.000 | 0 | 0 | 5.000 | 0 | 0 |
| Nectarines and other peaches | 8.000 | 0 | 0 | 8.500 | 1 | 0 |
| Plums and sloes, from 1 May to 31 August | 5.000 | 2 | 0 | 5.000 | 4 | 0 |
| Olive oil | 1.000 | 420 | 42 | 1.000 | 82 | 8 |
| Tomatoes prepared or preserved | 1.000 | 6 | 1 | 1.000 | 18 | 2 |

# Conclusion

- The EU is an open market, very few tariffs remaining – no protectionism
- Lebanon has benefited from the liberalisation
- But is not fully utilising these opportunities
  - Supply side issues e.g. competitiveness, infrastructure, business climate
  - Demand side: EU consumers want safe and quality products
- EU protects public and consumer interest (food safety, environment, plant and animal health)
  - Non-discriminatory – domestic and imports same rules
  - Upgrading of Lebanese export capacities also useful to access regional and global market – EU ready to assist

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## Ways forward: a Joint Working Group to facilitate trade and investment

- A flexible consultation mechanism
- Jointly analyzing the factors hindering trade – exports and imports
- Designing together future trade related development actions (horizontal reforms, sector reforms, business climate, productive capacity, quality standards)
- Liaising and getting input from the private sector
- Benefiting from expertise (EU technical bodies, IOs)
- Targeting better EU's trade related assistance linking into sector strategies and reforms, export opportunities

# JWG – sectoral topics for discussion

- Identify areas with export potential
  - **Industrial sectors: pharmaceuticals, textiles….**
  - **Agriculture: fruits and vegetables, dairy….**
- Sector policies and strategies, reform agenda
- Improve Technical Regulation and SPS compliance
  - **Horizontal laws and regulations**
  - **Manufacturing process**
  - **Product quality**
- Enhance **services** sector competitiveness

# JWG – cross-cutting topics for discussion

- Statistics
- SMEs
- Awareness on market opportunities and import requirements
- Business and investment climate
- Transparency and predictability
- Customs
- WTO accession

# JWG – Implementation and planning of EU's trade related development assistance to Lebanon

- Enhance services sector competitiveness
- Identify areas with export potential
- Progress on ACAAs for industrial products
- Technical assistance SPS
- Agriculture
- Technical assistance in developing proper statistics
- WTO accession

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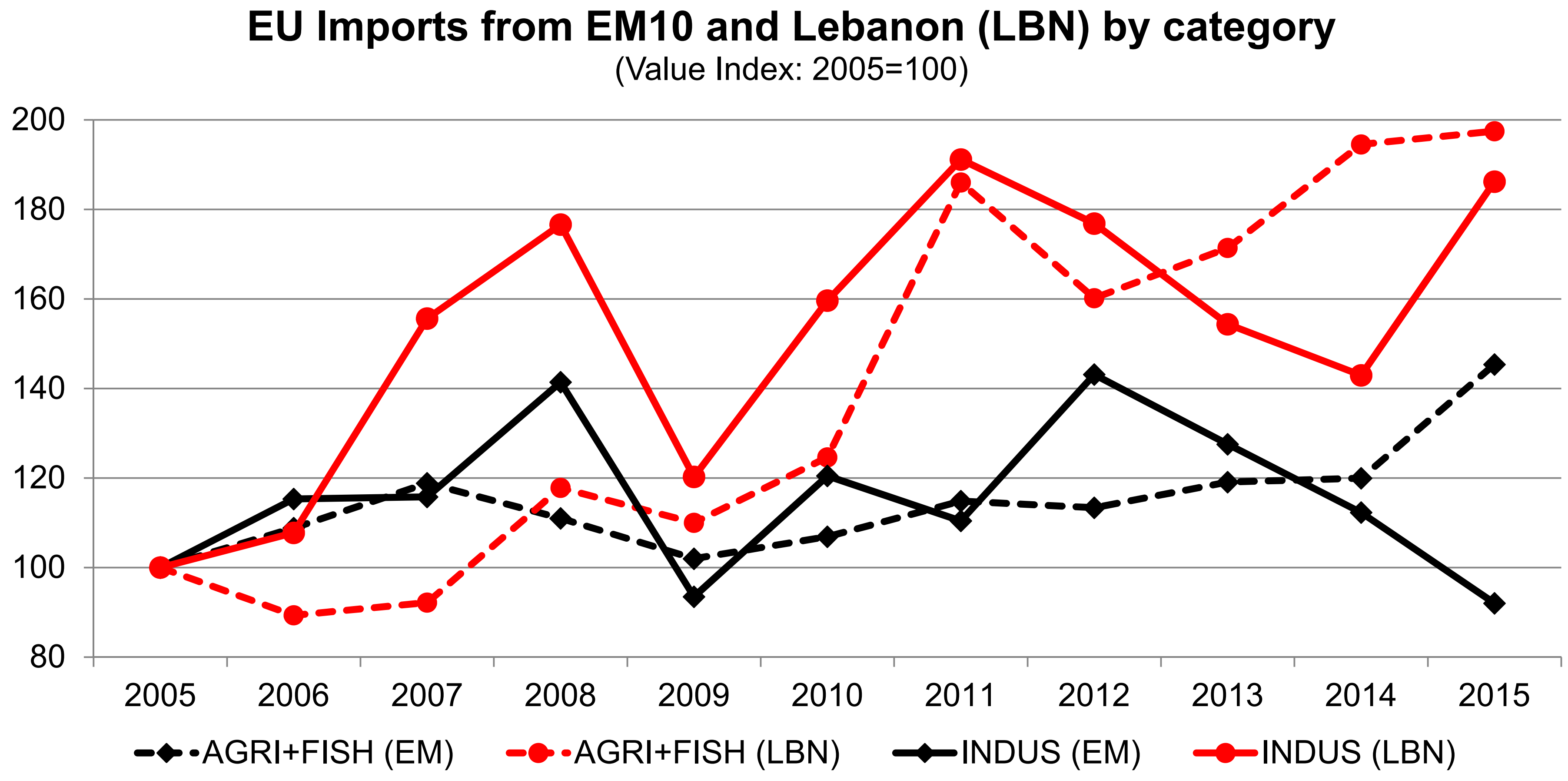
## Information on export conditions and opportunities

- Export helpdesk on how to export to EU
- Information helping to also reach third countries' markets - Trade and Investment Facilitation Mechanism
- Specialised workshops
  - **SPS, food safety**
  - **Medicines**
  - **Other regulated products**




Source: Eurostat