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### Lebanon's accession to the World Trade Organization is in deliberations again

The first efforts for Lebanon's accession to the World Trade Organization began in year 1998 with the aim to "put Lebanon on the world trade map", however the preparation of the basic documents needed to apply for accession began in late 2000, and Lebanon proceeded to submit the documents and negotiate their content since 2002, which is the year considered by the Organization as "the start date of Lebanon's accession procedures". Since then until today, Lebanon did not get the approval to become a member of the Organization, noting that, the period of negotiations usually varies between two to five years.

After fifteen years since the start of the negotiations, a delegation from the World Trade Organization, headed by Jean-Paul Thuillier conducted a few visits in order to activate the process of Lebanon's accession to the WTO process.

There were conflicting official views on the implications of this accession, whereby the Minister of Economy and Trade 'Dr. Alan Hakim' expressed the positives which "will inflict" on the Lebanese economy, at the forefront being "affirming Lebanon on the world economic map, and the increase of trade exchange between Lebanon and the world via opening the markets of 162 countries to the Lebanese products." He added that the accession will bring more foreign investment which will boost the economic growth and contribute to the creation of more job opportunities. However, the advantages did not prevent the minister from recognizing some of the disadvantages of joining the WTO, stressing that "we will not take from the Organization except what suits the Lebanese economy and the public interest".

Contrary to the positive view of the Minister of Economy, the Minister of Industry reflected the fears of the industrial and agricultural sectors of joining the Organization. Hajj Hassan justifies his opinion by referring to the agreement signed with the European Union which increased the trade deficit within that region to more than USD7billion a year, attributing the cause to the inequality between the Lebanese and European economies due to absence of equal -treatment policy. Hajj Hassan adds: "The same experience was repeated with the Arab region and led to the same results consequently the weakness of the industrial and agricultural sectors would not allow Lebanon to benefit from this accession".

The General Confederation of Lebanese workers (CGTL) statement also expressed its fear and opposition to the process of Lebanon's accession to the World Trade Organization before the completion of protectionism controls and enabling it to reduce costs of production, starting with the energy prices, the soaring prices for services, and appropriate infrastructure. The statement added: "The principal opinion on this matter is the workers' opinion, and it cannot be bypassed because it concerns them before others, they are the



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ones who bear the brunt of monopolies and the cartels of the medicines, foodstuffs and consumer goods agencies, more than others."

From here we present in this paper some points that must be taken into consideration during the negotiation phase, knowing that entering any new trade horizons must be based on a serious study of the benefits and the costs incurred by it, in order to avoid recurrence of the negative implications which resulted from previous experiences.

• **With regard to the agriculture sector:**

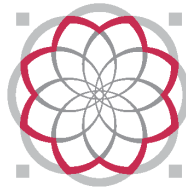
The head of the "Bekaa Farmers Union" confirmed his rejection to Lebanon's accession to the World Trade Agreement, noting that the rate of Lebanese exports to the "European Union" countries did not increase due to the Association Agreement with the EU, and that this agreement was beneficial to those countries. The head of the Union further stated that the same experience will be repeated with the World Trade Agreement if joined by Lebanon, because the mutual understandings require specifications which protect the foreign economies and markets, whereas the Lebanese people cannot abide by them, a matter that will reflect positively on other countries and negatively on the national economy, in light of the high Lebanese production cost and the absence of subsidization, which will lead to a loss of its ability to compete. Noting here, the importance of having a national strategy for the advancement of the agricultural sector, that takes into account the social and environmental aspects instead of the economic aspect of this sector. Based on this concept, there are two main points that must be pointed out when preparing for negotiations with the World Trade Organization to protect the national agriculture:

- Tariff rate quotas: is a two policy instrument allowed within the framework of the World Trade Organization, whereby quotas (*The quantity of goods of a specific kind that may be imported into a country without restriction or imposition of additional duties*) maybe specified to some of the agricultural commodities crucial for the Lebanese economy, noting that identifying these goods must be done through consultation with the farmers unions.

- Subsidy for exports: the developing countries must preserve some flexibility on export subsidies and enjoy extended deadlines for cancellation of subsidies on exports; from here the negotiators must push for the longest lead times before elimination of subsidies, knowing that the United States still retains subsidy of its agricultural exports.

• **With regard to the industrial sector:**

The head of the Association of Lebanese Industrialists stated that «the Lebanese industrial sector needs support and protection similar to those carried out by the industrialized nations around the world».



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Noting that in the framework of the Doha Development Agenda, Lebanon is not obliged to bind all tariffs on industries, and therefore the negotiations must maintain Lebanon's ability to choose the industrial sectors to which it will bind the tariffs to, so as to ensure the protection of the emerging industrial sectors which are unable to compete if fully liberalized.

Also, some of the industrial exports subsidies, as is the case for agricultural exports, are a tool of political importance in promoting local industries and therefore the delegates should not lose or waive this tool during the negotiations, because any reduction in production costs associated with transportation, energy or raw materials translates into reducing the cost of the (labour) workforce.

• **With regard to the services sector:**

Trials have shown that the newly acceded countries are heading towards liberalization of many of the basic and strategic services in their accession process. Such as legal services, medical services, postal services, telecommunications, educational services, health services, social services, tourism, transportation, financial services, banking and others. These are vital sectors which secure the fundamental rights for the citizen.

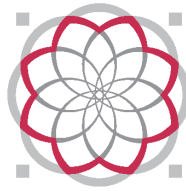
From here, Lebanon must during the accession negotiations try to maintain the flexibility available under the General Agreement on Trade in Services (GATS), which recognizes the right of developing countries to less obligations. Also, the related provisions of specific and preferential arrangements of the GATS agreement allows liberalizing a number of sectors and fewer types of transactions, and facilitates access to markets gradually, in line with the status of development in the country that needs a national strategy to support and activate it.

And accordingly, Lebanon should:

- Not liberalize the basic services, including education, electricity, energy, water and health services, in addition to the sensitive sectors such as transport, postal services, police and internal security.
- Ensure country's ability to regulate prices and quality, and the nationality of service providers.
- Reject the negative list approach of negotiations on services and adhere to the positive list approach, according to the GATS agreement.

• **With regard to trade facilitation:**

After the signing of the Bali Convention in 2013, new obligations are imposed for the accession to the World Trade Organization related to trade facilitation. The concept of trade



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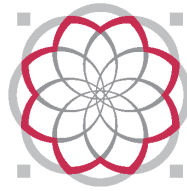
facilitation includes those policies that deal with the entry of goods to a particular country, securing transparency measures and providing information relating to the entry of goods. They include customs requirements and the reduction of fees, up to the rules governing transit. The Lebanese legislation does not comply with a lot of the items and commitments determined by the Bali agreement, and therefore, joining the WTO will result in further legislative amendments as well as institutional and infrastructural investments. The implementation of these commitments will be a very expensive process, hence the need to think and demand technical and material assistance to avoid overburdening the Lebanese Treasury with the costs of trade facilitation, noting that the desired economic returns from this process is not guaranteed.

• **With regard to the reduction of tariffs:**

Tariff reductions leads to lower income and this decline cannot be compensated in any way within the framework of international trade due to the fact that Lebanon will be committed to the provisions of the World Trade Organization hence it is often compensated for through increase of indirect tax ratio on consumption which strains the consumer. From here, the comprehensive approach assumes rethinking of more equitable tax policies which would be more towards achieving the principles of redistribution.

• **The need to create a participatory democratic course of negotiations:**

As part of preparations to accession to the World Trade Organization the Lebanese government has prepared a large number of laws and regulations and decrees to adapt to the requirements of accession, including several areas: international trade, licensing, standards and specifications, anti-dumping, tax discrimination, the control of profits, updating the commercial law, discrimination between the Lebanese and foreigners in granting of import and export licenses. However, still the Lebanese legislation is largely not in conformity with the requirements. Thus, the effects of membership actually began even before accession, and these preparatory procedures to join the Organization have been through a course taken by the government without the involvement of the various parties concerned at the local level, considering the major countries that may have conflict of economic interest with the internal parties in Lebanon. Indicating that Lebanon's accession to the Organization would also expose it to constant surveillance under the title «policies examination» which is carried out by the WTO General Council periodically to make sure members abide to their obligations, but often the policy review reports go beyond these commitments, to affect other issues, such as financial and economic reforms, and the role of the state, and spending policies and taxes ... and seeking assistance by the Organization from other international institutions, particularly the International Monetary Fund. The 'policies



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examination' reports depends on the structural correction programs, consequently, Lebanon's accession to the World Trade Organization will reduce its ability further and further to pursue a national policy which is designed in a democratic manner, as it will be forced to accept any new agreement in the future in accordance with the principle of Single undertaking.

Accession to the WTO is a strategic file which requires a strategic launch from a comprehensive economic and development vision aimed at achieving Lebanon's obligations in the framework of achieving the 2030 goals of sustainable development and subjection of commerce to serve the economy and sustainable development. More specifically, in the vacancy of the presidency and the paralysis of the institutions, the engaging in international trade agreements entails significant economic, developmental and human rights implications which should not pass before discussion and negotiation on a larger scale.

That accession negotiations should be conducted in a participatory and transparent method whereby the different bodies, such as the various concerned ministries, the industrial, commercial and agriculture sectors, labour unions, and civil society organizations can view the details of the negotiations and be given the opportunity to participate and comment on the terms of the agreement, so that the agreement does not result in booming of some sectors at the expense of other sectors in the country.

**• The need to build the capacity of the negotiators and engage them in the course of the negotiations in Geneva:**

It is important to emphasize on the importance of building the capacity of negotiators on behalf of the Lebanese authorities regarding the content of the WTO agreements, as well as the transfer of knowledge to the representatives of Lebanon in the Geneva mission. It is also necessary to encourage this delegation to engage seriously in all the meetings and negotiations in Geneva, which will contribute to knowing the various aspects of the Organization's work and the implications of the new negotiations.