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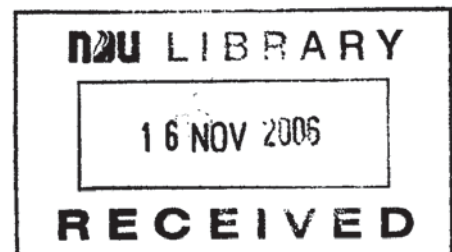
Faculty of Political Science, Public Administration and Diplomacy

Advantages and Disadvantages of Lebanon's Accession  
to the  
World Trade Organization (WTO)

M.A. Thesis

By

Samer Francis



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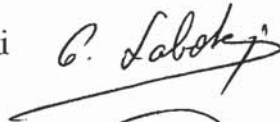
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## ABSTRACT

In the last decade, many aspects of globalization have captured worldwide attention. But for more than a century, the driving force behind globalization has been the expansion of trade in goods and services. Trade liberalization is of major concern for developing countries following protectionist policies, since they are more vulnerable to total openness.

The rules of the World Trade Organization (WTO), which was established in 1995, are based on the principles of free trade. These rules promote trade liberalization policies; this is why acceding to this international organization is of great importance to Lebanon.

The question arises: will Lebanon benefit from this accession? And what can be done to render this membership in the WTO beneficial? The main purpose of this thesis is to answer these questions by examining Lebanon's economic policies and its recent situation in regard to the international organization.

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## INTRODUCTION

Interstate trade has been of major importance throughout human history. The technological developments in the last century, however, introduced major global changes and an exceptional growth in world trade.

In 1994, the World Trade Organization (WTO) was initiated as a result of long term negotiations emerging from the round of GATT (General Agreement on Trade and Tariffs). The WTO aimed at organizing and promoting world trade including the adoption of policies that would facilitate trade on a global level. Today the WTO accounts for about 90% of world trade transactions. This means that any country staying out of the WTO would lead it to isolation in its economy from interaction with the bulk of the world trading markets.

In February 1999, Lebanon submitted its request for accession to the WTO. It was accepted in April 1999 by the WTO General Council. As a result, Lebanon became a WTO observer, and a Working Party (WP) was established in April 14, 1999 Chaired by Mrs. Dubois Destrizais to examine Lebanon's foreign trade policies and practices and oversee accession proceedings.

There are numbers of basic principles which each candidate state has to fulfill in order to join the WTO. These basic conditions are:

- The principle of non-discrimination: This is the principle of "Most Favored Nations," which is treating all member states alike. This means

that any treatment given to a certain member country had to be extended to all other member states.

- The WTO stresses on the prohibition of quantitative restrictions in world trade. This is vital for the development and existence of a free market economy that could interact with the world economies.
- The market access principle: this means that local markets are to be opened for trade by all members.
- The WTO emphasizes the stability of tariff rates. The consistency of tariff rates is important for the stability of its trade transactions with other members.
- The principle of transparency in issuing and applying laws that relate to and regulate trade.

Negotiation rounds take place between the joining country and a number of members before the accession. The negotiations usually include checking the fulfillment of the pre-requisites on the behalf of the joining country.

This research aims to study the conditions Lebanon have met till now so it can comply with the requirements and conditions of membership to the WTO, and the steps the Ministry of Trade and Economy is working on to implement to reach this end. The advantages and disadvantages from such an accession are also evaluated. The purpose then is to find out whether Lebanon will benefit from accession to the WTO or not, as well as to evaluate the changes needed for this country to become a member.



## Chapter I

### Lebanese Economic Structure

#### A- The Lebanese Economy during the 1943-1975 Period:

Since its independence, Lebanon has adopted a capitalist free market economy. The Lebanese public policies refrained from intervening in the economy. During that period, Lebanon gained a reputation as a center for services for the whole Middle East region. It succeeded in building a strong banking sector, which attracted much of the Arab capital. Lebanon also built a modern transport sector that facilitated Lebanon's role as a transit between the developed industrialized world and the surrounding regions. In addition, it elaborated on a flourishing tourism sector. All these factors made the Lebanese economy an open and international one in all sense.

This Lebanese economy has been distinguished then for its extra liberal character; whereby the state played a minimal interfering role in the economy.<sup>1</sup> It was viewed as an economy of which forces of the market operated freely in order to reach equilibrium. The Lebanese economy adopted a laissez-faire policy during this period.

Other external factors, such as the oil boom and the huge earnings from its rising prices helped in creating an apparent successful economic system. During the period between 1950 and 1974, the percentage of economic growth was about 6%. At the same time the inflation rate was relatively low, about 3%

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<sup>1</sup> UN, *Profile of Sustainable Human Development In Lebanon*, Beirut: UNDP, 1997, p. 31.

yearly.<sup>2</sup> The Lebanese economy witnessed a fiscal stability which provided it with annual surplus in the balance of payment. The economy, during that period, was showing positive productivity, and this was reflected in a better standard of life it offered to the Lebanese. However, the same economic system contained hidden catastrophic deficiencies.

The economy in the post independence period --in spite of its partial and apparent success-- suffered from many weaknesses. It lacked planning in general, a process that was vital for the survival of any economic system.<sup>3</sup> It also lacked the strategic vision towards the allocation of priorities. Moreover, it suffered from a total free hand almost chaotic by private financial parties left uncontrolled and free from restrictions.

The Lebanese economic structure faced major deficiencies in its structural building. It depended heavily on trade, services and tourism on the expense of other basic and stable sectors of the economy such as agriculture and industry.<sup>4</sup> Service sectors and tourism were relatively unstable in terms of productivity since they depended heavily on political stability<sup>5</sup>. Lebanon's history unfortunately has been characterized by the instability and corruption of its political system.

This unstable political system failed to provide the needed environment for a healthy economy. Many incidents then revealed that the apparent healthy

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<sup>2</sup> Ellie Yashoai, *Lebanese Economy*, Beirut: Library du Liban, 1995, p. 11.

<sup>3</sup> UNDP, op. cit., p. 32.

<sup>4</sup> Khalil Salem, *The Economy of Lebanon*, New York: Vanderbilt University, 1965, p. 4.

<sup>5</sup> Yashoai, op. cit., p. 12.



position, which the Lebanese economy had witnessed, was due to regional and internal conditions rather than the basic structure of the economy.

Another symptom of weakness the Lebanese economy faced was the contradiction between the trade balance and a surplus in the balance of payment.<sup>6</sup>

### **B- The Lebanese Economy during the 1975-1990 Period:**

With the outbreak of the war in 1975, new factors emerged that affected the whole mechanism of the economy. The War created a state of instability and insecurity. Thus, the service and tourism sectors were directly affected. Statistics revealed that between 1974 and 1982, there was a retreat in the movement of individuals and capitals toward Lebanon in comparison with the pre-1974 period. The movement of capitals and individuals, especially educated labor, increased toward the outside world. Also, service sectors decreased their activities.

On the other side, other major productive sectors such as industry and agriculture, had suffered from major neglect. As the war broke, these sectors were not able to cover the losses of the service sector and tourism sectors.

The early years of war witnessed a major deterioration in the real value of the Lebanese currency; this deterioration in tax revenues was due to the decline of state control over its territory. However, the economy, at that time, depended on the surplus and credit that were achieved during the previous period. By 1982, all the defects the economy confronted accumulated to

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<sup>6</sup> Ibid, p. 10.

constitute a crisis that the Lebanese economy faced for a long period of time. This crisis can be summarized as a high degree of recession, a major disequilibrium in wealth distribution and a huge rate of inflation.

From 1983 onward, as a result of the chronic deficiencies and the continuing impact of the war on the economy, the symptoms of the weaknesses of the economy became obvious. Between 1983 and 1988, the Lebanese economy witnessed a major decrease in its economic activity.<sup>7</sup> The malfunctions of the economy led to an additional dislocation of the national wealth. This aggravated the crisis as it increased the restriction of wealth and, consequently limited the circulation of liquidity in the trading market causing made the poor and the middle classes to suffer.

Inflation was accelerating to reach 138% between 1985 and 1990.<sup>8</sup> The productive sectors were paralyzed; a substantial shift of capital toward foreign currency rather than the Lebanese pound took place. This made the monetary status of the economy highly unstable. Another characteristic of that period was the fading role of state in the developing and planning process.<sup>9</sup>

During the war, the Lebanese government lost much of its power and thus its power of implementing its sovereignty on its territory. This included its force of collecting revenues and taxes. Moreover, revenues were falling while expenditures were increasing. Expenditures increased as the state was burdened with additional payments to construct and repair the persisting

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<sup>7</sup> Nasser Saidi, *The Consequences of the War in Lebanon*, Beirut: Center of Lebanese Studies, 1986, p. 1.

<sup>8</sup> UN, *Profile of Sustainable Human Development in Lebanon*, Beirut: UNDP, 1997, p. 34.

<sup>9</sup> Yashoai, *op. cit.*, p. 16.

damages of the infrastructure due to the destructive power of the war. The state revenues decreased drastically to reach 10% from the budget revenue, a number which is relatively small compared to an average of 25% among other states. By 1989, the state revenues dropped to only 5% of the GDP.<sup>10</sup>

The war ended, and the major challenge was to rebuild the country and refresh its economy. The government had to restore its sovereignty and power over its territory, which was critical for the re-activation of revenue collection.

By the end of the war, Lebanon had to reconstruct its political, economic and social institutions. Also, Lebanon had a major challenge in rebuilding its infra-structure and the economic enterprises that were destroyed or damaged during the war.

### **C- The Lebanese Economy during the 1990s:**

After the war ended, the Lebanese economy found itself facing many obstacles: a major budget deficit and a considerable general debt. This left the Lebanese government with the challenge of increasing revenue collection and decreasing public expenditure, as well as encouraging external and internal investment.

The budget deficit had been the result of years of shortage in consecutive budgets.<sup>11</sup> After the war, the government had to find a solution for this problem. Founding new revenues became a necessity to decrease the budget deficit. For a country that was still recovering from a destructive war, the post

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<sup>10</sup> Sena Eken and Others, *Dislocation and Recovery in Lebanon*, Washington DC: International Monetary Fund, 1995, p. 12.

<sup>11</sup> Saidi, op. cit., p. 13.



war period was a period during which public expenditure was tending to increase due to the necessities of reconstruction.<sup>12</sup>

The need to increase revenues came as a logical consequence of the need to rebuild the country and the economy. The collection of revenues was restored as the state was able to regain its power over most of the Lebanese territories.<sup>13</sup>

Furthermore, it was clear that new revenues were needed to minimize deficit, as well as to provide necessary revenues for the reconstruction of the infra-structure of the economy. New taxes were introduced or increased on luxuries and other commodities.

A further challenge for the Lebanese government was to attract national and foreign investment. Such investments would help in increasing liquidity in the trading and market and in refreshing the economic activity. Foreign investments and foreign currencies were needed for two reasons: First, attracting foreign currencies would tend to strengthen the economy as well as increase the trust in it. Second, foreign investments would provide additional liquidity into the circulation of the economy.

In 1991, the economy started showing signs of recovery. The Gross Domestic Product (GDP) grew by 38% compared to 1990.<sup>14</sup> Inflation started to drop drastically, the balance of payment indicated a billion dollar surplus and all signs during that year showed some positive improvements. Yet, the needed political stability was not fully restored. It was true that the war was over, and the round of violence stopped, but political stability was still fragile.

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<sup>12</sup> Yashoai, *op. cit.*, P. 17.

<sup>13</sup> Eken and Others, *op. cit.*, p. 1.

<sup>14</sup> *Ibid*, p. 8.

These improvements faced a setback in 1992. Political and social tensions had a major effect in the deterioration of the economic situation. As a result of unstudied wage correction, there was a sharp increase in domestic liquidity. Thus, both inflation and pressure on the Lebanese pound increased. This led to a fall of the rate of exchange of the domestic currency. The Lebanese pound fell to 2830 LL to the US Dollar at the beginning of September 1992. Many interventions of the central bank failed to stop this dangerous fall of the pound. The GDP fell to 4.5% in comparison to that of 1991.<sup>15</sup>

The government at that time came up with an agenda for reconstruction and economic revival and its major task was to restore economic stability and confidence.<sup>16</sup> It was in front of the challenge to break the vicious circle of inflation and to stabilize the exchange rate of the Lebanese pound.

The government raised the flag of reconstruction and development. Its plan was to increase revenues by improving tax collections. Furthermore, the government applied different kinds of tariffs and taxes, and telephone, electricity and water charges were increased.

Moreover, the government took measures to encourage the attraction of foreign investments. It introduced all possible facilities to eliminate all barriers and encourage the flow of capital into the country.<sup>17</sup>

Also, the government took steps to reform the taxing system. The reform aimed to encourage the flow of capital and economic investment. The tax system attempted to encourage the accumulation of capital to secure

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<sup>15</sup> Eken and Others, *op. cit.*, p. 8.

<sup>16</sup> UNDP, *op. cit.*, p. 37.

<sup>17</sup> *Ibid.*, p. 39.

investment necessary for economic development. The government also turned for loans and grants to cover the expenditure on the reconstruction plan, which resulted in an increase in the budget deficit.

The government's plan provided a full fledged plan for the reconstruction of infrastructure and economic development and productivity. This plan was prepared by the Council for Development and Reconstruction in coordination with the concerned ministries.

The first year of the application of the plan showed positive improvements. In 1992, the GDP did not exceed 4.5% and made a set back as the year 1992 witnessed political instability, which highly affected the productivity of the economy. Soon, positive signs were witnessed as the GDP increased to 7%. The GDP in the next year reached 8%, implying an increase of 1% as compared to the previous year.<sup>18</sup> By 1995, the GDP dropped to 6.5%. The economy started showing degeneration in its growth, and the GDP started decreasing, eventually reaching dangerous numbers. The 1999 rate of economic growth was 0%.<sup>19</sup>

In spite of the improvements that were witnessed during the first years of reconstruction, Lebanon's balance of trade was moving towards the worse.

In such a situation, it was made clear that Lebanon's economy was moving, more and more, towards becoming a consuming economy rather than a productive one. This exerted an additional importance on the trade sector,

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<sup>18</sup> Reken and Others, op. cit., p. 14.

<sup>19</sup> Ibid, p. 14.



especially on international trade transactions. And the Lebanese banking system adopted policies in favor of the development of trade.<sup>20</sup>

After stabilizing the currency rate, the government reduced direct taxes and increased indirect taxes.<sup>21</sup> Such taxes were characterized as unjust to poor and low sectors. The taxation policy came as part of a comprehensive policy for the government to develop capital for investment. Furthermore, the government tended to implement taxation raises on different commodities and on import tariffs.

The increase in indirect taxation and customs had a significant impact on import and export transactions, and, thus, on trade. In spite of that, trade continued to develop. Statistics showed that imports reached \$5.6 billion in 1994. The number showed a 20% increase of import revenues in comparison to the previous.<sup>22</sup>

Due to all these conditions, the government arranged a number of decisions that were applied during that period. Imports were subject to taxes as well as port fees and charges. The government had implemented 30 kinds of tariffs and rates in addition to a multitude of duties and taxes. It is necessary to note the importance of such taxes to the state budget, which depended on such taxes as a main source of revenue.

Furthermore, a number of agricultural products and seeds were subject to previous license and to a quota system. This had a negative effect on Lebanon's position toward world trade because the WTO prohibited using

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<sup>20</sup> Yashoai, op. cit., P. 34.

<sup>21</sup> UNDP, op. cit., p. 57.

<sup>22</sup> Yashoai, op. cit., p. 34.

discriminatory measures in world trading transactions. Moreover, annual and seasonal bans were traditional measures the government used as a protectionist measure for some of the domestic agricultural products. Import bans throughout the year were implemented for wheat, olive oil, peanuts, apples, olives, and citrus fruit. Seasonal bans were implemented on egg plants, beans, squash, watermelon, peas, peaches, and apricots. Such measures were taken to protect domestic products from foreign competition.<sup>23</sup>

However, these adopted policies moved the trading sector and the economy in general in a direction opposite to the direction of the world trade which was moving under the umbrella of the WTO.

The government initiated a number of free trade zones. Through encouraging free trade zones, the government aimed at reaching several goals. First, free trade zones would guarantee more job opportunities in the proceeding years. Second, free trade zones would provide the economy with an additional \$1 billion of capital investment in the coming 10 years between 1995 and 2005. Third, it would assist in the development of export, import and transit trade. This would provide about \$1.5 billion a year in 10 years time from the time of the initiation of these free trade zones. Free trade zones were initiated in the Beirut Airport, Beirut Port and on the border with Syria in Bekaa, which may be closed because of the tension between the two countries.

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<sup>23</sup> Marwan Iskandar and Elias Baroudi. *The Lebanese Economy*. Beirut: Middle East Economic Consultants, 2000 Edition, p. 158.

#### **D- The Lebanese Economy during the 2000-2006 Period:**

In the year 2000, the Lebanese government raised the slogan of integrity and belt tightening and continued raising taxes and decreasing expenditure. This was organized through a five year fiscal re-adjustment program.<sup>24</sup> All the economic policies in that period targeted toward increasing revenues and decreasing expenses through which the budget deficit will decrease. Industrial exports witnessed a slight increase; this was due to the opening of the Iraqi trading market to Lebanese industrial products.<sup>25</sup>

All these policies and efforts did not succeed in limiting the percentage of deficit. The deficit in the year 2000 reached about 56.3% due to the weak economic performance in addition to the 8.3% drop of revenue collection during that year.<sup>26</sup> The reduction of custom revenues by the end of the year had a major effect on the decrease of expected income.

Later, the government came up with a program to solve the problems that were hindering economic development. The program included the reform of the taxation system. This reform included a major decrease on taxation and tariffs in order to reactivate economic activity. Furthermore, the government announced a clear intention to integrate the Lebanese economy into the world economy.

The major change was in the general reduction of custom tariffs on various imports. The government declared that such reduction is helpful in activating

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<sup>24</sup> Iskandar and Baroudi, op. cit., p. 10.

<sup>25</sup> Ibid, p. 211.

<sup>26</sup> Ibid, p. 248.



the economic situation. It is true that this procedure would decrease direct revenues; however, the government considered such procedures necessary for breaking recession and activating the economic process. This would compensate for the expected drop in revenue collection.

The government issued a number of decrees reducing custom tariffs on imports. Also, the government expected a number of preliminary products which were necessary for industry.

On October 6, 2000, the government issued a decree which included various decreases on various items. On April 24, 2001, the government issued another decree, which included further decreases on customs and tariffs. The decree included a terminal exception of a number of preliminary products. The products included chemical products, woods, computers, communication devices, and transistors.

The government decrease extended to cover a large number of items. The list included a various number of items, which were added to previously expected products. Table 1 indicates important items that underwent full exemption from customs. The expected items represented primary and secondary materials that entered into the local industry.<sup>27</sup>

All these reductions and exceptions were very significant to the economic policies and the economy in general. On one hand, the reduction on imported products meant the reduction of their prices in the local market. This would represent a serious threat to the national industry. The national industry in such a situation would lose the protection that was provided by implementing higher

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<sup>27</sup> Assafir Newspaper, Beirut: 25 April, 2001.

taxation on foreign commodities, which would render exported products more expensive than local ones.

Table1. Items granted industrial exemptions.<sup>28</sup>

| <b>Products</b>                         | <b>Type of Industry</b>       |
|-----------------------------------------|-------------------------------|
| Different Spices                        | Meat Industry                 |
| Potato Powder                           | Potato and Chips              |
| Hydrogenized Oil                        | Chocolate Manufactory         |
| Peanut Butter                           | Chips Industry                |
| Sorbitol                                | Chewing Gum Industry          |
| Pure Athel Alcohol                      | Shampoo Industry              |
| Barium                                  | Printing Industry             |
| Printing Ink                            | Electric Cable Industry       |
| Artificial Colors                       | Food Industry                 |
| Antiseptics                             | Cleaning Products             |
| Rubber Slide                            | Shoe Industry                 |
| Different Kinds of Paper                | Various Paper Industry        |
| Metal Slices                            | Air condition Industry        |
| Aluminum Slices and Wires               | Aluminum Manufacture          |
| Titanium Rode                           | Aluminum Manufacture          |
| Lead Clips                              | Manufacturing Lead Capsules   |
| Glass Parts of Illumination Instruments | Lightning Products            |
| Fragin                                  | Cosmetic Production           |
| Electric Transistors                    | Different Industrial Products |

On the other hand, the government was aware of the negative consequences that such a policy would have on the industrial sector. The exceptions on raw material and preliminary products were introduced by the government to compensate for the losses that the industrial sector would probably suffer because of the tariff reduction. Through exception of raw material, the cost of production of the local industry would decrease, and this would re-allocate the Lebanese industry in the line of competition with local and foreign trading markets.

The change in the custom policy was a major concern for Lebanon's stand in world trade. This new policy, in a way or another, was supposed to have, in

<sup>28</sup> Assafir Newspaper, Beirut: 25 April, 2001.

the opinion of the Hariri's government major effects on Lebanon's economic position in world economy.

The custom tariff reduction alone was not enough to meet the WTO conditions for accession, and even was not necessary because Lebanon is not yet a WTO member. However, it was an important step heading toward the right direction.

Another measure taken by the government to facilitate in Lebanon's accession to the WTO was adopting the privatization law in May 2000. The government announced that it will pursue privatization which will help spur economic growth, promote private sector initiative and investment and improve efficiency and effectiveness of the services provided. According to the privatization law, if implemented, privatization will reduce public debt.

The benefits of a well planned privatization program, based on the competition between the public and private sector, which means privatizing the right corrupt public sector in the right way that will improve this sector's performance and productivity and set it away from political influences are numerous for Lebanon. Among these rises the potential impact on the competitiveness of the Lebanese economy, the favorable impact on Lebanese consumers at large and the enhancing effects on capital markets development. Privatization would attract significant capital in major sectors and strengthen Lebanon's external balance by attracting investment-driven capital flows. As for the privatized entities, they would turn from state monopolies to competitive private sector enterprises subject to trading market mechanisms



ending up with a competition that is believed to have a healthy impact on operating conditions, service quality, and consumers' prices at large.<sup>29</sup>

Political events of the first quarter of 2005 exposed Lebanon's economic vulnerability to sudden political and security mishaps. This fact is reflected in the shocking deceleration in the economic activity, the massive decrease in GDP growth and the rise of the proportion of public debt to government revenues (Refer to Table 2). During the last quarter of 2005 --after Syria's withdrawal of its troops, relatively successful legislative elections and the naming of a "national unity" government-- the country's economy was still suffering from an extremely high level of public debt, wide fiscal and external current account deficits, a narrow economic base and a fragile political environment.

The real GDP growth fell from a very encouraging 5% in 2004, a level unseen since the early 1990s, to 1% at best for 2005. In other words the country's GDP during the last few years was almost wiped out (Refer to Table 3).

Table3. GDP indicator:

| <b>Macroeconomic Indicators</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> |
|---------------------------------|-------------|-------------|-------------|
| GDP (US\$ million)              | 17,292      | 18,042      | 19,513      |
| Real GDP growth rate            | 2.0 %       | 3.0 %       | 5.0 %       |
| GDP deflator                    | 5.1 %       | 1.5 %       | 3.0 %       |
| GDP per capita                  | 3,930       | 4,009       | 4,336       |

<sup>29</sup> www.audi.com.lb/privatization.

Table2. Shows Lebanon's economic vulnerability:<sup>30</sup>

|                                | 2000   | 2001  | 2002   | 2003   | 2004   | 2005   |
|--------------------------------|--------|-------|--------|--------|--------|--------|
| Real GDP Growth %              | - 0.5  | 2.0   | 2.0    | 3.0    | 5.0    | 1.0    |
| Inflation %                    | - 0.4  | 0.7   | 1.6    | 2.2    | 2.8    | 2.5    |
| Gen'l govt balance/ GDP %      | - 23.4 | -17.9 | - 14.0 | -3.6   | - 9.7  | -11.7  |
| Gen'l govt debt/GDP %          | 134.0  | 149.7 | 156.9  | 166.6  | 166.4  | 172.5  |
| Gen'l govt debt/ revenues %    | 720.0  | 845.8 | 737.0  | 723.9  | 692.3  | 759.9  |
| Current account balance/ GDP % | -16.4  | -20.4 | -13.1  | - 12.4 | - 15.0 | - 19.7 |
| External debt/ exports %       | 220.4  | 224.2 | 200.1  | 225.7  | 225.9  | 230.7  |

The country still lacks primary resources, and its export base is limited. Economic activity is concentrated in services, banking, trade and tourism. The activities in the service sector account for around 60% of GDP reflecting a high level of concentration on economic activities. This concentration accompanied with high dollarization of the economy and bank deposits increased Lebanon's vulnerability to political and regional shocks. The current account deficit after a period of decline between 2001 and 2004, especially after the donor conference on November 23<sup>rd</sup> 2002, Paris II, moved up to an estimated 19.7% in 2005, compared to 13.1% in 2002, 12.4% in 2003 and

<sup>30</sup> Executive Magazine, Beirut: Dec.05-Jan.06, No. 78, p. 62.

15.0% in 2004. All these figures were very close to the 20.4% of 2001, which was then considered as a disastrous sign of a country collapse.<sup>31</sup>

**a- Political Pressure:**

The political environment remains delicate as the tension with Syria is continually growing. The government is keen to carry out long term economic and administrative reforms, including privatization, as well as start planning for debt restructuring program, which will be based on a successful donor conference planned in Beirut in the end of 2005 and then moved to 2006. However, it is clear that the deterioration of Lebanese/Syrian relations, which have been further reflected by the recent UN resolutions forcing Syria to cooperate in the investigation of Hariri's assassination, would hamper the government's efforts to initiate such reforms for the time being.

These risks remain more or less reduced by a high level of external liquidity, a large and relatively organized banking sector and confidence among the Lebanese, which has been reflected in a continuously strong and stable deposit base within the country's banking sector. Another positive factor is the return of Gulf Arab tourism towards the end of the summer and the resumption of Gulf investment in the country, despite the disturbed political scene.

**b- Recent Economic Situation:**

In 2005, the Lebanese economy witnessed a slowdown in economic performance after registering a 5% growth in 2004, despite growing regional

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<sup>31</sup> Ibid, p. 62.

and local instability.<sup>32</sup> The real estate sector was mostly affected by the 2005 crisis. Both construction and property sectors, keeping in mind that they are very important growth catalysts, regressed over the first nine months of 2005. The industry sector was also affected; this was realized by the drop in imports of industrial machinery even though a relative improvement in confidence was witnessed in the third quarter of 2005. The economy also witnessed a slow down in private consumption and a freeze in investment demand. Tourism was also affected, declining by 13% in the first nine months of 2005, after registering record levels in 2004.<sup>33</sup>

The performance of trade remained very much affected. Imports were relatively stagnant within the context of a slowdown in domestic aggregate demand reaching \$6.9 billion, while exports progressed by 3%, totaling \$1.34 billion due to a rise in industrial exports in the last couple of months.<sup>34</sup>

#### ***Customs Revenues Down***

Figures released by customs showed that aggregate customs revenues, which include customs duties and VAT revenues, decreased by 14.7% in 2005 compared to the same period the previous year.<sup>35</sup>

#### ***Smaller Budget Deficit***

According to the Ministry of Finance, the deficit last year decreased to LL2.8 trillion (\$1.85 billion) in 2005 from LL3 trillion (\$2 billion) in 2004, representing a 7.5% year-on-year reduction.<sup>36</sup>

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<sup>32</sup> Mira Merhi, *Getting the Economy Back on Track*, Beirut: Executive Magazine no.78, Dec. 05-Jan. 06, p. 74.

<sup>33</sup> Merhi, op. cit., p. 75.

<sup>34</sup> Ibid, p. 75.

<sup>35</sup> Lebanon Opportunities, Beirut: March 2006, Issue 108, p. 84.



### *Narrower Trade Deficit*

The trade deficit narrowed down slightly in 2005 to \$ 7.46 billion by 2.5% from 2004 according to the customs authorities. Exports increased by 7.5%, reaching \$1,880 million, while imports were slightly changed at \$9.3 billion. The slow down in the economy and aggregate demand in 2005 is the main factor behind the stagnation in imports level, while the US Dollar weakness versus the euro has helped make local products more competitive in export trading markets.<sup>37</sup>

### *Surplus in Balance of Payments*

The Central Bank announced that the balance of payments posted a surplus of \$747 million in 2005, compared to a surplus of \$168.5 million in 2004. This includes a \$478 million increase in the Central Bank's net foreign assets, as well as an increase of commercial banks' and financial institutions' foreign assets of \$206 million.<sup>38</sup>

### *Export Plus Down*

The Investment and Development Authority of Lebanon (IDAL) declared that agricultural exports under the Export Plus subsidy program decreased by 5.6% year-on-year to 396,876 tons, excluding the months of April and May 2005 when the Export Plus program was interrupted.<sup>39</sup>

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<sup>36</sup> Ibid, p. 84.

<sup>37</sup> Ibid, p. 84.

<sup>38</sup> Ibid, p. 85.

<sup>39</sup> Ibid, p. 85.

### *Public Debt Up Again*

Gross public debt increased by 7.4% year-on-year in 2005 to reach LL58,048 billion or \$38.5 billion.<sup>40</sup> Table 4 shows the total debt in the three previous years.<sup>41</sup>

Table4. Public Finance:

| <b>Public Finance (LL billion)</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> |
|------------------------------------|-------------|-------------|-------------|
| Government expenditure             | 10.139      | 10.592      | 10.540      |
| Debt service                       | 4.622       | 4.874       | 4.021       |
| Government revenues                | 5.846       | 6.656       | 7.514       |
| Customs' duties and VAT            | 2.607       | 3.003       | 1.617       |
| Budget deficit                     | 4.292       | 3.936       | 3.026       |
| Net total debt (LL billion)        | 44.257      | 47.212      | 49.708      |
| Net total debt (US\$ million)      | 29.358      | 31.318      | 32.974      |
| Net internal debt (US\$ million)   | 14.813      | 15.827      | 14.599      |
| Foreign debt (US\$ million)        | 14.545      | 15.491      | 18.375      |

### *The Government's Proposed Economic Solutions*

The government is preparing a solid reform package that is hoped to put the country on steady path. This includes a comprehensive economic reform plan with a significant component related to social policy to improve the well being of poor and vulnerable people. The program aims at promoting economic stability and growth and will call for cutting public spending, increasing revenues, privatizing some state-owned assets and introducing new taxes.<sup>42</sup>

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<sup>40</sup> Ibid, p. 85.

<sup>41</sup> Executive Magazine, Beirut: Dec.05-Jan.06, No. 78, p. 64.

<sup>42</sup> Dr. Raymond Khoury, *Time is Ripe for Tough Reform*, Beirut: Executive Magazine no. 78, Dec. 05-Jan. 06, p. 76.



The economic reform package can be summarized through the following points:

- Increasing VAT tax from 10 to 15 percent.
- Aligning domestic and international fuel prices by lifting the cap on the price of gasoline and gradually raising gasoline excise tax on a quarterly basis, starting July 2006 up to end of 2008.
- Raising tax on income from 5 percent to 8 percent in July 2006.
- Introducing a global income tax (GIT) by 2007-2008.
- Settling seashore violations, besides penalties, a yearly income in rent revenues.
- Improving tax collection, and increase the network of taxable individuals and institutions.
- Reforming EDL.
- Trade liberalization.
- Increasing bill collection rates.
- Developing financial markets.
- Privatization of some publicly owned companies.
- Facilitating procedures for establishing companies.
- Improving social return on government expenditures.
- Achieving universal coverage of basic health and education services.

## Chapter II

### LEBANON AND THE BASIC CONDITIONS FOR ACCESSION TO THE WTO

#### A- General Agreement on Tariffs and Trade (GATT):

The General Agreement on Tariffs and Trade (GATT) was one of the most important events of the 20<sup>th</sup> century. The GATT had a major effect on the mode of world trade. The development of this agreement had an economic and legal influence on the international economic order.

The GATT Agreement was initiated with the first round of the Social and Economic Council of the United Nations in 1946. The members of the U.N. agreed to assemble in a conference on labor and trade whereby they declared its aim of initiating an international trade organization.

In 1947, the GATT Agreement was signed. The objective of the Agreement was to promote and develop world economy and flourish world trade. The Agreement aimed at working to prevent global recessions. It came after a World War, which was preceded by a global recession that bankrupted many economies in the world.<sup>43</sup>

The GATT encouraged the decrease of tariffs and customs in trade transactions. In other words, GATT aimed at developing free trade and creating a suitable environment for the development of trade. The consecutive

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<sup>43</sup> Michael Hoekman and Michael Kostecki, *The Political Economy of the World Trading System*, London: Oxford University Press, 2001, p. 49.

rounds of GATT were built to discuss the problems facing free trade and recommended solutions to reach a free and proper atmosphere for world trade.

The GATT Agreement served as the basic corner stone for the new world order in trade, which paved the way for the emergence of a multi-lateral trade system. The GATT included a series of obligations and rights that organized international trade between its members.

The agreement passed through many rounds that suggested problems and solutions through which new developments were introduced. These developments included further deregulation in the world of trade. These rounds were: The Geneva Round 1947, Nice 1949, England 1950, Geneva 1956, Dayton Round convened in Geneva 1960, Geneva 1964, Tokyo 1973, Uruguay Round between 1986 till 1993 and the Marrakech Amendment in 1994.

#### **B- The World Trade Organization (WTO):**

The World Trade Organization was established in 1995 by a General Agreement and was supplemented by several more detailed agreements. The WTO is the successor to the General Agreement on Tariffs and Trade (GATT). It emerged as part of the agreements attained in the Uruguay Round of trade negotiations that began in 1980.<sup>44</sup> The members of this organization are all governments (149 members). It is based on a consensus among its members that countries benefit from trading with each other, and that they are willing to promote trade through multilateral negotiations and a system of trade policy rules and dispute settlement. No right or obligation can accrue to any member

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<sup>44</sup> K.Jones, *Who's Afraid of WTO*. London: Oxford University Press, 2004, P. 3.

country without the implicit agreement of the entire membership.<sup>45</sup> Both the Agreement on Sanitary and Phyto-sanitary Measures (the SPS Agreement) and the Agreement on Technical Barriers to Trade (the TBT Agreement) aimed at preventing governments and actors in international trade from using measures primarily destined to protect consumer, animal and plant health as disguised barriers to trade. There are several basic principles which each state has to fulfill in order to join the WTO; these principles are:

**a- The Principle of Non Discrimination:**

One of the basic principles of the WTO is the principle of non discrimination. Non discrimination includes two basic principles: the Principle of Most Favored Nation, and the Principle of National Treatment.<sup>46</sup>

The principle of Most Favored Nation enforced non discrimination in treating other member countries. Any treatment given to a certain member country had to be extended to all other member states. The non discrimination principle also included an internal interpretation represented in the principle of National Treatment.<sup>47</sup> That is, foreign commodities had to be treated without differentiation from local products within the trading market. As foreign products pass through custom barriers, they have to be treated as local commodities. Any internal tax would be applied on all commodities, whether imported or local.

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<sup>45</sup> Jones, op. cit., p. 4.

<sup>46</sup> Dalal Basma, *From the GATT to the WTO*, Itijah Journal, April-May 1998, p. 22.

<sup>47</sup> Fadi Makki, *Between the GATT and the WTO: Lebanon In front of the Challenge*, Beirut: The Lebanese Center for Studies, 2000, p. 32.



On the external level, the concept of non discrimination would be represented by the principle of the Most Favored Nation. The latter would include extending any privileged policy to one member to all other members, which is a basic pillar for promoting trade on international level. This principle encouraged free trade on the global level. The Most Favored Nation principle has to be applied on all commodities.

Some exceptions to the Most Favored Nation principle were allowed in certain cases. First, members would be allowed to initiate free trade zones. This meant exempting products of certain countries from customs. This exemption contradicted with the principle of Most Favored Nation. Such a contradiction to the WTO regulations would be tolerated in such a case. The second exception would be through bilateral agreements between two members. Yet, there were some conditions that needed to be respected for the two exceptions to be tolerated by the WTO.

On the internal level, the non discrimination principle would be implemented through the principle of National Treatment. The National Treatment principle was indicated in the third article of the GATT Agreement. It implied the equal treatment of the foreign and domestic products of the local market. As foreign products pass customs, they have to be treated as any local product. That is, any duty or tax to be implemented locally would have to be implemented on both kinds of items.

This has made it clear that the National Treatment and Most Favored Nations principles work in harmony leading to the implementation of the Non Discrimination concept.<sup>48</sup>

**b- The Principle of Prohibition of Quantitative Restrictions:**

The second condition that the WTO required is the prohibition of quantitative restrictions. From the beginning, the GATT considered customs as the sole protective measure. All restrictions on importing certain items were to be prohibited by WTO members. The WTO considered quantitative restrictions on product imports a contradiction to the free flow of world trade. This was one of the major goals of the WTO.

However, in certain defined cases, a member could violate this principle. According to the WTO Agreement, a member country could impose some quantitative restrictions if necessary for the protection of the environment, national security, or to correct the balance of payment. In such a case the member state would have the right to prohibit the import of any product that may cause any permanent or temporary damage to the environment. Also, dangerous materials to the society could be prohibited by the state.

**c- The Concept of Freeing the Trading Markets:**

A third important condition was the concept of freeing the trading markets. The GATT made it clear, from the beginning, that its goal was to liberate trading markets from various obstacles and barriers. Free trade could be considered as the main objective of the GATT and the WTO. The GATT adopted a stage by stage strategy for freeing inter-market transactions. Many

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<sup>48</sup> Makki, op. cit., p. 35.

rounds worked on consecutive reduction of tariffs among members. Step by step reduction reached a variety of products by time. The reduction of barriers facing trade became the basic objective of the GATT, and later the WTO. The WTO succeeded in reducing different kinds of barriers by using customs as the sole barrier.<sup>49</sup>

#### **d- Stability of Custom Rates:**

A fourth important principle required by the WTO is the stability of custom rates. It is important to the WTO that customs would be implemented at a defined rate. The WTO did not eliminate the right of each member state in using customs as a sole protective weapon for local production. However, the imposition of custom rates has to be in general terms, which defined rates toward all members with no exceptions. This confirmed with the principle of Most Favored Nation. Every member has the right to put a list of items including its tariff rate in a unified system. It is important to mention that member states did not use the same rates compared to each other. Every country has the right to implement the rate which it considers suitable to its economic policies.<sup>50</sup>

Based on the above mentioned the GATT allowed some exceptions without any retaliatory measures against the member state involved. Article 20 of the GATT indicated that exceptions are allowed within the GATT. This article allowed, for example, the prohibition of the entrance of a product that could be harmful to the environment and general health. Any product that might be

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<sup>49</sup> Basma, op. cit., p. 26.

<sup>50</sup> Makki, op. cit, p. 35.



dangerous to the national security would be prohibited from access to the national trading market. Furthermore, Article 19 indicated another exception having to do with the concept of safeguard measures against certain products. This is implemented in the case of excessive import of certain products, which would lead to great damage in the local industry. The member state could then take safeguard measures on temporary basis.

Furthermore, a member state would be able to violate some principles of the WTO in the case of a high deficit in the balance of payment. This would be tolerated under restricted conditions. If these conditions are fulfilled, then the violation will be allowed.

**e- Transparency:**

The WTO required transparency on various levels within the state that would be seeking accession to the WTO. Transparency in service related laws is one of the important issues that the WTO required from the states. It is important that the economic activity within the society would be organized on clear and legal basis. For any investor, ensuring the existence of a transparent and uncorrupt judicial system is very important. The reason behind emphasizing transparency by the WTO was its importance in creating a suitable atmosphere for investment and world trade transactions.

The third article of the GATT, which was part of the protocol of the Uruguay round in 1994, imposed on every member state to publish all its laws and regulations that had to do with the service sector. Furthermore, every state has to supply the service trade council, in the WTO, with every new law or decree



that is published annually. The GATT also compelled members to initiate a center of information, in this respect, in order to provide other interested members with all information.<sup>51</sup>

These conditions are the pre-requisites that the WTO requires from any candidate state in order to be accepted into the organization. Any state will have to fulfill these requirements to gain accession into the WTO.

### **C- The Process of Application to the WTO:**

The state, which is willing to be admitted to the WTO, has to pass through several procedures to acquire membership. First of all member states have to prepare a memorandum explaining the needed policies from the state seeking membership. Such a memorandum had to be a result of the joint efforts of private and public institutions; these institutions have the major responsibility to prepare all the needed questions and explanations of the economic policies in the field of trade and services for the candidate state.

The answers of the candidates would be considered as the proposed obligation of the newly joining member toward all the other members, which means that the responsibility is a general one toward the organization and its members as a whole.

After that, the mutual negotiation between the candidate state and the members of the WTO starts. In such negotiations, the member state usually bargains for low tariff customs toward imports of all members. Through such a

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<sup>51</sup> Basma, op. cit., p. 24.

request, the members attempt to enter into the national markets of the newly proposed member with the lowest barriers available. Such procedures take years to reach the expected result.<sup>52</sup>

#### **D- The Case of Lebanon:**

Lebanon was one of the founders of the GATT Agreement in 1947, but later it withdrew from the Agreement as Israel was accepted into it. In 1994, Lebanon requested to rejoin the WTO. On April 1999, Lebanon was recognized as an observer in the WTO.

In May 1999, the Lebanese government issued a decision from the Council of Ministers establishing a National Committee on WTO Accession. The National Committee is chaired by the Minister of Economy and Trade, and it consists of the heads of relevant ministries and state bodies including the Ministry of Finance, the Ministry of Economy and Trade, the Ministry of Agriculture, the Ministry of Public Health, the Banque du Liban, the Ministry of Transport, the Ministry of Tourism, the Ministry of Post and Telecommunications and the Higher Customs Council. Lebanon, with the assistance of USAID, prepared a Memorandum on the Foreign Trade Regime (MFTR) covering all aspects of Lebanon's trade and legal regime, and then submitted it to the WTO Secretariat in May 2001. The government received 300 questions on the MFTR in

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<sup>52</sup> Dr. Hazem Bilbawi, *Workshop on Negotiation on Lebanon's Join to WTO*, Beirut: ESCWA Library, June 21, 2000.

September 2001 and submitted 160 pages of replies to the questions in May 2002.

The Council of Ministers, on May 26, 1999, established the National Committee for the preparation of Lebanon joining the WTO. The committee's objectives were as follows:

- The Committee prepared a national strategy for such a joining, which included harmonization of jurisdiction and laws with the conditions of the WTO and the study of agreements which organized world trade. Furthermore, the committee was to follow ongoing negotiations and the result of such negotiations between different parties in the process of joining the WTO.
- The second objective of the committee was to raise the level of awareness and knowledge about the WTO and its authority. This, according to the committee, was to be implemented through training rounds, preparation of workshops for ministries and administrations to inform about the obligations and pre-requisites of the WTO, as well as the establishment of a national data base center to provide necessary information for all concerned administrations and ministries.
- The third objective was the formation of a vehicle for the enrollment of the private sector in the process of joining the WTO. A strong private sector was considered vital to assist the public administration for fulfilling the pre-requisites in join the WTO.<sup>53</sup>

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<sup>53</sup> Issam Hobballah, *Workshop on Negotiations on Lebanon's Join to WTO*, Beirut: ESCWA Library, June 21, 2000.



In October 2000, the government adopted an Accession Master Plan for the implementation of the WTO Accession. The document provided an assessment of the economic and legislative reform required for conformity with the requirements of the WTO, and it ushered in the required legislative reform drive.

Still in October 2000, the Ministry of Economy and Trade was designated to lead the accession process. A WTO unit was set up in May 2001 to allocate the necessary human resources of lawyers and trade specialists.

Lebanon, on its side, took a series of measures to facilitate the accession process. First, the Ministry of Economy and Trade initiated a Committee for the amendment of laws and decrees to conform to the conditions of the WTO. A major achievement was also accomplished, with the issuing of the law of protecting property rights. Second, the Lebanese government started its privatization, which aimed at restructuring the economy; such a plan went in favor of the WTO conditions. In addition to that, the government launched a series of policies in favor of creating conformity with the conditions for joining the WTO. In this respect, the application of the trade efficiency project came to facilitate trade transactions and decrease expenses.

The General Director of the Ministry of Economy and Trade in the year 2000 gave a comprehensive idea of Lebanon's standing position with respect to joining the WTO. He confessed that Lebanon was still in its preliminary



stage.<sup>54</sup> This was evident since Lebanon's acceptance as an observer was relatively new at that time. He indicated the further detailed policies of the government towards the joining process of the WTO; he also indicated the macro procedures and policies which the government adopted in this area.

The first step was the implementation of the cooperation vehicle between different ministries and public administration. The second step was the reconsideration of the whole jurisdiction and laws that contradicted with the conditions of WTO accession. After that, the International Organization of Assistantship in this process was considered vital for the Lebanese government.

#### Enacting Laws for WTO Conformity:<sup>55</sup>

| <b>Law</b>                                                        | <b>Status of the Legislation</b>  |
|-------------------------------------------------------------------|-----------------------------------|
| International Trade and Licensing Law                             | Currently at Council of Ministers |
| Law on Food Safety                                                | Currently at Council of Ministers |
| Law on Standards, Technical Regulations and Conformity Assessment | Currently at Council of Ministers |
| Law on Anti-dumping, countervailing and safeguard measures        | Currently in Parliament           |
| Law on Animal Quarantine                                          | Currently in Parliament           |
| Law on Plant Quarantine                                           | Currently in Parliament           |

#### **E- Lebanon's Public Policy with respect to the WTO:**

<sup>54</sup> Issam Hobballah, *Workshop on Negotiations on Lebanon's Join to WTO*, Beirut: ESCWA Library, June 21, 2000.

<sup>55</sup> <http://www.economy.gov.lb/MOET/English/Panel/Trade/Misc/WTOLebanonAccessionProcess>

Lebanon, prior to the war, was known as a mediator between the Western World and the different countries of the region. During the war, drastic changes in the area were taking place. Other countries in the region, that used to depend on Lebanon as a mediator, started creating their own relations with the industrialized world.

After the war, Lebanon found itself facing new realities towards world trade, and this war was on the legal, economic and political level. On the legal level, after 15 years of absence, Lebanon's legislations became far from conforming with international regulations and laws in the realm of trade and economy. This legislation fell behind global developments, which took place the last 15 years. This was a logical result of a long destructive war, which paralyzed state institutions. At the beginning of the 90s, Lebanese legislations lacked any kind of reform. The Lebanese economic system lacked important laws that became a necessity in the modern world. The law of protection of intellectual property rights was not yet adopted in the Lebanese legal system. This meant that the protection of inventions, whether of intellectual or industrialized nature, was not properly ensured within the Lebanese system. Also, the Lebanese system lacked laws that organized the privatization process, and this was a further gap in Lebanon's legislation toward fulfilling WTO conditions. This made the Lebanese legal system, during that period, unable to fully comply with the WTO conditions.

However, the situation during the first few years after the war started to change as Lebanon decided to take measures to enter the WTO. This meant the

start of the reform of a number of laws and implementing them. The year 1998 witnessed the start of the procedures of reforming the body of laws that contradicted with the WTO. The law of protecting property rights was issued in 1998.<sup>56</sup> Also, the law of privatization organization was issued in 2001. Moreover, a committee for reforming the laws pertaining trade was initiated.

By the year 2000, the economic policy witnessed a significant change. The government introduced an economic salvation plan to pull the Lebanese economy out of its severe recession. Thus the Lebanese economic policy witnessed a significant decrease on tariffs and customs. Such a change in the official policy was an attempt to reactivate the stagnant economy through encouraging economic activity within the trading market. The new economic policy intended to decrease costs of products in the trading market through which the purchasing ability of the customer will increase. This policy would decrease the government revenues due to the decrease of tariffs and taxation; yet, it was intended to activate the economic activity that would lead to faster economic growth. This would compensate for the lost revenues as the development of economic growth would help in decreasing deficits in the budget.

This change in the economic policy would have an important effect on Lebanon's position with respect to international trade to its accession to the WTO. For a country whose trade sector was considered a major sector, adopting policies that contradicted with the world trend meant isolation of the

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<sup>56</sup> Nasser Saedi, *Workshop on Negotiation on Lebanon's Join to WTO*, Beirut: ESCWA Library, June 21, 2000.



trade sector from interaction with the outside world, and trade won't flourish in an isolated setting.

The tariff reduction came to conform to the basic demands of the WTO, whose main objective was to eliminate trade barriers and to decrease tariffs.

#### **F- Lebanon and the Conformity with the WTO Conditions:**

##### **a- Lebanon and the Concept of Non Discrimination:**

With respect to the concept of non discrimination, some consider Lebanon as a country that has much to do to conform to the principle of non discrimination in the treatment of other countries enrolled in the WTO.

Some considered the Lebanese-Syrian relation, precisely on the economic level, as a contradiction with the concept of Most Favored Nation. The Lebanese-Syrian "special" relation was considered by some people as a violation of articles 1 and 2 of the GATT Agreement in 1994. The two articles insisted on equal treatment between all member states. However, contrary to conventional wisdom, the Lebanese-Syrian relationship did not violate to the conditions of the GATT since it allowed a state to give a state or a group of states special treatment under certain specified conditions. A clear example of such a case was the treatment that the European states offered to each other within the European Union. The conditions to allow a member country to give special treatment to other members were summarized in either the existence of a duty free zone, or the existence of a custom union between both parties.



Furthermore, there was the issue of Lebanon's boycotting to Israel. This raised the question of whether this fact jeopardized Lebanon's chances to gain membership in the WTO or not. In other words, did Lebanon violate the principle of Most Favored Nation? Article 13 of the Marrakech Agreement indicated the allowance of a state to refrain from implementing the principle of Most Favored Nation towards a certain member, if it indicated that before accession. Through this material, the boycott of Israel would not, anymore, affect Lebanon's chance of accession.

In addition, the WTO gave the developing countries, like Lebanon, a period of release, which started with the time of signing the Marrakech Agreement in 1995. The period lasted five to seven years, depending on the level of development among the developing states.

Furthermore, some thought that the concept of "National Treatment" would automatically lead to competition between foreign and local products on equal basis. If this was true, this meant that the national industry cannot compete with the better foreign industry. This description of the situation was inaccurate. It was true that national treatment included equal treatment within the market; however, the WTO did not prohibit the existence of custom tariffs. In spite of the WTO tendency toward decreasing tariffs, it allowed using tariffs as a sole protective policy for national products. The GATT had prohibited all non-tariff barriers.

**b- Lebanon and the Principle of Prohibiting Quantitative Restriction:**

One of the basic principles for accession to the WTO was the prohibition of any quantitative restriction on imports of foreign products. In the 1990s, Lebanon adopted a number of policies which accepted quantitative restrictions on imports. One clear example was the adoption of the agricultural calendar. The agricultural calendar prohibited the import of a number of agricultural products during certain periods of the year. This was done as a protective policy for local agricultural product, but it was a clear violation of the principle of the WTO. The WTO allowed the member state to use custom tariffs as the sole protective measure for local productive sectors.

Lebanon, in its attempt to fulfill the conditions of accession to the WTO, introduced a number of reforms into its policies. In this respect, Lebanon prohibited the agricultural calendar. These reforms came to conform to the concept of prohibition of quantitative restriction that the WTO required.

In addition to the elimination of the agricultural calendar, Lebanon moved in the direction of reforming the taxing system. This was an important step in fulfilling the requirements of the WTO. The adoption of the Value Added Tax (VAT) came as a move in this direction. The application of the VAT in Lebanon was one of the important reforms in the taxing system, which the WTO encouraged for accession. The Lebanese government implemented the

VAT to raise more revenues to cover part of the general debt; however, the implementation of the VAT came to conform to the requirements of the WTO.

Lebanon issued a number of laws the WTO required. The laws that were issued were: the Law of Property Rights (issued in 1999), the Law of Invention Rights (issued in 2000) and the Law of Custom Tariffs (issued in 2001). On the other side, more than 15 laws were in the process of being issued.

### **c- Lebanon and the Concept of Free Market:**

As the Lebanese government prohibited the agricultural calendar, this further helped in freeing the Lebanese trading market towards international trade. This indicated that, with respect to this requirement, Lebanon made a considerable improvement.

The economic policy of imposing a number of barriers in front of foreign imports helped in protecting some industrial and agricultural sectors. Yet, it was a move in the direction opposite to that of the WTO. The tariff raised after the end of the war was contradictory to the global trend of the reduction of tariffs. The economic policies of the government, through the salvation plan of 2001, implied a radical change towards major tariff reduction. These policies assisted in further opening up the economy. This restrengthened Lebanon's position as an open and free economy. The openness of the economy was to assist Lebanon in its accession to the WTO in order to catch more foreign trading markets.

**d- Lebanon and the Adoption of Consistent Policy toward Custom Rates:**

After the war, Lebanon adopted a policy of depending heavily on tariffs to raise needed revenues for reconstruction. This explained the consecutive increases on tariffs, which were implemented during that period.

The year 2000 witnessed a change in the tariff policy of the government. A significant reduction on tariff rates was adopted. These consecutive changes in the tariff rates seemed as a kind of inconsistency in the policies of the Lebanese government. This contradicted with one of the requirements of the WTO which requires a kind of consistency in the implementation of policies on this level.

**e- Lebanon and the Issue of Transparency:**

Another important issue which Lebanon had to respect was the issue of transparency, on which, Lebanon has to exert more effort. On one hand, Lebanon had issued most of its laws and decrees in a clear and public way, which conforms to the WTO requirements. On the other hand, Lebanon's judicial and legal systems still lack transparency on different levels. Lebanon lacks the existence of a proper, uncorrupt judicial system, which is vital for attracting foreign investors. Political interventions in the judicial system are increasingly taking place. Corruption in the public administration continues to be a chronicle problem that affects Lebanon's image to foreign investors.



Lebanon had considerable work to do in this respect. Reform in administration and the judicial system is vital, not only for the accession to the WTO, but to create a better atmosphere for local and foreign investment.

In such a case, Lebanon is facing the challenge to prove the stability of its policy in this realm. The consecutive changes of Lebanon's economic policies during the last 10 years could endanger Lebanon's chances to join the WTO. Lebanon had to show a clear will to liberalize its economy and head it in the direction that the WTO required. Hence, the Lebanese consecutive economic policies should conform to rather than contradict each other.

From the analysis of Lebanon's position with respect to the requirements of WTO, a number of conclusions could be drawn. First, Lebanon is not far from being ready to fulfill the conditions of the WTO. As we have shown, Lebanon has achieved significant development in fulfilling most of the conditions for accession. Second, Lebanon, like all states, has interest in joining the WTO. Lebanon, in its current economic structure cannot stay out of the WTO, which handles 90% of world trade. Hence, there should not be any obstacles in the accession process. Third, Lebanon's latest custom tariff policy has put Lebanon back on the right track towards accession to the WTO. Yet, any reapplication of the previous policies, which the Lebanese government adopted between 1992 and 2000, would endanger all the improvements that have been achieved in this direction.

In order to continue on the path to join the WTO, Lebanon has to achieve three objectives. First, Lebanon has to maintain a kind of stability in its

economic policy. Second, an important issue, which Lebanon has to work on, is the stress on transparency in the administration of the economy. It is important that Lebanon restores a positive reputation in applying its laws, especially those approved in order to meet the conditions of the WTO. Finally, Lebanon should adopt a well organized privatization plan, which will give the private sector the right to control and invest corrupt entities controlled by the public sector.

#### **G- Practical Procedures for Accession to the WTO:**

There are several practical procedures that any candidate state, including Lebanon, has to pass through to attain full membership.

First, a working party discussion for questions and replies over the foreign trade regime is to be established.

Second, the state is to prepare an offer on its products. This includes submitting an initial offer by Lebanon on the implemented tariffs on all agricultural products and most non-agricultural products.

The third step is to prepare an offer of services. The offer is to include a trend toward liberating the service sector of the economy.

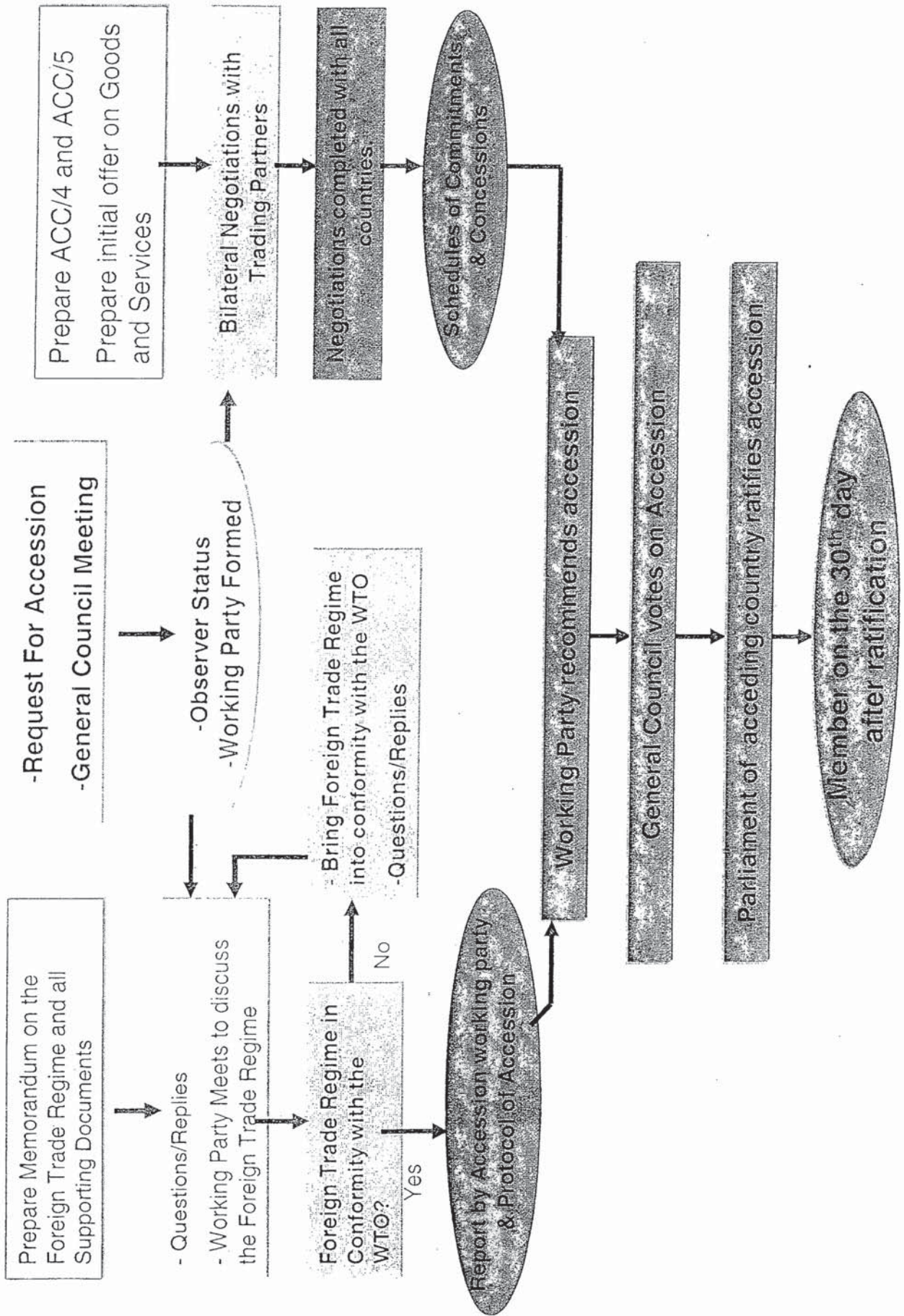
After accomplishing the previous steps, Lebanon has to engage in a bilateral negotiation on goods and services. Also, a multilateral negotiation on agricultural subsidies is to be conducted. These negotiations are necessary in leading to bilateral agreements. In this respect, Lebanon has made considerable

improvements. Several bilateral agreements with a number of countries have already been signed.

After these processes, the working party gives its recommendation for giving Lebanon full membership. The recommendation will be voted for approval by the General Council of the WTO. The final step after voting is the ratification of the Lebanese parliament on the accession to the WTO. This includes the ratification of all the principle laws and agreements of the WTO. A month after ratification, Lebanon will officially become a member.



# The Process at a Glance





### Chapter III

## THE ADVANTAGES OF LEBANON'S ACCESSION TO THE WTO

### A- The WTO between Globalization, Globalism, Imperialism, and Pluralism:

Globalization is the integration of trading markets, finance and technology in a way that shrinks the size of the world. It is a process that diminishes many of the factors that divide the world. Globalization is not new. It started a long time ago, but its effects increased and became clearer with the evolution of technology.

Long Distances became much shorter with the invention of motorized vehicles and planes. Global communication became easier through satellites and the Internet. Tariffs, customs and other barriers to trade have decreased significantly since World War II. Investments across national borders have grown very rapidly, and the WTO lowered, to a big extent, all customs between member states. The European Union has even created a common currency between European states. The cultures of people all around the world are becoming more and more alike, a phenomenon that Benjamin Barber expressed by calling this same culture globe, the McWorld.

The rapid growth of international interchange lead to a broad range of global and regional International Governmental Organizations (IGOs) such as the United Nations, the World Bank and the European Union to manage the process of globalization. These organizations require at least some level of authority, which will diminish the authority of the traditional central unit of governance, the state.<sup>57</sup>

Globalization will lead in the end to a global village in which all states will cooperate for more trade, and eventually, borders will be eliminated and the number of governments will be reduced.

After this definition of globalization, it is important is to realize that the term globalization is different from the term globalism because of the confusion between the two terms in international politics.

Globalism refers to an image of politics that focuses on the importance of economy, especially capitalist relations of dominance or exploitation, to understanding world politics. The globalist image is influenced by Marxist analyses of exploitative relations, although not all globalists are Marxist.<sup>58</sup>

Globalists believe that it is necessary to understand the global context within which states and other entities interact. Globalists believe that particular mechanisms of domination exist to keep third world countries from developing and even contribute to worldwide uneven development. They assume that economic factors are absolutely critical in explaining the evolution and

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<sup>57</sup> John T. Rourke. *Taking Sides*. University of Connecticut, Eleventh Edition, 2004, p. 3

<sup>58</sup> Viotti and Kauppi, *International Relations Theory*, Longman Publishers, Third Edition, n.d., p. 479.

functioning of the world capitalist system and the relegation of third world states to a subordinate position.<sup>59</sup>

Globalization makes the world a global village where all countries cooperate. There might be a clash of civilizations as some theorists like Samuel P. Huntington say, but this clash is different from that which globalists mention. Since the world is divided between the northern industrialized states and their poorer neighbors in the southern hemisphere, the clash will be between different classes; thus a class conflict will be generated by economic modernization.

John Hobson considers that Marx's observations on capitalism in the nineteenth century have since been modified and generalized to cover the entire globe under various theories of imperialism.<sup>60</sup> Imperialists believe in an international hierarchical division of labor between the rich and poor regions of the world, but the relation is not one of mutual benefit and comparative advantage. On the contrary, it is one of exploitation.

Hobson noted that capitalist societies were faced with three basic interrelated problems: overproduction, underconsumption by workers and other classes, and oversavings on the part of capitalists. As the capitalist owners of industry continued to exploit workers and pay the lowest possible wages, profits mounted and goods started to pile up.

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<sup>59</sup> Ibid, p. 341.

<sup>60</sup> Ibid, p. 365.

The capitalists' solution to this problem reached by was to invest in what are now known as Third World countries. The result was the dominance by multinational corporations in less developed countries.

Taking in consideration the globalist theory, we can say that the WTO is a modern type of imperialism whereby developed capitalist countries found a new modernized way to use the developing countries as trading markets for their overproduction, unlike the old way of establishing colonies or what is known by colonialism. This modernized way is a legal way based on agreements and on the consensus of the developing countries, which have no choice but to be a part of these agreements.

From this point of view, the WTO has a number of disadvantages on developing countries in general and on Lebanon in particular, which I will discuss in the next chapter.

On the other hand, Pluralists believe that the nature of international relations has been changing over the years, and modernization describes and explains this change. Modernization can be defined as the social, political and economic prerequisites for, and consequences of, industrialization and technological development.<sup>61</sup>

This means that individuals, through modernization will find their self interest by collaborating with each other for mutual gain. Consequently this collaboration will lead to peaceful transformation between them and to a higher level of peaceful international politics.

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<sup>61</sup> Ibid, p. 211.



According to R. Keohane and J. Nye, interdependence, which means mutual dependence, refers to situations characterized by reciprocal effects among countries or among actors in different countries.<sup>62</sup> These effects often emerge from international transactions like flow of money, goods, people and messages across international boundaries.

Complex interdependence will increase the role of international organizations and the role of transnational actors to make them the major instruments of states. These organizations will link weak states rather than reinforcing hierarchy between them.

According to this point of view, we can say that the WTO as an international organization, will link developed and developing countries rather than reinforcing hierarchy between them. Moreover, individuals of WTO's member countries will find their self interest by collaborating with each other for mutual gain. This collaboration will lead to peaceful transformation between them and to a higher level of peaceful international politics.

This is a very positive point of view which makes us conclude that this peaceful transformation will lead to peaceful international politics between 149 countries in the world, something that is not proven yet.

But there are several advantages or benefits that developing countries in general and Lebanon in particular, gain by joining the WTO. These advantages will be discussed in this chapter, but first it is important to know the

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<sup>62</sup> Ibid, p. 308.

characteristics of the WTO, its purposes and importance with respect to developing countries.

**B- Advantages of joining the WTO:**

The World Trade Organization (WTO) is an intergovernmental organization aimed at reducing tariff and non-tariff barriers to international trade in goods, facilitating trade on services, protecting intellectual property rights and harmonizing trade rules. The WTO is the only international body dealing with the rules of trade between nations. At its heart are the WTO Agreements negotiated and signed by the bulk of the world's trading nations. These documents provide the legal ground rules for international commerce. They are essentially contracts binding governments to keep their trade policies within acceptable limits. Although negotiated and signed by governments, the goal is to help producers of goods and services, exporters and importers conduct their businesses.

The system's overriding purpose is to help world trade flow as freely as possible as long as there are no undesirable side effects. That party means removing obstacles. It also means ensuring that individuals, companies and governments know what the trade rules are around the world and giving them the assurance that there will be no sudden changes of policy. In other words, the rules have to be transparent and predictable.

Because the agreements are drafted and signed by the community of trading nations, often after considerable debate and controversy, one of the WTO's most important functions is to serve as a forum for trade negotiations.

A third important aspect of the WTO's work is dispute settlement. Trade relations often involve conflicting interests. Contracts and agreements, including those carefully negotiated in the WTO system, often need interpreting. The most harmonious way to settle these differences is through some neutral procedures based on an agreed legal foundation. That is the purpose behind the dispute settlement process written into the WTO agreements.

Taking now a closer look at the principles of the trading system, the WTO agreements seem to be complex because they are legal texts covering wide range of activities. They deal with agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards, food sanitation regulations, intellectual property and much more. But a number of simple fundamental principles were discussed in the previous chapter and run throughout all of these documents. These principles are the foundation of the multilateral trading system.

The trading system should be free from discrimination, free, predictable, more competitive and more beneficial for less developed countries.

Free trade is explained as the fact that barriers will be reduced through negotiations. This is one of the most obvious means of encouraging trade. The barriers concerned include customs duties (or tariffs) and measures such as



import bans or quotas that restrict quantities selectively. It is important to note that opening trading markets can be beneficial, but it also requires adjustment. In this view, the WTO agreements allow countries to introduce changes gradually through progressive liberalization. Developing countries are usually given more time to fulfill their obligations.

Under predictability, it should be understood that foreign companies, investors and governments should make sure that trade barriers, including tariffs, non-tariff barriers and other measures, should not be raised arbitrarily. More and more tariff rates and market-opening commitments are bound to the WTO.

#### **a- Importance of joining the WTO:**

Many aspects of globalization have captured worldwide attention including capital flows, migration, and environmental issues. Yet, for more than a century, the driving force behind globalization has been the expansion of world trade in goods and services. In fact, since the 18<sup>th</sup> century, Adam Smith, with his theory of absolute advantage, showed that two countries must trade for the goods in which they have absolute advantage, the starting point being that these countries will engage in free trade only if consumers gain from trade compared to the autarky situation.<sup>63</sup> Later on, David Ricardo further deepened this thought with his theory of comparative advantage specifying that each country must specialize in the good in which it has a comparative

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<sup>63</sup> Issam Sleiman, *Introduction to Political Science*, Beirut: Library du Liban, 1998, p. 46.



advantage and exchange it with the others.<sup>64</sup> In fact, the theoretical case for free trade is that it permits countries to concentrate on activities in whereby they enjoy comparative advantage, which subjects firms to the healthy discipline of foreign competition. This means higher productivity and increased living standards, while consumers enjoy access to a wider variety of goods and services at lower cost.

Many economists believe that this is not only true in theory, but also in practice: "Our post-World War II prosperity is based in large part on the rapid expansion of international trade in goods and services, which year after year has grown more rapidly than production".<sup>65</sup>

Throughout the early decades of the 21<sup>st</sup> century, trade is likely to continue the process of global integration, especially among developing countries. This is why the importance of trade liberalization for these countries, an area where the WTO plays a critical role, should be presented.

### **C- The Importance of Trade Liberalization for Developing Countries:**

#### **a- The means of realizing the benefits of globalization:**

It is frequently the primary means of realizing the benefits of globalization. Countries win when they gain market access for their exports and new technology through international transfers, and when heightened competitive

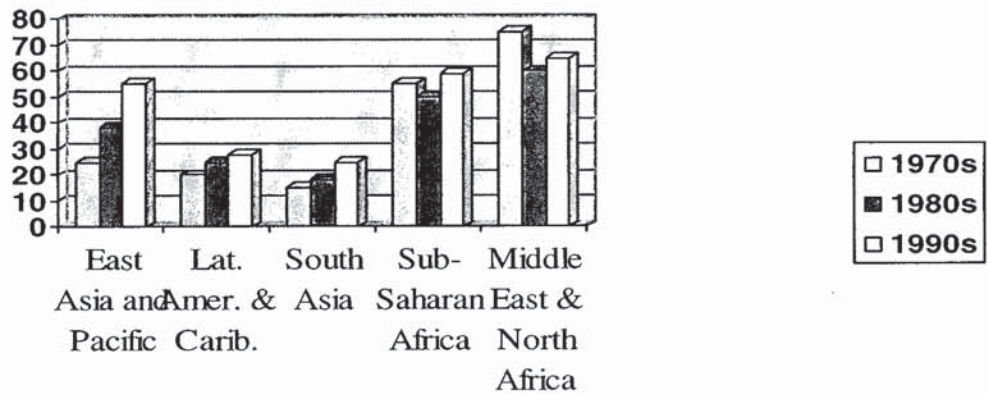
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<sup>64</sup> Ibid, p. 53.

<sup>65</sup> Stanley Fischer, *Global Markets and the Global Village in the 21<sup>st</sup> Century: Are International Organizations Prepared for the Challenge?* International Monetary Fund, 1999, p. 55.

pressure improves the allocation of the resources. The rising share of imports and exports of goods and services in gross domestic product (GDP) for Latin American and Southeast Asian countries in between 1970-2000 attests to a growing exposure to international trade (See Figure 1). African economies have also felt the effects of international trade for some time. Although the continent's share declined during the 1980s, it fell from a high starting point. It is however important to note that the size of the country, whether small or large, will affect this ratio of trade to GDP since small countries tend to have a smaller GDP. Therefore, their ratio will be greater than that of larger ones. This is why if we consider, for example, the fact that Latin American countries include large countries like Brazil and Argentina with important GDPs could explain the low ratio obtained for this region with regard to other regions constituted of smaller countries.

Fig.1. Evolution of Foreign Trade<sup>66</sup>



<sup>66</sup> *Investment Climate in Lebanon*. Expert Group Meeting on Enhancing the Competitiveness on Exports in Textiles and Clothing in Countries of the ESCWA Region in the light of Globalization and the WTO Agreement, E/ESCWA/ID/1999/WG.2/10, October 18, 1999, p. 10.

**b- The Opportunity to expand trade in goods and services:**

The continuing reallocation of manufacturing activities from industrial to developing countries offers ample opportunity to expand trade not only in goods, but also in services, which are becoming increasingly tradable. In a few decades, global trade of services may, by far exceed that of goods.

**c- The Spread of international production networks:**

Trade is intertwined with another element of globalization: the spread of international production networks. These networks break up sequential production processes, which traditionally have been organized in one location, and spread them across national borders. This dynamic will result in further geographical dispersion of production and increase trade among cities, regions, and countries.

**d- Firm support by international institutions:**

The growth of trade is heavily supported by international institutions of long standing. The World Trade Organization (WTO), built on the legacy of the General Agreement on Tariffs and Trade (GATT), is the latest step in creating a commercial environment more conducive to the multilateral exchange of goods and services. The GATT and WTO have served as the means of securing past gains through multilateral trade liberalization. But more important, the WTO can function as the point of departure for further rule-making to promote, still, greater openness to world trade. If trade is to continue



expanding as rapidly as it has in the past, and if it is to be of greater benefit to developing countries, then the international community must engage in further liberalization and institutional reforms.

We saw that trade liberalization is important, but one question arises: How does the global trading system benefit developing countries?

#### **D- The Benefits of the Global Trading System:**

##### **a- The economic perspective:**

According to the World Bank, trade liberalization benefits economies in two important ways. First, when tariffs are lowered and prices by relative change, resources are allocated to production activities that raise national income. Second, much larger benefits accrue in the long run as economies adjust to technological innovations, new production structures, and new patterns of competition.

A study prepared by ESCWA defended the idea that, in theory, liberalizing international trade should lead to an efficient allocation of resources. According to the theory of comparative advantage, countries will specialize in the production of those goods and services in which they are most efficient. This means that when countries maximize their production of this good using a certain level of input, they will be moving toward the efficient use of resources. Consequently, when international trade is free for all countries, a



more efficient international division of labor will be established, and a better allocation of world resources will be achieved.<sup>67</sup>

Moreover, a liberalized world trade will provide developing countries with the opportunity to achieve economic growth. Most of these countries are indebted and suffer from deficits in their current accounts. Engaging in international trade will give them an opportunity to bridge the gap in their current accounts and provides them with foreign currency. This will enable these countries to buy capital goods to enhance their industrial infrastructure, which will further enhance their economies.<sup>68</sup>

Trade liberalization has other powerful effects. First, it strongly influences the way firms perform. The evidence of its effect on domestic enterprises highlights the benefits developing economies gain from the access to world trading markets.

In addition to that, trade liberalization can permanently raise the productivity of firms by providing access to up-to-date capital equipment and high-quality intermediate inputs with relatively low prices. Some firms of the Republic of Korea and Taiwan, for instance, raised productivity by diversifying their use of intermediate inputs.<sup>69</sup> Firms' productivity levels also rise when businesses are exposed to demanding international clients and the "best practices" of overseas

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<sup>67</sup> ESCWA, *Investment Climate in Lebanon*, Expert Group Meeting on Enhancing the Competitiveness on Exports in Textiles and Clothing in Countries of the ESCWA Region in the light of Globalization and the WTO Agreement, E/ESCWA/ID/1999/WG.2/10, October 18, 1999, p. 33.

<sup>68</sup> *Ibid.*, p. 35.

<sup>69</sup> Dani Rodrik, *Trade Policy Reform as Institutional Reform*, Harvard University, 2000, p. 22.

competitors. Domestic firms may also benefit from the opportunity to reengineering foreign firms' products.

**b- The environmental perspective:**

Trade liberalization has also important effects on the environment, mainly positive ones. It will have a positive effect on the environment given the fact that it can help remove the distorting effects of subsidies that have the tendency to encourage people to use environmentally damaging activities such as agriculture.<sup>70</sup>

Also, economic growth resulting from trade liberalization, as seen above, will affect the income in these countries, which will have a positive effect on the environment since higher incomes will lead to a better environmental awareness, and the demand for cleaner environment will increase.

Trade will also positively affect the environment by prompting changes in the composition of economic activity; for example, shifting the balance between heavy manufacturing and less polluting service sector outputs. Trade growth may also induce technological innovations that increase profitability and reduce environmental damage simultaneously; for example by using energy more efficiently. Consumers may also be prepared to pay more for products and services that they perceive to be friendly to the environment. In most countries, all these influences play out in the context of increasingly stringent government regulations.<sup>71</sup>

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<sup>70</sup> Ibid, p. 23.

<sup>71</sup> Ibid, p. 23.

Therefore, trade growth may positively influence the environment. Nevertheless, economists who object to this idea argue that free trade damages the environment by increasing the scale of economic activity, which might be expected to imply more wear and tear on the environment. But the relationship is not a linear one: the incidence of many pollutants increases as income rises, only to fall again once living standards pass a given threshold.<sup>72</sup>

The net effect of trade on the environment is therefore ambiguous, depending heavily on the industry, country or pollutant involved.

#### **c- The Political perspective:**

Trade is in the national interest of a country because it improves and expands its political goals domestically and its diplomatic goals internationally. Trade liberalization also expands the reach of “politically prominent domestic export industries”.<sup>73</sup>

In reality, the free trade agenda is very much close to us.<sup>74</sup> In fact, representatives of the 149 member countries of the WTO always engage in fresh rounds of negotiations aimed at further opening the markets for goods, services and agricultural products. As mentioned earlier, trade has been one of the main engines of world growth since the end of the World War II, and every country that has grown fast after this period has done so through a strategy of integration with the world economy through rapidly growing exports

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<sup>72</sup> Ibid, p. 24.

<sup>73</sup> Jones, op. cit., P. 39.

<sup>74</sup> Fischer, op. cit., p. 56.



accompanying imports. This was the case of Germany, Europe, Japan and East Asia, so other countries, mainly the developing ones, must be able to benefit in the same way.

With respect to Lebanon, as a developing country there would be a number of benefits or advantages that could be allocated from its accession to the WTO.

### **G- The Advantages of Lebanon's Membership to the WTO:**

#### **a- Interaction with the heart of trade in the world:**

Lebanon's political and economic system, in its basic structure, had the ability to conform to the global trend in world trade more than many other third world countries. The liberalism of the Lebanese economic and political system conformed to the trend of open economies and global trading markets. Concepts of democracy, freedom, and free market economies were encouraged through GATT and WTO. Lebanon, with respect to these concepts, had no problem. Staying out of the WTO meant staying out of 90% of world trade transactions. Therefore, the accession of Lebanon would allow its trade to interact with the heart of trade in the world. Lebanon has no choice but to join in order to follow up and interact with the majority of trade transactions in the world.<sup>75</sup>

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<sup>75</sup> Abdel Hadi Yamout. *The Lebanese Economy in front of the Challenges of the GATT*. Beirut: The Consulting Center for Studies and Documentation, ND, p. 143.



**b- Reforming the economic and judicial system:**

Becoming a member of the WTO would be a means to reform the Lebanese economic and judicial system. As the access would require the development of many laws pertaining trade and economic activity, this would, indirectly, assist in reforming the Lebanese judicial and economic systems, that are still suffering from many malfunctions. Such a process would assist in restoring trust in Lebanon and, thus, encouraging foreign investment in the country.<sup>76</sup>

**c- The support of international economic institutions:**

Accession to the WTO would provide Lebanon with the support of international economic institutions, which would be an essential catalyst in rebuilding the country and its fragile economy. In other words, Lebanon needs this support to restore international confidence in its economy.

**d- The Dispute Settlement Body:**

The accession to the WTO would provide Lebanon, as a member, with a Dispute Settlement Body for the settlement of trade disputes. Until then, any trade dispute with any other foreign country should be resolved outside any formal body. Thus, when Lebanon becomes a member of the WTO, it could raise any dispute with other members to the Dispute Settlement Body. This

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<sup>76</sup> Bassel Flayhan, *Forum on Lebanon's Accession to the WTO*, Beirut: Assafir Newspaper, 12 May 2001.

means that trade transactions among members would be governed by a body of rules and regulations.

**e- The development of the economic performance:**

Economic performance would most probably develop with Lebanon's accession to the WTO. As more trading markets open to Lebanon, imports and exports would increase leading to an increase in economic activities. In other words, accession to the WTO would secure new opportunities for the Lebanese market.

**f- The advantages concerning exports:**

The accession to the WTO would eliminate any control over the treatment of Lebanese exports in the trading markets of WTO member states. Lebanese exports are subject to unjustifiable barriers in some countries. The accession to the WTO would eliminate these barriers, and, thus, open the door to more trading markets for Lebanese exports.

The WTO membership would eliminate export restrictions in other countries. Lebanon's industry depends on importing raw materials. Restrictions on imports in other countries would affect Lebanon in this respect. The WTO membership forbids member countries from imposing any restriction of such kind.

In addition to that, the secure, open and non-discriminatory access to world trading markets will increase and provide Lebanese exports with new

opportunities. Consequently, members will provide Lebanese products with the best and same treatment as any other country's products (Most Favored Nation treatment) and equal treatment to domestic products after clearing customs (national treatment).

**g- The advantages concerning industry:**

WTO membership has several advantages to the Lebanese industry in international trading markets. Hence, it will greatly improve the industries' competitiveness and quality of products and services by (i) encouraging investment that will bring required capital, technology, and expand and strengthen distribution channels; (ii) facilitating the adoption and application of internationally accepted standards and safety requirements; (iii) establishing a conducive environment for the development of competitive manufacturing and the service sector, and (iv) opening new trading markets for both goods and services.

Any market access commitments for both goods and services that Lebanon may be requested to make, are likely to be in line with those made by other WTO countries. This will raise Lebanon's foreign trade regime to the same level as other countries.

The idea that WTO membership will harm Lebanon's industry is a misconception. Under WTO rules, Lebanon will continue to have the right to take necessary safeguard measures to its industry in case of threat or injury caused by foreign products.

#### **h- The increase in investment:**

WTO membership will prove to the international community that Lebanon has a predictable, transparent, stable trade and safe investment environment. This will internationally enhance the image of Lebanon. Thus, all members of the WTO will see that Lebanon has an attractive investment regime in order to reduce investors' perceived commercial risk of investment. In addition to capital, foreign investment will bring new technologies which will increase production efficiency and lead to the compliance of Lebanese products with international quality and safety requirements; therefore, rendering Lebanese products competitive internationally.

Lebanon has been expected to gain full membership to the WTO since 2003, but, up till now it's still considered to be an observer only. Lebanon should speed up its accession to the WTO for many reasons.

First, while Lebanon is out of the WTO system, the industries of member countries are taking market shares. Under these circumstances, it will be difficult for Lebanese producers to compete with well established channels by competitors from other countries.

Then, while Lebanon is waiting too long to implement WTO agreements through national legislation and establish a friendly, stable, and predictable trade and investment environment, other countries which have implemented the WTO agreements, are attracting investment that may have been otherwise



directed to Lebanon. This is leading to an increase in the competitiveness of products and services delivered by these countries over Lebanese products and services.

Furthermore, other countries are gaining more experience in trading under WTO rules, that will allow them to safeguard more effectively their industry and trading rights.

Finally, other countries have the opportunity to participate in shaping future WTO rules in such a way to safeguard their trade interests. By delaying its accession, Lebanon is jeopardizing its ability to resume a proper place for itself in the international economy through active participation in multilateral negotiation rounds.

## Chapter IV

### THE DISADVANTAGES OF LEBANON'S ACCESSION TO THE WTO

#### A- The Opponents' criticism to WTO:

Despite the fact that WTO's popularity is growing, and the fact that by the end of the year 2005 the number of member states has reached 149. It has also attracted opponents who criticize the organization. The basis of Anti-WTO protests comes from various sources:

- **Globalization:** Globalization has changed the age of economic optimism to an age of anxiety. "The WTO system prevents governments from protecting the interests of working people displaced by import competition".<sup>77</sup> In the next few decades, globalization is likely to cause more and more turbulence.<sup>78</sup>
- **Traditional protectionism** (traditional protectionists): Protectionism often joined workers with the owners of companies who are threatened with import competition in their bids for tariffs and quotas. However, increased mobility of physical capital across borders and rapid expansion of foreign direct investment has given company owners some room for flexibility, which is not enjoyed by most workers in vulnerable industries. This led some unions to consider the WTO as part of a strategy against import

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<sup>77</sup> K. Jones, op. cit., P. 22.

<sup>78</sup> Robert Kaplan, *States of Discord*, from "Taking Sides" by John T. Rourke, University of Connecticut, Eleventh Edition, p. 8.

competition. “WTO is seen as undemocratic in its control over national trade policies”.<sup>79</sup>

- ***Sovereignty*** (nationalists and isolationists): Rapid change caused by globalization raised the issue of sovereignty and discontent with institutions that are considered to be responsible for the loss of control over domestic affairs. “The WTO system tramples upon its members’ sovereignty”<sup>80</sup>. State sovereignty will not stay supreme in the international system. In other words this sovereignty will no longer mean the final authority because of the fact that globalization is undermining state control.<sup>81</sup>
- ***Environmental concerns*** (Environmental activists): The WTO is considered as the destroyer of global environment and endangered species. For example, one GATT panel decision declared that a U.S. trade sanction designed to protect dolphins was incompatible with GATT obligations.<sup>82</sup>
- ***Anti-trade ideology and conspiracy theories***: Underlying many of the Anti-WTO arguments is an ideological view that has no confidence in trading market mechanisms, especially those who advocate extensive government intervention to achieve social goals. Anti-capitalism regimes or ideologies view WTO as a preventing force to environmental and food regulations, principle agents of global capitalism and enemies of workers’

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<sup>79</sup> Jones, op. cit., P.23.

<sup>80</sup> Ibid, p. 23.

<sup>81</sup> Kimberly Weir, *The Waning State of Sovereignty*, from “*Taking Sides*” by John T. Rourke, University of Connecticut, Eleventh Edition, p. 24.

<sup>82</sup> Jones, op. cit., p. 24.

rights and social democracy. “The WTO system favors open markets over environmental protection, labor standards, and human rights.”<sup>83</sup>

- *Developing Countries* and internal strains in the WTO: “The WTO system of internal governance tends to concentrate power among small group of developed countries, to the detriment of less developed country interests”.<sup>84</sup>

### **B- Difficulties and Internal Constraints of Developing Countries:**

The rule-based trading system, embodied in the WTO, is of major interest to developing countries since it tends to attenuate the role of economic and political power in trade relations among this system’s members. This is why I will focus in this research on the case of Lebanon, a developing country, and the effect of this trade organization on it. Nonetheless, the rules themselves, the trade topics that are chosen for negotiation and the patterns of liberalization that have emerged from the operation of the system are not always conducive to accelerating the development of developing countries.

This is visible in the differences in the treatment of products and sectors of interest to developing and developed trade partners. Thus, a high degree of flexibility is given to governments regarding subsidies for research and technology development in such a way that those who can afford it are free to enhance their international competitiveness in exports that depend on technology advances. The results are then protected through the Agreement on Trade Relations Property Rights (TRIPS), thus, becoming the basis for market

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<sup>83</sup> Jones, op. cit., p. 25.

<sup>84</sup> Ibid, p. 26.



penetration by the country concerned, either directly through trade or through foreign direct investment. More generally, WTO members whose firms are on the “cutting edge” of technology are quick in taking advantage of the system to “lock in” their competitive edge by ensuring that trading markets remain open to the products of those technologies.<sup>85</sup>

Products of export interest to developing countries fare differently. Commodities, especially food and fibers, and their processed products continue to face high barriers in importing countries. In particular, high protection for the food industry in developed countries impedes diversification of their activity into fast growing fruit and vegetable products. Textile and garments face relatively high tariffs, and the phasing out of quantitative restrictions called for in the WTO Agreement on Textile and Clothing is being implemented in a way that delays expected benefits to most exporters in developing country. Today’s developing countries are, thus, being deprived of the opportunities that have been available to developed countries since more than a century ago, when the textiles and clothing sector was a critical stepping stone in their industrialization process.

These outcomes directly affect the development process and the ability of developing countries to promote equity and social development. The ability to export agricultural products is related directly to incomes in rural areas and to rural development. The manufacturers of clothing invariably employ mostly unskilled labour, and unemployment in this sector contributes directly to an

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<sup>85</sup> L.Wallach, and P.Woodall, *Whose Trade Organization?* New York: The New Press, 2004, p. 165.

obvious increase in poverty. Many workers in the garment industry are usually females, and their employment contributes directly to enhancing the economic and social status of women. For these and other reasons, the inability of the trading system to provide better access to trading markets for products of export is a significant constraint on development.

Several other features of the trading system have also been far from development friendly. Some of these features are: the manner in which health, sanitary provisions and the costs of certification are implemented; the increased use of anti-dumping measures in areas where developing countries have succeeded in penetrating trading markets; the asymmetry between the advanced state of liberalization of trade in goods and in service sectors which is of interest to developed countries on one hand, and the barriers to trade in labor services and in labor-intensive goods typically provided by developing countries on the other hand; and the difficulties faced by developing countries in exercising their rights in the WTO. It is important to note that the concern of trade liberalization on labor requires the observance of core labor standards, standards that include the right to organize into trade unions and bargain collectively, the right to equal pay and treatment for equal work as well as the abolition of forced and child labor.

However supportive the trade system may or may not be, developing countries must always try to extract maximum benefit from it. But, these countries suffer from several characteristics that systematically limit their options in using this system to advance in their development. These

characteristics also inhibit their ability to take full advantage of the options that do exist, and to protect themselves against any negative consequences of the operation of the trade liberalization.

**a- Structural features:**

Many developing countries remain highly dependant on commodities for their export earnings. Moreover, commodity production and export often generate, directly and indirectly, an essential part of fiscal revenue. Export earnings from commodities, thus, have an impact on development not only through their influence on foreign exchange earnings, but also through several other ways.

Commodity production and trade have special characteristics that limit the possibility of controlling them. The commodity content of the production of goods and services has declined steadily over the past decades; hence, the rise in the demand for commodities is, by far, slower than the rise in their output. Furthermore, investment and improvements in productivity and commodity production tend to result mostly in lower prices, thereby benefiting consumers rather than producers.<sup>86</sup>

As a result, the share of commodities in world trade has been continuously falling steadily, while instability of earnings along this declining trend has remained high. For all those reasons, developing country exporters have been denied a dependable source of export earnings on which development is based,

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<sup>86</sup> Wallach and Woodall, *op. cit.*, p. 166.



and they have seen their share of world trade ceaselessly declining. This is another important sense in which these countries have been, and continue to be, marginalized.

The high cost of engaging in world trade is a further characteristic of developing countries that diminishes their gain from it. While the liberalization trend has opened up new trading opportunities for developing countries, these are accompanied by the growing complexity of international trade resulting in particular, from the interconnections among trade, investment, finance, transport and information flows. The lowering of trade barriers in the trading markets for developing country exports will, therefore, actually end up in significant increases in exports, only if the services supporting export trade are efficient, that is, internationally competitive. For many developing countries, high transport costs are the major barrier preventing access to foreign trading markets. But, where do these high transport costs come from?

While in some cases high transport costs are partially dictated by geography, in other cases, they are largely the direct result of specific problems created by inadequate infrastructure, poorly maintained equipment, outdated regulatory frameworks, delays in information flows, complex administrative procedures and structures, lack of an integrated transport plan and an overall shortage of relevant skills.

Inefficient customs and trade-related financial services also impede trade. Developing countries must also cope with the uncertainties and lack of predictability with regard to the applicable legal framework for trade-related



transactions, in particular transport. These issues are more than enough to deprive developing countries from the benefits of the evolving trading system, and they must, therefore, be addressed as an integral part of efforts to help them grasp the opportunities of trade liberalization.

**b- Knowledge, Skills and the Firm:**

A further characteristic of most developing countries, that prevents them from benefiting fully from the opportunities offered by the international trade system, is the relative lack of skills in their work forces. Lack of skills, inadequate basic education, and the consequent lack of capacity to acquire skills have always been at the heart of the development procedure. However, recent changes in the nature and content of economic growth have accentuated this constraint on development, and magnified the difference in fortune between those with economically appropriate skills and those without.

In fact, growth and production have become increasingly knowledge-based. This is reflected in the high proportion of a modern manufacturing firm's expenditure that is devoted to research and development, product design, process engineering, quality control, management routines, marketing and investment. This in turn reflects rapid changes in technology, and, in particular, in the technology of producing, transmitting, receiving and utilizing information of all sorts. The latest manifestation of this trend is the expansion of the Internet. These fundamental changes have made it easier than ever for various activities of a single production process to be located in different parts

of the world. They open up opportunities for networking, partnering and other forms of cooperation among firms not linked by investment.

Most importantly, the increasingly critical role of knowledge as an economic input in the dynamic sectors of the world economy has substantial implications for income distribution within and among countries. A knowledge-based economy naturally operates to the advantage of those who are able to handle knowledge and against those who are not. In fact, in a world economy in which knowledge is the critical component of economic success, countries without the skills necessary to manipulate knowledge-based processes and to benefit from changes in technology fall behind, even when the world economy grows vigorously. Indeed, they may do so even though they are being very much integrated into such a world economy. In other words, the acute shortage of skills in developing countries, in particular those necessary to cope with rapid changes in knowledge, technology, patterns of information flow, and the emergence of new financial instruments and practices, implies that these countries, systematically, have fewer options than other countries in identifying and taking advantage of the options that are open to them. This is, yet, another sense in which developing countries are being marginalized.

However, if we take this idea into consideration, Lebanon should have an advantage compared to some of the other countries in the region since it has very qualified and skilled people, but the problem is that a large proportion of college graduates leave the country looking for job opportunities abroad. Therefore, the problem in Lebanon does not really refer to a lack of skills

rather than a lack of work opportunities for the qualified individuals who are obliged to leave the country; even those who find jobs are relatively getting very low wages or salaries.

Finally, an increasingly knowledge-based world economy involves new tasks for policy making. Policies will need to focus on promoting knowledge and skills, and on enhancing access to them. Policy makers in many developing countries are, however, unable to meet that challenge. This is not very different from the fact that a growing number of developing countries are experiencing difficulties in meeting their obligations and in participating effectively in the management of the trade regime through WTO. This is still another area in which many developing countries are being left out.

### **c- Domestic Policies of Developing Countries and Development Models:**

An extra difficulty that hinders policy-makers in developing countries, who strive to integrate into the global economy, is deciding on the right set of domestic policies and, indeed, the appropriate development model required for such an integration.

During the past decade, the policies of individual international organization and of major aid donors, as well as of national developing country policy makers, have been guided by a clear and remarkably similar view of the development process and of the reasons for the lack of faster progress in achieving development. This common view focused on the role of the state, which was perceived as often having been misplaced and misdirected in the



past. It proclaimed the need for the state both to disengage from its direct involvement in productive activities and to introduce extensive liberalization of economic activities including international trade, so as to allow trading markets to get prices right. The approach indicated that the state should enhance its role in providing a secure and predictable environment for private enterprise in two senses: providing macroeconomic stability, which meant price stability; and providing a business-friendly legal system, which in the case of most poor developing countries and countries in transition, involved extensive reform of legal environment. These factors are basic for any credible strategy for development, but, although necessary, they are far from sufficient. In fact, a number of other policy objectives essential for success were overlooked such as getting trading markets to function properly, ensuring an equitable distribution of the costs and benefits of growth and ensuring a favorable external environment.<sup>87</sup>

Maximizing the potential for economic growth requires that trading markets be allowed to play their proper function of sending signals to economic actors.

In many developing countries, however, it is not realistic to expect that the withdrawal of government intervention will, by itself, produce well functioning competitive trading markets. Many markets are relatively small and characterized by few sellers, and sometimes large transnational corporations. Under these circumstances, competitive behavior may not be the rule, and the

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<sup>87</sup> Wallach and Woodall, *op. cit.*, p. 174.



liberalization may not result directly in the improvements in functioning markets that are being sought.

Any developing country, including Lebanon, faces certain costs and challenges in order to be accepted as a WTO member. In the following section I will only deal with the costs and challenges concerning Lebanon.

### **C- Costs and Challenges of WTO Membership for Lebanon:**

The cost of WTO membership is primarily the cost of implementing policy, legal, regulatory, and institutional reform to conform to its agreements, which will lead to the establishment of a transparent and cost-efficient business environment, upgrading the civil service, building institutional capacities to be more responsive to private sector needs and to operate under new rules. Consequently, Lebanon will be bringing its regime in line with rules that are currently applied in at least 149 countries. Conformity of Lebanon with WTO agreements is essential, if the Lebanese government is willing to develop its economy. The need for the modernization of the policy, legal, and institutional base, the elimination of non-tariff barriers and ensuring transparency in service-related laws are crucial for the survival of the economy of Lebanon and should not be perceived as a concession on its part. A policy, legal, regulatory, and institutional regime in conformity with the WTO will reduce the cost of doing business in Lebanon, attract investment, ensure transparency and consistency in the application of laws, significantly reduce bureaucratic problems and free up government and private resources to focus on more

important issues for the development of the Lebanese economy. The losers from such reform are mainly those who, under the current regime, are taking advantage of the lack of adequate rules and laws, or are engaging in illicit and unfair activities, which are harmful to consumers.

In addition to that, the Lebanese industry and service sectors are facing major challenges today. This is regardless of WTO membership. The Lebanese industry needs to improve its competitiveness and deliver world-class quality products and services.

Moreover, Lebanon has to reform its policy, legal, regulatory, and institutional framework, and provide trading market access on goods and services to other WTO members. Access to the Lebanese trading market is subject to lengthy and complicated negotiations between Lebanon and interested trading partners who are members of the WTO.

Lebanon does not have to eliminate all custom duties rather than take them to levels negotiated with its trading partners. The level of binding of certain goods may be above currently applied rates, and, if the binding level is below the current rate, then Lebanon may have to decrease the import duties from the current level. Furthermore, given that Lebanon's trading market is saturated with imports, any reductions in import duties are not likely to lead to any significant increase in the volume of imports, and, thus, cause any adverse effect on the domestic industry.

With respect to Lebanon as a Third World country, several negative results might arise from its accession to the WTO.

**a- A Major Drop in Tariff Revenues:**

A major drop in tariff revenues would be allocated for a country whose imports exceed by far its exports. Most third world countries, including Lebanon, would be affected negatively by their custom reductions.<sup>88</sup> The trade balance in Lebanon would suffer from major deficit in favor of imports. This means that tariff reductions would lead to reductions in revenues, which would be considered vital for a country suffering from a major budget deficit.

**b- Negative Results on the Local Industry:**

The accession of Lebanon to the WTO, as well as many other third world countries, would have negative results on the local industry. On one side, local industries of third world countries would be too weak to face developed world industries on an equal basis. This is due to the high quality and relatively low cost of production on a global scale. On the other side, local industries in third world countries, including Lebanon, would be considered primitive in their mode of production. Industries are not well equipped or well prepared for the competition that WTO provides. Most Lebanese industries do not have recent high-tech equipment, and industrialists suffer from high electricity costs.<sup>89</sup>

Also, the cost of production would tend to be higher due to the limited quantities of production, in spite of the relatively cheap labor. Because the quantities of production would be limited, the cost of production per unit

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<sup>88</sup> Yamout, op. cit, p. 109.

<sup>89</sup> ESCWA, *National Capacity-Building in Selected ESCWA Member Countries in View of Technical Barriers to Trade and the WTO Agreements*. New York: United Nations, 2001, p. 60.



would tend to be higher as compared to the production of commodities on a huge scale. For example, if a Lebanese company produced a certain product at the cost of \$5, the American company would probably be able to produce the same item at a cost of \$3 due to the scale of the economy and the capability of getting raw materials at lower prices for bigger quantities.

In such circumstances, it would be expected that the local industry deteriorate in front of global multinational industries that would be able to sweep the trading markets with higher quality products and better competitive prices. The sole protective measure for local industries, which were tolerated by the WTO, was the custom tariffs. However, Lebanon had reduced its tariff rates. Consequently, the local industry would suffer from accession to the WTO.

**c- The Loss of a Number of Protective Policies:**

Accession to the WTO would lead Lebanon to the loss of several protective policies in its productive sectors. The WTO insists on eliminating all protective policies that could disrupt free world trade transactions. This was a dilemma, to most of the third world countries: freeing their economy facing world trade.

**d- A Dangerous Equal Competition:**

The WTO is a treaty, which equalized between unequals. Equal competition between developed and developing countries was considered unfair to the



developing countries, including Lebanon. Equal competition has dangerous consequences on Lebanon.<sup>90</sup>

**e- The Threat on Industrial and Agricultural Sectors:**

All this would render the small Lebanese industrial and agricultural sectors unable to compete with foreign goods. The WTO will place Lebanon in a highly competitive environment, which will be problematic to the poorly equipped industrial and agricultural sectors. Most importantly, it will form a threat on small family-owned businesses, which form a vital sector of the Lebanese economy. Eventually, the Lebanese producers and farmers would refrain from producing as they become unable to compete with foreign items. This would flourish the service and trade sectors in Lebanon at the expense of the agriculture and industry sectors.

The agricultural and industrial sectors are not ready yet for the WTO venture; they are also not well protected by the government. This will give rise to a domestic conflict between the laborers who fear unemployment and the government.

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<sup>90</sup> Basma, op. cit., p. 19.

## RECOMMENDATIONS

### AND

## CONCLUSION

Lebanon today clearly aims to gain full membership in the WTO. Lebanon's accession could lead to a number of negative impacts on the industrial and agricultural sectors. Yet, Lebanon has no choice but to join or else Lebanon would lose the opportunity to interact with 90% of the world market.

The Lebanese industrial and agricultural sectors are relatively small in size. The agricultural sector participates by 5 to 15% in the GDP; this shows that it is a relatively small sector. The cost of production in the Lebanese industry is relatively high compared to advanced and developed industries. It is well known that the cost of production on a large scale is lower than that on a small scale. Moreover, the cost of imported raw material is to be higher for smaller quantities. All the above make the agricultural and industrial sectors vulnerable for competition. In other words, freeing the market would lead to equality among unequals.

In the present time and in the future, Lebanon cannot isolate itself from the core of world trade, and the earlier it joins the WTO the better, as this organization is continuously developing its laws and agreements. Hence, any delay would make it more difficult for the countries outside the WTO to cope with world trade transactions.

Lebanon's economic policy towards the WTO has a number of improvements. The economic salvation plan of the year 2001 includes a number of policies that included reformations complying with some of the requirements of the WTO. However, there are still a number of reforms which Lebanon has to pursue. This does not neglect the fact that the Lebanese public policy is moving in harmony with the conditions of the WTO.

However, there are a number of measures the Lebanese government should take in order to minimize the negative consequences of the accession. With respect to the industrial sector, Lebanon has to restructure its industry. The Lebanese industry should be restructured to be more competitive on a regional and international level. In the long run, Lebanese firms can specialize in various industrial products. These products are to be chosen upon the ability of Lebanon to compete in these industries.

Technical assistance is recommended to assist in developing the productive sectors. The assistant could be helpful in the following fields: First, establishing National Standardization bodies. Second, setting up national standards that conform to international ones. Third, establishing food safety measures in terms of food production. Forth, providing assistance in fulfilling special technical requirements that are implemented in the importing countries.

Industries that need assistance in order to clean their production process could seek assistance through environmental projects that are being run in Lebanon, and that are supported by international organizations. Lebanon

should attempt to increase and expand its exports by preparing a blue print to help its industry meet strict environmental and health standards.

Lebanese producers should pay more attention to how they handle their production. Recyclable, reusable and degradable packaging should be used across the board, and not only for exports directed to developed countries. As countries become more concerned with the protection of the environment, traditional packaging will become increasingly unacceptable.

In general, industrialists have to pursue a common strategy as well as individual efforts to increase their productivity. For that purpose, the interest of such industries must be presented to the government, and joint development programs must be defined.

In terms of improving the quality and reliability of food safety, government support for the implementation of inspection and certification is essential, and particularly when these standards abroad differ from national ones. An equivalence of standard is possible (and included in SPS) if the exporter can demonstrate that its own standards can provide foreign consumers with the same protection.

With respect to trade, Lebanon's current trade regime needs comprehensive reform. It is important to emphasize that such reform is necessary for Lebanon to compete internationally, be in line with commercial, trading and investing environment of other countries and attract quality investment to increase economic activities in both productive and service sectors.



Due to the outbreak of the war, Lebanon did not undertake any significant reform to bring its policies and laws in line with best international practices established during the last 30 years. The lack of legislation does not imply openness rather than the lack of transparency and predictability. The salvation plan of the year 2001 includes several policies that included reformatations that comply with some of the requirements of the WTO. However, there are still a number of reforms which Lebanon has to accomplish.

The current economic policy environment is not well defined or articulated in any policy framework or laws for many areas including international trade, agriculture, technical barriers to trade, investment or certain intellectual property matters.

Lebanon has made considerable improvements in fulfilling the conditions of the WTO. This shows that Lebanon is not far from fully implementing these conditions. And there is no doubt that it is in a position to move forward towards accession.

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**Working Party on the Accession  
of the Lebanese Republic**

Original: English

**ACCESSION OF THE LEBANESE REPUBLIC**

Memorandum on the Foreign Trade Regime

Addendum

The Government of the Lebanese Republic has submitted the following information which is available from the Secretariat (Accessions Division, Room 1126) for consultation and available in electronic format<sup>1</sup> upon request from [accessions@wto.org](mailto:accessions@wto.org).

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1. Agriculture:
    - Law of 10 June 1962 Concerning Agricultural Quarantine;
    - Decision No.1\283 of 20 November 1998 on Agricultural Quarantine;
    - Republic Of Lebanon Decree Number 12253: Delineating the conditions that must be met in canned and preserved foodstuffs;
    - Decree Law issued on 23 July 1962 on Lebanese Standards;
  2. Decree No. 12301 "Animal Quarantine" of 20 March 1963, Veterinary Medicine and Animal Health Control Department
  3. Decree No. 31 "Anti-Dumping" of 5 August 1967;
  4. Aviation Law of 11 January 1949 (including modifications);
  5. Lebanese Banking Laws:
    - Law of 3 September 1956 concerning banking secrecy;
    - Law of 19 December 1961 authorizing the opening of a joint account in banks subject to banking secrecy;
    - Decree No. 9860 of 25 June 1962 concerning the affiliation of banks to the Central Service of Risks;
    - Law No. 2/67 of 16 January 1967 subjecting to special provisions banks in default of payment;
    - Law No. 28/67 of 9 May 1967 amending and completing the legislation relating to banks and creating a mixed Institute to guarantee bank deposits;

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<sup>1</sup> English unofficial translation only.



- Decree Law No. 8 of 3 July 1967 creating a Banks Management Section at the Bank of Agricultural, Industrial and Real Estate Credit, and modifying certain provisions of Law No. 28/67 of 9 May 1967;
- Decree No. 7739 of 8 July 1967 fixing the provisions and measures to be taken in the event of the suspension of the activity of a bank and its taking-in-charge as well as other details of application of Law No. 28/67 of 9 May 1967;
- Decree Law No. 43 of 5 August 1967 fixing the responsibility of the chairman and members of the Banks Control Commission;
- Decree-Law No. 44 of 5 August 1967 amending certain provisions of Law No. 2/67 of 16 January 1967 subjecting to special provisions banks in default of payment;
- Decree Law No. 45 of 5 August 1967 regulating procedure concerning the notification of notices, decisions and all other documents emanating from the Central Bank and various organizations stemming therefrom;
- Decree No. 7977 of 16 August 1967 fixing the procedure to be followed before the Higher Bank Board;
- Decree No. 8284 of 28 September 1967 facilitating the merger and self liquidation of banks;
- Decree No. 1621 of 28 July 1971 enforcing the urgent draft law, referred to the Chamber of Deputies by virtue of Decree No. 14866 of 10 July 1970, exempting the management committee of the Banks Management Section at the Bank of Agricultural, Industrial and Real Estate Credit from payment of judiciary taxes and stamp-duty;
- Decree No. 1983 of 25 September 1971 governing the profession of supervisory commissioner for banks;
- Decree No. 9976 enforcing the urgent draft law referred to the Chamber of Deputies by virtue of Decree No. 8083 of 29 May 1974 intended to grant the Government the right to exempt deposits and various banking commitments in foreign currencies pertaining to non-residents from certain taxes, levies and obligations (creation of a banking free zone within banks);
- Decree No. 29 of 5 February 1977 - special regulations governing exemption of deposits and various banking commitments in foreign currencies relating to non-residents from certain taxes, levies and obligations (creation of a banking free zone within banks);
- Decree Law No. 83 of 27 June 1977 – exceptional provisions regarding the formation of a provision intended to meet loss of debts occurring prior to 1 January 1977 and special provisions relating to the provision for debts set up by banks;
- Decree Law No. 130 of 2 November 1977 granting facilities intended to provide incentives to economic sectors for the reconstruction of the country;
- Decree No. 707 of 9 December 1977 setting forth the elements of accounts of banks serving for the assessment of the annual premium due to the National Institute for the Guarantee of Deposits;
- Decree No. 1663 of 17 January 1979 enforcing the urgent draft law, referred to the Chamber of Deputies by virtue of Decree No. 1100 of 23 March 1978, intended to amend certain provisions concerning banks under seizure,
- Decree Law No. 50 of 15 July 1983 – Merchant banks, medium- and long-term credit banks;
- Decree Law No. 87 of 16 September 1983 governing the exchange of bank shares;
- Law Non. 99 of 6 November 1991 concerning Lebanese and foreign banks;
- Law No. 110 of 7 November 1991 – reorganization of the banking sector;
- Law No. 192 of 4 January 1993 aimed at facilitating the merger of banks;
- Law No. 521 of 6 June 1996 setting the terms and conditions for negotiation of shares of Lebanese banks as well as the issue of bonds;

6. Decree Law No. 304 "Code of Commerce" of 24 December 1942 and appendices;
  7. Customs Law;
  8. Currently applicable Tariff Schedule;
  9. Decree Law No. 144 "Income Tax Law" of 12 June 1959 (including modifications);
  10. Commercial Representation Law:
    - Decree Law No. 34 of 5 August 1967 concerning commercial representation;
    - Decree-Law No. 73 of 9 September 1983 concerning the possession and trade of goods, commodities and products;
    - Law No. 72 of 24 July 1991 modifying certain provisions of Decree-Law No.73 of 9 September 1983 concerning the possession and trade of goods, commodities and products;
    - Decree No. 2339 of 6 April 1992 determining articles which are not considered luxury articles and which may not be subject to exclusive commercial representation.
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# WORLD TRADE ORGANIZATION

RESTRICTED

WT/ACC/SPEC/LBN/3/Rev.1  
18 June 2004

(02-0000)

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**Working Party on the Accession  
of the Lebanese Republic**

Original:      English

## ACCESSION OF THE LEBANESE REPUBLIC

Submission from the Lebanese Republic

*Offer on Specific Commitments in Services*

Revision

The following submission, dated 16 June 2004, is being circulated at the request of the Delegation of the Lebanese Republic.

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| Modes of supply: (1) cross border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons | Sector or sub-sector             | Limitations on market access | Limitations on national treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Additional commitments |
|-------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
|                                                                                                                         | <b>I. HORIZONTAL COMMITMENTS</b> |                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                        |
|                                                                                                                         |                                  |                              | <p>(1), (2), (3), (4) Unbound for subsidies and taxation measures.</p> <p>(3), (4) The acquisition of real estate rights or land by legal persons that are not 100% owned by Lebanese or foreign natural persons:</p> <ul style="list-style-type: none"> <li>- shall, in total, by no means exceed 3% of the total area of Lebanon, provided that it does not exceed 3% of the area of each Caza, except in Beirut where they can acquire up to 10% of its area.</li> <li>- is allowed for up to a maximum of 3,000 sqm. Anything above that limit is subject to approval by the council of ministers.</li> <li>- is subject to higher registration fee.</li> </ul> <p>Usufruct, ordinary lease, long lease, mortgage, pignorative contracts concluded by legal persons that are not 100% owned by Lebanese and foreign natural persons for a period more than ten years is subject to the approval of the council of ministers.</p> <p>Legal persons that are not 100% owned by Lebanese and foreign natural persons debtor of a debt arising out of a mortgage, pignorative contract, lien or priority right are allowed to buy the real estate if no Lebanese bidder comes forward to buy the right at the first offered price or at an amount exceeding the secured debt and its accessories, and only at the condition to resell it to a Lebanese in a period of two years.</p> <p>(3), (4) Unbound for state owned real estate rights or land.</p> |                        |
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| Modes of supply: (1) cross border supply<br>Sector or sub-sector | (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons<br>Limitations on market access                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | (3) Commercial presence (4) Presence of natural persons<br>Limitations on national treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Additional commitments |
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|                                                                  | <p>(3) Representative offices may not engage in economic activity.</p> <p>(3) For joint stock companies, holding and offshore companies: The majority of the Board members must be Lebanese and each Board member must retain at least one share in the company.</p> <p>1/3 of the capital of joint stock companies operating in public interest sectors must be nominal shares owned by Lebanese and transferable to Lebanese only.</p> <p>(3) Unbound for stock in trade ("Fonds de Commerce").</p> <p>(4) Unbound, except for measures concerning temporary entry and stay of natural persons of another Member who fall in one of the categories listed below:</p> <p><u>Business Visitors:</u><br/>A natural person who stays in Lebanon without acquiring remuneration from within Lebanon and without engaging in making direct sales to the general public</p> | <p>(3), (4) Foreign commercial presence and foreign natural persons may be required to provide training and transfer of technology.</p> <p>(3) Foreign commercial presence must hire a minimum of three Lebanese, except foreign companies formed by association of persons which must hire a minimum of three Lebanese for each foreigner.</p> <p>(3) All companies formed by association of capital and branches of such companies in Lebanon must appoint a lawyer member of the Beirut or Tripoli bar association and a principal controller of Lebanese nationality and residing in Lebanon</p> <p>(3) Unbound for the treatment of stock in trade ("Fonds de Commerce").</p> <p>(4) Unbound except for measures affecting the categories of business visitors, managers and executives as defined in the market access column and subject to the limitations scheduled above. Unbound for fees and charges.</p> |                        |

| Modes of supply: (1) cross border supply<br>Sector or sub-sector | (2) Consumption abroad (3) Commercial presence<br>Limitations on market access                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (4) Presence of natural persons<br>Limitations on national treatment | Additional commitments |
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|                                                                  | <p>or supplying services, for the purposes of participating in business meetings, business contacts including negotiations for the sale of services and/or similar activities including those to prepare for establishing a commercial presence in Lebanon. Entry and stay shall be for a period of maximum 90 days.</p> <p><u>Executives:</u><br/>Natural persons who are senior employees of a juridical entity, who are responsible for the entire or substantial part of the entity's operations in Lebanon, receiving general supervision or direction principally from higher level executives, the board of directors or stock holders of the business. Entry and stay shall be for a period of maximum one year.</p> <p><u>Managers:</u><br/>Natural persons, who direct the juridical entity, or department or sub-division of the juridical entity, supervise and control the work of supervisory, professional or managerial employees, have the authority to hire and fire or recommend hiring, firing or other personnel actions and exercise discretionary authority over day to day operations at a senior level. Entry and stay shall be for a period of maximum one year.</p> <p><u>Specialists/Experts:</u><br/>Natural persons employed by a juridical entity and who possess knowledge at an advanced level of expertise and proprietary knowledge of a juridical entity product, service, research, equipment,</p> |                                                                      |                        |

| Modes of supply: (1) cross border supply<br>Sector or sub-sector | (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons | Limitations on market access                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Limitations on national treatment | Additional commitments |
|------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------|
|                                                                  |                                                                                | <p>Limitations on market access</p> <p>techniques, or management. This category does not include professionals. Entry and stay shall be for a period of maximum one year.</p> <p><u>Managers, executives and specialists/experts (as defined above), as Intra-Corporate transferees:</u></p> <p>Natural persons employed by a juridical entity of another member for a period of not less than one year and who seek temporary stay in order to render services to the same juridical entity which is engaged in substantive business operation in Lebanon. Entry and stay shall be for a period of maximum one year.</p> <p>Work permits for all above mentioned categories are granted on the basis of an economic needs test, (i.e., to candidates whose qualifications are not available amongst Lebanese or those in sectors in which Lebanese are in short supply); and subject to the requirement that foreign companies hire a minimum of three Lebanese for each foreigner.</p> <p>Intra-corporate transferees who are executives or managers are presumed to meet the economic needs test requirement.</p> |                                   |                        |



| Modes of supply: (1) cross border supply    |                                                                                              | (2) Consumption abroad                                                                                                                                                                                                                                                                                                                                                                                                   | (3) Commercial presence                                                                                                                                                                                                             | (4) Presence of natural persons                                                                                                                                                                                                     | Additional commitments |
|---------------------------------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Sector or sub-sector                        |                                                                                              | Limitations on national treatment                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                     | Additional commitments |
| <b>II. SPECIFIC COMMITMENTS<sup>1</sup></b> |                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                     |                        |
| <b>I. BUSINESS SERVICES</b>                 |                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                     |                        |
| <b>I. Professional Services</b>             |                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                     |                        |
| (a)                                         | Legal services (advisory services on foreign law only, excluding Lebanese Law) (CPC 86130**) | (1) & (2) None<br>(3) Legal services must be provided by a natural person or through civil partnership and must be supplied by a lawyer member of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                            | (1) & (2) None<br>(3) Unbound for conditions of membership of the relevant Lebanese Order. Representation in Lebanese courts is assigned only to Lebanese nationals.<br>(4) Unbound, except as indicated in the horizontal section. | (1) & (2) None<br>(3) Unbound for conditions of membership of the relevant Lebanese Order. Representation in Lebanese courts is assigned only to Lebanese nationals.<br>(4) Unbound, except as indicated in the horizontal section. |                        |
| (b)                                         | Accounting, auditing and bookkeeping services (CPC 86211)                                    | (1) & (2) None, except that to be valid in Lebanon auditing services must be provided through a licensed member of the relevant Lebanese Order.<br>(3) None, except service must be provided by a natural person or through civil partnership. Auditors must be licensed and members of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section.                                      | (1) & (2) None<br>(3) Unbound for conditions of membership of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section.                                                                           | (1) & (2) None<br>(3) Unbound for conditions of membership of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section.                                                                           |                        |
| -                                           | Accounting and bookkeeping services (CPC 86212-86213, 86220)                                 | (1) & (2) None, except that to be valid in Lebanon accounting and bookkeeping services must be provided through a licensed member of the relevant Lebanese Order.<br>(3) None, except service must be provided by a natural person or through civil partnership. Accountants and bookkeepers must be licensed and members of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section. | (1) & (2) None<br>(3) Unbound for conditions of membership of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section.                                                                           | (1) & (2) None<br>(3) Unbound for conditions of membership of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section.                                                                           |                        |

<sup>1</sup> The level of commitments in a particular services sector shall not be construed to supersede the level of commitments taken with respect to any other services sector to which such service is an input or to which it is otherwise related. CPC numbers indicated in brackets are references to the UN Provisional Central Product Classification (Statistical Papers Series M No. 77, Provisional Central Product Classification, Department of International Economics and Social Affairs, Statistical Office of the United Nations, New York, 1991).



| Modes of supply: (1) cross border supply                                                                                                                                                                                                                                                    | (2) Consumption abroad                                                                                                                                                                                                                                                                                                                                                                  | (3) Commercial presence                                                                                                                                                                                                                                                                                                         | (4) Presence of natural persons | Additional commitments |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|
| Sector or sub-sector                                                                                                                                                                                                                                                                        | Limitations on market access                                                                                                                                                                                                                                                                                                                                                            | Limitations on national treatment                                                                                                                                                                                                                                                                                               |                                 |                        |
| (d) Architectural services (CPC 8671)<br>(e) Engineering services (CPC 8672)<br>(f) Integrated engineering services (CPC 8673)<br>(g) Urban planning and landscape architectural services (CPC 8674)                                                                                        | (1) & (2) None for consultation, planning or design services. However, all designs and plans must be undersigned by a member of the relevant Lebanese Order before implementation in Lebanon.<br>(3) Restrictions exist on the maximum surface of projects and on the maximum number of projects that can be registered.<br>(4) Unbound, except as indicated in the horizontal section. | (1) & (2) None for consultation, planning or design services.<br>(3) All designs and plans must be undersigned by a member of the relevant Lebanese Order before implementation in Lebanon. Unbound for conditions of membership of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section. |                                 |                        |
| <b>2. Computer and Related Services</b><br>(a) Consultancy Services related to the installation of computer hardware (CPC 841)<br>(b) Software implementation services (CPC 842)<br>(c) Data Processing Services (CPC 843)<br>(d) Data Base services (CPC 844)<br>(e) Other (CPC 845, 8491) | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                         | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                 |                                 |                        |
| <b>3. Research and development services (excluding projects financed in whole or in part by public funds)</b><br>(a) R&D services on natural sciences (CPC 851)<br>(b) R&D on social sciences and humanities (CPC 85202,85203,85204,85209)<br>(c) Interdisciplinary R&D services (CPC 853)  | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                         | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                 |                                 |                        |

| Modes of supply: (1) cross border supply                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | (2) Consumption abroad                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (3) Commercial presence                                                                                                                             | (4) Presence of natural persons                                                                                                                     | Additional commitments |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Sector or sub-sector                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Limitations on market access                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                     | Limitations on national treatment                                                                                                                   |                        |
| <b>4. Real Estate Services</b>                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                     |                                                                                                                                                     |                        |
| (a) Involving own or leased property (CPC 8210)                                  | (1) Unbound.<br>(2) None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (1) Unbound.<br>(2) None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (1) Unbound.<br>(2) None                                                                                                                            | (1) Unbound.<br>(2) None                                                                                                                            |                        |
| (b) On a fee or contract basis (CPC 8220)                                        | (3) Access restricted to Lebanese natural persons or lawyers members of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                  | (3) Access restricted to Lebanese natural persons or lawyers members of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                  | (3) Unbound for lawyers for conditions of membership of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section. | (3) Unbound for lawyers for conditions of membership of the relevant Lebanese Order.<br>(4) Unbound, except as indicated in the horizontal section. |                        |
| <b>5. Rental/Leasing Services without Operators</b>                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                     |                                                                                                                                                     |                        |
| (d) Renting without operators (excluding leasing services) (CPC 83101**-83108**) | (1) Unbound<br>(2) None<br>(3) Only through Joint Stock companies.<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                    | (1) Unbound<br>(2) None<br>(3) Only through Joint Stock companies.<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                    | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                  | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                  |                        |
| <b>6. Other Business Services</b>                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                     |                                                                                                                                                     |                        |
| (a) Advertising Services (CPC 8711,8712)                                         | (1) Unbound<br>(2) None<br>(3) None except:<br><br>- in case of billboard advertising, a single supplier is restricted to advertising on 10% of the total number of permitted billboards within the same municipal area. In addition, preference is granted at the time of renewal of the license to existing licensees.<br><br>- in case of TV and radio advertising, operations are restricted to one TV and to one radio station per supplier.<br><br>(4) Unbound, except as indicated in the horizontal section. | (1) Unbound<br>(2) None<br>(3) None except:<br><br>- in case of billboard advertising, a single supplier is restricted to advertising on 10% of the total number of permitted billboards within the same municipal area. In addition, preference is granted at the time of renewal of the license to existing licensees.<br><br>- in case of TV and radio advertising, operations are restricted to one TV and to one radio station per supplier.<br><br>(4) Unbound, except as indicated in the horizontal section. | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                  | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                  |                        |
| (c) Management Consulting Services (CPC 86501,86503-86506)                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                                      | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                                      |                        |



| Modes of supply: (1) cross border supply                                                                                                           | (2) Consumption abroad                                                                                                         | (3) Commercial presence                                                                                                             | (4) Presence of natural persons | Additional commitments |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|
| (r) Sector or sub-sector<br>(d) Services related to management consulting (CPC 86601)                                                              | Limitations on market access<br>(1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section. | Limitations on national treatment<br>(1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section. | Additional commitments          |                        |
| (s) (e) Technical testing and analysis services (CPC 86761-86764)                                                                                  | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                               | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                    |                                 |                        |
| (s) (f) Services incidental to agriculture, hunting and forestry                                                                                   | (1) Unbound<br>(2) None<br>(3) Subject to an economic needs test.<br>(4) Unbound except as indicated in horizontal section.    | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in horizontal section                                        |                                 |                        |
| II. 2. -<br>(i) Services incidental to manufacturing (CPC 8843, 8847, 8848, 8853, 8854, 8858)                                                      | (1) Unbound<br>(2) None<br>(3) Only through Joint Stock companies<br>(4) Unbound except as indicated in the horizontal section | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                    |                                 |                        |
| (n) Maintenance and repair of equipment (not including Maritime vessels, aircraft or other transport equipment) (CPC 633)                          | (1) None<br>(2) None<br>(3) Only through Joint Stock companies<br>(4) Unbound except as indicated in the horizontal section.   | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                      |                                 |                        |
| (o) Building-cleaning services (CPC 87401-87403)                                                                                                   | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                               | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                    |                                 |                        |
| (p) Photographic services (excluding military portraits and aerial photography of the territory of the Lebanese Republic) (CPC 87501-87505, 87507) | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                     |                                 |                        |
| (q) Packaging services (excluding pharmaceuticals, pesticides and insecticides) (CPC 87600)                                                        | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                             | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                  |                                 |                        |
| 3. <u>Head</u><br>Tele<br>Secti<br>gové<br>estat<br>of th<br>Licé<br>decir<br>telec                                                                |                                                                                                                                |                                                                                                                                     |                                 |                        |

| Modes of supply: (1) cross border supply<br>Sector or sub-sector                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (2) Consumption abroad<br>Limitations on market access                                                                                                                                                                                                                                                          | (3) Commercial presence<br>Limitations on national treatment                                                                                                                                                                                                                   | (4) Presence of natural persons<br>Additional commitments |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| (r) Printing, publishing<br>(CPC 88442)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (1) &(2) None<br>(3) Access restricted to foreign publications of global geographical spread. However, the foreign publications must have a representative office in Lebanon. A person may not direct more than one printing or publishing house<br>(4) Unbound, except as indicated in the horizontal section. | (1) &(2) None<br>(3) Unbound for foreign publication fees. Director of printing and publishing house must be a Lebanese national.<br><br>(4) Unbound, except as indicated in the horizontal section.                                                                           |                                                           |
| (s) Convention services<br>(CPC 87909**)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                 | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                |                                                           |
| <b>II. COMMUNICATION SERVICES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                |                                                           |
| <b>2. Courier Services</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                |                                                           |
| - Courier Services (excluding courier services between domestic destinations)<br>(CPC 75121**)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (1) Unbound<br>(2) Unbound<br>(3) In order to operate in Lebanon, a company needs to be part of an international express network. Unbound for sub-branching.<br><br>(4) Unbound, except as indicated in the horizontal section.                                                                                 | (1) Unbound<br>(2) Unbound<br>(3) The minimum capital required for obtaining a license is higher for foreign companies than Lebanese companies. A higher bank guarantee is also required for foreign companies.<br>(4) Unbound, except as indicated in the horizontal section. |                                                           |
| <b>3. Telecommunication Services</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                |                                                           |
| <u>Head Note:</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                |                                                           |
| Telecommunication services in Lebanon are in the process of privatisation and liberalisation. Services currently subject to monopoly provision (those listed in the Services Sectoral Classification List (W120) under 2C a, d, e, f and g) will be transferred to Liban Telecom under pending Decrees. Liban Telecom will initially be wholly owned by the government, but not more than two years after its establishment 40% of the equity in Liban Telecom will be offered for sale to private operators. From the date of establishment of the independent regulator under these Decrees, licenses will be issued to any operator for the operation of all telecommunication services with the exception of those listed in the Services Sectoral Classification List (W120) under 2C a, d, e and f, which will remain an exclusivity of Liban Telecom for a maximum of five years. Licenses for these services will be issued to any operator not more than five years after establishment of the Liban Telecom. The number of additional licenses issued will be decided in the light of market conditions. In addition, Lebanon will implement as additional commitments the reference paper on regulatory principles for basic telecommunications. All commitments on telecommunication services are to be understood in the light of this head note. |                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                |                                                           |



| Modes of supply: (1) cross border supply<br>Sector or sub-sector | (2) Consumption abroad (3) Commercial presence<br>Limitations on market access                | (4) Presence of natural persons<br>Limitations on national treatment                          | Additional commitments |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------|
| (a) Voice telephone services<br>(CPC 7521)                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (b) Packet-switched data transmission services<br>(CPC 7523*)    | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (c) Circuit-switched data transmission services<br>(CPC 7523**)  | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (d) Telex services<br>(CPC 7523**)                               | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (e) Telegraph services<br>(CPC 7522)                             | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (f) Facsimile services<br>(CPC 7521**+7529**)                    | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (g) Private leased circuit services<br>(CPC 7522**+7523**)       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (h) Electronic mail<br>(CPC 7523**)                              | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |

| Modes of supply: (1) cross border supply                                                                                                             | (2) Consumption abroad                                                                                                                              | (3) Commercial presence                                                                       | (4) Presence of natural persons                                                               | Additional commitments |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------|
| Sector or sub-sector                                                                                                                                 | Limitations on market access                                                                                                                        | Limitations on national treatment                                                             |                                                                                               |                        |
| (i) Voice mail (CPC 7523**)                                                                                                                          | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (j) On-line information and data base retrieval (CPC 7523**)                                                                                         | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (k) Electronic data interchange (EDI) (CPC 7523**)                                                                                                   | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (l) Enhanced/value-added facsimile services, including store and forward, store and retrieve (except for provisions of voice telephone) (CPC 7523**) | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (n) On-line information and/or data processing (including transaction processing) (CPC 843**)                                                        | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| (o) Other:                                                                                                                                           | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| - Mobile voice and data services                                                                                                                     | (1) None<br>(2) None<br>(3) None, except one license will be granted to Liban Telecom.<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| - Paging services (land based) (CPC 75291**)                                                                                                         | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| - Internet services (excluding voice telephone and facsimile services)                                                                               | (1) & (2) None except that Call back and cable Internet are not allowed<br>(3) None<br>(4) Unbound except as indicated in the horizontal section    | (1) & (2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section       | (1) & (2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section       |                        |



| Modes of supply: (1) cross border supply<br>Sector or sub-sector                                                                                                                                   | (2) Consumption abroad<br>Limitations on market access                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (3) Commercial presence<br>Limitations on national treatment          | (4) Presence of natural persons<br>Limitations on national treatment  | Additional commitments |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------|
| <b>III. CONSTRUCTION AND RELATED ENGINEERING SERVICES (All limitations pertaining to professional services I.1.(d), (g) are also applicable)</b>                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                       |                                                                       |                        |
| 1. General construction work for buildings (CPC 512)                                                                                                                                               | (1) Unbound<br>(2) None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1) Unbound<br>(2) None                                               | (1) Unbound<br>(2) None                                               |                        |
| 2. General construction work for civil engineering (CPC 513)                                                                                                                                       | (3) Subject to an economic needs test.<br>(4) Unbound except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                                                                                              | (3) None<br>(4) Unbound except as indicated in the horizontal section | (3) None<br>(4) Unbound except as indicated in the horizontal section |                        |
| 3. Installation and assembly work (CPC 514+516)                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                       |                                                                       |                        |
| 4. Building completion and finishing work (CPC 517)                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                       |                                                                       |                        |
| <b>IV. DISTRIBUTION SERVICES</b>                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                       |                                                                       |                        |
| 1. Commission agents' services (excluding food products, tobacco, firearms, pharmaceutical, medical and orthopaedic goods, solid, liquid and gaseous fuels and related products) (CPC 62114-62116) | (1) Unbound<br>(2) None<br>(3) Access restricted to:<br><br>- Joint stock companies where the majority of the capital is owned by Lebanese. Two thirds of members of the Board, the Chairman of the Board and the Director or the person to whom all or part of the administrative functions are delegated must be Lebanese.<br><br>- Partnerships and limited liability companies where the majority of partners are Lebanese. The majority of the capital must be owned by Lebanese, and the person empowered to sign on behalf of the company must be Lebanese | (1) Unbound<br>(2) None<br>(3) None                                   | (1) Unbound<br>(2) None<br>(3) None                                   |                        |
|                                                                                                                                                                                                    | (4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (4) Unbound, except as indicated in the horizontal section.           | (4) Unbound, except as indicated in the horizontal section.           |                        |



| Modes of supply: (1) cross border supply                                                                                                                                                                                                          | (2) Consumption abroad                                                                                                                                                                                                                                                                                        | (3) Commercial presence                                                                         | (4) Presence of natural persons | Additional commitments |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------|------------------------|
| Sector or sub-sector                                                                                                                                                                                                                              | Limitations on market access                                                                                                                                                                                                                                                                                  | Limitations on national treatment                                                               |                                 |                        |
| 2. Wholesale trade services (excluding food products, tobacco, firearms, pharmaceutical, medical and orthopaedic goods, solid, liquid and gaseous fuels and related products) (CPC 62214, 62215, 62226) (62231-62236) (62241-62247) (62264-62267) | (1) Unbound<br>(2) None<br>(3) Only through Joint stock companies. Service providers that are also registered as commercial representatives in Lebanon are subject to the same limitations applicable to Commission agents services (CPC 621).<br>(4) Unbound, except as indicated in the horizontal section. | (1) Unbound<br>(2) None<br>(3) None                                                             |                                 |                        |
| 3. Retailing services (excluding tobacco, firearms, pharmaceutical, medical and orthopaedic goods, solid, liquid and gaseous fuels and related products) (CPC 63101-63107)                                                                        | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                               | (4) Unbound, except as indicated in the horizontal section.                                     |                                 |                        |
| 4. Franchising (CPC 8929)                                                                                                                                                                                                                         | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                               | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section. |                                 |                        |
| <b>V. EDUCATION SERVICES</b>                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                               |                                                                                                 |                                 |                        |
| 1. Primary education services (excluding services provided by the public sector) (CPC 92190**)                                                                                                                                                    | (1) None<br>(2) None<br>(3) Foreign legal persons must have as primary purpose the education and subject to an economic needs test based on adequacy of existing services of requisite quality in the locality.<br>(4) Unbound, except as indicated in the horizontal section.                                | (1) None<br>(2) None<br>(3) The assistant manager must be Lebanese and fluent in Arabic.        |                                 |                        |
| 2. Secondary education services (excluding services provided by the public sector) (CPC 92210**, 92220**, 92230**)                                                                                                                                | (1) None<br>(2) None<br>(3) Foreign legal persons must have as primary purpose the education and subject to an economic needs test based on adequacy of existing services of requisite quality in the locality.<br>(4) Unbound, except as indicated in the horizontal section.                                | (4) Unbound, except as indicated in the horizontal section.                                     |                                 |                        |

| Modes of supply: (1) cross border supply<br>Sector or sub-sector                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Limitations on national treatment                                                                                                                                                                                                                                                    | Additional commitments |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| 3. Higher educational services (excluding services provided by the public sector) (CPC 92390**) <ul style="list-style-type: none"> <li>(1) None</li> <li>(2) None</li> <li>(3) Foreign persons must own a similar educational institution in their home country or hold the right to establish such institution in their home country and subject to an economic needs test based on adequacy of existing services of requisite quality in the locality. Half of the board of directors of institutes of technology must be Lebanese nationals.</li> <li>(4) Unbound, except as indicated in the horizontal section</li> </ul> | <ul style="list-style-type: none"> <li>(1) None</li> <li>(2) None</li> <li>(3) Foreign persons must own a similar educational institution in their home country or hold the right to establish such institution in their home country and subject to an economic needs test based on adequacy of existing services of requisite quality in the locality. Half of the board of directors of institutes of technology must be Lebanese nationals.</li> <li>(4) Unbound, except as indicated in the horizontal section</li> </ul> | <ul style="list-style-type: none"> <li>(1) None</li> <li>(2) None</li> <li>(3) For universities and high schools established in Lebanon, 90% of the full time or part time administrative personnel and 50% of the full time or part time teaching staff must be Lebanese</li> </ul> |                        |
| 4. Adult education services (excluding services provided by the public sector) (CPC 92400**) <ul style="list-style-type: none"> <li>(1) None</li> <li>(2) None</li> <li>(3) Foreign legal persons must have as primary purpose the education and subject to an economic needs test based on adequacy of existing services of requisite quality in the locality.</li> <li>(4) Unbound, except as indicated in the horizontal section.</li> </ul>                                                                                                                                                                                | <ul style="list-style-type: none"> <li>(1) None</li> <li>(2) None</li> <li>(3) The assistant manager must be Lebanese and fluent in Arabic.</li> <li>(4) Unbound, except as indicated in the horizontal section.</li> </ul>                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>(1) None</li> <li>(2) None</li> <li>(3) The assistant manager must be Lebanese and fluent in Arabic.</li> </ul>                                                                                                                               |                        |
| <b>VI. ENVIRONMENTAL SERVICES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                      |                        |
| 1. Sewage Services (CPC 9401) <ul style="list-style-type: none"> <li>4. Other: <ul style="list-style-type: none"> <li>- Cleaning services of exhaust gases (CPC 9404)</li> <li>- Noise abatement services (CPC 9405)</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>(1) Unbound</li> <li>(2) None</li> <li>(3) None</li> <li>(4) Unbound, except as indicated in the horizontal section.</li> </ul>                                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>(1) Unbound</li> <li>(2) None</li> <li>(3) None</li> <li>(4) Unbound, except as indicated in the horizontal section.</li> </ul>                                                                                                               |                        |



| Modes of supply: (1) cross border supply                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (2) Consumption abroad                                                                                                                                                                                                                                                                                    | (3) Commercial presence                                                                                                                                                                                      | (4) Presence of natural persons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| Sector or sub-sector                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Limitations on market access                                                                                                                                                                                                                                                                              | Limitations on national treatment                                                                                                                                                                            | Additional commitments          |
| <b>VII. FINANCIAL SERVICES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |                                 |
| 1. All insurance and insurance-related services (CPC 812 **)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1) & (2) Commercial presence is required for issuing insurance contracts on movable and immovable assets. Exception to the above is in the case of exported or imported goods.                                                                                                                           | (1) & (2) Unbound                                                                                                                                                                                            |                                 |
| (a) Life, accident and health insurance services (CPC 81211,81291)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | (3) Unbound except that joint stock companies are allowed to establish and subject to an economic need test.                                                                                                                                                                                              | (3) None for joint stock companies, except for the requirement that they do not hire more than three foreign specialists.                                                                                    |                                 |
| (b) Non-life insurance services (CPC 81292-7)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (4) Unbound except as indicated in the horizontal section and subject to the requirement that joint stock companies do not hire more than three foreign specialists.                                                                                                                                      | (4) Unbound except as indicated in the horizontal section.                                                                                                                                                   |                                 |
| (c) Reinsurance and retrocession (CPC 81299*)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (1) & (2) Unbound<br>(3) Unbound except that joint stock companies are allowed to establish and subject to an economic need test.<br>(4) Unbound except as indicated in the horizontal section and subject to the requirement that joint stock companies do not hire more than three foreign specialists. | (1) & (2) Unbound<br>(3) None for joint stock companies, except for the requirement that they do not hire more than three foreign specialists.<br>(4) Unbound except as indicated in the horizontal section. |                                 |
| <b>2. Banking and other financial services (excluding insurance)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |                                 |
| Head Note:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |                                 |
| (1) & (2) The commitments made with respect to mode 1 (cross-border supply) and mode 2 (consumption abroad) supply of financial services inscribed in this section of the Schedule do not signify a commitment to allow a service supplier from the territory of another Member to solicit business or to conduct marketing in Lebanon                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |                                 |
| (3) Banks, financial institutions, leasing companies, brokerage firms, investment companies, companies managing mutual funds, as defined in the Lebanese laws and regulations, must be incorporated as joint stock companies (SAL) or as branches of foreign companies which in their country of origin are licensed as banks, financial institutions, leasing companies, brokerage firms, investment companies, companies managing mutual funds respectively. For joint stock companies, one-third of capital must be held by Lebanese natural or juridical persons with the exception of banks and financial institutions where no limit is imposed. |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |                                 |
| Money dealers, as defined in the Lebanese laws and regulations, can be incorporated as sole proprietorship, partnership, or joint stock company. Sole proprietorship should be a Lebanese National. For partnerships or joint stock companies, two-thirds of capital or parts must be owned by Lebanese natural or juridical persons.                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |                                 |
| The establishment of any financial intermediary is subject to a license given, on a case by case basis, by the council of the Banque du Liban (BDL).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |                                 |
| (4) Unbound for sub-branching                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |                                 |



| Modes of supply: (1) cross border supply                                                                                                            | (2) Consumption abroad                                                                                                                                                                                                                                                                                                                          | (3) Commercial presence                                                                                                                                                                                                                        | (4) Presence of natural persons | Additional commitments |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|
| Sector or sub-sector                                                                                                                                | Limitations on market access                                                                                                                                                                                                                                                                                                                    | Limitations on national treatment                                                                                                                                                                                                              |                                 |                        |
| (a) Acceptance of deposits and other repayable funds from the public (CPC 81115, 81116, 81119)                                                      | (1) Unbound<br>(2) Unbound<br>(3) Deposits can be accepted exclusively by banks. Fiduciary deposits can be accepted by banks and financial institutions.<br>Banks and financial institutions are not allowed to conduct operations in LBP with the non-resident financial sector.<br>(4) Unbound except as indicated in the horizontal section. | (1) Unbound<br>(2) Unbound<br>(3) None for banks and financial institutions established as joint-stock companies.<br>(4) Unbound except as indicated in the horizontal section.                                                                |                                 |                        |
| (b) Lending of all types, incl., <i>inter alia</i> , consumer credit, mortgage credit, factoring and financing of commercial transaction (CPC 8113) | (1) Unbound<br>(2) Unbound<br>(3) Only through banks and financial institutions.<br>Banks and financial institutions are not allowed to conduct operations in LBP with the non-resident financial sector.<br>(4) Unbound except as indicated in the horizontal section.                                                                         | (1) Unbound<br>(2) Unbound<br>(3) None for banks and financial institutions established as joint-stock companies.<br>Preferential treatment may be granted for the Housing Bank.<br>(4) Unbound except as indicated in the horizontal section. |                                 |                        |
| (c) Financial leasing (CPC 8113)                                                                                                                    | (1) Unbound<br>(2) Unbound<br>(3) Only through leasing companies, financial institutions.<br>(4) Unbound except as indicated in the horizontal section.                                                                                                                                                                                         | (1) Unbound<br>(2) Unbound<br>(3) None for leasing companies and financial institutions established as joint-stock companies.<br>(4) Unbound except as indicated in the horizontal section.                                                    |                                 |                        |
| (d) All payment and money transmission services (CPC 81339**)                                                                                       | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                                                                                                                                                                                                                                  | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                                                                                                                                 |                                 |                        |
| (e) Guarantees and commitments (as defined in the Lebanese Law)                                                                                     | (1) Unbound<br>(2) Unbound<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                                                                                                                                                                                                                            | (1) Unbound<br>(2) Unbound<br>(3) None<br>(4) Unbound except as indicated in the horizontal section.                                                                                                                                           |                                 |                        |

| Modes of supply: (1) cross border supply                                                                                                                                                                    | (2) Consumption abroad                                                                                                                                                                            | (3) Commercial presence                                                                                                                                                                                       | (4) Presence of natural persons | Additional commitments |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|
| Sector or sub-sector                                                                                                                                                                                        | Limitations on market access                                                                                                                                                                      | Limitations on national treatment                                                                                                                                                                             |                                 |                        |
| (f) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:                                                                 | (1) Unbound<br>(2) Unbound<br>(3) Only through banks, financial institutions, brokerage institution, mutual funds, and other authorized institutions.                                             | (1) Unbound<br>(2) Unbound<br>(3) None for banks, financial institutions, brokerage firms and mutual funds established as joint-stock companies.<br>The "trader" on the pit must be a Lebanese National.      |                                 |                        |
| - money market instruments (cheques, bills, certificate of deposits, etc.)<br>(CPC 81339**)                                                                                                                 | Only Investment banks, financial institutions and brokerage firms can have a seat on the Beirut Stock Exchange (BSE), subject to a ceiling on the number of new seats allowed per year.           |                                                                                                                                                                                                               |                                 |                        |
| - foreign exchange<br>(CPC 81333)                                                                                                                                                                           | Commercial banks can only offer Derivative products for the account of their clients.                                                                                                             |                                                                                                                                                                                                               |                                 |                        |
| - derivative products including, but not limited to, futures and options<br>(CPC 81339**)                                                                                                                   | (4) Unbound except as indicated in the horizontal section. The "trader" on the pit must be a Lebanese National.                                                                                   |                                                                                                                                                                                                               |                                 |                        |
| - exchange rate and interest rate instruments, including products such as swaps, forward rate agreements, etc.<br>(CPC 81339**)                                                                             |                                                                                                                                                                                                   |                                                                                                                                                                                                               |                                 |                        |
| - transferable securities<br>(CPC 81321*)                                                                                                                                                                   |                                                                                                                                                                                                   |                                                                                                                                                                                                               |                                 |                        |
| - other negotiable instruments and financial assets, including bullion<br>(CPC 81339**)                                                                                                                     |                                                                                                                                                                                                   |                                                                                                                                                                                                               |                                 |                        |
| (g) Participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of service related to such issues<br>(CPC 81321-81323)  | (1) Unbound<br>(2) Unbound<br>(3) Brokerage operations must be offered only through: brokerage firms, banks, financial institutions.<br>(4) Unbound except as indicated in the horizontal section | (1) Unbound<br>(2) Unbound<br>(3) None for brokerage firms, banks and financial institutions established as joint-stock companies.<br>(4) Unbound except as indicated in the horizontal section               |                                 |                        |
| (i) Asset management such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services (as defined in the Lebanese Law) | (1) Unbound<br>(2) Unbound<br>(3) Only through banks, financial institutions, brokerage firms and mutual funds.                                                                                   | (1) Unbound<br>(2) Unbound<br>(3) None for banks, financial institutions, brokerage firms and mutual funds established as joint-stock companies.<br>(4) Unbound except as indicated in the horizontal section |                                 |                        |



| Modes of supply: (1) cross border supply<br>Sector or sub-sector                                                                                                        | (2) Consumption abroad                                                                                                                                                                                                                                                                                                                                          | (3) Commercial presence                                                                                                                                                                                                                                                                                                                                                             | (4) Presence of natural persons | Additional commitments |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------|
|                                                                                                                                                                         | Limitations on market access                                                                                                                                                                                                                                                                                                                                    | Limitations on national treatment                                                                                                                                                                                                                                                                                                                                                   |                                 |                        |
| (j) Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments (as defined in the Lebanese Law) | (1) Unbound<br>(2) Unbound<br>(3) Unbound for the clearing and settlement of:<br>- checks,<br>- electronic payments,<br>- Lebanese treasury bills denominated in LBP<br>- operations resulting from trading in securities listed at the Beirut Stock Exchange.<br><br>(4) Unbound except as indicated in the horizontal section                                 | (1) Unbound<br>(2) Unbound<br>(3) Unbound                                                                                                                                                                                                                                                                                                                                           |                                 |                        |
| <b>VIII. HEALTH RELATED AND SOCIAL SERVICES</b>                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                     |                                 |                        |
| I. Hospital services<br><br>- Private hospital (excluding services provided by the public sector) (CPC 9311**)                                                          | (1) Unbound<br>(2) Public medical insurance programs may not cover cost of care supplied abroad<br>(3) Unbound except that joint stock companies are allowed to establish All the limitations pertaining to medical, and dental services, as well as services of midwives, nurses are applicable.<br>(4) Unbound except as indicated in the horizontal section. | (1) Unbound<br>(2) Service consumers may not be entitled to receive financial support from public resources<br>(3) None for joint stock companies, subject to the requirement that foreign private establishments and their service consumers may not be entitled to receive financial support from public resources.<br>(4) Unbound except as indicated in the horizontal section. |                                 |                        |
| <b>IX. TOURISM AND TRAVEL RELATED SERVICES</b>                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                     |                                 |                        |
| I. Hotels and restaurants (excluding catering) (CPC 641, 642**, 643**)                                                                                                  | (1) Unbound<br>(2) None<br>(3) None except that authorization can be denied in order to protect areas of particular historic and artistic interest.<br>(4) Unbound except as indicated in the horizontal section                                                                                                                                                | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound as indicated in the horizontal section                                                                                                                                                                                                                                                                                           |                                 |                        |



| Modes of supply: (1) cross border supply                                                   | (2) Consumption abroad                                                                                                                                                                       | (3) Commercial presence                                                                                                                     | (4) Presence of natural persons                                                                                                             | Additional commitments |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Sector or sub-sector                                                                       | Limitations on market access                                                                                                                                                                 | Limitations on national treatment                                                                                                           |                                                                                                                                             |                        |
| 2. Travel agencies and tour operators services (CPC 7471)                                  | (1) Foreign travel agencies must implement their tours in Lebanon through a local service provider.<br>(2) None<br>(3) Unbound<br>(4) Unbound except as indicated in the horizontal section. | (1) None<br>(2) None<br>(3) Unbound<br>(4) Unbound except as indicated in the horizontal section.                                           | (1) None<br>(2) None<br>(3) Unbound<br>(4) Unbound except as indicated in the horizontal section.                                           |                        |
| 3. Tourist guides services (CPC 7472)                                                      | (1) Unbound<br>(2) None<br>(3) None<br>(4) Unbound                                                                                                                                           | (1) Unbound<br>(2) None<br>(3) All tourist guides must be Lebanese nationals.<br>(4) Unbound                                                | (1) Unbound<br>(2) None<br>(3) All tourist guides must be Lebanese nationals.<br>(4) Unbound                                                |                        |
| <b>X. RECREATIONAL, CULTURAL AND SPORTING SERVICES</b>                                     |                                                                                                                                                                                              |                                                                                                                                             |                                                                                                                                             |                        |
| 1. Entertainment services (including theatre, live bands, and circus services) (CPC 96191) | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                              | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                             | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                             |                        |
| 2. News agency services (CPC 9621-9623)<br>Correspondents only                             | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except that correspondents of recognized agencies, publications or broadcasting services.                                                    | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except that foreign correspondents subject to authorization by the ministry of information. | (1) None<br>(2) None<br>(3) None<br>(4) Unbound except that foreign correspondents subject to authorization by the ministry of information. |                        |
| 2. Libraries, archives, museums and other cultural services (CPC 96311)                    | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                              | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                             | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                             |                        |
| - Museum services (except for historical sites and buildings) (CPC 96321)**                | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                              | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                             | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                             |                        |
| 4. Sporting and other recreational services (CPC 96412)                                    | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                              | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                             | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                             |                        |

| Modes of supply: (1) cross border supply       | (2) Consumption abroad                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (3) Commercial presence                                                                                | (4) Presence of natural persons | Additional commitments                                             |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------|
| Sector or sub-sector                           | Limitations on market access                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Limitations on national treatment                                                                      |                                 |                                                                    |
| <p><b>XI. TRANSPORT SERVICES</b></p>           | <p>Transport services by Sea-going vessels (CPC 721)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                        |                                 |                                                                    |
| <p>(a) Passenger transportation (CPC 7211)</p> | <p>(1) International shipping, including passenger and freight transportation: None, but all ships docking in Lebanon must have a local Shipping Agent a Lebanese natural person.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>(1) None</p>                                                                                        |                                 |                                                                    |
| <p>(b) Freight transportation (CPC 7212)</p>   | <p>(2) None<br/>                     (3) (a) Only through the establishment of registered company for the purpose of operating a fleet under the national flag of Lebanon and subject to the following conditions:<br/>                     - 51% of the ship must be owned by Lebanese<br/>                     - If the ship is a joint stock company, the majority of the members of the Board and the Chairman of the Board must be Lebanese.<br/>                     - if half of the ship is owned by a partnership all the partners must be Lebanese.<br/>                     - if half of the ship is owned by a Limited Liability Company, the majority of the partners as well as the director must be Lebanese and they must own the absolute majority of the shares.</p> | <p>(2) None<br/>                     (3) None except that ships should hire five Lebanese sailors.</p> |                                 |                                                                    |
|                                                | <p>(b) Unbound for other forms of commercial presence for the supply of international maritime transport services.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                        |                                 |                                                                    |
|                                                | <p>(4) Unbound, except as indicated in the horizontal section.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                        |                                 | <p>(4) Unbound, except as indicated in the horizontal section.</p> |

| Modes of supply: (1) cross border supply                             | (2) Consumption abroad                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (3) Commercial presence                                                                         | (4) Presence of natural persons                                                                 | Additional commitments |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------|
| Sector or sub-sector                                                 | Limitations on market access                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Limitations on national treatment                                                               |                                                                                                 |                        |
| (c) Rental services of sea-going vessels with operator (CPC 7213)    | (1) None<br>(2) None<br>(3) Only through Joint stock companies<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section. | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section. |                        |
| (d) Maintenance and repair of vessels (CPC 8868**)                   | (1) None<br>(2) None<br>(3) Only through Joint stock companies<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section. | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section. |                        |
| 3. Air Transport Services (as defined in the Annex on Air Transport) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                 |                                                                                                 |                        |
| - Computer Reservation Systems (CRS):                                | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section. | (1) None<br>(2) None<br>(3) None<br>(4) Unbound, except as indicated in the horizontal section. |                        |
| - Sales and Marketing of air transport services                      | (1) None<br>(2) None<br>(3) Only through the following legal entities:<br>- Joint stock company or partnership limited by shares wholly owned by Lebanese shareholders. The transfer of these shares is not permitted to non Lebanese persons or to non fully owned Lebanese companies.<br>- Partnership or a limited liability company. The absolute majority of the shares must be owned by Lebanese partners or fully owned Lebanese companies. The transfer of these shares is not permitted to non Lebanese persons or to non fully owned Lebanese companies<br>- And in all cases, the | (1) Unbound<br>(2) None<br>(3) None                                                             |                                                                                                 |                        |
| 8. Services auxiliary to all modes of supply                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                 |                                                                                                 |                        |
| (c) Freight transport agency services (CPC 74800**)                  | (1) None<br>(2) None<br>(3) Only through the following legal entities:<br>- Joint stock company or partnership limited by shares wholly owned by Lebanese shareholders. The transfer of these shares is not permitted to non Lebanese persons or to non fully owned Lebanese companies.<br>- Partnership or a limited liability company. The absolute majority of the shares must be owned by Lebanese partners or fully owned Lebanese companies. The transfer of these shares is not permitted to non Lebanese persons or to non fully owned Lebanese companies<br>- And in all cases, the | (1) Unbound<br>(2) None<br>(3) None                                                             |                                                                                                 |                        |



| Modes of supply: (1) cross border supply<br>Sector or sub-sector | (2) Consumption abroad<br>Limitations on market access                                                                                                                                                                                                                                          | (3) Commercial presence<br>Limitations on national treatment      | (4) Presence of natural persons<br>Additional commitments |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------|
|                                                                  | <p>empowered person to sign on behalf of the company or the President of the board of directors-director general must be Lebanese and must have worked in this profession for five years at least as a director general.</p> <p>(4) Unbound, except as indicated in the horizontal section.</p> | <p>(4) Unbound, except as indicated in the horizontal section</p> |                                                           |

LIST OF ARTICLE II (MFN) EXEMPTIONS

| Sector or sub-sector                                        | Description of the measure, including the reasons of incompatibility with Article II                                                                                                               | Measure applies to:                                                                                                             | Expected duration | Conditions making the measure necessary                                                                                                                                                                                 |
|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Temporary Entry and Stay of Natural Persons in all sectors. | Provisions granting the citizens of certain countries the right to benefits from public social security services.                                                                                  | Belgium, France, Italy and United Kingdom.                                                                                      | Indefinite        | Measure required to ensure equivalent treatment for Lebanese nationals.                                                                                                                                                 |
| Temporary Entry and Stay of Natural Persons in all sectors. | Measures providing natural persons freedom of movement and residency in Lebanon.                                                                                                                   | Syria                                                                                                                           | Indefinite        | This treatment arises from special historical, cultural, geographical and economic ties between Lebanon and Syria.                                                                                                      |
|                                                             | Measures providing preferential treatment regarding the procedures, conditions and fees to obtain work permit for foreigners.                                                                      | Syria, Palestinian people                                                                                                       | Indefinite        | This treatment arises from special historical, cultural, geographical and economic ties between Lebanon, Syria and the Palestinian people.                                                                              |
|                                                             | Measures providing prior work permit approvals and work permits, on a reciprocity basis.                                                                                                           | All countries                                                                                                                   | Indefinite        | Reciprocity to ensure the opening of markets for Lebanese nationals                                                                                                                                                     |
|                                                             | Measures providing for exemptions from work permit fees, in accordance with bilateral agreements.                                                                                                  | Brazil, Czech Republic, France, Germany, Greece, Iraq, Italy, Morocco, the Slovak Republic, Switzerland, United Kingdom and USA | Indefinite        | Needed to stimulate international trade and promote foreign investments with the countries concerned.                                                                                                                   |
| Professional Services                                       | Measures providing preferential access and treatment for foreign professionals to a number of professions on a reciprocity basis, after taking into consideration the proportion of the population | All countries                                                                                                                   | Indefinite        | Need to ensure effective market access and equivalent treatment for Lebanese service suppliers.                                                                                                                         |
| Professional Services                                       | Measures providing preferential treatment for Arab professionals with regard to the procedures, fees and conditions of membership of the relevant Lebanese Orders.                                 | Arab Countries (Members of the Arab League)                                                                                     | Indefinite        | This treatment arises from the special economic and cultural ties between Lebanon and the Arab countries. This measure is also necessary due the eventual economic integration in services between some Arab countries. |
| Postal Services                                             | Measures providing Syria with preferential rates to inbound and outbound mail                                                                                                                      | Syria                                                                                                                           | Indefinite        | This treatment arises from the special economic and cultural ties between Lebanon and Syria. This measure is also necessary due the geographical proximity.                                                             |

| Sector or sub-sector                                                                         | Description of the measure, including the reasons of incompatibility with Article II                                                                                               | Measure applies to:                                                                                                                | Expected duration | Conditions making the measure necessary                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Telecommunication services                                                                   | Measures concerning the application of different accounting rates for different operators/countries.                                                                               | Countries covered by international telecommunication services agreements between Lebanon and foreign operators and/or governments. | Indefinite        | On account of bilateral agreements.                                                                                                                                                                                    |
| Audio-visual services                                                                        | Preferential access and treatment may be extended to audio-visual works originating from countries with whom Lebanon is a party to bilateral or plurilateral agreements.           | All countries with which cultural cooperation may be desirable.                                                                    | Indefinite        | The aim of such agreements is to promote cultural links between the countries concerned.                                                                                                                               |
| All insurance and insurance - related services                                               | Preferential access and treatment to branches of foreign insurance companies, on a reciprocity basis.                                                                              | All countries                                                                                                                      | Indefinite        | Need to ensure effective market access and equivalent treatment for Lebanese service suppliers.                                                                                                                        |
| Health related and social services                                                           | Measures providing preferential access and treatment for foreign legal and natural persons are based on reciprocity.                                                               | All countries                                                                                                                      | Indefinite        | Need to ensure effective market access and equivalent treatment for Lebanese service suppliers.                                                                                                                        |
| Tourism and Travel Related Services                                                          | Measures providing preferential access and treatment to service suppliers of Arab countries, in the tourism sector.                                                                | Arab Countries (Members of the Arab League).                                                                                       | Indefinite        | This treatment arises from the special economic and cultural ties between Lebanon and the Arab countries. This measure is also necessary due the eventual economic integration in services between some Arab countries |
| News agency and Press services                                                               | Measures providing access and treatment to travel agencies, on the basis of reciprocity.                                                                                           | All countries                                                                                                                      | Indefinite        | Need to ensure effective market access and equivalent treatment for Lebanese service suppliers.                                                                                                                        |
| Computer reservation systems (CRS) services and sale and marketing of air transport services | Market access and national treatment are based on reciprocity.                                                                                                                     | All countries                                                                                                                      | Indefinite        | Need to ensure effective market access and equivalent treatment for Lebanese service suppliers.                                                                                                                        |
| Land Transport Services                                                                      | Market access and national treatment are based on reciprocity in mutual concessions.                                                                                               | All countries where a CRS system vendor or a parent air carrier is located.                                                        | Indefinite        | The need for the exemption results from the insufficient development of multilaterally agreed rules for the operation of CRS.                                                                                          |
|                                                                                              | Measures affecting the land transportation of passengers and goods, contained in existing and future bilateral or plurilateral agreements, or granted on the basis of reciprocity. | All countries                                                                                                                      | Indefinite        | Desire to facilitate land transport services between Lebanon and other countries and to ensure equivalent treatment of Lebanese nationals.                                                                             |