

الجمهورية اللبنانية

مكتب وزير الدولة لشؤون التنمية الإدارية  
مركز مشاريع ودراسات القطاع العام

European Union

Republic of Lebanon

Republic of Lebanon

Office of the Minister of State for Administrative Reform

Center for Public Sector Projects and Studies

(C.P.S.P.S.)

## EU FRAMEWORK CONSULTANCY

### Immediate Assistance Package

Consultancy to assist the establishment of the

*Trade Policy Unit*

of the

**Ministry of Economy and Trade**

**Republic of Lebanon**

**WORKSHOP**

**Held at the Institute of Finance**

**Beirut**

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## **STRUCTURE OF THE TRADE POLICY UNIT WORKSHOP**

### **1. INTRODUCTION**

Participants, Consulting Team, Consultancy Objectives and Timetable and Structure of this Workshop

### **2. STRATEGIC OVERVIEW**

The need for the strengthening of institutional capacity to support the process of International trade expansion in Lebanon

### **3. KEY TRADE GROUPINGS AND AGREEMENTS**

World Trade Organisation  
European Union  
GAFTA  
Bilateral Agreements

### **4. INTERNATIONAL TRADE POLICY REQUIREMENTS**

Introduction to the requirements for a Lebanese Trade Policy Unit (TPU)

### **5. PROPOSED TRADE POLICY UNIT**

Outline and individual role and purpose

### **6. THE INTERNATIONAL TRADE IMPLICATIONS OF DOMESTIC POLICY CHANGES (and vice versa)**

The role and function of focal points

### **7. SKILL DEVELOPMENT AND SKILL TRANSFER**

### **8. GENERAL DISCUSSION**

# TRADE POLICY UNIT WORKSHOP

## 1. INTRODUCTION

## **INTRODUCTION**

### ***Objectives***

#### **Overall Objective of Consultancy**

*To contribute to an increase in the competitiveness of the Lebanese economy*

#### **Specific Objective**

*To strengthen the capacity of the Ministry of Economy and trade to fulfil its responsibilities in trade policy, in particular in the coordination of the process of trade reform and in the negotiation of bilateral and multilateral trade agreements*

## **INTRODUCTION**

### ***Objectives***

The Objectives of this Workshop are to: -

- *Provide a strategic overview of institutional development need in relation to international trade*
- *Indicate aspects of key trade groupings and agreements*
- *familiarise participants with the proposed roles and purpose of the Trade Policy Unit*
- *Discuss aspects of support to and from other ministries and state bodies in terms of trade policy*
- *Provide an overview of Skill Development and Skill Transfer needs*

*Timetable*

**Consultancy commenced in**

**July 2001**

**and is due to finish in**

**November 2001**

**This Workshop is being run at the time and  
stage of development as specified and agreed for  
the Consultancy**

# TRADE POLICY UNIT WORKSHOP

## 2. STRATEGIC OVERVIEW

## STRATEGIC OVERVIEW

### Wider Objective

Opening a Workshop in July this year on "A new vision for the Role of the State in Lebanon" the Prime Minister (Mr Rafic El Hariri) said

*"In the past many opportunities for reform and progress have been lost. We can no longer afford to lose such opportunities. Let us have the courage to advance towards the future with a modern administration"*

Another Minister at the same workshop said

*'It is essential that new structures be created, since the new role of the State cannot be carried out by old structures characterized by rigid centralization and lack of flexibility.*

*It is no easy task to convince people to shed old habits prevailing in an environment that fears change. The challenge is how to move from rhetoric to action, from an idea to its establishment."*

### This Project

Today's Workshop, as Don Barber has explained, aims to introduce the design for a new Trade Policy Unit in the Ministry of Economy and Trade and to discuss with you how you will work with and relate to it.

Don and I are on a short Contract funded by the European Union to help set up this Unit. Its main function will be to co-ordinate the very important negotiations that Lebanon has begun with its international trade partners as part of the process of widening and strengthening (globalising) its economy.

We hope our experience and expertise will help your own administration to plan for, and handle, these complicated and demanding issues in the most effective way.



The new commitments that Lebanon is taking on, and that will lay the basis for profitable trade expansion, and most importantly attract inward investment, and the development of new opportunities and skills, are wide-ranging. They also affect all areas of Lebanese commercial activity, so your specialist views and contributions are very important.

One of the most important requirements of this new approach is that what is achieved in these negotiations, and by the Trade Policy Unit in future, must become a permanent and self-renewing part of Lebanon's administrative expertise and institutional capacity. This is the subject for the next, second and final part of our consultancy.

The first step, and today's job, is to familiarize ourselves with the proposed functions of the Unit and see how it can relate to, for example, the existing processes of consultation by which Lebanon reaches a consensus on horizontal issues with a trade context. We need, and will very much welcome, your advice and support on this and relevant associated issues today.

# TRADE POLICY UNIT WORKSHOP

## 3. KEY TRADE GROUPINGS

# Fleihan on the future

## Insurance, Paris II, and trade issues

In an exclusive interview with Lebanon Opportunities, Bassel Fleihan, Minister of Economy and Trade, revealed his plans and hopes for the future of the insurance industry – including the introduction of external audits of all companies – the gains stemming from negotiations on joining the Euro-Med Agreement, the pros and cons of exclusive import agencies – and which ones face an imminent exit – proposals for next year's Fab Feb, and what is needed to make Paris II a success.

**Implementation of the new insurance law has cut the number of insurance companies by around a dozen. What is the next step?**

Lebanon can be the insurance and reinsurance center of the region, although there is competition for it. It is far more amenable than banking to be the regional leader because banking technology has changed. It is a vital area because insurance is the mechanism for long-term savings, whereas banking is not.

**So what needs to be done to snatch that role?**

The first key is solid control. Step two is to modernize the law, particularly the tax structure. Preliminary results of the new law show many companies have re-organized to meet the requirements. Some said they don't have the capital to operate in all fields. There have been some mergers and some voluntary withdrawals. The control commission has not completed its review, so I don't know whether we will need to withdraw some licenses or not. Some met the requirements by providing real estate as collateral, which may have been committed for other purposes. It will take a month or two to deal with any idiosyncrasies. We may contract out to the top five international auditing firms a full audit of all insurance companies at the government's expense, so they report back to us and there is no conflict of interest. I have four auditors on the commission but they are still looking into the accounts of two years ago. If a company is in trouble it is based on today's figures so we must improve the reporting mechanism. We need quarterly as well as annual reports and I will also contract one or more of the auditing firms to carry out random audits.

**What kind of audits?**

Not just financial but also solvency audits and risk analysis. We want a change in the culture to improve oversight of the sector. We will also be strengthening and expanding the Insurance Control Commission as well.

**Does an attempt to grab regional leadership necessarily imply bigger and stronger companies?**

It will certainly lead to bigger insurance companies and mergers. We have the human capital to do most of the operations, more so than any other country in the region, but we have disadvantageous tax regimes, especially for regional work, because people outside Lebanon would pay the same taxes as those inside. For example, all maritime insurance, even for ships coming into Lebanon, doesn't come out of here but out of Cyprus because it doesn't include tax. Why should they pay 11 percent more? Take life insurance. Why should people pay tax after they die? Issuing insurance products to other countries shouldn't include having to pay the whole tax, perhaps a small amount. However, we have an advantage over the rest of the region in that we have a significantly superior legal system. It's not perfect and it takes time but it is still better than anywhere else because you can go to court and get a claim. In five years that may be the case in other countries, so unless we grab the leadership now we may lose it.

**What about arbitration instead of court action?**

We have a proposed law for arbitration councils which is a step that should be taken soon.

**When will auto insurance be made compulsory?**

We have already prepared the first draft of a law and I anticipate sending it to the Cabinet in September, hopefully to be effective by January. Everybody is supportive of compulsory auto insurance but there are difficulties such as what will happen if a company refuses to give motorists insurance, or how to deal with cases of hit and run.

**Does the proposal include an element of enforcement?**

Yes, it is being dovetailed with attempts by the Ministry of the Interior to re-institute inspection.

### **EXCLUSIVE AGENCIES**

**Are you planning to lift government protection of exclusive agencies?**

Eventually there has to be a serious discussion on this and you're right, it is government protection. The



agencies affecting agricultural materials such as fertilizers or chemicals should be lifted very quickly because exclusivity is raising the price of agriculture. We have to look at the monopoly situation of any basic goods.

#### **What about consumer goods?**

That is stage two. Exclusive representation of brands does not necessarily lead to monopoly if there is sufficient competition among brands. We have to look at this in the context of a competition law. Where it doesn't create monopolies it doesn't need to be addressed because there is a positive side in terms of maintenance, guarantees and investment in repair shops and parts.

### **INTELLECTUAL PROPERTY PROTECTION**

**Lebanon is faring poorly in intellectual property protection, in spite of the new law. How is this law going to be implemented?**

The law puts us among frontier countries in terms of legal action on intellectual property. Obviously the implementation needs far more energy. Complaints are coming from companies that want us to intervene without going themselves through a form of declaration. Implementation should probably not come through an 'IPR police' but through awareness and pressure on big firms to declare that they are normalized.

### **FAB FEB**

**What plans are in store for next year's shopping festival? What happened to the idea of a National Committee with the participation of the private sector?**  
We have to move away from the notion of a month-long shopping festival toward creating a series of activities to attract people to Lebanon. We have had informal discussions with various elements of the private sector and we are working out a draft law to establish a transition committee and institutionalize their activities. Transferring authority to the private sector to organize events in the name of the state may require a law and that is what we are looking into.

### **PRICES & CONSUMER PROTECTION**

**What effect has InfoPrice and the supermarket price league had on reducing prices to consumers?**

I want to publish these figures on our ministry web site to ensure transparency. This sort of action does encourage competition and we are seeing some reduction of prices, although I do not have an overall figure.

**Your consumer protection division often reports on unsatisfactory conditions in food establishments yet it never names the guilty parties. Why?**

We are in the process of a major rethink on consumer protection. You have to get the NGOs to be major players to make consumer protection work. We have to be commission providers more than policemen and then

transparency becomes the key element. The market will clean itself up once there is transparency. It would not be right to name establishments before the cases have gone to court and guilty verdicts issued.

### **PRIVATIZATION**

**What role does your ministry play in privatization?**

I am personally interested in this issue because of its importance to the economy and therefore, I try to be in the loop beyond just being a member of the Higher Privatization Council. I try to help any way I can and to offer ideas.

### **INTERNATIONAL AID**

**What do you hope to come out of Paris II that you didn't go in with?**

Our strategy is based on going into Paris II when we know exactly what we are going to come out with. The broad lines are mobilizing international support for the reform program and mechanisms to alleviate the cost of borrowing. That is best achieved after significant progress in the implementation of our strategy. It's not appropriate to go there before we have the VAT law on the books, some privatization, some cost-cutting etc. We are not going to get a commitment without proving that we are actually doing what we claim to be doing. We will see progress on these fronts this year and we will be able to say we stuck to our part of the bargain, where's yours?

**What is the bargain you want them to stick to?**

We want facilities and mechanisms and resources to help cut the cost of borrowing, possibly deposits or loans or a combination of things. They said they liked our program and were willing to support us if we deliver. We do have progress but in my view, not enough.

### **ADMINISTRATIVE DEVELOPMENT**

**It is not possible to search for trademarks or patents. When will there be access to this information?**

Our target is 12 months to update all our databases on the ministry web site.

### **TRADE AGREEMENTS AND EXPORTS**

**The Association of Lebanese Industrialists has said exports should hit \$1 billion this year, partly by ending the under-reporting. Do you agree?**



**"Auto insurance should be compulsory by 2002"**

**"Exclusive agencies on fertilizers should go"**

There are significant exports and re-exports not captured in the data because they may not necessarily have Customs declarations attached to them, call it cross-border trade if you like. It might be that all economic activity in the country is underestimated. This is an area we have to work on with the private sector to get a better handle on the figures. I believe GDP and GNP are under-estimated and we are working on plans to get a proper calculation of both. The services sector is the most difficult to estimate. Accession to the WTO is a good way to get the collaboration to obtain that feedback. The Central Administration of Statistics will also play a crucial role in helping to get more accurate figures and we perhaps also need some expertise from outside.

**Lebanese manufacturers, particularly in textiles and the agricultural sector, complain about unfair bilateral trade agreements. What is your answer?**

Unfairness is not an accurate description. The bilateral agreements are fair and sufficiently reciprocal. The difficulty is that the bureaucracies on all sides, even our own, that implement do not always adhere to the text and spirit of the agreements. We end up with problems of standards, certification, and whether goods are part of an exception list. We need to move forward significantly within the Arab League and bilaterally on common standards and common rules of origin. We do have cases of Lebanese products going to Egypt and the Egyptians saying they are not Lebanese. Who is going to decide these things and on what basis? We also cannot encourage trade among Arab countries unless we streamline transportation. All the Arab countries, including ours, put major impediments in the way of shipping. The Arab League has acknowledged that and put transportation and shipping as a main item on the agenda for next year's summit.

**What is holding up the trade agreement with Iraq?**

We are ready to sign with Iraq a carbon copy of the Syrian and Egyptian agreements for a free trade area and we have informed the Iraqi authorities of that. They said they are interested. What is left now is the occasion to conclude this agreement with someone coming from there.

**Why aren't you doing more to organize Lebanon wings in overseas trade fairs?**

The ministry is not the ideal organization to fix trade fairs. The objection is the lacks of subsidies to buy space in international trade fairs. That is down to a matter of financing. We are working on a joint initiative between the public and private sectors to create an institution that is jointly owned and would be in charge of promoting exports, fairs, and the shopping festival.

**EURO AGREEMENT**

**You talk of "significant progress" in the Euro Med talks. What does this comprise?**

Over the past seven months we have probably progressed far more than from 1995 to 2000. Deregulation and liberalization is a cornerstone of the government's economic

strategy and therefore naturally there would have been progress on the Euro-Med Association front. The basic aspects are trade liberalization in three sectors - industry,

agro-industry, and agriculture, followed by economic cooperation, intellectual property rights, competition and other aspects. These talks are being based on the 1977 agreement which was preferential to us. Europe was not getting anything at the time. These sorts of agreements are not allowed now except in the context of a free trade area. So Europe

approached all the countries that had such deals and asked if they would like to move toward a free trade area otherwise they would have to eliminate the preferential access. So essentially we are moving toward a free trade area. The issue is how and when.

**How long is it going to take between signing and becoming a member on equal terms?**

We know there is a transition period of 12 years but the strategy we have adopted is to have immediate access as much as possible to Europe on signature, while delaying opening up. We are trying to have a five-year period during which we will not reduce tariffs on European products, and then reduce them over time. In industry it will be from the beginning of year six all the way to 12. In the context of an overall package there seems to be agreement on that.

**What is the situation with agriculture?**

Agro-industries is divided in the Europeans' tariff structure into agricultural components and industrial components in very complicated calculations to figure out what percentage is agriculture and what is industrial. They are protective of the agricultural components because they are protective of agriculture and historically in their discussions they refuse to reduce the agricultural element of the tariff but they are willing to reduce the industrial proportion. We have been more creative in both agriculture and agro-industry than in their discussions with other countries. Our argument has been that we have a more open economy than most of our neighbors. We do not protect as much and we have limited production because we are a small country, so we pose no threat to European activities

**In what ways is it more creative?**

Traditionally, Europe has dealt with Mediterranean countries on agriculture with a positive list, saying they would allow a duty-free trade quota on certain goods. They based their negotiations on traditional trade flows, which means if you usually export to Europe 100,000 tons of potatoes per year they will probably give you 100,000 or 120,000 tons duty-

**"Trade agreements in themselves not unfair"**

**"Deal with Iraq is waiting to be signed"**



free. In Lebanon's case, we are not exporting anything to Europe because we had unusual circumstances over the past 20 years. So potential, not actual, trade flows were what should be considered. I think we have come to an agreement with them on that. We said we should move from positive lists to negative lists. Everything is open except the goods on this list which have a tariff quota. Now we are discussing the level of the tariff quotas for this specified list. We said there are certain sectors which are very important on the social level. Therefore, we want to maintain a minimum duty and we have agreed with them on this. They have no interest in exporting vegetables and fruits to Lebanon and that's where the bulk of our protection lies.

**Does that creativity extend to agro-industry?**

In agro-industries we have agreed with them that anything that has an industrial element will be zero from day one. In addition, for a large set of goods that we produce which are about 77 types of tariff items, we have asked for zero on agricultural elements. We have also asked for a reduction in the agricultural elements of other goods. We are almost in agreement on the goods that we produce or can produce in the future and they are about to agree to a zero rate, which would be phenomenal vis-à-vis anything that anyone else has agreed with them on agro-industries. It's not there yet but we're working along those lines.

**Which products face the biggest difficulties?**

The quota list encompasses traditional agricultural produce so let's not kid ourselves, but our strategy has been that in any case we need to move away from this into products like cotton and other value-added goods. Tomatoes, potatoes, and citrus are not the best products we can sell abroad because everyone else does that at a better price. So we need to create an incentive. You can do this either by giving tax breaks and subsidies domestically or by creating external markets that are duty free, so that the tax breaks and subsidies come at the expense of someone else. Given that our production is small vis-à-vis Europe, it doesn't cost them much to create that kind of incentive and we can move to another kind of production where the export potential could be significant. The concessions we're getting are around \$250 million worth of duty free access according to their figures, although this might be exaggerated. The crucial element is that we still have to meet quality and health standards and that is a major issue. On paper we don't do that today. That doesn't mean we don't meet the standards – in fact a large part of our production does meet them – but we cannot verify that in an accredited fashion. This is an area in all production where much work needs to be done.

**Do you have specific plans to meet quality standards?**

This is on the agenda but we need to get the agreement first. Without it there is no way the private sector can be persuaded to invest in quality control. We are thinking of opening up lab testing to the private sector, subject to international accreditation. It's a business and you can earn money but you need accreditation and need to make it subject to outside assessment. The public sector will be

treated the same way. At present, public labs overlap in what they do, so they may have to downsize in the areas they test to get accreditation. We don't need a massive number of labs but we do need specialization and proper testing. We also have to work on standards. We have produced Lebanese standards but we ought to reverse this and take international standards, adopting Lebanese standards only if they are not covered. Why re-invent the wheel? We want quality goods both for domestic consumption and export. This cannot be done in a couple of months.

**But is a couple of months a reasonable time frame for signing the agreement?**

Yes, I think that's a reasonable time but these things happen in bursts of activity rather than continuously.

**What's happening with the WTO?**

We made the first big and concrete step by submitting a good quality memorandum that was well received and we are waiting for questions to come from countries that trade in the WTO. We will provide answers, followed by a meeting of the negotiating parties. We hope to have that meeting before November.

**If we need changes to join the Euro-Med, what extra changes are required for WTO membership?**

Although they both involve trading arrangements, the two differ substantially in the adjustments required. With Euro-Med a free trade area means the near elimination of tariffs. We have agreed to ignore services for a while, which was a major factor in expediting the process, because we have about 165 associations of service providers. That would have taken a long time to negotiate. We will sign with the WTO when we have carried out those negotiations and this will be in four years. WTO membership is more a process of conformity with international standards and laws. We probably have about 17 national laws that will need changing.

**What sort of laws?**

From how you certify imports to how you value goods. We took into account WTO requirements when we changed the Customs law. We also need to look after our own interests by taking anti-dumping measures. There are other issues such as eliminating monopolies and we are already preparing a foreign trade law that will cover certification procedures. We will need some streamlining of procedures to ensure they are not discriminatory against certain countries. This is a very important transformation that needs to be done, in any case, because otherwise we are not going to be able to export. Applying for membership in the WTO creates the vehicle and the incentive to get this done quickly.



**“Euro-Med concessions said to be \$250 million”**

**“Joining WTO means eliminating monopolies”**

# TRADE POLICY UNIT WORKSHOP

## 4. INTERNATIONAL TRADE POLICY REQUIREMENTS

## **INTERNATIONAL TRADE POLICY REQUIREMENTS**

### **An introduction to the job of a Trade Policy Unit, and the requirements for a Lebanese Trade Policy Unit.**

#### **Presentation**

In 1948 a group of countries with interests in promoting international trade, including the Lebanon, drew up a set of rules for trading with each other. GATT or the General Agreement on Tariffs and Trade.

The objective was to make trade fair, and transparent; to make the rules and conditions of trade more predictable and easier, and thereby to expand the volume and value of trade to everyone's mutual benefit.

You will see that the rules are simple.

GATT and later WTO "experts" will always try and tell you how complicated it all is. They usually make their living by interpreting the complications, and thereby have a vested interest in preserving this idea. But as far as the basic principles are concerned, they are basic and simple.

I realize I am talking to a room full of experts today, so it's asking for trouble to say "Have you noticed that this agreement only, or principally, applies to trade in goods?" And of course you all understand the difference between a "good" and a "service".

In 1994, after many years of thought (a little thought, and a lot of negotiation) GATT was extended to cover a much wider range of trade issues, and eventually the World Trade Organisation was set to provide a forum where members could discuss an ever-expanding range of trade and trade related issues.

Today WTO Agreements cover almost every area of commercial activity that can influence trade relationships.



The main *benefits of membership* of WTO are: -

First that

*all members are equal, and have equal rights, no matter how big or small they are*

Second the fact of membership means that

*it gives more advanced economies the confidence to invest in, and thereby provide both current jobs and trade promotion, and also the basis for future growth such as capital, training and the sharing of intellectual property, in expanding and developing economies like the Lebanon.*

Close agreements with other countries and groups, such as the EU- under Lebanon's new EU-Med Agreement and GAFTA give similar but more specific benefits.

All of the issues are the business of a Trade Policy Unit.

## **Conclusion**

International Trade Agreements are a vital element in the expansion of Lebanon's economy.

The basic principles are simple, but their potential field of application is extremely wide.

Virtually the whole of Lebanese internal trading arrangements, legal framework and detailed implementation, and every aspect of its commercial activities may be affected.

"Domestic" policy in future must, in its own interests, be aware of, and compatible with, Lebanon's international commitments and opportunities.

This is a big, and very important job, for a team of skilled and exceptionally well informed people.

It must be carried out by a team that is able, and in a position to, advise Ministers on a very wide range of issues.

The Team must have a very close working relationship with the existing responsibilities of the Ministry of Economy and Trade, and a role in its future development.

This development must be a key element in the modernization and strengthening of institutional capacity within the Lebanon and its achievements must be sustainable, and a solid basis for subsequent developments.

So, with the help and guidance of our colleagues within and assisting the Ministry of Economy and Trade, and with the agreement of the Minister, we want to share with you our ideas for the makeup of such a unit, the kind of expertise it will need, and the functions it will perform.

Slide/Handout "GATT in one page" follows

## GATT

### Some of the major rules.

WTO's predecessor, the General Agreement on Tariffs and Trade which established the basic rules, was set up in 1948 and last amended in 1994.

The multilateral system for trade in goods created by GATT, aims *to provide industries and business enterprises a stable and predictable environment in which they can trade under conditions of fair and equitable competition.*

The basic principles are

- the Most-Favoured-Nation Treatment
- Equal Treatment under Internal Taxation etc
- General Elimination of Quantitative Restrictions
- Non-discriminatory Administration of Quantitative Restrictions
- Transparency of trading rules
- Publication and Fair Administration of Trade Regulations

GATT's main objective is free trade, but it recognises that countries may wish to protect their industries from foreign competition. In doing so

They must keep such protection at reasonably low levels and use tariffs.

Quantitative restrictions on imports are prohibited.

## WTO Simple Overview

The improved and strengthened rule-based system that came into existence with WTO is designed to promote the expansion of international trade.

The system's primary goal is to provide a liberal, secure and predictable access to foreign markets for the goods and services of exporting enterprises.

The system helps to ensure that enterprises can market their products internationally under conditions of competition that are equitable and without the disruptions caused by the imposition of new and unforeseen restrictions.

Almost all countries are now pursuing market-orientated policies, and opening up domestic markets and industries to international competition.

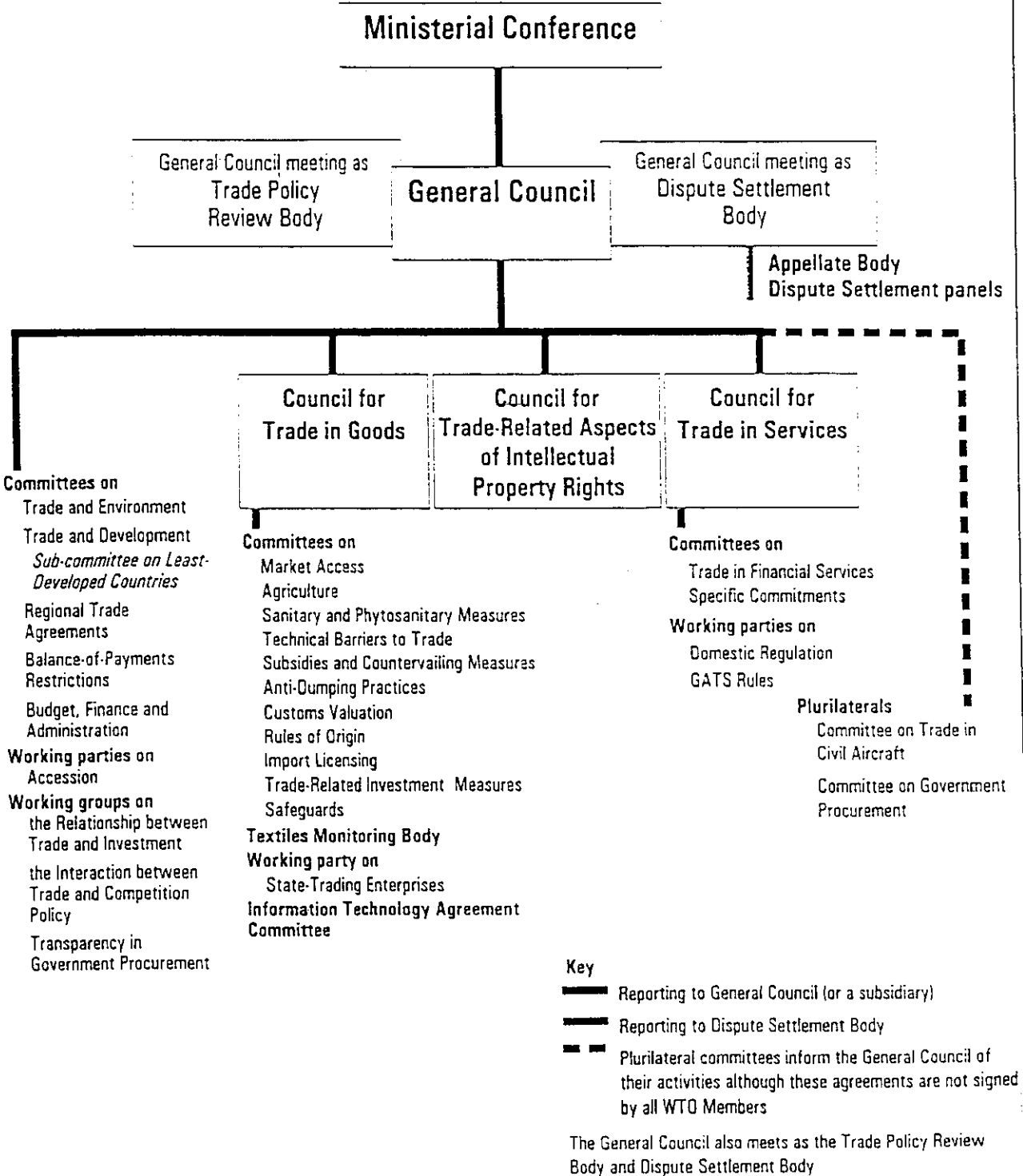
The ability of enterprises to benefit from this system of international rules in today's rapidly globalising economy depends on their, and their government's (in terms of the advice and support they can get from it) understanding of the detailed rules, and their ability to interpret and apply them.

The texts of the main WTO legal documents exceed 400 closely typed quarto pages, and there are volumes of interpretative notes and legal rulings.

The schedules of concessions and commitments by WTO members exceed 25,000 pages. Supporting documents, records of key discussions and the outcome of negotiations, fill libraries.

# WTO structure

All WTO members may participate in all councils, committees, etc. except the Appellate Body, Dispute Settlement panels, Textiles Monitoring Body, and plurilateral committees.



Source: WTO.

## TRADE POLICY UNIT WORKSHOP

### 3. PROPOSED TRADE POLICY UNIT

## ***ORGANISATION PRINCIPLES***

- **KEY DIRECTION ROLES**
- **TRACKING DEVELOPMENTS**
- **SPECIALIST EXPERT SUPPORT  
(LINE AND STAFF)**
  - **TECHNICAL SUPPORT**
- **MANAGEMENT INFORMATION  
SYSTEM SUPPORT**
  - **SKILL TRANSFER**

# **OVERALL ROLE AND PURPOSE**

*Trade Policy Unit Head*

*General Affairs*

*EU*

*Agriculture, Sanitary and Phytosanitary (SPS)*

*Tariffs*

*Trade in Services and Investment*

*Legal*

*Trade Policy Management Reporting*



## *General Affairs*

- **Maintain a watching brief on international developments which may influence Lebanese trade interests and relate to the work of the Trade Policy Unit.**
- **Coordinate and provide specialist expert input in relation to questions arising from Councils, bodies, committees, conferences and working parties relevant to Republic of Lebanon's process of membership of multilateral trade agreements.**
- **Provide specialist trade technical specific advice in terms of technical barriers to trade**

**Act as the focal point on issues associated with: -**

- **Trade and Environmental Issues**
  - **Trade and Competition**
- **Developments in Electronic Commerce**

## *EU*

**Act as the focal point on all issues concerning the implementation of the EU Med Agreement**

**In particular advise the Trade Policy Unit Head on the implications of the detailed provisions of this agreement in areas such as the: -**

- **Introduction of reciprocal free trade on industrial goods and preferential access for agricultural and agro-food goods**
- **The harmonisation of commercial regulations and standards**
- **Conditions affecting the right of establishment and the supply of services**
- **Allied issues such as the promotion of investment, and increased financial incentives to the private sector**

**for Lebanon's trade commitments with other countries and Blocs, and its developing negotiations, in particular its offer on Goods and Services, with the WTO.**

*Agriculture, Sanitary and Phytosanitary (SPS)*

**Provide the focal point in Lebanon**

**for the**

**assessment and interpretation**

**of the impact and requirements**

**in relation to**

**conformance to the requirements of multilateral**

**trade agreements**

**with respect to agriculture and**

**sanitary and phytosanitary measures**

**and the recommendation**

**of ways to ensure conformity to such**

**or**

**to justify special or differential treatment**

## *Tariffs*

Act as the focal point  
on all policy issues concerning  
tariffs, fees and other border charges

In particular

- **Lebanon's Offer on Goods in the WTO Negotiations**
  - **Levels of bound tariffs**
  - **Database on imports/exports and issues tracking**
    - **Coordination of bilateral and multilateral tariff negotiations**
      - **Pre-shipment issues**
- and
- **Textiles**
- **Policy issues related to detailed customs procedures, e.g. valuation of Goods for customs purposes, import/export procedures including licencing.**

*Trade in Services and Investment*

**Act as the focal point for technical and policy**

**work in relation to**

**offer on services within**

**GAFTA/EU/WTO discussions/negotiations.**

**Provide expert advice and guidance on**

**all aspects of trade in services**

**and**

**foreign investment**

**including identification of priority areas for**

**Lebanon.**

**Act as the focal point on all policy issues**

**connected with TRIMS (Trade related**

**investment measures)**

## *Legal*

**Act as the focal point in terms of coordinating or undertaking the drafting of new Lebanese legislation to facilitate conformity to the requirements of GAFTA, EU, or WTO rules and regulations.**

**Act as the focal point on all policy issues not concerning tariffs and not covered in other roles including: -**

- Intellectual Property issues
- **TRIPS (Trade related aspects of Intellectual Property Rights)**
  - Safeguard measures and current issues such as
- **Dispute Settlement Cases in WTO with relevance to Lebanese and/or Arabic external trade**

*Trade Policy Management Reporting*

**Develop and operate**

**an effective**

**Management Information and Reporting**

**System (MIRS)**

**in relation to Trade Policy such as**

**to ensure both effective and timely reporting of**

**progress**

**and to**

**provide for continuity of administration on both**

**a short and long term basis.**

## TRADE POLICY UNIT WORKSHOP

### 6. THE INTERNATIONAL TRADE IMPLICATIONS OF DOMESTIC POLICY CHANGES (and vice-versa)

The role and function of focal points.

This to be a discussion at the Workshop



TRADE POLICY UNIT WORKSHOP

7. SKILL DEVELOPMENT AND SKILL  
TRANSFER

# ***SKILL DEVELOPMENT & SKILL TRANSFER***

*With examples*

- **Subject Specific**
  - *Accession process*
  - *Accession materials*
  - *Agreement rules and principles*
  - *Requirements and models for enforcing and administering the law*
  - *Preparation of offers*
  
- **Observation**
  - *Observation of Working Party of Another Country*
  
- **Process Skills**
  - *Negotiating*
  - *Presentation skills*
  - *Briefing/note writing capability*

## TERMS OF REFERENCE

### CONSULTANCY TO ASSIST THE ESTABLISHMENT OF THE TRADE POLICY UNIT OF THE MINISTRY OF ECONOMY AND TRADE

#### 1. BACKGROUND

As globalisation of the world economy continues, the mandate of the Ministry of Economy and Trade – like those elsewhere - is shifting. A previous emphasis on sectoral investment planning and the regulation and control of business is being replaced with more emphasis on a) making the Lebanese economy more competitive and b) international agreements on various aspects of international trade (tariff dismantling and removal of non-tariff barriers to trade, liberalisation of trade and investment regimes, intellectual property rights, harmonisation of legislation on trade, environment and standards).

The MET has identified two particular areas where reform is urgently needed, and the Minister of Economy and Trade has made formal requests for EC support under the ongoing programme of Assistance to the Reform of the Lebanese Administration (ARLA). These two priority areas are: the strengthening of the institutional capacity of the MET in trade policy (the subject of these Terms of Reference); and the reform of the competition and consumer protection functions of the Ministry. It is planned that these two areas will be for the first stage supported through short term Assistance (Immediate Assistance Packages – IAPs); institutional support to the MET will be further developed under ARLA through medium term assistance (Management Support Consultancies – MSCs).

The central beneficiary and coordinator of the ARLA project is the Office of Minister of State for Administrative Development (OMSAR).

Summary information on the structure and legal basis of the Ministry; on the specific problems in the areas of trade policy and consumer protection and on ARLA project is presented in annex.

#### 2. DESCRIPTION OF THE ASSIGNMENT

##### 2.1 Beneficiary

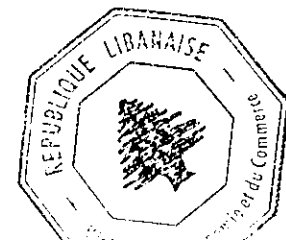
The beneficiary of the IAP consultancy will be the Ministry of Economy and Trade (MET).

##### 2.2 Overall and specific objectives

The overall objective of the consultancy is to contribute to an increase in the competitiveness of the Lebanese economy. The specific objective is to strengthen the capacity of the MET to fulfil its responsibilities in trade policy, in particular in the coordination of the process of trade reform and in the negotiation of bilateral and multilateral trade agreements.

##### 2.3 Expected results

The expected results of the work of the consultants are the following



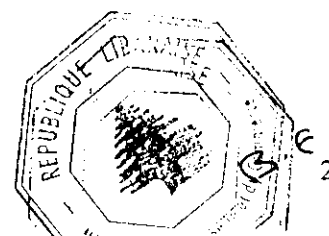
- an analysis of the institutional framework for the establishment of the Trade Policy Unity (TPU) of the MET;
- a description of the technical requirements for the new TPU including structure staff and budgetary requirements;
- an implementation action plan for the establishment of the TPU.

At the end of the project there should be a clear understanding by all stakeholders of the reforms required for modernisation of the Ministry's core trade policy functions, within the context of a modern Ministry of Economy & Trade.

#### 2.4 Requested services and phasing

The tasks of the assignment will be phased as follows:

- **Phase 1: Inception (2 weeks).** During this phase the experts will
  - establish the necessary working relationships, interview key stakeholders and collect the relevant information;
  - conduct a brief strategic review of the ministry as a whole taking into consideration the relevant documentation on the MET and administrative reform in Lebanon in order to describe the context and institutional environment within which the establishment of the Trade Policy Unit will take place;
  - prepare a detailed work plan for phases 2 and 3 and submit an inception report.
- **Phase 2: Analysis and design (two months)** during which the following activities will be conducted
  - a detailed analysis of the workload expected on trade policy matters;
  - a detailed analysis of the mandate and of the technical requirements for the proposed Trade Policy Unit and recommendations on its institutional arrangements as well as an assessments of the budgetary implications and of the training requirements for the establishment of the TPU. The institutional arrangements will include: location within the ministry, organisation structure, staff requirements (number and qualifications), job descriptions (sufficiently flexible so as to recognise both immediate requirements, such as WTO accession and negotiation of the EU Association Agreements, and the longer term requirements for monitoring, compliance and reporting on trade matters);
  - a 2 days workshop which will engage the MET staff and other relevant stakeholders in the process of formulating new roles and structures for the ministry, and for the trade policy unit in particular. The consultant's main findings and proposals will be discussed during the workshop with a view of reaching a common understanding of the proposed reform
- **Phase 3: implementation planning and support (1 and a half months)** during which the following activities will be conducted:
  - preparation of a detailed implementation action plan for the establishment of the TPU. This plan should provide a clear road-map for reform, and a propose a series of milestones against which progress can be monitored;
  - adequate "handing over" and documentation for MET staff and officials and for further consultancies assisting with the reorganisation of the ministry.



During phases 2 and 3 the experts will be available, if requested, to advise the MET on matters related to the reorganisation of the ministry including recruitment of staff.

The experts conducting the consultancy will work closely together with the counterpart staff in the Ministry of Economy and Trade. They will also liaise and coordinate with the consultants working on the USAID funded project to assist in WTO accession and other trade related activities for which the ministry will provide information and contacts.

### **3. EXPERTISE REQUIRED**

The contractor will provide the following experts

- one Institutional Development/Trade Expert (team leader) with experience of institutional development and of public sector trade policy institutions.
- one Public Administration Reform Expert with extensive experience in the reform of central public administration and in change management programmes in Ministries and public sector agencies;

The team leader will be responsible for the overall coordination of the work, for the coherence of the results and for the submission of the reports.

Both experts must have

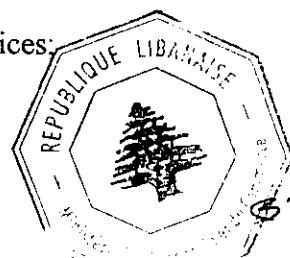
- relevant qualifications – post graduate degree in public administration, business administration or economics;
- an extensive professional experience, as consultants, in emerging economies including experience of work at senior level in particular in advising at ministerial level;
- full command of the English language; command of French or Arabic will be a factor of preference;
- membership of recognised professional consultancy associations will be a factor of preference.

The Institutional Development/Trade Expert (team leader) should have the following qualifications:

- at least 15 years of professional experience in his field of expertise;
- knowledge of major trade negotiation processes (WTO accession, etc)
- a good understanding of modern theories of trade liberalisation, competition policy, economic growth, market mechanisms, privatisation and market reforms;
- either line experience of working in a Trade Policy Unit, or extensive consulting experience in the establishment or operations of a Trade Policy Unit (s);
- experience in the institutional reform of public sector institutions. Experience in the modernisation/reorganisation of Ministries of Trade or Economy will be an additional asset.

The Public Administration Reform Expert should have the following qualifications:

- at least 10 years of professional experience in his field of expertise;
- experience of the modernisation of key central Ministries, especially in Ministries of Trade, Economy and Finance;
- experience in conducting functional analyses of ministries;
- experience in relevant aspects of public sector reform in particular in the creation of specialist public sector agencies;
- experience in the preparation of job descriptions for civil services;



- experience in the establishment of effective coordination mechanisms within central government institutions and for their relation with other public institutions and private sector entities;
- good understanding of trade liberalisation and market reforms.

The experts should have a high level of professional consulting and inter-personal skills, and capacity for team work and for work with the national staff of the beneficiary organisations.

The Ministry of Economy and Trade will provide furnished office space. Other facilities and support staff (e.g. translation, secretarial services) if needed to assist the experts should be provided locally by the contractor.

#### 4. LOCATION AND DURATION OF THE ASSIGNMENT

##### 4.1 Location of assignment

The assignment will be carried out in Beirut (Lebanon). The consultant will be provided office space in the Ministry of Economy and Trade.

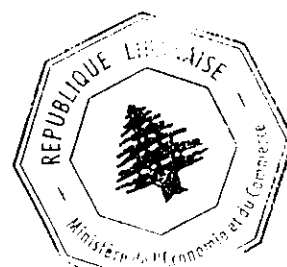
##### **Duration of the work and number of days for the experts' assignment**

The assignment will have a total duration of 19 weeks.

The team leader will be contracted for the total duration of the assignment (126 calendar days) and the public administration reform expert for a period of 105 calendar days. The working time will be distributed as follows:

	Institutional development/Trade expert (team leader)	PA reform expert
Briefing in the EC headquarters in Brussels	1 day	-
Field work including report preparation and discussion of the draft final report, in Lebanon		
Phase 1	14 days	14 days
Phase 2	61 days	61 days
Phase 3	45 days	30 days
Finalisation of final report in the country of residence of the expert	5 days	
<b>Total</b>	<b>126 days</b>	<b>105 days</b>

It is expected that the two experts will arrive in Lebanon together to collect basic information and prepare the plan of work. The team leader will be responsible for report finalisation after the departure of the trade expert.



## 5. REPORTING

The consultants will report to the Minister of Economy and Trade and will keep the OMSAR and the EC Delegation informed of progress achieved on a monthly basis.

The reports required are the following:

1. A brief inception report - one month from the start of the field assignment - which will summarise: the team leader's initial findings resulting from the analysis of documentation and information and from interviews with stakeholders; the administrative arrangements; and the proposed work plan for the development of the assignment;
2. On the work developed during phase 2:
  - "Findings of the Strategic Review", three months from the start of the field assignment;
  - "Implementing Institutional Strengthening and Capacity Building in Trade Policy" which will set out a strategy for the establishment of the Trade Policy Unit, four months from the start of the field assignment;
  - "Technical Requirements for a new Trade Policy Unit within the Ministry of Economy and Trade", four months from the start of the field assignment – which will include: a detailed assessment of the expected short term and long term work load of the MET in trade policy matters; recommendations on the structuring of the work; projections of staff numbers with job descriptions and skill and experience requirements; resource, including budgetary, requirements; and expected training needs;
  - A report on the discussions and conclusions of the workshop one week after the workshop.
3. On the work developed during phase 3:
  - "Establishment of a Trade Policy Unit in the MET: An Implementation Action Plan", at the end of the field assignment;
  - Final Report (maximum 20 pages + appendices) – at the end of the field assignment - which summarises the main features of the conduct of the assignment, the key conclusions of the work conducted and main recommendations for further action and assistance.

All reports shall be submitted in English in seven (7) copies: three (3) copies for the Ministry of Economy and Trade, two (2) copies for OMSAR and two (2) for EC (one for EC Brussels and one for the EC Delegation in Beirut).



## ANNEX

### 1. The Ministry of Economy and Trade

The Ministry of Economy and Trade has the following mandates:

1. to undertake macro-economic policy analysis; to recommend economic policies, to assess the consequences of economic policies, and to simulate the impact of alternative policies
2. to regulate domestic commerce;
3. to negotiate and implement international trade agreements;
4. consumer protection;
5. intellectual property protection;
6. regulation, supervision and control of the insurance industry;
7. to improve the competitiveness of the Lebanese firms in all sectors;
8. to propose economic sector policies and initiate appropriate sector legislation.

The Ministry is organised into:

- the Directorate General of Economy and Trade, which in turn comprises:
  - Registry (Administration) Department
  - Trade Department
  - Consumer Protection Department
  - Protection of Intellectual Property Rights Department
  - Insurance Companies Department
  - Israel Boycott department
  - Regional units (with one unit in each Mohafazat, except Mount Lebanon);
- the Directorate General of Grains and Sugar Beet;
- the High Council for Economy;
- the National Council for Insurance Bodies;
- the Insurance Control Commission.

### 2. The need for reform

As globalisation of the world economy continues, the mandate of the Ministry of Economy and Trade – like those elsewhere - is shifting. A previous emphasis on sectoral investment planning and the regulation and control of business is being replaced with more emphasis on a) how to make the Lebanese economy more competitive and b) international agreements on various aspects of international trade (tariff dismantling and removal of non-tariff barriers to trade, liberalisation of trade and investment regimes, intellectual property rights, harmonisation of legislation on trade, environment and standards).





The MET has identified two particular areas where assistance is urgently needed: strengthening of the institutional capacity of the MET in trade policy (the subject of these Terms of Reference); and reform of the competition and consumer protection functions of the Ministry.

Regarding **trade policy capacity**, it is clear that development of trade policies, the negotiation of bilateral and multilateral trade agreements, and ensuring compliance with those agreements are core functions of Government. These functions cannot be fully delegated to either private sector contractors or to semi-autonomous institutions. The MET has lead responsibility within the Government of Lebanon for co-ordinating the complex, multi-faceted, process of developing and implementing trade reforms. MET, however, has virtually no institutional capacity to undertake trade analyses, nor to assess the impacts of proposed agreements, nor to develop and implement trade policies, nor even to effectively counterpart with external technical assistance on these matters. As a result it is proving difficult for the Government of Lebanon to even start on the process of trade negotiations, and particularly on the EU Association Agreement and accession to the WTO. The key difficulty is the lack of institutional capacity. The Foreign Trade Department in MET has just one professional staff member and there is an urgent need for its development into an effective Trade Policy Unit within the MET. Through the EC support for basic institution building and establishment of a Trade Policy Unit (TPU)<sup>5</sup>, a high level of leverage can be expected, because other donors can then provide support for specific trade policy assistance (for example: a proposed extension of the USAID funded project to support WTO accession).

The rationale presented by the Ministry on the need for reform is as follows:

- lack of capacity for trade policy proposals and trade policy formulation;
- inability to undertake impact studies necessary for defining negotiations strategies and positions and establishing discussions with the private sector;
- lack of staff capable of ensuring coordination and follow-up with other public administration and private sector representative bodies; and
- the existence of scattered projects and technical assistance in trade matters without the appropriate coherence in roles and objectives, and absence of appropriate counterparts and clear procedures for monitoring by the relevant authorities at the Ministry.

In discussing the need for design of a Trade Policy Unit within the Ministry, it also became clear that the institutional design process should take account of other “core functions” and the structure of the Ministry as a whole. The Ministry therefore requested that the design of the Trade Policy Unit should take account of the institutional environment for administrative reform.

Reform and institution building of the **competition and consumer protection functions** of the Ministry is also a high priority. The Ministry is about to draft new competition legislation (which is itself a requirement for compliance with trade negotiations). At present, however, most of the Ministry’s effort in this area is focussed on consumer protection services. The Consumer Protection Department in the Ministry has four divisions, namely: Prices and Monopoly, Repression of Fraud, Gold & Jewellery, Weights and Measures. Interviews with MET staff indicate that the Department has around 60 staff (compared to 200 envisaged under the law). Vacancy levels are high, most staff is over 55 years old, and there are reported to be few high calibre personnel. The Department lacks funds to operate effectively throughout Lebanon (fuel costs, etc) and cannot purchase analytical services from external laboratories. The Department also suffers from a high level of complaints against personnel, by traders who perceive that the enforcement of Consumer Protection is arbitrary and insufficiently

<sup>5</sup> See section 4 of the annex



transparent. Moreover the Department is only concerned with consumer protection in goods; there is no monitoring or enforcement concerning redress for consumer complaints regarding services.

### 3. Legal basis for the structure of the Ministry

As in a number of other Ministries, the functions and structure of the Ministry were defined more than 30 years ago and the legislation is now outdated and inappropriate. Key legislation includes:

- Decree 6821 of 28 December 1973 “Mission and Cadre of the Ministries of Economy and Trade, and Industry and Petroleum”;
- Decree 8315 of 29 December 1961 “Limitation of the Mission of the Regional Economic Units in the Mohafazats”;
- Decree 8370 of 30 December 1961 “Distribution of the permanent position of the 4<sup>th</sup> and 5<sup>th</sup> categories within the cadre of the Ministry of Economy and Trade”;
- Law 524 of 6 June 1996 “Amendment of the Cadre of the Ministry of Economy and Trade (Directorate General of Economy & Trade)”. This law:
  - amends Decree 6821/73 by adding 120 Category 3 supervisors to the Ministry;
  - regularises (makes permanent) all employees in the temporary cadre set by decree 7428/74.

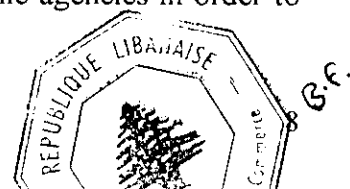
Changes in the staffing of the Ministry of Economy and Trade require approval by the Council of Ministers, and ratification by the President (in the case of a Law) or decree of the President. As a result, it is both difficult and time-consuming for this Ministry (or any other) to amend its staffing levels. Analysis of the legislation, and interviews with MET staff, confirm that the staffing structure is severely distorted, and runs counter to the needs of a modern Ministry of Economy and Trade. The legislation provides for far too many low-skilled employees, such as secretaries, ushers (office-messengers) and too few positions for qualified staff (economists, lawyers, policy analysts, etc).

The current recruitment process of civil servants through the Civil Service Board (CSB) has proven unable to provide the staff and skills needed to deal with trade policy matters, and this is now a real constraint to achievement of Lebanon’s trade policy goals. Current civil service recruitment processes can only provide candidates with poor – or non-existent – skills in economic and business issues, weak language proficiency and weak IT skills.

Recruitment of qualified staff on contract terms with better remuneration than civil service norms is possible, but still difficult. Decree 6281/73 states (Article 16) that “some vacant positions could be filled by contract after approval of the Council of Ministers. These positions will be determined by the Council of Ministers and the salary of the employed will be approved by the Council of Ministers without taking into consideration the minimum wage”.

### 4. Assistance of the ARLA programme

The ARLA programme is aimed at assisting the Lebanese government in its efforts of modernisation and reform of the public administration. The programme supports changes at two levels: (a) within key civil service institutions such as OMSAR, the Civil Service Board, the Central Inspection Board, etc in order to modernise processes and procedures for the whole public administration; and (b) within specific ministries and public agencies in order to strengthen their capacities to fulfil their core functions.

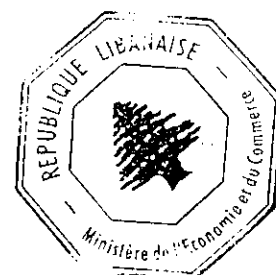


The ARLA support to the MET is structured in two packages of short term assistance packages (IAPs) focusing on two functions identified as key priorities by the Minister - trade policy and consumer protection - and one medium term technical assistance contract (MSC) as follows:

- one IAP (the one which is the object of these ToR) will consider the roles and process of establishing a new Trade Policy Unit within the Ministry;
- another IAP will look into the institutional, legislative and technical options for the reform of the consumer protection services undertaken by the Ministry;
- the MSC will help the MET in its wider efforts towards institutional reform with particular attention to building policy analysis capability, to further development of the capacity in trade policy and consumer protection and in the establishment of a new competition commission.

The OMSAR, which is responsible for the implementation of the ARLA programme, will ensure the effective coordination of the activities of the two IAPs - which are expected to be developed simultaneously – between them and with other relevant projects supported by ARLA or by other donors.

Republic of Lebanon  
Office of the Minister of State for Administrative Reform  
Center for Public Sector Projects and Studies  
(C.P.S.P.S.)



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