



Foreign &
Commonwealth
Office

Continuing the United Kingdom's Trade Relationship with the Republic of Lebanon

**Agreement establishing an Association between the United Kingdom of Great Britain
and Northern Ireland and the Republic of Lebanon**

October 2019



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Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and the Republic of Lebanon

Presented to Parliament

by the Secretary of State for Foreign and Commonwealth Affairs

by Command of Her Majesty

October 2019



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Introduction

1. This report explains the Government's approach to delivering continuity in the trade relationship of the United Kingdom (the "UK") with the Republic of Lebanon ("Lebanon") as the UK leaves the European Union (the "EU").
2. As the UK leaves the EU, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no one's interests to disrupt existing trade flows.
3. To achieve this, the Government has developed new bilateral agreements that replicate, as far as possible, the effects of the trade agreements the UK has with existing partners. In the event of either a negotiated agreement or no agreement with the EU, the UK-Lebanon Agreement is intended to take effect whenever the EU-Lebanon Agreements cease to apply to the UK (or as soon as possible thereafter). In either event, the bilateral agreements will form the starting point for the UK's future trade arrangements with its partners.
4. Wherever possible, the Government has sought a technical replication of the existing EU agreements through these new bilateral 'continuity trade agreements', but in some cases it has applied bespoke solutions for individual agreements as necessary to ensure continuity of effect in a bilateral context.
5. This report gives details of, and explains the reasons for, any significant differences between:
 - a. the Agreement establishing an Association between the United Kingdom of Great Britain and Northern Ireland and the Republic of Lebanon ("the UK-Lebanon Agreement"); and
 - b. the Euro-Mediterranean Agreement establishing an Association between the European Community and its Member States, of the one part, and the Republic of Lebanon, of the other part ("the EU-Lebanon Association Agreement") and the Protocol between the European Community and the Republic of Lebanon establishing a dispute settlement mechanism applicable to disputes under the trade provisions of the EU-Lebanon Association Agreement ("the EU-Lebanon Dispute Settlement Mechanism Protocol"), together referred to herein as the "EU-Lebanon Agreements".
6. The report first sets out the general drafting changes necessary across all the UK's short form continuity trade agreements and which have no significant impact on the UK's current trade relationships. It then considers provisions of the UK-Lebanon Agreement, in turn explaining any significant differences between the UK-Lebanon Agreement and the corresponding provisions of the EU-Lebanon Agreements. To assist the reader, the report includes some discussion of the economic impacts as appropriate. This report focuses on the changes made to the trading arrangements between the UK and Lebanon in preparation for the UK ceasing to be bound by the EU-Lebanon Agreements and the entry into force of the UK-Lebanon Agreement. Any wider economic impacts resulting from the UK's exit from the EU or the nature of the Future Economic Partnership have been excluded from this report.
7. The UK has agreed with many third countries that the most appropriate and proportionate form of legal instrument to ensure continuity is a short form agreement, which incorporates by reference the relevant provisions of the EU-third country agreement with relatively few but necessary modifications; the advantages of the short form approach are set out below. However, the UK has simply chosen the form that the states involved agreed was the most pragmatic and sensible in the circumstances, taking into account the wishes of the partner country. Accordingly, some agreements have been drafted in long form to reflect these wishes.

Legal approach

8. The UK and Lebanon have agreed to use a short form agreement to continue the effects of the EU-Lebanon Agreements in the UK-Lebanon Agreement. The approach taken is similar to that used in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the “CPTPP”), where Article 1 of the CPTPP incorporates by reference the provisions of the Trans-Pacific Partnership Agreement into and makes them part of, *mutatis mutandis*, the CPTPP. The advantages of this approach include that:
 - a. the shortform agreement can be drafted in such a manner as to accommodate different scenarios, such as the various possible outcomes of the UK’s ongoing negotiations with the EU regarding the end state of the UK-EU relationship;
 - b. the format itself will send a clear message to businesses, consumers and investors in both the UK and Lebanon that the aim is simply to secure continuity in existing trading arrangements, with the only changes being the ones clearly specified on the face of the Agreement; and;
 - c. the approach provides a clear legal text, making rights and obligations unambiguous where they have, by necessity, changed.
9. The UK-Lebanon Agreement replicates the effects of the EU-Lebanon Agreements as closely as possible, including the establishment of institutional arrangements between the UK and Lebanon based on existing structures (such as the Association Council) that allow for the ongoing management and updating of the Agreement.
10. Many of the general changes to the EU-Lebanon Agreements (such as replacing “EU” with “UK”) are applied by reading the incorporated text of the EU-Lebanon Agreements *mutatis mutandis*, that is, with the technical changes necessary to apply the EU-Lebanon Agreements as if they had been concluded between the UK and Lebanon in the first instance. This has avoided the need to reproduce every page of the EU-Lebanon Agreements and has significantly reduced the volume of text required.
11. Where more substantive amendments were required to ensure operability in a bilateral context, or where the UK and Lebanon jointly agreed that *mutatis mutandis* would not deliver adequate certainty over rights and obligations, detailed amendments have been included in the Annexes to the UK-Lebanon Agreement.

Resources

12. This report is intended to aid businesses, consumers and parliamentarians in understanding any significant changes made to the UK's trade relationship with Lebanon by the UK-Lebanon Agreement, the reasons for any changes and their impact.
13. Should you wish to view the EU-Lebanon Association Agreement or the EU-Lebanon Dispute Settlement Mechanism Protocol as originally published, they can be found online on the [EU Commission's website](#).
14. More detail, including decisions of the Association Council and the Association Committee, established under the EU-Lebanon Association Agreement for the purpose of administering the UK-Lebanon Agreement, can be found on the [EUR-Lex website](#). A consolidated version of the EU-Lebanon Association Agreement can also be found on the [EUR-Lex website](#). The consolidated text is not an authoritative version of the EU-Lebanon Association Agreement but will assist readers to understand how the EU-Lebanon Association Agreement has been amended since its entry into force.
15. Should you wish to view the full text of the UK-Lebanon Agreement, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty ratification process in accordance with the Constitutional Reform and Governance Act 2010 (the "CRaG Act"). The text will also be available on GOV.UK.

Economic Background

16. This section provides a country-specific background analysis of trade between the UK and Lebanon.

Trade between the UK and Lebanon

17. Lebanon is the UK's 84th largest trading partner,¹ accounting for less than 0.1% of total UK trade. Total trade in goods and services between the UK and Lebanon was £603 million in 2018.²

18. In 2018, UK exports to Lebanon were £486 million, making it the UK's 77th largest export market (accounting for 0.1% of all UK exports). UK imports from Lebanon were £117 million, making it the UK's 107th largest import source (accounting for less than 0.1% of all UK imports).

Table 1: Trade between the UK and Lebanon, 2018 (£ million)

	Trade in goods	Trade in services	Total trade
UK exports to Lebanon	294	192	486
UK imports from Lebanon	1	116	117
Total trade	295	308	603

Source: [ONS, \(2019\). UK total trade: all countries, non-seasonally adjusted](#) (accessed 7th May 2019)

19. Using data from HMRC for trade in goods only, Table 2 shows that the top goods exported to Lebanon were pharmaceutical products (HS30, £56 million), vehicles other than railway or tramway rolling-stock (HS87, £52 million), and machinery and mechanical appliances (HS84, £52 million), together representing 46% of the total value of goods exported to Lebanon. The UK's top goods imported from Lebanon were beverages, spirits and vinegar (HS22, £4 million), preparations of vegetables, fruit or nuts (HS20, £2 million), and plastics and articles thereof (HS39, £2 million), together representing over a quarter of the total value of goods imported from Lebanon.

20. There are ongoing discrepancies between ONS and HMRC data for UK goods imports from Lebanon in 2018, largely due to classification and data collection differences between the two sources. ONS data is recorded on a 'balance of payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between a resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.

¹ EU member states are treated as individual trading partners with the UK.

² [ONS \(2018\). UK trade: August 2018. UK trade in services by partner country experimental data: April to June 2018.](#)

Table 2: Top 5 UK goods exports and imports from Lebanon 2018 (HS2₃, £ million)

Top 5 UK goods exports to Lebanon	Value	Top 5 UK goods imports from Lebanon	Value
Pharmaceutical products	56	Beverages, spirits and vinegar	4
Vehicles other than railway or tramway rolling-stock	52	Preparations of vegetables, fruit or nuts	2
Machinery and mechanical appliances	52	Plastics and articles thereof	2
Beverages, spirits and vinegar	42	Machinery and mechanical appliances	2
Electrical machinery and equipment and parts	26	Printed books, papers, printing industry products	2

Source: [HMRC trade statistics by commodity code](#) (accessed 7th May 2019). Sectors classified according to Harmonised System chapters. Data presented is recorded on a physical movement basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

21. The UK exported £192 million in services to Lebanon in 2018 and imported £116 million in services. A detailed breakdown of the type of services traded between the UK and Lebanon is not available.

UK businesses exporting to and importing from Lebanon

22. In 2018, HMRC estimated that around 1,600 VAT registered UK businesses exported goods to, and around 200 VAT registered UK businesses imported goods from, Lebanon.⁴ As these figures include only businesses trading in goods, they are likely to underestimate the number of businesses trading with Lebanon.

23. For context, provisional survey data from the ONS shows that around 340,500 (non-financial) registered businesses in Great Britain traded either goods or services or both in 2017 with another country.⁵ This was just under 15% of all VAT/PAYE registered businesses. There were around 203,900 (non-financial) registered businesses in Great Britain engaged in goods trade with another country and 194,600 (non-financial) registered businesses trading in services in 2017. Some of these businesses traded in both goods and services. There will be other businesses trading internationally which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

Economic impact of the EU-Lebanon Agreement

24. The EU-Lebanon Association Agreement, which progressively liberalised trade in industrial, agricultural, processed agricultural and fisheries products, was signed in 2002 and entered into

³ The Harmonized System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

⁴ HMRC, (2018). Regional trade statistics interactive analysis: second quarter 2018.

⁵ ONS, (2018). Annual Business Survey: Non-financial business economy, exporters and importers in Great Britain 2017.

force in 2006. The EU and Lebanon have also adopted the EU-Lebanon Dispute Settlement Mechanism Protocol, which entered into force in 2010.

25. A 2018 European Commission report looking at implementation of EU free trade agreements included information on the EU-Lebanon Association Agreement.⁶ It highlighted that between 2002 and 2017 EU exports to Lebanon had increased by 128% and EU imports from Lebanon increased by more than 100%.
26. A 2017 study looking at European economic integration agreements also included analysis on the EU-Lebanon Association Agreement. It found that the EU-Lebanon Association Agreement had a statistically significant impact on trade, increasing the number of goods traded by over 50%.⁷

Potential loss to the UK if the UK-Lebanon Agreement is not brought into effect

27. The UK-Lebanon Agreement not being applied would result in UK businesses losing the preferences negotiated in the EU-Lebanon Association Agreement. This would include the re-imposition of many tariffs, returning to the UK imposing World Trade Organization (“WTO”) Most-Favoured-Nation (“MFN”) tariffs on Lebanese exports to the UK. Lebanon would also presumably reintroduce MFN-equivalent tariffs on UK exports to Lebanon (noting that Lebanon is not a WTO Member). The benefits derived from trading under preferences within the EU-Lebanon Association Agreement, such as increases in trade flows, may then be reversed.
28. It is unlikely that the entire effect of the EU-Lebanon Agreements would disappear. Although tariffs on Lebanese products would automatically revert to MFN rates, it could take longer for some of the other benefits to be lost. Some gains might endure even in the long-term. For example, the UK might still benefit from any regulatory arrangements agreed because of the EU-Lebanon Association Agreement. Business connections formed because of the EU-Lebanon Association Agreement might also endure.
29. The size of the impact of not bringing into force or applying the UK-Lebanon Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of access to the preferences provided under the Agreement.

Immediate impact if not brought into effect

Impact of tariffs under current MFN rates⁸

30. Much international trade in goods takes place in products for which MFN rates are already zero. However, free trade agreements provide additional opportunities by reducing tariffs in products where this is not the case. If the UK-Lebanon Agreement is not brought into effect, tariffs on products traded between the UK and Lebanon will revert to MFN (or equivalent) rates.
31. To estimate the potential impact of losing tariff preferences, assumptions have to be made. If all current trade between the UK and Lebanon occurred at the negotiated preferential tariff

⁶ European Commission (2018), Individual reports and info sheets on Implementation of EU Free Trade Agreements.

⁷ Soete S and Van Hove J. (2017), Dissecting the Trade Effects of Europe’s Economic Integration Agreements, *Journal of Economic Integration*, 32(1), pp. 193-243.

⁸ Tariff schedules used in this impact assessment are the applied tariff rates, not bound tariff rates.

rates and if current patterns of trade remained unchanged in future, reverting to the UK and Lebanon's current MFN tariff rates would result in an annual increase in total duties of around £18 million. This increase would predominantly comprise duties on UK exports to Lebanon of around £17 million, with duties on UK imports from Lebanon increasing by around £1 million.⁹

32. However, these estimates assume that all tariff preferences provided by the EU-Lebanon Association Agreement are fully utilised by exporters. This is unlikely to be true. For example, Eurostat and European Commission figures suggest that 48% of the UK's eligible goods exports to Lebanon in 2015 and 78% of the UK's eligible goods imports from Lebanon in 2016 were imported utilising the preferences provided under the EU-Lebanon Association Agreement.¹⁰
33. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
34. The indicative estimates show that the largest implied increases in UK import duties will be in preparations of vegetables, fruit or nuts (HS20) of around £0.4m and apparel and clothing accessories (not knitted) (HS62) of around £0.2m. On the exports side, the largest implied increases in duties will be for beverages, spirits and vinegar (HS22) of £3.8 million, pharmaceutical products (HS30) of around £2.5 million and vehicles other than railway or tramway rolling-stock (HS87) of around £2.2 million. These correspond to the top categories of goods which the UK exports to and imports from Lebanon.
35. Indicative estimates of implied additional tariff duties are provided above to give a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and the Lebanese Government. However, depending on businesses' response to the change in duties, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices and ultimately economic growth and welfare. Estimates of implied additional duties, therefore, do not constitute an estimate of the impact.

Businesses

36. Additional duties could be absorbed by either UK or Lebanese businesses (depending on whether it is the importer or exporter paying the duty), passed on to consumers or existing trade patterns could be interrupted. This could impact on the competitiveness of UK businesses, leading to disruptions in supply chains and job losses in the short-term.

⁹ DIT calculations using tariff data from [ITC Market Access Map \(MacMap\)](#) and [HMRC trade statistics](#) (accessed March 2019). Implied additional duties are calculated using the difference in MFN and preferential tariff rates (simple average tariffs at HS6 level) and the 2018 value of trade for each product at HS6 level. Different approaches and data sources for this analysis are likely to yield different results. The estimate of implied additional duties may be different to which would be generated if trade and tariff data at a more disaggregated level (CN8/CN10 level) were used. Calculations also assume trade is not eligible for duty relief under inward/outward processing rules, nor eligible for relief under specific plurilateral agreements such as those covering civil aviation and pharmaceuticals.

¹⁰ Source for imports: [Eurostat](#): Adjusted EU-Extra Imports by Tariff Regime. Source for exports: [European Commission](#) 2018.

37. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Lebanese inputs to export goods to the rest of the world. In 2015 (latest data), around 15.1% of the value added in the UK's gross exports reflected imports from abroad, though the data does not provide how much of this added value comprises imports from Lebanon.¹¹ UK companies which rely on Lebanese imports would also become less competitive. Given the small share of UK trade under the EU-Lebanon Association Agreement, it is expected that any impacts would be relatively small but could be noticeable for some specific companies.

Consumers

38. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example those at the lower end of the income distribution, depending on the specific sectors affected. Consumers might also see a reduction in the choice of products and services available. Given the small share of UK-Lebanon trade under the EU-Lebanon Association Agreement, this impact may be relatively small overall, but could be noticeable on specific product lines.

Longer term impact if not brought into effect

39. In the long run, the UK would forgo the longer-term benefits that the UK-Lebanon Agreement would have brought to UK. This could result in the long-term UK Gross Domestic Product ("GDP") marginally decreasing if the Agreement is not approved and ratified. Given the small share of UK trade under the EU-Lebanon Association Agreement, it is expected that any impact on UK GDP would be very small.

¹¹ OECD, 2018. Trade in Value Added database: Origin of Value Added in Gross Exports 2018. Experimental statistics.

Explanation of this Agreement, including Significant Differences between the UK-Lebanon Agreement and the EU-Lebanon Agreements

40. The UK-Lebanon Agreement follows the short-form approach, explained above in paragraphs 8 to 11 of this report. Beyond the general *mutatis mutandis* changes explained above, this section describes global changes made to continuity free trade agreements following the short form approach and goes on to provide a detailed discussion of the UK-Lebanon Agreement.

Nature of the EU-Lebanon Agreements and the UK-Lebanon Agreement

41. Technical transition of the EU-Lebanon Agreements with few necessary changes means that the substance of the new UK-Lebanon Agreement is broadly the same. This includes on those issues of particular importance such as human rights and democracy.

General Provisions

Removal and replacement of references to the EU

42. Where necessary, any references to the “European Union”, “the European Community”, the “EU” and “Member States” are either not incorporated into the UK-Lebanon Agreement or replaced by “the United Kingdom”. Similarly, references to EU institutions have either been not incorporated or replaced with appropriate references to the equivalent institutions in the UK. All other references to the “European Union”, “the European Commission”, the “EU”, the “European Community”, “Member States” and similar terms are read, *mutatis mutandis*, as references to the UK.

Territorial Application

43. Territorial application provisions set out the territories to which the agreement in question applies, and how it applies to them. The territorial application of the EU-Lebanon Association Agreement to the EU is defined by reference to the Treaty establishing the European Community. The UK-Lebanon Agreement retains this provision and includes an additional article, Article 6, which clarifies that the UK-Lebanon Agreement applies to the UK and the territories listed in Article 6 to the extent that and under the conditions which the EU-Lebanon Agreements applied immediately before they ceased to apply to the UK. The territories, other than the UK itself, to which the UK-Lebanon Agreement applies are separated into the following categories based upon the application of EU law to date:

- a. the Crown Dependencies (Isle of Man, Bailiwick of Jersey, Bailiwick of Guernsey), to which, broadly, provisions relating to trade in goods and customs apply; and
- b. Gibraltar, to which, broadly, provisions not relating to trade in goods or customs apply.

44. Article 6 further clarifies, at Lebanon’s request, that the UK-Lebanon Agreement applies to the territory of Lebanon, including the land, maritime and airspace under its sovereignty, and the exclusive economic zone and the continental shelf within which it exercises sovereign rights and jurisdiction in accordance with international law and Lebanese domestic law.

Continuation of Time Periods

45. Provisions of the EU-Lebanon Agreements that require an action within a certain timeframe which has not yet ended under those Agreements become part of the UK-Lebanon Agreement reflecting only the remaining time in which the action must occur. Where time periods in such provisions of the EU-Lebanon Agreements have ended, any ongoing right or obligation continues to apply between the UK and Lebanon (the “Parties”) and the time period is not incorporated into the UK-Lebanon Agreement.

46. This is all provided for by Article 7 of the UK-Lebanon Agreement, which also sets out an exception for time periods that relate to a procedure or other administrative matter, such as a review, committee procedure or notification. These periods are not affected and therefore ‘start again’ when the UK-Lebanon Agreement enters into force. Under Article 7 time periods can also be dealt with differently if the short form text provides otherwise.

Institutions and Committees

47. Most of the institutional provisions and bodies provided for in the EU-Lebanon Agreements have been incorporated, *mutatis mutandis*. The primary bodies responsible for overseeing the operation and implementation of the UK-Lebanon Agreement are the Association Council (the

“Council”) and the Association Committee (the “Committee”). The Council and the Committee are comprised of representatives of the UK and Lebanon.

48. Article 8 confirms that the Committee, established under incorporated Article 77, is responsible for ensuring the Agreement operates properly. Article 8 further provides that, unless the Parties agree otherwise, the Council and the Committee are deemed to have adopted the decisions of the Association Council and Association Committee established under the EU-Lebanon Association Agreement before the EU-Lebanon Agreements ceased to apply to the UK, to the extent those decisions relate to the UK and Lebanon, *mutatis mutandis*. This approach provides for continuity of effect as it ensures that the decisions in force when the EU-Lebanon Agreements cease to apply to the UK continue to apply under the UK-Lebanon Agreement.

Amendment Provisions

49. Amendment provisions set out the process to be followed if the parties agree to amend an agreement after it enters into force. Though parties to an agreement are generally free to amend it as they deem necessary, amendment provisions serve to make the process clearer and more transparent.
50. The Government is committed to ensuring the right level of Parliamentary scrutiny for all amendments to international agreements. Previous scrutiny of agreements, via EU Scrutiny Committees, developed over time to reflect the UK’s position in the EU. The Government recognises that a process is needed that is right for the UK whilst ensuring that agreements can be kept up to date and respond to changes in domestic legislation or wider economic considerations.
51. Article 10 of the UK-Lebanon Agreement is an amendment provision which outlines the process to be followed if the Parties agree to amend the Agreement after it enters into force. Article 10 provides that either Party may request to discuss an amendment to the Agreement, and that, having discussed the request, the Parties may agree, in writing, to amend the Agreement. Such amendments will enter into force on the date of receipt of the later of the Parties’ notifications confirming that they have completed their internal procedures, or on such date as the Parties agree. In the UK, amendments to the UK-Lebanon Agreement that are expressly subject to a formal exchange of notes to confirm completion of internal procedures would engage the Parliamentary scrutiny process set out in the CRaG Act.
52. Except where otherwise provided in the Agreement, the Council (or the Committee insofar as such powers are delegated to it) may also decide that the annexes, appendices, protocols, joint declarations and notes to the Agreement should be amended. The Parties may adopt the Council or the Committee’s decision subject to their own internal procedures. It is in the UK’s interests for the Council and the Committee to have this function to ensure continuity of effect of the EU-Lebanon Agreements, as far as possible, and to streamline the process of making changes to the UK-Lebanon Agreement where required.
53. The inclusion of an amendment provision in the UK-Lebanon Agreement does not commit the UK to making any changes to the Agreement once it enters into force. It simply sets out a process which may be used if needed. Therefore, the inclusion of an amendment provision is not expected to have an impact on the operability of the Agreement in a bilateral context.

Entry into Force and Provisional Application

54. Entry into force provisions specify the date from which the provisions of an agreement will bind the parties. Existing entry into force provisions in the EU-Lebanon Agreements have been replaced with new provisions to ensure that, whatever the scenario in which the EU-Lebanon Agreements cease to apply to the UK, the UK-Lebanon Agreement enters into force as swiftly as possible thereafter.

55. Article 11 of the UK-Lebanon Agreement provides that the Agreement shall enter into force on the later of:
- a. the date on which the EU-Lebanon Agreements cease to apply to the UK; and
 - b. the date of the later of the notifications by which the UK and Lebanon notify each other that they have completed their respective legal procedures.
56. For the UK-Lebanon Agreement to enter into force, both Parties must first complete their domestic legal procedures required for entry into force. In UK domestic law, before an agreement subject to ratification (as the term is defined in domestic law) may be brought into force, it must be laid before Parliament for scrutiny in accordance with the CRaG Act.
57. Notwithstanding, the UK-Lebanon Agreement will only apply to Gibraltar, the Channel Islands and the Isle of Man from the date of written notification by the UK to Lebanon of the application of the Agreement to those territories.
58. Provisional application is a mechanism which allows an agreement to be applied prior to its entry into force. This means that the agreement can be provisionally applied prior to completion of the procedures required by the domestic law of the respective negotiating states for its entry into force, provided any necessary domestic implementing measures are in place. Where the UK and the relevant partner country have agreed that a continuity trade agreement may be provisionally applied from (at the earliest) the date the underlying EU agreement ceases to apply to the UK, the agreement may be operated provisionally from that date if this becomes necessary while, in the case of the UK, the procedures set out in the CRaG Act are completed. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State.
59. In the event that provisional application is necessary to ensure continuity of the UK-Lebanon trade, political, economic and social cooperation relationship, Article 11 of the UK-Lebanon Agreement provides that the UK and Lebanon may agree to provisionally apply the Agreement, or provisions of it, by an exchange of notifications. Such provisional application shall take effect on the later of:
- a. the date on which the EU-Lebanon Agreements cease to apply to the UK; and
 - b. the date of the later of the notifications by which the UK and Lebanon notify each other of the completion of ratification or such other domestic procedures as are required for provisional application.
60. Article 11 further provides that either Party may terminate the provisional application of the UK-Lebanon Agreement, or provisions of it, by written notification to the other Party. Such termination shall take effect on the first day of the second month following notification. Provisional application will, by operation of law, automatically terminate once the UK-Lebanon Agreement enters into force.
61. Where the UK-Lebanon Agreement is, or provisions of it are, provisionally applied, the term “entry into force” in the UK-Lebanon Agreement is deemed to refer to the date of provisional application. Notifications of the UK pursuant to Article 11 are to be submitted to the Ministry of Foreign Affairs of Lebanon. Notifications of Lebanon pursuant to Article 11 are to be submitted to the UK’s Foreign and Commonwealth Office (or its successor).
62. Given that the Government is seeking to maintain the effects of the existing EU agreements as the UK leaves the EU, providing for the possibility of provisional application is a proportionate approach to manage the timing constraints during this unique period and to reduce the risk of businesses and consumers experiencing disruption as the UK leaves the EU.

Trade Remedies and Dispute Settlement

63. Trade remedies provide a safety net for domestic industry against unfair or injurious trading practices caused by dumped, subsidised or unexpected surges of imports of goods. Most WTO members have a trade remedies regime. The UK will operate its own regime once outside the EU.
64. Minor modifications have been made to the trade remedies provisions of the EU-Lebanon Association Agreement as incorporated into the UK-Lebanon Agreement. Article 24(1) has been removed and Article 24(2) has been amended to clarify that the Parties may address subsidies in accordance with the relevant WTO rules. The UK-Lebanon Agreement will not have any effect on the financial support the Government provides to the UK's agricultural and fishing industries.
65. The economic benefits of trade and association agreements can only be realised if they are faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the parties' intention to abide by the agreement, thereby increasing business and stakeholder confidence that the commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism, therefore, provides an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes arising under the agreement in question.
66. The UK-Lebanon Agreement replicates the effects of the trade remedies and dispute settlement provisions in the EU-Lebanon Agreements, *mutatis mutandis*.
67. One of the impacts of transitioning the dispute settlement provisions in the existing EU trade and association agreements is that, in the event that a dispute arises, the UK will be directly responsible for any relevant costs associated with the dispute settlement process.

Approximation

68. Provisions regarding legal approximation are used by the EU in trade and association agreements to bring, or to aim to bring, third country legislation closer to that of the EU in areas covered by the agreement in question.
69. Unless their removal affects market access, provisions mandating or promoting the gradual approximation of legislation between the EU and Lebanon have been removed. Maintaining these commitments would, when read *mutatis mutandis*, require our partners to approximate to both the UK and the EU's legislation, thereby creating an inappropriate commitment in a bilateral context. This change is not expected to have a direct impact on trade.

Annexes and Protocols

Goods

70. Goods chapters in trade and association agreements set out the treatment and the level of access to the domestic market granted to goods of the respective parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment. Commitments on tariffs for both the UK and Lebanon have, other than in those cases detailed below, been transitioned without changes. This means that tariff preferences applied by the UK for products from Lebanon will remain the same as those applied by the EU on the date the UK ceases to be bound by the EU-Lebanon Association Agreement, and, likewise, Lebanon will continue to apply the same tariff preferences to products from the UK that it is applying to products from the EU covered by the EU-Lebanon Association Agreement.
71. The only exception to tariff commitments being transitioned without modifications relates to the size of tariff-rate quotas (see below), which can be found in Section 10 of Annex I to the UK-Lebanon Agreement (concerning Protocol 1 of the EU-Lebanon Association Agreement, as incorporated) where these have to be resized to address the fact that the UK will no longer be a member of the EU. These changes are detailed further below.

Tariff-Rate Quotas

Justification for policy change

72. Tariff-rate quotas (“TRQs”) allow a certain quantity of a product to enter the market at a zero or reduced tariff rate. Imports above the quota are subject to a higher tariff rate – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and exports to partner countries, in some of its trade and association agreements. In order for products to be able to continue to benefit from the use of these TRQs bilaterally in trade between the UK and third countries, these quotas need to be present in the new UK agreements with those partners.
73. TRQs administered by the UK and partner countries have been resized to reflect the fact that the UK is a smaller import and export market than the EU. Solutions were agreed with partner countries to set quotas to a sufficient level that would allow for continuity of historic trade flows, in most circumstances, for importers and exporters from both sides.
74. Where possible, TRQs have been resized based on three years’ worth of customs data, which detail actual usage of the TRQs by importers. This customs data is held by HMRC which records the volume and date of entry of shipments of goods that enter the UK claiming TRQ preferences. Where three years’ worth of customs data is not available, trade flow data has been used instead. In order to address future market access opportunities for UK and Lebanese businesses, it was also agreed that a minimum level of access should be provided for all quotas, based on a proxy measure relevant to UK trade. Doing so allows future market access opportunities for UK and Lebanese businesses using a fair, evidence-based methodology.
75. The agreed share has been applied to the TRQ volume at the time of signature, to account for any increases since the EU-Lebanon Association Agreement first entered into force. Where further increases are scheduled under the EU-Lebanon Association Agreement, these increases will apply in the UK-Lebanon Agreement in line with the agreed share for that TRQ.
76. The TRQs provided in the UK-Lebanon Agreement have been calculated using customs data.

Impacts

77. Without transitioning the TRQs from the EU-Lebanon Association Agreement into the UK-Lebanon Agreement, and without any other mitigating actions, goods imported from Lebanon that are currently covered by TRQs in the EU-Lebanon Association Agreement could face MFN tariffs. This could make these imports more expensive. The nature of the impact of this will depend on a number of factors, including existing trading patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff. UK imports from Lebanon based on trade data of products that are currently covered by TRQs¹² were worth £0.9 million in total in 2018,¹³ equivalent to 2.9% of total UK goods imports from Lebanon.¹⁴
78. Based on historic usage of TRQs provided by the EU-Lebanon Association Agreement, it is expected that the overall, immediate impact on UK producers and consumers resulting from this approach to resizing TRQs would be limited.

¹² Trade data at HS6 level. Products covered by quotas taken from the EU's [TARIC database](#).

¹³ HMRC, UK trade statistics data. <https://www.uktradeinfo.com/trade-data/>, 2018 average. It should be noted that not all commodity codes within the HS product codes will be covered in every TRQ. Further, it is not necessarily the case that all trade in products under the quota will enter under this access commitment. As such, estimates based on HS6 data are likely to give an upper bound to the volume of imports and exports covered by the TRQ.

¹⁴ Please note this estimate uses HMRC data, which is necessary for analysis at this level of granularity, whereby trade is measured using the cross-border approach rather than a change in ownership. It will not, therefore, tally with the economic background section, where ONS estimates (which use the latter approach) are used.

Inward TRQs

Table 3: List of TRQs from Lebanon to the EU and new quota volumes in the UK-Lebanon Agreement

Quota No.¹⁵	Product description	New UK quota volume (tonnes)	Agreed annual increase in UK quota volume (tonnes)*
091171	New Potatoes, fresh or chilled (from 1 January to 31 May)	3541	136
091172	New Potatoes, fresh or chilled (from 1 June to 31 July)	7082	272
091173	New Potatoes, fresh or chilled (from 1 October to 31 December)	7082	272
091174	Tomatoes, fresh or chilled	2860	136
091175	Garlic, fresh or chilled	681	
091176	Garlic, fresh or chilled	409	
091177	Olives, fresh or chilled, for uses other than the production of oil	136	
091178	Preserved olives, for uses other than the production of oil	136	
091179	Fresh table grapes other than table grapes of the variety Emperor (vitis vinifera cv) (from 1 October to 30 April and 1 June to 11 July)	817	
091180	Fresh table grapes other than table grapes of the variety Emperor (vitis vinifera cv) (from 1 October to 30 April and 1 June to 11 July)	545	
091181	Apples, fresh	1362	
091182	Apricots, fresh	681	
091183	Cherries, fresh	681	
091184	Peaches, including nectarine, fresh	1362	68
091185	Plums and sloes, fresh (from 1 May to 31 August)	681	
091186	Olive Oil	136	
091187	Tomatoes, prepared or preserved otherwise than by vinegar or acetic acid	136	

*The agreed annual increase in UK quota volume is aligned to the annual increases in quota volumes provided for in the EU-Lebanon Association Agreement.

¹⁵ Inward quotas, which are administered by the European Union, each have a unique order number. Further information about existing EU quotas can be found on the EU Customs and Taxation website.
http://ec.europa.eu/taxation_customs/dds2/taric/quota_consultation.jsp?Lang=en

Outwards TRQs

79. There are no outward TRQs to Lebanon provided for in the UK-Lebanon Agreement.

Rules of Origin

80. In trade and association agreements, rules of origin (“RoOs”) are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good must “originate” in one of the parties to the agreement. Trade and association agreements may also allow materials originating and/or processing in a country other than the exporting party to count towards meeting the specific origin requirements for preferential treatment, a process known as “cumulation”.

81. There are two categories relevant to determining whether goods “originate” in the exporting country for the purposes of trade and association agreements:

- a. **Wholly obtained** – These goods are wholly obtained or produced entirely in a single country. Examples include: (i) mineral products extracted from the soil; and (ii) live animals born and raised there.
- b. **Substantial transformation** – These goods are made from materials which come from more than one country, and the origin is therefore defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:
 - I. **Value added** – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
 - II. **Change in Tariff Classification (“CTC”)** – This type of rule requires that the final product be sufficiently different from the imported materials so that it moves to a different tariff classification altogether.
 - III. **Specific processing or manufacturing** – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.

82. As a member of the EU, all UK content is currently considered as “originating” in the EU and UK exports are designated as “EU origin”. This means that originating materials from, and processing in, the UK and the rest of the EU-27 Member States can be used interchangeably in the UK’s bilateral trade with existing EU trade partners. This will no longer be the case when the existing EU trade and association agreements cease to apply to the UK.

83. At this point, the designation of UK exports will shift from “EU” originating to “UK” originating and EU content will (unless specific provision is made in the new UK continuity trade agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This change would have implications for goods traded between the UK, EU and Lebanon.

84. To address these implications and to provide maximum continuity for business, the UK-Lebanon Agreement provides that EU materials can be recognised (i.e. cumulated) in UK and Lebanese exports to one another. Furthermore, EU processing can be recognised (i.e. cumulated) in UK exports to Lebanon. The possibilities to cumulate with other countries, as per the EU-Lebanon Association Agreement, are replicated in the UK-Lebanon Agreement on the same terms.

85. Lebanon and the UK (as part of the EU) are currently contracting parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (the “PEM Convention”).

The PEM Convention is a multilateral agreement that harmonises preferential rules of origin across the Euro-Mediterranean Free Trade Area and provides for cumulation between contracting parties to the PEM Convention.¹⁶ The EU and Lebanon have not updated the bilateral RoOs Protocol to the EU-Lebanon Association Agreement to apply the PEM Convention between themselves. As a result, the UK-Lebanon Agreement transitions the provisions of Protocol 4 of the EU-Lebanon Association Agreement in a bilateral context with modifications.

86. The RoOs Protocol can be found in Annex II of the UK-Lebanon Agreement and the cumulation provisions, including the specific conditions that apply to them, are set out in detail in Articles 3 and 4 of the RoOs Protocol.

Impact

87. If cumulation of EU content for the UK and Lebanon was not permitted under the UK-Lebanon Agreement, some UK and Lebanese based exporters could find themselves unable to qualify for preferential treatment currently provided by the EU-Lebanon Association Agreement.
88. UK exporters to Lebanon who rely on EU inputs might have to revert to paying MFN tariffs if they continued using EU inputs, or they might have to review and reassess their existing supply and value chains as a result of this change to existing terms. The impact would, of course, vary across sectors.
89. The UK-Lebanon Agreement provides only for trade between the UK and Lebanon and does not provide for either the UK or Lebanon's direct trade with the EU, including, for example, where UK and Lebanese based exporters use content from each other in exports to the EU.

Customs

90. The UK-Lebanon Agreement incorporates the customs provisions of the EU-Lebanon Agreements, *mutatis mutandis*. However, minor changes have been made to:
- a. Article 10 of Protocol 5, by removing the references to the provisions on confidentiality and information exchange applying to EU authorities;
 - b. Article 13 of Protocol 5, by removing reference to the competent services of the European Commission; and
 - c. Article 14 of Protocol 5, by removing reference to EU competencies and by substituting text on the precedence of incorporated Protocol 5 over any incompatible provisions of any bilateral agreement on mutual assistance concluded between the UK and Lebanon.

Intellectual Property

91. The UK-Lebanon Agreement continues the UK's obligations to provide suitable and effective Intellectual Property ("IP") protection in line with international standards and to cooperate with Lebanon on aspects of IP. It achieves this by incorporating the relevant provisions of the EU-Lebanon Agreements, *mutatis mutandis*. The UK will remain a member of the World Intellectual Property Organization ("WIPO") and remain fully compliant with those WIPO treaties to which it is already a party. The UK will also continue to comply with its obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. The UK-Lebanon

¹⁶ The Contracting Parties as defined in the Regional Convention on pan-Euro-Mediterranean preferential rules of origin as at the date the UK-Lebanon Agreement is signed.

Agreement also retains the obligation from the EU-Lebanon Association Agreement which requires Lebanon to ratify or accede to various international IP agreements. As the UK-Lebanon Agreement replicates the effects of the current obligations under the EU-Lebanon Agreements, there is not expected to be an impact on trade flows.

Government Procurement

92. In line with the EU-Lebanon Association Agreement, the UK-Lebanon Agreement does not include substantive public procurement obligations. However, the Parties retain as their aim a reciprocal and gradual liberalisation of their respective public procurement markets by incorporating the relevant government procurement provisions into the UK-Lebanon Agreement, *mutatis mutandis*. This is not expected to impact on trade flows.

Technical Barriers to Trade

93. Technical barriers to trade (“TBT”) provisions in trade and association agreements cover aspects relating to technical regulations, standards and conformity assessment for goods. They play an important role in reducing non-tariff barriers for businesses, for example, through increasing the transparency of a trading partner’s regulatory requirements. In the EU-Lebanon Association Agreement, Articles 48 and 53(2)(b) relate to TBT and are incorporated into the UK-Lebanon Agreement, *mutatis mutandis*.

Competition and Subsidies

94. Provisions in trade and association agreements relating to competition and subsidies help to ensure a level playing field exists for both parties.

95. Article 35(2) of the EU-Lebanon Association Agreement has been amended to adjust the time allowed for the fulfilment of the commitment to adopt rules for cooperation in this area, in accordance with the generic approach set out at paragraph 46 above. This amendment is not expected to impact British businesses and they will continue to be subject to UK domestic legislation which will not be in conflict with the provisions of the UK-Lebanon Agreement.

96. Amendments have also been made to the provisions of the EU-Lebanon Association Agreement as incorporated into the UK-Lebanon Agreement relating to the WTO Agreement on Subsidies and Countervailing Measures. These amendments are detailed at paragraph 64 above and are not expected to have an impact on trade flows.

Services

97. Services provisions in trade and association agreements set out the treatment and the level of access to the domestic market granted to that trade partner’s service suppliers and services. In the EU’s trade and association agreements with third countries, the content of the services provisions and depth of the commitments undertaken vary considerably. The variety of these services provisions have, in some cases, necessitated a bespoke approach to deliver continuity in services commitments between the UK and the relevant partner country. Some agreements have not required amendment whilst others have required technical alteration to their text to deliver continuity of effect. Where such technical changes have been necessary the effects have been replicated as far as possible.

98. The services provisions of the EU-Lebanon Association Agreement are contained in Title III (Right of Establishment and Supply of Services) and Title V (Economic and Sector Cooperation). In Title III, Article 30 contains references to Lebanon’s accession to the WTO. These references have been amended in the UK-Lebanon Agreement to reflect Lebanon’s preference to refer to the application of the General Agreement on Trade in Services to both

Parties. This change does not alter the practical effect of Article 30 of the EU-Lebanon Association Agreement.

99. Title V of the EU-Lebanon Association Agreement has also been amended as follows:

- a. references to Lebanon accessing European framework programmes have not been incorporated into the UK-Lebanon Agreement because these programmes are specific to the EU;
- b. the reference to Lebanese participation in networks of decentralised cooperation has not been incorporated into the UK-Lebanon Agreement because these networks are specific to the EU;
- c. references to Lebanon adhering to Community standards or similar have not been incorporated into the UK-Lebanon Agreement because it would be inappropriate to require Lebanon to adhere to both EU and UK standards;
- d. the reference to trans-European lines of communication has not been incorporated, as this reference is specific to the EU; and
- e. the reference to interconnecting the Parties' energy networks has not been incorporated into the UK-Lebanon Agreement as such a commitment would be inappropriate in a bilateral context.

Sanitary and Phytosanitary (SPS)

100. The right for the UK and Lebanon to apply prohibitions or restrictions on trade in goods under the UK- Lebanon Agreement on the basis of various public policy reasons, including the protection of health and life of humans, animals or plants, is preserved through the incorporation of Article 27 of the EU-Lebanon Association Agreement.

Human Rights

101. The provisions of the EU-Lebanon Association Agreement concerning human rights are incorporated into the UK-Lebanon Agreement, *mutatis mutandis*. Accordingly, the UK-Lebanon Agreement provides that respect for human rights and democratic principles constitutes an essential element of the Agreement. In the event of a material breach of the UK-Lebanon Agreement by one of the Parties, appropriate measures may be taken in accordance with international law, including the suspension of the Agreement.

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