

A GUIDE FOR IMPORTERS AND EXPORTERS IN DEALING WITH THE ARABIAN FREE TRADE ZONE

The Commercial Exchange Facilitation and Development Agreement

The Implementation Program for the establishment of an Arabian Free Trade Zone

A. The Commercial Exchange Facilitation and Development Agreement and the implementation program for the establishment of an Arabian Free Trade Zone:

Agreement Applicability:

In accordance with decision 59D1317 dated 19/2/1997, the Socio-economic Council approved the implementation program for the establishment of an Arabian Trade Zone along with its time schedule, in accordance with the Commercial Exchange Facilitation and Development Agreement between Arabian countries. Provisions of this zone will conform to provisions of the International Trade Organization and its general regulations which organize international trade.

Implementation:

The Agreement came into effect on 1/1/1988

Implementation Status:

1. All Arabian products exchanged between party countries will be formulated according to the gradual formulation principle of equal ratios (10%) as of 1/1/1998. The reduction ratio will increase to 20% in the year 2004 and 2005 to a total of 80% by the beginning of 2004, and 100% on 1/1/2005.
2. The Agricultural Calendar will limit the number of agricultural goods which are neither reduced nor exempted. Countries will determine the final agricultural goods to be included in the current Agricultural Calendar. By the year 2005, all agricultural products will be released and exempted from all customs tariffs, fees, and similar taxes.
3. Provisions of this program are not applicable for products of materials whose importation, circulation, or use is prohibited in any country for religious, health, safety, environmental, or quarantine reasons. All party countries must submit a list of these products along with any modifications that may occur.

4. Provisions of this program are not applicable for Free Zone products as no procedures have been established in dealing with products within the Free Zones.

- Number of Member Countries

Until now 17 Arabian countries have joined. They are: Jordan, Emirates, Bahrain, Tunisia, Saudi Arabia, Syria, Iraq, Oman, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco, Sudan, Palestine, and Yemen. There are other member countries (not as developed) that have not begun to implement the gradual reduction on customs tariffs, fees, and similar taxes. These countries are Sudan and Yemen. Their implementation program for gradual reduction on customs tariffs, fees, and similar taxes will commence by the beginning of the year 2005 with ratio of 16% per year.

- Exceptions:

All exceptions for member countries have been revoked on 16/9/2002. Egypt revoked its exceptions on condition of implementation of the Arabian origin regulations on factory detailed source regulations (cars, products, clothing and textile).

1. Current Origin Regulations:

Dealings are within the Arabian Free Trade Zone limitations through current origin regulations which state that the percentage of the locally added amount must not be less than 40%.

2. Detailed Origin Regulations Project:

The Socio-Economic Council established a Technical Committee for the Arabian Detailed Origin Regulations. The Committee approved the general principles for origin regulations. In addition, a group of experts from some participating countries, under the supervision of the Arabian Organization for Agricultural Development, prepared a study of the Arabian industry, mining, and agricultural goods. Discussions are currently being made between member countries to complete the draft of the Detailed Origin Regulations before the year 2005.

- Mechanism of Dispute Resolution:

The Secretariat General drafted a project concerning procedures for the mechanism of dispute resolution. The draft has been distributed among the Arabian countries for their comments and has been finalized, taking into considerations all comments submitted by the countries. All countries approved the project during the last meeting of the Dispute Resolution Committee. The finalized draft of the project has also been submitted to the Socio-economic Council and was approved.

- Release of Commercial Services:

A great effort is being made by the Arabian countries for the release of commercial services. Therefore, meetings were held by members of the participating countries. Currently, comments of the Arabian countries with respect to this project and the remarks on the commitment schedules presented by the Arabian countries, who are members of the International Trade Organization, are being processed. It was also agreed that for non member countries, preliminary presentations will be considered as their

commitment schedules.

- Status of Agreement as of 1/1/2005:

1. All exchanged Arabian goods will be exempted from customs tariff, fees, and similar taxes.
2. All exceptions between Arabian countries have been revoked.
3. Abolition of Agricultural Calendar.
4. Revocation of all restrictions that do not pertain to customs.
5. Achievement of Detailed Origin Regulations.

- Products within the Free Zones:

All products produced within the Free Zones will be treated according to the Commercial Exchange Facilitation and Development Agreement and its implementation program for establishing a Free Trade Zone; i.e. Not subject to customs reduction or exemption. The Industrial Chambers are to prepare a detailed study on how to treat products within the Free Zones according to the implementation program. The Secretariat General will address Arabian countries with Free Zones in order to quickly update the Socio-economic Council. A meeting will then be held between the heads of these zones to discuss the role of the Free Zones in the field of the development of the Arabian commercial exchange. These studies are currently being made.

For more information:

Central Administration for Dual and Multiple Party Agreements

Tel: 2039673 – 4315239 Fax: 4321035 – 2026681

Or Ministry of Foreign Trade and Industry at www.moft.gov.eg

Email: sass2004@hotmail.com

- Implementation of Source Regulations:

Application of Article Nine of the Commercial Exchange Development Agreement between Arabian countries states:

For the purpose of this Agreement, goods must conform to the origin regulations approved by the Council in order for them to be considered Arabian. In addition, the added value to its production must not be less than 40% of its final cost.

- Origin Standard Measurements:

For the purpose of applying the Arabian Origin Regulations, without prejudice to Rule (5), and in order for the goods or products to be considered of national/native source:

- a. Products which are totally or partially produced in any of the party countries fall under the concept of Rule (7) of the Origin Regulations.
- b. In the case that goods produced in any of the Arabian parties with source material(s) of another source party, the added value to their production must be less than 40%, calculated according to Rule (3).

Calculations of Added Amounts:

The added values are calculated according to the following:

1. Salaries:

This includes cash salaries and salaries in kind; training costs; various benefits; end of service compensations; social insurance for production workers and employees of the administration and technical departments whose work is directly related to production - production supervisors, quality control, warehouse, and packaging; and employees whose work is indirectly related to production - administration employees, accountants, and marketing employees.

2. Consumption of Fixed Assets:

This includes the use of industrial buildings; equipment; Machines; and residential buildings owned by the companies which are not considered rental items but are directly related to production activities. The percentage of use of all of the above items is determined by official authorities. The consumption of any fixed asset is not included in the added amount when book value reaches zero.

3. Rentals:

This includes rental of locally used land, warehouses, industrial buildings, shops that market the produced goods, showrooms exhibiting factory products, and residents of employees which are not owned by the company.

4. Financing Costs:

Total amounts paid for loans used to finance the above mentioned fixed assets, or to finance company activities, or loan charges according to the laws practiced in each country.

5. Raw Materials of Native Source:

This includes basic raw materials, and materials used in the production operations. The native source covers all that is produced in a member country having the characteristic of the native source.

6. Other Various Expenses:

This includes Laboratory analysis; research and development expenses; fees for insurance, buildings, and machinery hazards; fees and expenses for patent rights and Arabian intellectual property related to production; and rental of machines used in production operations.

7. Fuel, Electricity, and Water:

This includes all expenses for fuel, electricity, and water used in the production operation.

8. General and Administrative Expenses:

This includes expenses for mail, telegrams, telephones, printed materials, subscriptions,

etc.

First: Calculation of the added value - Calculated using one of the following methods:

1. The collection of the elements of the added value as follows:

$$\text{Percentage of added value} = \frac{\text{amount added (total number of elements from 1 to 8)}}{\text{Final cost of product at factory door}} \times 100$$

Final cost of product at factory door = Added value + foreign inlet (excluding its fees and taxes)

2. Use of final product cost as follows:

$$\text{Percentage of locally added value} = \frac{\text{final cost of product at factory door} - \text{Cost of imported materials used in the production (excluding its fees and taxes)}}{\text{Final cost of product at factory door}} \times 100$$

The added amount is calculated accordingly as follows:

It is the difference between the final cost of the product till its production is completed, and the cost of the imported material used in the production process (excluding its fees and taxes). Also excluded are all materials of native source or imported from party Arabian countries or any Arabian country which has agreements or cooperation between them. These materials will be dealt with as local materials.

The costs of goods are calculated on the basis of their production cost. Final cost does not include any imposed customs fees or local production fees.

The cost of the material used in the production operation is calculated on the basis of the importation cost CIF according to the country's approved customs upon its arrival to the producing country. This does not include internal transportation expenses or other expenses that does not directly pertain to the production operation.

Standard measurements of added value are in accordance with the Agreement regulations and are a basis for determining origin regulations for Arabian goods using any of the following standard measurements:

- a. Modification of customs articles must explicitly include branch articles
- b. Manufacturing operations must explicitly state the operation determining the standards for modification of customs articles. This must generally include source of goods.

- Required Documents in Order To Benefit from the Arabian Origin Regulations Agreement:

Product documents as per the Arabian Origin Regulations Agreement:

1. Freight invoice
2. Certificate of origin
3. Other documents according to the type of goods (agricultural, industrial, nutritional)

Revocation of endorsements on certificates of origin, invoices, and documents accompanying goods.

The Socio-economic Council issued decision number 1431 dated 13/2/2002 regarding the revocation of endorsements of certificates of origin by Arabian embassies and consulates, and the revocation of endorsements of invoices and documentations.

Customs outlets have been informed about the above mentioned endorsement revocations.

- Documents Accompanying Goods as per The Arabian Origin Regulations Agreement:

1. Freight invoice
2. Certificate of origin
3. Other documents according to the type of goods (agricultural, industrial, nutritional)

Revocation of endorsements on certificates of origin, invoices, and documents accompanying goods.

The Socio-economic Council issued decision number 1431 dated 13/2/2002 regarding the revocation of endorsements of certificates of origin by Arabian embassies and consulates, and the revocation of endorsements of invoices and documentations.

Customs outlets have been informed about the above mentioned endorsement revocations.

- Main Egyptian Exports to Lebanon:

- Agricultural Goods – includes:

Potatoes, onion, garlic, rice, legumes

- Nutritional Goods – includes:

Frozen vegetables, biscuits, chocolate, fish, milk, juice, and jam

- Industrial Goods – includes:

Arming steel, medicine, textile, rugs, paper, printed material, aluminum products, plastic, furniture, chandeliers, and glass products.

- Main Lebanese Exports to Egypt:

Apple, plastic and its products, books and printed material, wood and wooden products, and refrigerators.

The Commercial Representation Office of the Egyptian Embassy proposed the following list of goods to be included in the upcoming exhibitions in the Lebanese

market:

Wooden furniture, monitoring equipment, tableware, illumination equipment, building material, marble and granite, air conditioners, Khan El Khalily products, nutritional products, hotel and restaurant necessities, ceramic and sanitary equipment, rugs and carpets, glass and porcelain products, towels, bed sheets, ties, aluminum, teflon and stainless steel household products, household electrical appliances as refrigerators – stoves - deep freezers – televisions – heaters - fans.

A list of Egyptian products for promotion and marketing:

Agricultural products, clothing and textiles, electrical appliances, leather products, steel products, building materials, paper products, nutritional products, chemical products, aluminum products, and glass products.

- Marketing Egyptian Products and Services:

Lebanon pursues classical free markets. Egyptian goods face much competition from European goods in Lebanon as they are inexpensive to ship than in Europe.

There are also many Egyptian companies in Lebanon in addition to a large number of Egyptian agents working in Lebanon.

- Main Institutions for Export Development:

- Public Institution for Investments in Lebanon (IDAL)

P.O. Box 113-7251 El Hamra – 1103-2170 Beirut

Tel: 9611-983306/7/8/9

Fax: 9611-983302/3

www.idd.com.lb

Email:

invest@idal.com.lb

- The Commercial Representation Office of the Egyptian Embassy proposed the following list of goods to be included in the upcoming exhibitions in the Lebanese market:

Wooden furniture, monitoring equipment, tableware, illumination equipment, building material, marble and granite, air conditioners, Khan El Khalily products, nutritional products, hotel and restaurant necessities, ceramic and sanitary equipment, rugs and carpets, glass and porcelain products, towels, bed sheets, ties, aluminum, teflon and stainless steel household products, household electrical appliances as refrigerators – stoves - deep freezers – televisions – heaters - fans.

- Proposal for the Development of Economic and Commercial Relations:

1. Development of the implementation program supporting commercial exchange, signed by both countries in 1988, by removing all conflicting obstacles and regulations, and regulations of the Free Trade Zone Agreement as some of the regulations and articles of the implementation program supporting commercial exchange between Egypt and Lebanon are in conflict with the regulations of the Facilitation of Commercial Exchange Agreement. Therefore, according to Article Three of the Facilitation of Commercial Exchange Agreement “The Agreement is considered the minimum cooperation between

party countries ...” thus:

Anything which is in conflict in Articles (3) and (4) appended to the implementation program supporting commercial exchange between Egypt and Lebanon, signed on 10/9/1998, must be revoked. In addition, both parties must be committed to the Facilitation and Development of Commercial Exchange Between Arabian Countries Agreement.

- Article (5) pertaining to the export prohibition of some Egyptian goods to Lebanon must be revoked, as in the Facilitation and Development of Commercial Exchange Between Arabian Countries Agreement, the deadline for all exceptions made is September 2001 and the agreement between Egypt and Lebanon did not mention any deadlines for exceptions.

- Import licensing – Article (7) appended to the implementation program supporting commercial exchange between Egypt and Lebanon – must be implemented within the limitation of the Facilitation and Development of Commercial Exchange Between Arabian Countries Agreement.

2. Facilitation of contracting companies’ registration in both countries, and offering them local contracting company benefits when participating in tenders especially housing and developmental projects.

- Main Egyptian Companies Doing Business in the Lebanese Market:

- Crystal Asfour Co.
- Nasr Shipping in Alexandria
- Cairo Nutritional Products “Heinz” Co.
- Unilever Egypt Co.
- Proctor and Gamble Egypt Co.
- Cleopatra Ceramics Co.
- Shebin El Kom Textile Co.
- Edfina Co.
- Americana Co.
- El Attal Steel Co.
- Al Ezz Iron and Steel Co.
- El Nesr Co.
- Transportation and Engineering Co.
- Kaha Co.
- Sonac El Ahliya Co.
- Adkhenat El Nakhla Co.
- Eastern Co.
- El Nasr Glass Co.
- El Shamedan Co.
- Overseas Co.

- Fresh Fruit Co.
- National Ismailia Co.
- Enjoy Co.
- El Sweedy Cable Co.
- Amricol Co.
- Egyptian Developed Food Co.
- Mostafa Ali Modern Lighting Co.
- Borg El Arab Developed Industrial Co.
- Milkana Co.
- Salt and Soda Co.
- Esso Co.
- Ecopack Co.
- El Amana for Agricultural Development
- Alexandria Copper Co.
- Atlantic Industry Co.
- Fasant Co.

- Main Lebanese Companies Doing Business in the Egyptian Market:

- Mohi El Din Seno and Sons Co.
- Taaweniat Lebanon
- Transmed Co.
- Moris Gabra Co.
- Gabco Foods Co.
- La Princess Co.
- LTIAT Co.
- Middle East Co.
- Interbrand Co.
- Lebanese Salt Purification
- Abi ramia Co.
- Zemex Co.
- Deeb Ekhwan for Commerce Co.
- Ahmed Nagi Faris Co.
- Lebanese Cable Co.
- Wadris Co.
- Nestle Lebanon Co.
- Sefir Limatic Co.
- Fetal Co.
- Bahsoly Nutrition Co.
- El Mottahed Co.
- Karh Bet Ianian and Sons Co.
- Abdel Salam Marhaba Co.
- Al Ahram General Trade Co.
- Moty Commercial Co.

- Main Lebanese Authorities and Governmental Institutions:

Ministry of Economy and Trade

Address: El Hamra – Artoo St. – Binaya Asaf
Tel: 01-743729 – 340523/4/5
Fax: 01-354640

Chambers of Commerce and Business Institutions Union
Institution Name: Chambers of Commerce Union in Lebanon
P.O. Box 11801 – Beirut – 2100 El Sanaaea – Beirut
Tel: 9611-347904
Fax: 9611-347904
Email: facial@minero.net

Institution Name: Chamber of Commerce, Industry, and Agriculture in Beirut and Lebanon Mountain
P.O. Box 11801 – Beirut – 2100 El Sanaaea – Beirut
Tel: 9611-744161-744160
Fax: 9611-745688
www.ccib.org.lb
Email: info@ccib.org.lb

Institution Name: Chamber of Commerce, Industry, and Agriculture in Seda and The South
P.O. Box 41 Seda
Address: Seda – Bulevar Maarouf Saad
Tel: 9617-728534/6 – 722986 - 720123
Fax: 9617-728534/6 – 722986 - 720123
Email: chamber@cciaf.org.lb

Institution Name: Chamber of Commerce, Industry, and Agriculture in Zohla and Boqaa
P.O. Box 100 Zohla
Address: Mar Mekhayel District
Tel: 9618-807376 – 802602- 802077
Fax: 9619-800050
Email: chamber@cciaf.org.lb

Institution Name: Chamber of Commerce and Industry in Tripoli and The North
P.O. Box 47 Tripoli
Address: Boulivar Tripoli
Tel: 9616-602400 – 627162- 432790
Fax: 9616-442042
Email: comindag@dm.net.lb

Institution Name: Lebanese Egyptian Businessmen Association
Address: Ferdan – Rashid Keramy St. – Biblos Bank Building – 10th floor - Beirut
Tel: 9611-868489 – 868488
Fax: 9611-868489 – 868488

Institution Name: Beirut Traders Association
Address: Beirut – El Sanaaea – Gostinian Center
Tel: 9611-345735
Fax: 9611-347997
Email: commerca@inco.com.lb

Institution Name: Lebanese Industrialists Association
P.O. Box 11-1520 Beirut
Address: Beirut – El Sanaaea – Gostinian Center
Tel: 9611-351167 – 350280/1/2
Fax: 9611-351167
www.ali.org.lb
Email: ali@dm.net.lb

Obstacles Facing Egypt and Lebanon

1. Obstacles Facing Egyptian Exports to Lebanon

- There is much mistrust over the certificates of origin even though all regulation conditions are fulfilled
The Lebanese Elias Ayoub Company has complained that it has suffered due to the Lebanese customs not releasing its steel shipment due to its mistrust in the validity of the certificate of origin even though all its regulation conditions have been fulfilled.
- Violation of the Lebanese end to some of the Agreement Articles, namely Article (7) regarding Egyptian goods whose importation is authorized due to previous importation authorization. The Lebanese Authorities refuse to approve these importation licenses stating that there is local production of these goods (complaint by Sinai White Cement Company).
- A decision was taken by the Lebanese Minister of Agriculture on 4/10/2003 prohibiting the import of certain fruits from some countries, one of which is Egypt, and fruits like Dates, Mango, and Guava. His reasons were to stop fruit flies from entering Lebanon. After discussions with the Lebanese, authorization was given to import Dates as it does not harbor fruit flies.
- Export delay of Egyptian Potatoes from the second week of February till the end of March even though it was exempted from customs from the first of February till the end of March, thereby passing its opportunity for exemption from customs tariff.
- Imposing high customs tariff on some goods even though these goods are exempted if imported from other Arabian countries, (a complaint by Export of Garden Growth and Development Association regarding the high customs tariff imposed upon the export of Egyptian flowers by 105%, even though these flowers are exempted when exported from Saudi Arabia to Lebanon).

2. Obstacles Facing Lebanese Exports to Egypt

- Strictness where proof of origin is concerned on goods that are difficult to prove their origin due to their nature.
- A complaint by the Lebanese Otery Institution which suffered due to the Egyptian customs refusing to exempt its Sulfuric Acid shipment to Egypt as there was no proof of origin.
- Long customs release procedures which in turn leads to the spoiling of some of the agricultural and nutritional goods (a complaint by the Lebanese Agricultural Development Company which lost a shipment of cooked chicken luncheon meat worth USD 110,000 because it was spoiled due to the Customs Authority in Alexandria refusing to release it for one whole year because of the modifications made to the Egyptian specifications for these types of goods.
- Some decisions were taken by the Egyptian Authorities limiting some Lebanese exports to Egypt, (the Ministry of Agriculture refused to issue import licenses for cooked chicken luncheon meat as importation from Asian countries was prohibited in order to stop the spread of Sarce disease, although the International Epidemic Organization did not include Lebanon as a prohibited country.

Egyptian Lebanese Businessmen Friendship Association
Address: 10 El Kamel Mohamed St. – Zamalek – Cairo, Egypt
Tel: (202)7269612 – Fax: (202)7369612
www.elbaegypt.org
E-mail: elba@link.com.eg Email: elba@elbaegypt.org