

Lebanon: Trade Brief*

Trade Policy

As judged by the latest Trade (MFN) Tariff Restrictiveness Index (TTRI), on which it is ranked 59th out of 125 countries, Lebanon's trade regime is more open than that of an average Middle East and North Africa (MNA) or lower-middle-income country. The country's MFN applied simple and import-weighted tariff averages have both decreased since the early 2000s, and at 6.9 percent and 6.1 percent, respectively, both are below the regional and income group comparator means. At 789.5 percent, its maximum tariff rate is very high, as is the nontariff measures frequency ratio at 31 percent (1999). In the early 2000s, only 14.6 percent of its imports were MFN duty free. Although the country has a long tradition of adopting a liberal market approach, its International Telecommunication Union (ITU) competition index has declined from 2.0 in the early 2000s to 0 in 2006, the lowest possible value on the scale. Lebanon, currently an observer at the World Trade Organization (WTO), is on track for accession, which is expected to lead to further liberalization of its goods markets and services sectors.

Market Access

According to the latest Market Access TTRI (including preferences), on which it is ranked 68th (out of 125), Lebanon's access to foreign markets is somewhat less favorable than that of an average MNA and lower-middle-income country. However, it has seen a substantial reduction in the rest-of-the-world applied tariff weighted averages that its exports have faced since the late 1990s, especially for agricultural exports. Its MFN duty-free exports accounted for 28.9 percent of total exports in 2006, up from around 20.3 percent in 2000–04. A Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries, Lebanon's utilization rate of U.S. and EU preferences of 77 percent (2006) is comparable to the MNA and lower-middle-income means, although the value of such preferences were a low 2.4 percent of bilateral exports. The country is a signatory to a Trade and Investment Framework Agreement (TIFA) with the United States (as of 2006) and free trade agreements (FTAs) with the European Community and the European Free Trade Association (EFTA). It is also a member of the Greater Arab Free Trade Area (GAFTA).

Behind the Border Constraints

Lebanon's business environment is adversely impacted by barriers to entry that discourage agents from investing in a number of markets. The government has fiscal incentives favoring the allocation of resources to nontradable sectors, where potential demand and investment opportunities are scarcer. The country's Doing Business rank is 85th (out of 178) and its governance indicators suggest room for improvement. Lagging behind the MNA and lower-middle-income country averages, Lebanon ranked 98th (out of 150) on the 2006 Logistics Performance Index. Its weakest categories were quality of transport and information technology (IT) infrastructures and efficiency of customs and other border procedures. Helped by its relatively low per container import costs, it ranked 83rd on the Doing Business—Trading Across Borders subcategory. The country's 2006 per capita rate for telephones and mobile phones (44 percent) are below the regional and income group means while its Internet usage (23.4 percent) is above the regional average and the lower-middle-income country group average. Lebanon's

*As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>.

2006 secondary education enrollment rate (81.4 percent) is fairly high. Infrastructure was damaged during the war with Israel in the summer of 2006 and security continues to remain an issue.

Trade Outcomes

The country's trade grew by 4.9 percent in 2007 in real terms, after having declined in 2005–06, reflecting deepening domestic and regional conflicts. In the early 2000s, a period of relative peace for this troubled country, its trade grew at a healthy 8.7 percent. The trade share in GDP is 146 percent (2007), an integration ratio that is significantly higher than its regional and income group comparator means. Services account for 80.4 percent (2007) of the country's total exports and tourism service exports are vital to the economy, contributing about a third of total exports in 2007. Lebanon has a diverse export product mix as reflected by the country's export product concentration score of 12, one of lowest. Goods exports in 2005 were dominated by jewelry (including gold), engineering goods, and metallurgical products. The country's main destination markets were Syria, the United Arab Emirates, Switzerland, Turkey, and Saudi Arabia, while imports, mainly petroleum products, cars, medicinal products, and clothing, are primarily obtained from Italy, Syria, France, and Germany. In 2006, foreign direct investment (FDI) inflows as a share of GDP were a high 12.3 percent.

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