



Breaking news - GCC-EFTA

Free Trade Agreement enters into force on 1 July 2014

Summary

The GCC¹-EFTA² Free Trade Agreement will enter into force on 1 July 2014.

Among other benefits for businesses, EFTA member states will abolish as of 1 July 2014 all customs duties on imports of products originating from the GCC, while the GCC will eliminate the customs duties applied on most originating goods from EFTA. Goods covered by this agreement are industrial products, processed agricultural products and fish and other marine products. Certain goods deemed as highly sensitive and some processed agricultural goods are excluded from the agreement.

Trade between these two important commercial partners is expected to increase further with the implementation of this ambitious agreement, benefitting the exchange of goods and services among ten countries. Over the last five years, trade between EFTA and the GCC countries has increased by an annual average of 9%.

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What is covered under the Free Trade Agreement?

The GCC-EFTA Free Trade Agreement is a comprehensive text covering trade in goods, trade in services, competition, intellectual property rights, investment, government procurement and administration and dispute settlement.

¹The Gulf Co-operation Council for the Arab States (GCC) comprises the United Arab Emirates, Saudi Arabia, Oman, Kuwait, Bahrain and Qatar.

²The European Free Trade Association (EFTA) comprises Switzerland, Norway, Iceland and Liechtenstein.

Main benefits and focal points for importers and exporters

The agreement provides for immediate tariff elimination on most industrial goods originating from EFTA and the GCC. Major sectors that will benefit from the elimination of tariffs include telecommunications, electrical and electronic equipment, petrochemicals, watches and jewellery, machinery and iron and steel related industries.

In addition to this free trade agreement, the GCC and EFTA member states have concluded agreements on trade in basic agricultural products on a bilateral basis. Agricultural products originating in the GCC and EFTA will benefit from the elimination or reduction of tariffs upon the entry into force of the agreements or for a few products imported into the GCC after a five-year transition period.

In order to qualify for preferential tariff treatment, goods must meet the rules of origin requirements, which are based on the European model. The EUR.1 Movement Certificate will serve as the certificate of origin (irrespective of whether a firm has 'approved exporter' status), while origin declarations printed on invoices will only be permitted in certain cases.

Similar to other free trade agreements the GCC- EFTA Free Trade Agreement, also introduces the so-called 'direct shipment' rule to benefit from preferential treatment. Nevertheless, it will still be possible to split consignments in third countries. Exporters who would like to claim preferential tariff status should obtain a certificate of origin from the competent authorities in the relevant exporting country. For goods in transit at the date of entry into force of the agreement, the certificate of origin must be submitted to the importing country before the end of October 2014 in order to benefit from the preferential treatment.

Cumulation is limited by the agreement to goods originating from GCC/EFTA countries, whereas the bilateral agreement on basic agricultural products limits the application of cumulation to products with a Swiss/GCC origin. No cumulation is allowed with other (e.g. EU) countries.

The practicalities and procedural aspects for claiming preferential treatment during the first months of application of the agreement may create some difficulties. It is recommended therefore that importers and exporters retain the proof of origin and other relevant documents for potential further interactions with the authorities.

Next step: immediate action required

In order to benefit from the advantages of the free trade agreement, it is recommended that businesses evaluate the requirements in order to take the necessary actions as soon as possible.

We will be happy to talk you through this as well as any other **customs and international trade** developments, and discuss the issues that matter to you.

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