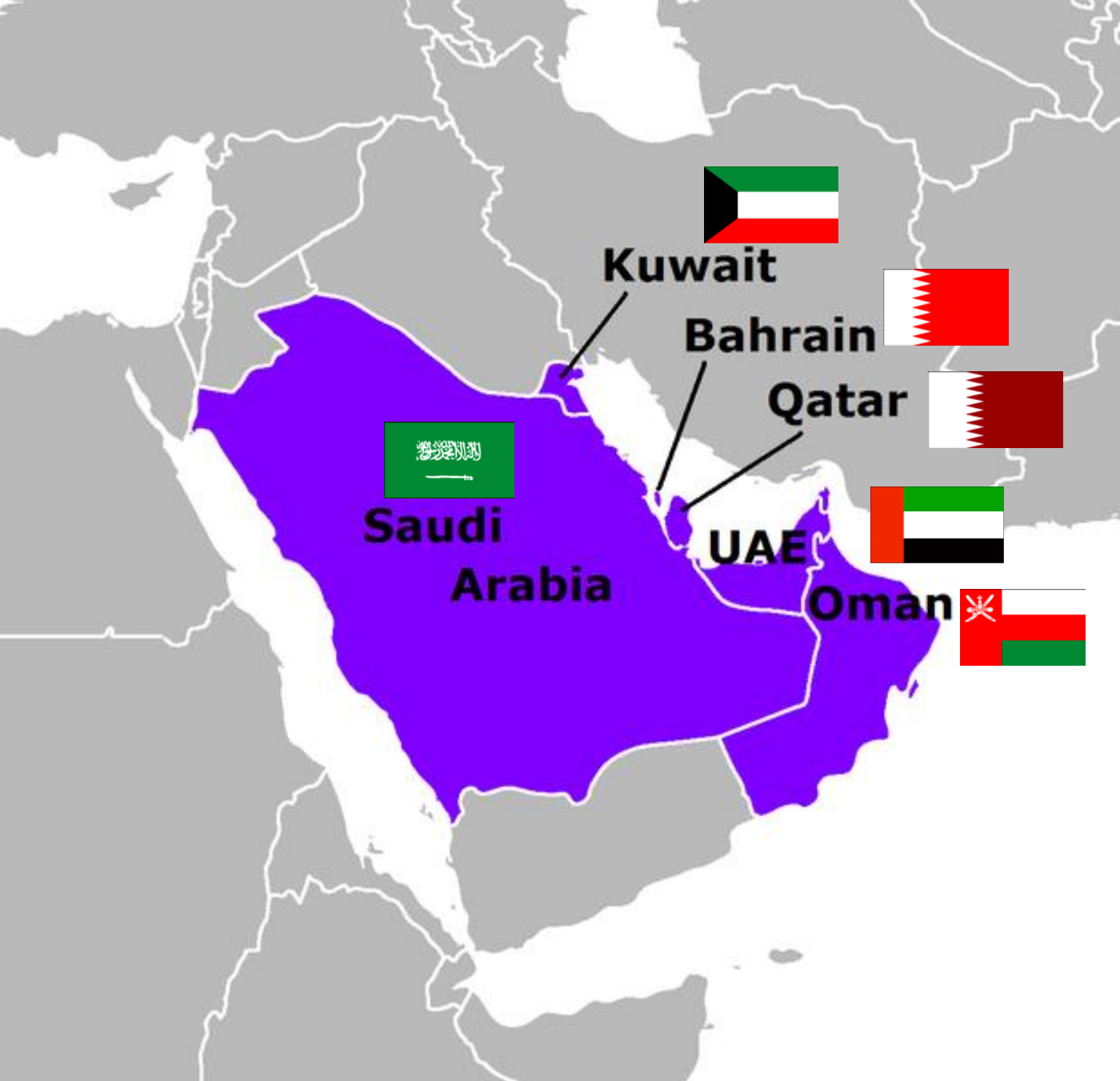


GCC Trade Agreements and Tobacco Control

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Disclaimer

- The views and opinions expressed in this presentation are **solely mine** as I serve in the capacity of WHO/EMRO advisor and may not be those of the WHO/EMRO or GCC states collectively or those of individual states including Oman.



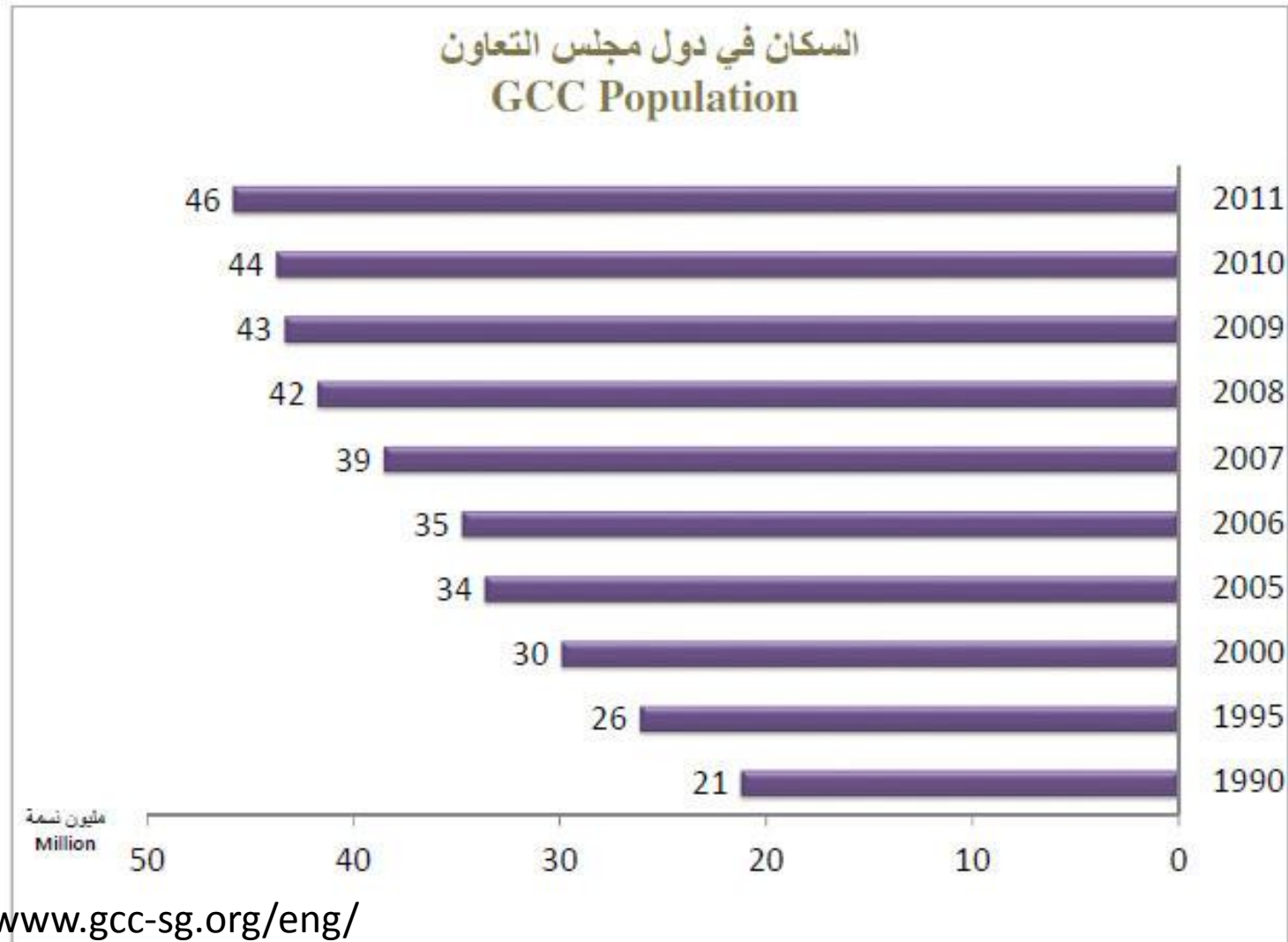
Established on
25th May 1981



Basic Indicators

States	Bahrain Kuwait Oman Qatar KSA UAE
Population	46 Million
Area	2,423,000 Sq Km
GDP	US\$ 1.37 Trillion
Per Capita GDP	US\$ 30,000

Population: 50% less than 15 Year



**The Supreme Council
(Heads of States)**

**GCC
1981**

**Dispute
Settlement
Commission**

The Secretary General

The Ministerial Council

**Ten Assistant
Secretaries-
General**

**The Directors-
General s**

**GCC Health Ministers'
Council
(Established 1976)
(Separate Funding)**

**Technical
committees**

**Technical
committees**

GCC Areas of Cooperation

- Political
- Military
- Security
- Media
- **Economic**
- Environment
- Judicial
- Republic of Yemen

GCC Economic Agreement

- First Agreement 1981
 - Free Trade Area
 - Common Custom Law
- Revised 2001
 - ***Customs Union (Chapter I)***,
 - Common Market (Chapter II),
 - **Economic and Monetary Union (Chapter III)**,
 - Development Integration (Chapter IV),
 - **Human Resources Development (Chapter V)**,
 - Cooperation in the Fields of Scientific and Technical Research (Chapter VI),
 - **Transportation, Communications and Infrastructure** (Chapter VII)

GCC- EU

- Framework Cooperation Agreement
 - ratified 1988 → 1990
- accord each other MFN treatment.(even before any FTA reached)
- 1991 Further Negotiation started to reach FTA
 - No progress due to tough negotiation
 - 2008 → **HALT all negotiations**

FTA with the USA

State	
Bahrain	√
Kuwait	---
Oman	√
Qatar	---
KSA	Negotiated
UAE	---



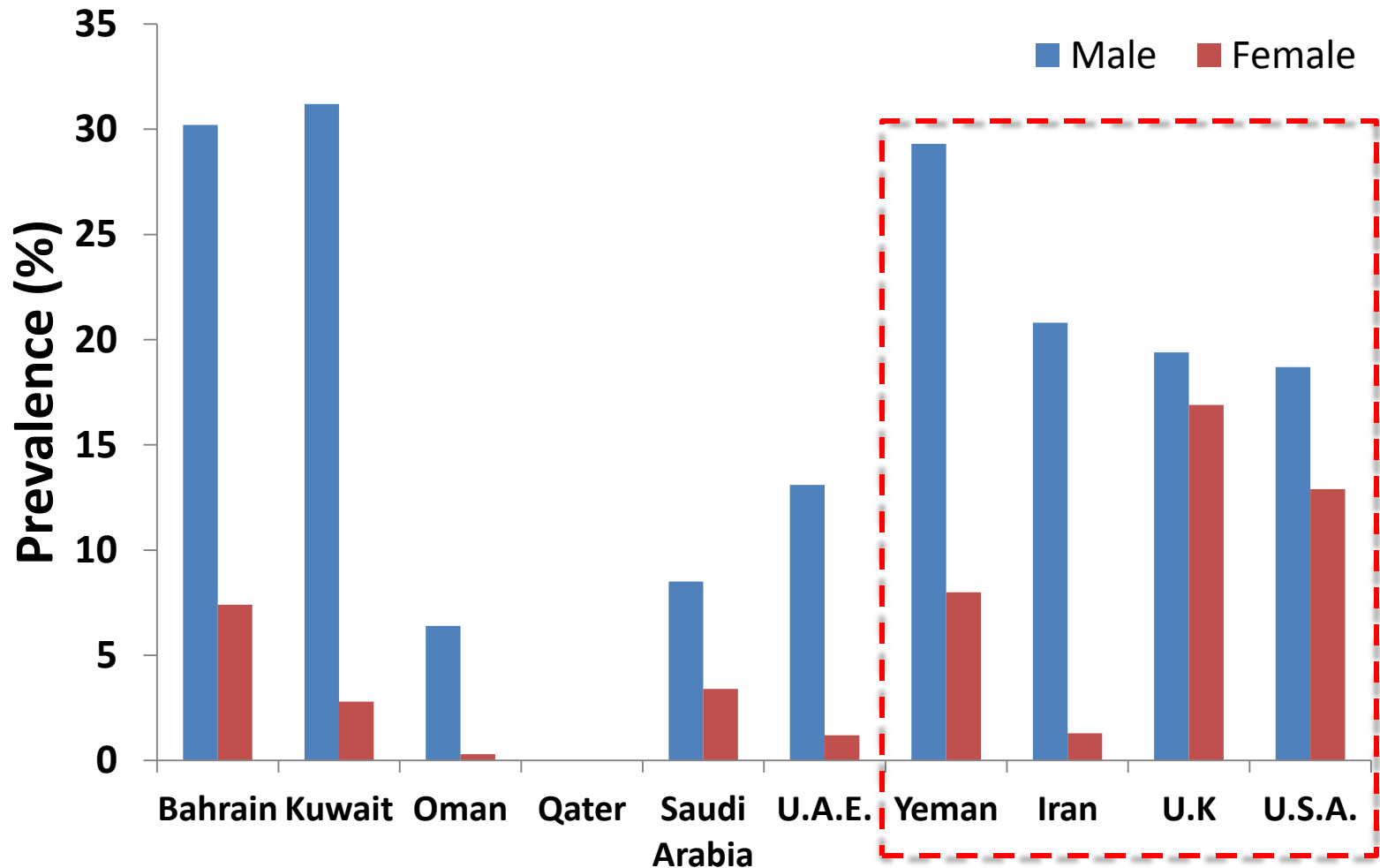


**In Oman
Before 1970**

HM Sultan Said Bin Timour Al-Said

GCC Smoking Prevalence

Global Status Report, WHO, 2010



GCC Customs

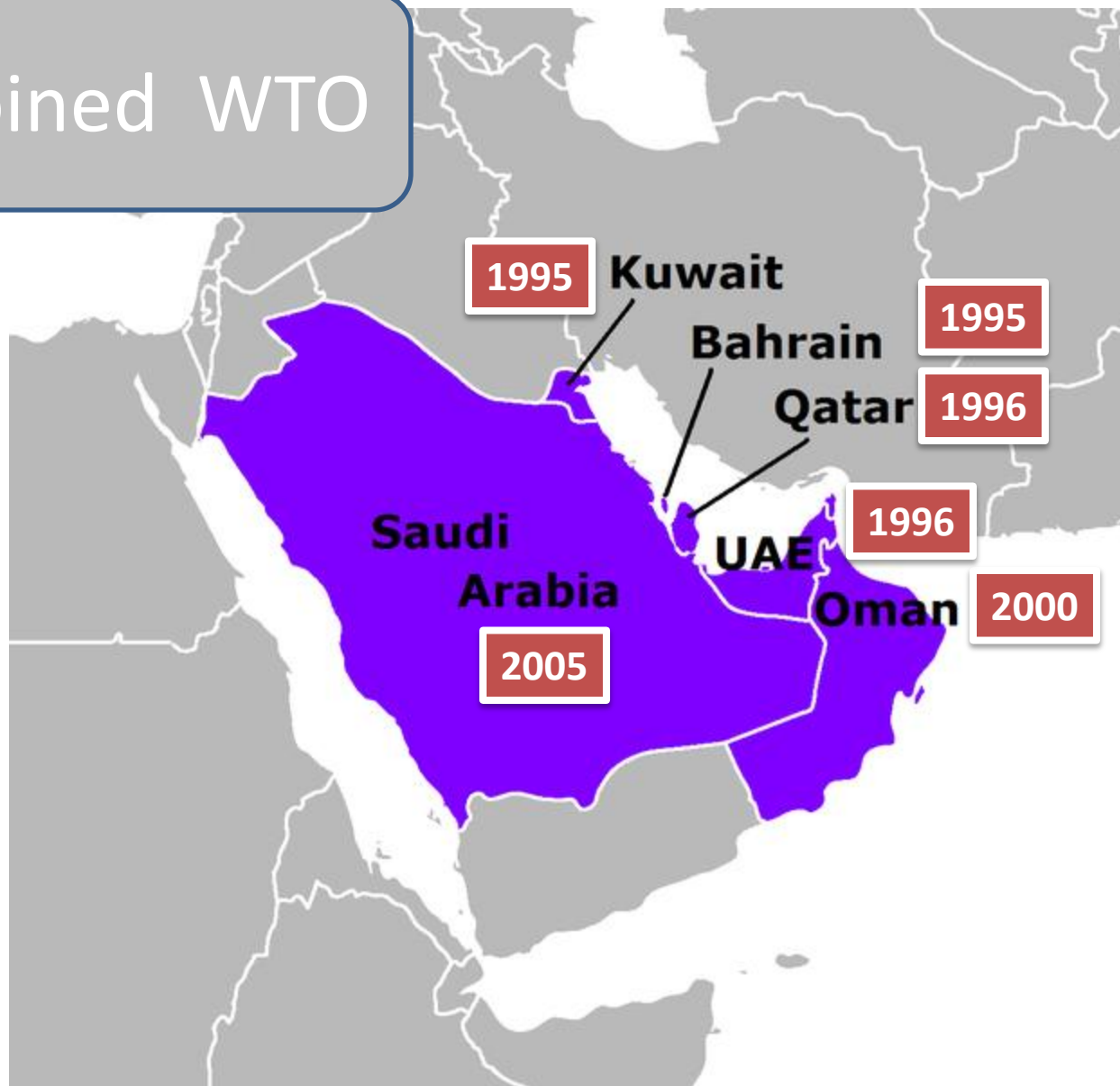
- Saudi Imports

- US\$ 891 million in 2011

- US\$ 600 million in 2009

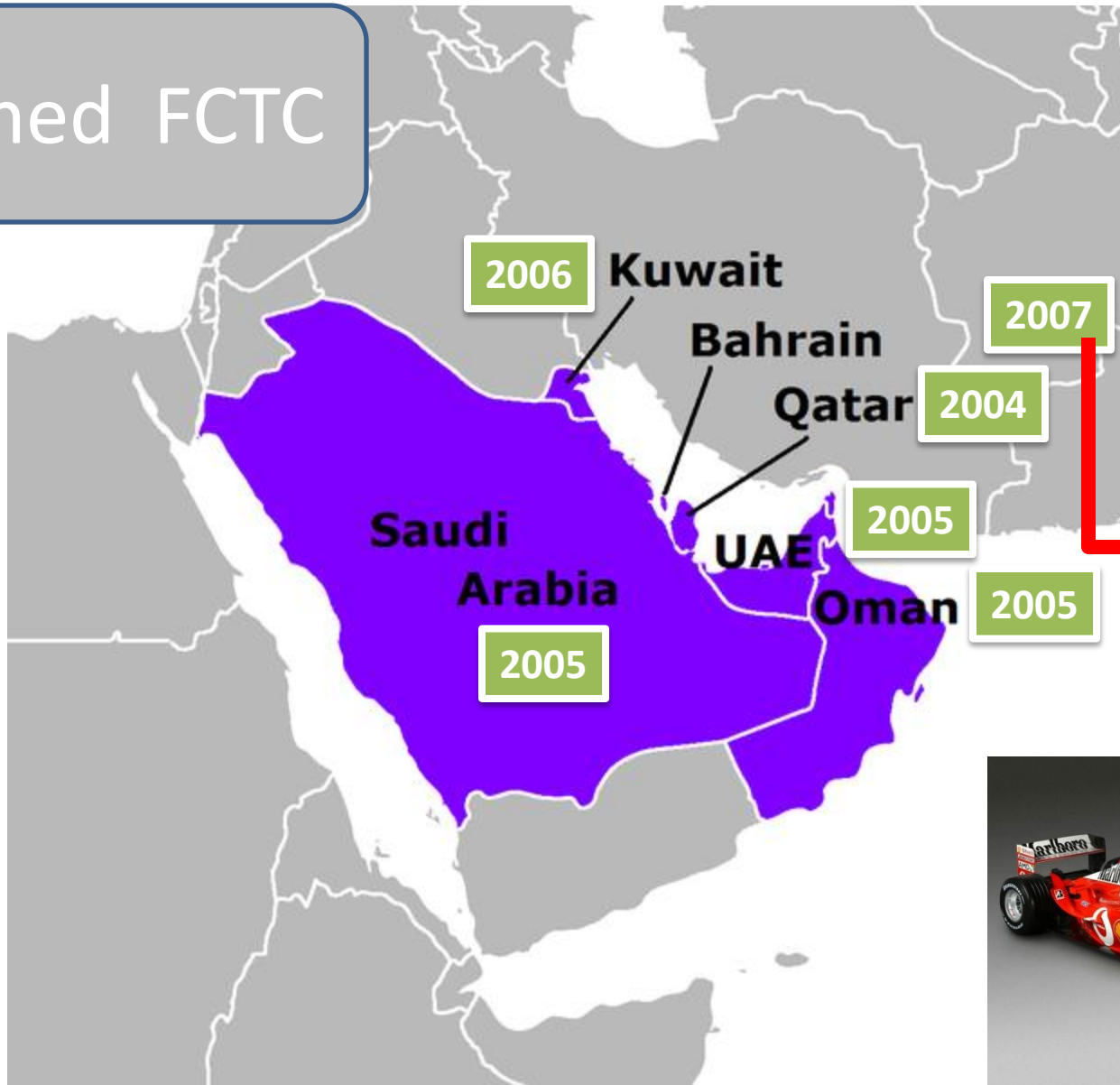
57% Increase

Joined WTO



Established on
25th May 1981

Joined FCTC

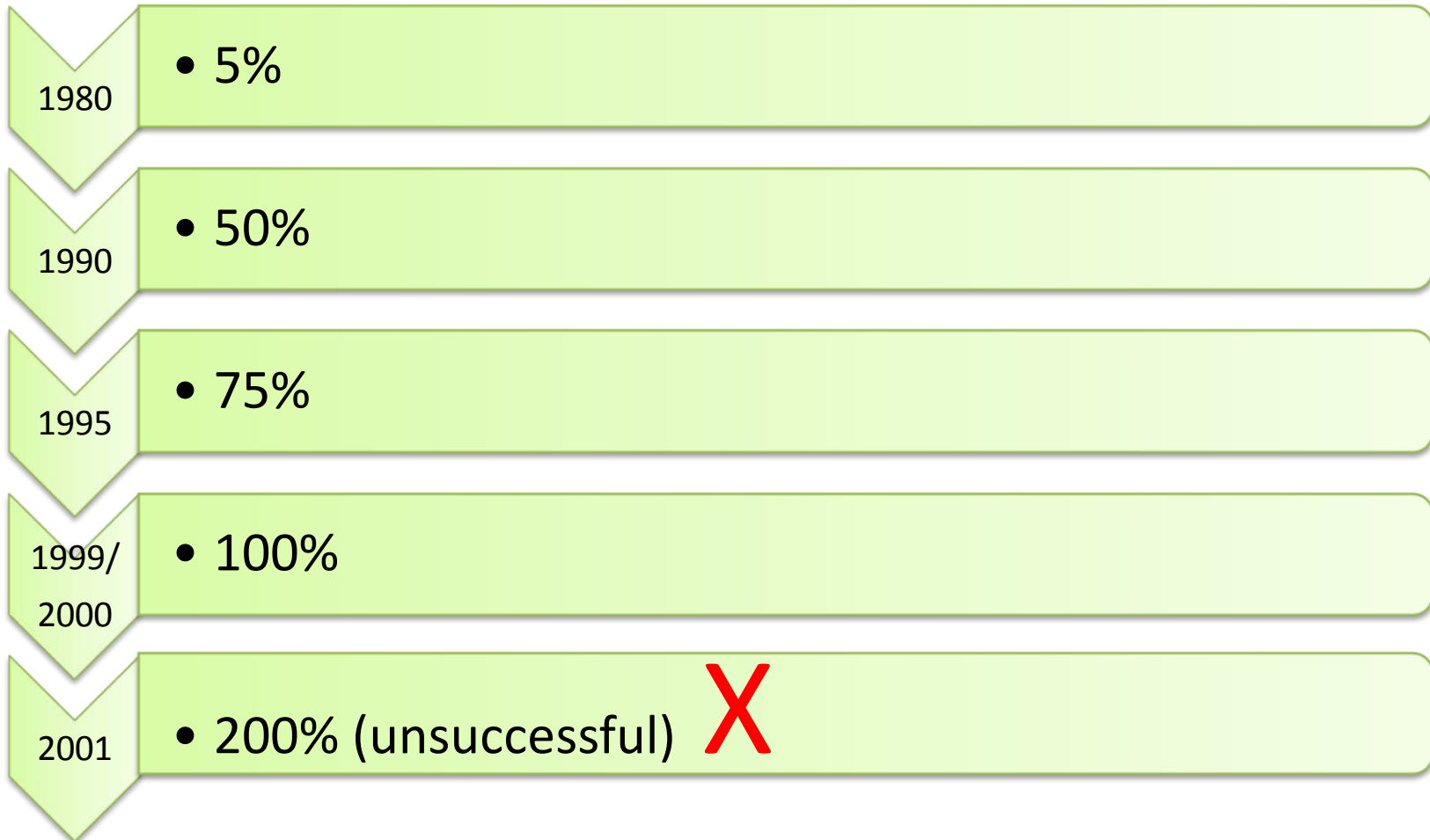


Source: www.Wikipedia.org

Tobacco trade in the GCC

- **NOT** State owned monopoly
- **NOT** Private multinationals owned industry
- **NOT** Multinational franchise
- **NOT** Local industry
- GCC Exclusively import tobacco
- Hubs of international transit routes
- Duty free markets
- Oman and UAE growers (5000 Kg)

Tax Trends in GCC



Tobacco Taxes in GCC

- 100% (Ad Valorem/ Specific) on tobacco

33% of Retail Price Tax

**WHO
Recommendation is
70-75% of Retail
Price`**

GCC: Bound vs. Applied Tariff Rates on Tobacco Products

State	Bound (Max Rate)	Applied (current Rate)
Bahrain	100%	100%
Kuwait	100%	100%
Oman	150%	100%
Qatar	200%	100%
KSA	200%	100%
UAE	200%	100%

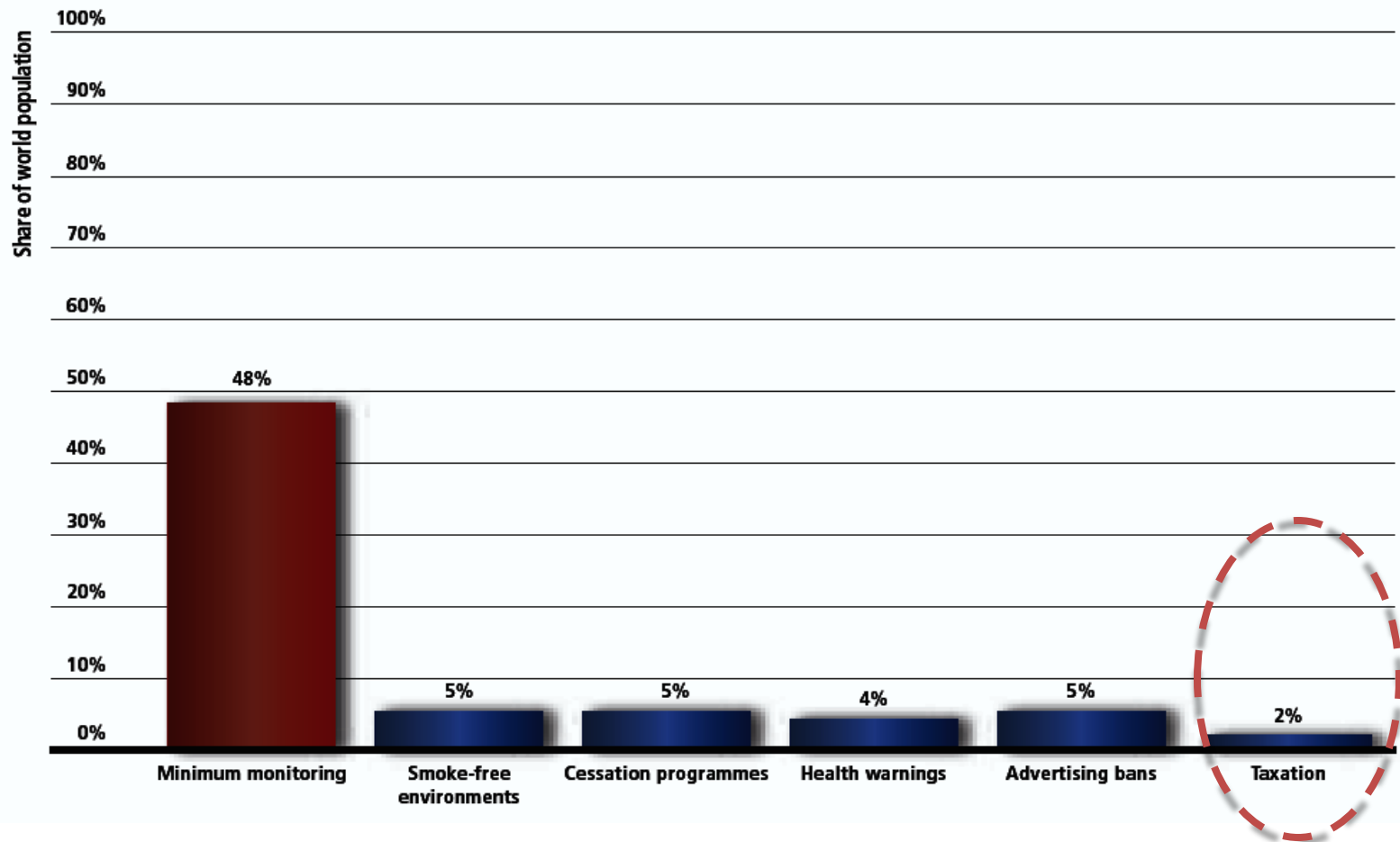
Oman-USA FTA

Tobacco Allowed without Tax

<u>Year</u>	<u>Quantity</u> (Kilograms)
1	5,000
2	5,500
3	6,050
4	6,655
5	7,321
6	8,053
7	8,858
8	9,744
9	10,718
10	unlimited

The MPOWER and GCC

SHARE OF THE WORLD POPULATION COVERED BY TOBACCO CONTROL POLICIES



Stages to Raise Tobacco Taxes in GCC

- 2001, Qatar minister of Health (Cardiologist) requested tax increase in GCC Ministers' Council.
 - Not widely welcomed → fear of “smuggling”
 - But decided that each country should negotiate with its own Ministry of Finance

- **2002-2007**, Several WHO verbal and written proposals sent to GCC assist them in tobacco tax reforms → no response from Finance Ministers.

- **Smuggling**
- **Smokers shifting to cheaper brands**
- **Poor people affected**
- **GATT**
- **Bilateral trades with US**

- **2008**, Both Health + Finance Ministry of Saudi requested increase in tobacco tariffs

Stages to Raise Tobacco Taxes in GCC

- **2009**, suggestion was sent to Ministers' of Finance Council → Formulated "committee
- **2010**, First meeting of Joint committee:
 - Explore applying article XX(b) and increase custom taxes
 - **Approval of domestic taxes**
- **One country** again raised objection "lead to smuggling"

One veto

نود إفادة سعادتكم بأن هذه الوزارة قد قامت بدراسة توصيات اللجنة في اجتماعها المشار إليه أعلاه وهي لا تؤيد أيًا من تلك الخيارات وترى الإبقاء على الوضع

الحالي.

عليه ، فإننا نأمل إبلاغ الأمانة العامة لمجلس التعاون بذلك.

وتفضلوا سعادتكم بقبول فائق، الاحترام ،،،

After 2 years

تحية طيبة وبعد :

الموضوع : الموافقة على فرض ضريبة إنتقائية على التبغ ومشتقاته.

بالإشارة الى محضر الاجتماع الثالث والتسعين للجنة التعاون المالي والاقتصادي (مايو ٢٠١٢م) وما تم التوصل إليه خلال الاجتماع بالموافقة المبدئية على فرض ضريبة انتقائية على التبغ ومشتقاته وما تم الاتفاق عليه خلال الاجتماع بأن توافي السلطنة برأيها في هذا الشأن قبل الاجتماع الرابع والتسعين للجنة التعاون المالي والاقتصادي .

يسرنا إفادتكم بموافقة السلطنة على ما تم التوصل إليه في اجتماع اللجنة المنعقد في شهر مايو ٢٠١٢م مع تأكيدنا على ضرورة وضع الآليات اللازمة للتطبيق.

Current Situation

- VAT of UAE
- What taxes to create to Increase tobacco tax
- TI working to augment fears of GCC gov

CIGARETTES

Brand



التدخين السلبي يؤدي الجنين و قد يؤدي لنقص الوزن عند الولادة أو الولادة المبكرة .

CIGARETTES

Brand



التدخين يسبب الوفاة المبكرة

CIGARETTES

Brand



التدخين يحرق أعضاء الجسد بأكثر من 25 مرضا
بما في ذلك السرطان و الأمراض القلبية.

CIGARETTES

Brand



التدخين يسبب أمراض
القلب وانسداد
الشرايين مما يؤدي
إلى الوفاة.



توقف، لا تدع الدخان يسليك حياتك

لا تدع مخاطر الشيشة (التارجيلة) يخذلك، فهي ليست امانة كما تخن.

Conclusions

- Tobacco is a significant burden in GCC
- All GCC states are members of WTO
- Only two GCC states have FTA with USA
- FTA bilaterally negotiated (Bahrain + Oman vs USA)
- GCC states rely on collective decision on (GCC custom Law)
- Despite restrictions of GATT, GCC political will to utilize FTA and GATT to their advantage in TC is extremely limited.
- Last GCC tax increase was in 2000
- Article XX(b): provides exemptions as long as the measure is non-discriminatory.
- (Thailand and France Cases)

