

# EU/Lebanon Association Agreement

## What is it about?

In their general provisions, the Association Agreements, concluded for an unlimited period, replace the Cooperation Agreements signed in the seventies and cover the three chapters of the Barcelona Declaration, namely political dialogue and security, economic relations, and cooperation in the social, cultural and human matters. The Agreements<sup>11</sup> foresee provisions that address fundamental principles such as observance of human rights, political dialogue, free movement of goods, economic cooperation, cooperation in the economic and social matters, financial cooperation and institutional provisions. However these are basic provisions and each Agreement takes definitely due account of the specific characteristics of the relations between the European Union and the signatory country.

## Benefits of the Agreement for the European Union and the Mediterranean Partners

For the European Union, the Agreement will promote new opportunities to market products and services, attain and exploit resources, solve social and political problems resulting from the exceeding number of competent or non-specialised manpower coming from the Mediterranean countries to the European labour market. The signatory countries long to promote a favourable market environment vis-à-vis the European Countries, foster a climate conducive to investments in their countries, accelerate their access to the European market, benefit from the transfer of technology and know-how and receive the assistance necessary for the modernisation of their economy.

## What advantages of the Association Agreement for Lebanon?

For Lebanon, the Association Agreement represents a compulsory phase that enables the country to open up to an international competitive market; moreover it is an important foundation to succeed its entry into an efficient economy. This success is all the more important since Lebanon has privileged trade relations with the European Union Member States<sup>22</sup>. Marginalising Lebanon outside a Euro-Mediterranean market while its neighbouring countries have full access to it, could result, on the long run, in disastrous effects on its economy. On the contrary, this market opening will outline a new economy, thus enabling the future generations to build their future within their own society, and the country to settle in its strategic role of a financial centre for the Middle East and the Arab World. Besides, this Agreement will strengthen Lebanon's position in its negotiations to access the World Trade Organisation (WTO).

## Challenges to meet

However, many challenges have to be met. For the Lebanese Government, the priority is essentially to rebuild the structures. The necessity for such an exercise is twofold: first, accelerate the financial, economic and administrative reform in order to restore a legal and institutional administrative basis; and second, modernise the productive sector to enable it to adjust to the European and international economy standards. As for the Lebanese citizens, they should prepare

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<sup>2</sup> 45% of Lebanese imports originate from the EU countries and 25% of Lebanese exports are directed to the EU countries, according to the official statistics of the Lebanese Ministry of National Economy and Trade.

and adapt themselves to these changes as they represent the principal actors and the first beneficiaries of this new economy.

In order to manage these changes successfully, the Association Agreement provides for many programming phases and adapted support aiming at boosting the economic reform and addressing its repercussions.

The National Indicative Programme, signed on 4 March 2002, represents the first phase of the support provided by the European Union for the implementation of the Agreement. It grants € 80 million (MEDA II funding) for a support in the priority sectors: economic transition, modernisation and social development. The European Commission and the Lebanese Government will together identify the projects to be executed.

However, some projects have already been implemented while others are still ongoing under the various budgetary lines of which the MEDA programme. The projects to be launched soon will aim at pursuing the action already undertaken.

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## **Main points**

In order to understand the Association Agreement, it is necessary to be acquainted with the objectives of the Partnership between Europe and the Mediterranean. A free trade area in a context of shared prosperity could not be established but within the context of a close cooperation in many complementary fields. The economic development depends on the modernisation of this sector and of its supporting structures. It will not be viable unless it is associated to a balanced and sustainable social development. The stability and security will then ensure the perpetuity of this area.

“The different cooperation chapters that form the Association Agreement are intended to prepare for the changes and to support the reforms necessary to achieve these objectives. The Agreement, initialed on 10 January 2002 in Brussels, was signed on 17 June 2002 in Luxembourg. On 2 December 2002, the Lebanese Parliament authorised the Lebanese Government to ratify the Association Agreement. On 16 January 2003, the European Parliament ratified the Agreement that still has to be ratified by the Parliaments of the European Union Member States”.

The political dialogue is an absolute requirement for the cooperation as it aims to establish peace, stability and security in the Mediterranean region. On the long run, this dialogue will serve the perpetuity of the area of shared prosperity.

The free movement of goods represents the basis element of market economy as it lies within the scope of the gradual establishment of a free trade area over a transitional period not exceeding twelve years. As the procedures of the Association Agreement ratification are lengthy, the two Partners have agreed to have immediately the implementation of the trade provisions through an Interim Agreement. The Interim Agreement was signed on 17 June in Luxembourg and entered into effect on 1st March 2003. Such an agreement addresses the trade of industrial, agricultural and agro-industrial products on the basis of reciprocity”.

The financial cooperation as well as the economic and sector cooperation are the two vital instruments to boost the economic and social development towards a liberalisation of trade exchanges and an opening of the market. The cooperation aims to adjust the Lebanese economy and to ensure an economic transition while mitigating the negative outcomes on some sectors and on the social level.

This chapter is completed by the social and cultural cooperation. Such a cooperation should improve living and working conditions and increase employment levels in particular as regards women.

The cooperation in the cultural matters, audiovisual and information is intended to be a mean of rapprochement and mutual enrichment through promotion and exchange.

All these measures are implemented within an institutional framework that will facilitate the settlement of disputes that could arise. This institutional frame takes the form of an Association Council and an Association Committee each composed of representatives of the two Partners.