



## EEC-LEBANON COOPERATION AGREEMENT

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## EEC-LEBANON COOPERATION AGREEMENT

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### 1. INTRODUCTION

The general objective of the agreement signed in Brussels on May 3, 1977 between the EEC and Lebanon was to establish extensive cooperation between the two parties and to contribute to the economic and social development of Lebanon.

This agreement is not the first contractual arrangement concluded between the Community and Lebanon: a non-preferential agreement was signed in 1965 and went into effect in 1968; another agreement, preferential this time, was negotiated and signed in 1972, but it, in fact, never went into effect as it did not obtain the necessary ratifications.

The 1977 agreement, elaborated within the framework of a "Global Mediterranean Approach", covers a much vaster field than the preceding agreements; it concerns not only commercial exchanges, but also economic and technical cooperation as well as financial aid in the amount of 30 million ECU.

In addition, the 1977 agreement was concluded for an unlimited duration. It thus provides a stable legal framework for establishing and developing the cooperation.

It is also dynamic in the sense that it can be continually improved on the basis of the principles and objectives which have been set. The administration of this agreement has been entrusted to a Council for Cooperation, assisted when necessary, by specialized committees. Periodic meetings are to be held, in principle every five years, to examine the results of the agreement and to study ways in which it can be improved.

The EEC-Lebanon agreement went into effect on November 1st, 1978. But the commercial section has, in fact, been applied since July 1, 1977, thanks to the mechanism of an interim agreement which made it possible for measures which did not require the ratification of member nations, as is the case for the commercial measures, to go into effect beforehand.

### 2. COMMERCIAL MEASURES

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#### A. EEC-Lebanon exchanges

The recent events in Lebanon have resulted in an aggravation of this country's commercial deficit, particularly as concerns its exchanges with the EEC. With the Community, this deficit which was

of 393 million ECU in 1973, reached 580 ECU in 1978.

In 1978, Lebanese exports to the Community represented only 27.6 million ECU; as compared to 83.2 million in 1973 and 200.4 million in 1974. Lebanese exports are quite diversified: fruits and vegetables (9% in 1978), animal raw materials (7% in 1978), leather and skins (6% in 1978), manufactured fertilizers, fabrics and thread, travel articles and handbags and other articles made of leather and plastic. The share of agricultural products in total Lebanese exports was 33% in 1978, as against 39.9% in 1973 and 28.8% in 1975.

The Community's exports towards Lebanon represented 607.6 million ECU in 1978, equal to 0.3% of its world exports (outside the Community). In 1973, the Community had exported towards Lebanon, the equivalent of 476.2 million ECU, and in 1975, it exported in the amount of 613.1 million ECU. The principal exports are the following: transport equipment, electrical machines, chemical products, ready-made clothing, food products (cereals and dairy products).

EEC trade concessions and the fact that Lebanon is allowed to maintain its system of tariff protection should enable this country to reduce its trade imbalance vis-à-vis the Community.

EVOLUTION OF EEC-LEBANON TRADE (1973-1978)

Informant: EEC

In million ECU

	1973	1974	1975	1976	1977	1978
Imports	83.2	200.4	82.5	40.1	31.9	27.6
Exports	476.2	779.6	613.1	145.8	601.2	607.6
Balance of trade	393.0	579.2	530.6	105.7	569.3	580.0
Index 1970-100						
Imports	131	316	130	63	50	44
Exports	186	304	239	57	234	237
<u>Import structure (%)</u>						
Agricultural products	39.9	12.3	28.8	16.0	21.3	33.0
Industrial products	60.1	87.7	71.2	84.0	78.7	67.0

Source: EC Bureau of Statistics

EEC share in Lebanese foreign trade (%)

	In Imports	In exports
1973	42.3	23.1
1974	41.9	18.3
1975	37.5	6.5
1976	19.7	8.8
1977	38.2	5.9
1978	39.1	5.1

Source: IMF

Structure of EEC-Lebanon trade in 1978

Informant: EEC

In million ECU

Product	Imports		Exports	
	(MECU)	%	(MECU)	%
TOTAL	27.6	100	607.59	100
<u>Food products</u> among which :	3.70	13.4	80.44	13.2
Dairy products			24.21	4.0
Fruits and vegetables	2.48	9.0	5.47	1.0
<u>Non-edible raw materials</u> among which:	6.04	21.9	9.78	1.6
Leather and skins	1.97	7.1		
Animal raw materials	2.00	7.1		
<u>Combustible minerals</u> among which:	1.67	6.0	24.04	4.0
Oil derivatives	1.67	6.0	20.01	3.3
Chemical products	1.36	4.9	73.32	11.9
<u>Manufactured articles</u>	3.37	12.2	137.41	22.6
<u>Machines and transport equipment</u> among which:	1.79	6.5	170.90	28.1
Specialized industrial machines			36.69	6.0
Motorized vehicles			44.00	7.2
<u>Others</u>	9.68	35.1	112.70	18.6

Source: ECBS

## B. Object of the commercial measures

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The object of the agreement (article 8) as concerns trade is to promote exchanges between Lebanon and the Community and to achieve a better balance in their commercial exchanges in view of accelerating Lebanon's trade growth and of improving the conditions of access of its products to the Community's market.

The commercial system is based on non-reciprocity, that is to say that Lebanon is not obliged, at least in the immediate future, to grant the EEC advantages equivalent to those it receives from it. The measures apply both to agricultural and to industrial products. With the exception of products covered by the common agricultural policy (CAP) and of products enumerated in annexe A of the agreement (certain types of sugar, beer, vermouth, spirits, caseins, and albumines), the customs duties on imports from Lebanon have been removed since July 1, 1977. In other words, the Lebanese products concerned no longer have to pay duties resulting from the common customs tariff (CCT).

On that same date, quantitative restrictions and measures of similar effect imposed on imports from Lebanon have been removed.

The few restrictions to free access which still existed disappeared definitively on December 31, 1979. They concerned two products considered as sensitive; phosphate fertilizers 5CCT position n. 31.03) and certain cotton fabrics (CCT position n. 55.D9) which had been temporarily subjected to annual ceilings. These ceilings had been increased by 5% each year, as calculated on the basis of the export volume of preceding years. They were, during the first year, of 15,000 tons for the phosphate fertilizers and 200 tons for the cotton fabric.

Whenever the ceiling was reached, the Community could reinstate the customs duties normally applied to countries outside the EEC until the end of the calendar year.

Unlike tariff quotas, ceilings are a flexible tariff restriction. Whenever a tariff quota is exceeded, customs duties are immediately and automatically applied in full by the EEC member nations. On the contrary, in the agreement's supervisory system, whenever the import volume reaches the set ceiling, the member nations may choose to fully reinstate the customs duties or to maintain the preference system.

Until December 31, 1979 also, the Community could introduce ceilings if required by the market situation, for a certain number of industrial products: phosphates (CCT position n. 28.40 BII), travel articles and handbags (CCT position n. 42.04), cotton thread (CCT position n. 55.05) and aluminium (chapter 76 of the CCT).

In addition, the EEC may modify the oil products system after having consulted with the Lebanese representatives in the Council for Cooperation. Modifications, which may not result in a reduction

in the advantages provided for by the agreement, may be decided upon in the following cases:

- adoption of a common definition of origin for oil products;
- modification of the common trade policy of the EEC;
- establishment of a common energy policy.

Finally, for certain products resulting from the processing of agricultural products (see Annexe A), for which the duties include both a fixed and a variable element, only the fixed element is removed. The fixed element corresponds to the industrial part of the product and it is therefore logical that it be removed; as for the variable element, it serves to compensate fluctuations between world prices and the EEC prices for the parts or products utilized by Community manufacturers. For example, fats, milk and sugar are utilized to transform cocoa into chocolate; EEC prices for sugar and milk being higher than world prices, a compensation is necessary if Community manufacturers are to remain competitive.

#### D. Agricultural products

##### a) EEC-Lebanon agricultural exchanges

The following table shows the evolution of Lebanese agricultural exports to the EEC (1974-1978):

	1974	1975	1976	1977	1978
Annexe II (1)	14.0	9.6	3.4	5.2	6.8
% of total exports	7.0	17.5	8.4	16.6	24.6

Source: ECBS

(1) Products enumerated in annexe II of the Treaty of Rome are those which are subjected to the regulations of the common agricultural policy.

The domestic situation in Lebanon has led to a substantial decrease in agricultural exports, but their share in total exports to the Community have remained relatively stable over a period of years (39.9% in 1973 and 33% in 1978).

Lebanon's principal exports towards the EEC are citrus and other fresh fruit (grapes, watermelon, etc...) vegetables (onions, garlic, peppers) and animal raw materials (animal guts and stomachs). Lebanon's agricultural exchange balance shows a substantial deficit. Its imports from the EEC consist principally of dairy products and cereals.

##### b) Outline of measures concerning agricultural products

In accordance with the 1977 agreement, more than 80% of Lebanon's agricultural exports benefit from tariff concessions; these consist in reductions of from 40 to 80% of the duties normally required by

the EEC's common customs tariff (CCT).

Lebanon thus enjoys privileged access to the Community's market for its principal agricultural products, as do the other countries included in the Global Mediterranean approach.

As the concessions granted sometimes concern sensitive agricultural products - which can be in direct competition with products grown in the EEC - certain measures have been provided for to protect the interest of Community producers. These measures are:

- Observance of the regulations of the EEC's common agricultural policy, and particularly, observance of reference prices.
- import schedules : in this case, tariff reductions are valid only during certain periods of the year, so as to protect the Community's competing seasonal production and to favour the entry of extra-Community products out of season.
- a safeguard clause designed to protect the interest of Community producers in case of a market imbalance.

### c) Principal products

#### CITRUS FRUIT

The tariff reduction is 40% for lemons, 60% for oranges, tangerines and clementines, and 80% for grapefruit, limes and sweet limes.

It should be added that in a declaration appended to the agreement, the Community declared itself ready to consider, in view of the evolution of Euro-Mediterranean exchanges, increased concessions for oranges, tangerines and clementines.

#### EATING GRAPES

Lebanese exports of eating grapes enjoy a 60% tariff reduction between December 1 and April 30 of each year.

#### ONIONS AND GARLIC

The tariff reduction on onions and garlic exported by Lebanon is of 50%, but the period in which this preference applies is longer for the second production; from February 1 to April 30 for the onions, and from February 1 to May 31 for garlic.

In addition, the agreement specifies that the customs duties collected on dried, dehydrated or evaporated onions and garlic coming from Lebanon is set respectively at 15% and 16%.

#### OLIVE OIL

For exports of untreated Lebanese olive oil, the Community grants both a commercial and an economic advantage. Indeed, if the Lebanese authorities levy a special export duty, the Community reduces the normal levy collected by an amount equivalent to the duty within the limits of 4 ECU per 100 kg (economic advantage) to which is added a reduction of 0.5 ECU per 100 kg (commercial advantage). If

Lebanon does not apply duty on export, only the 0.5 ECU reduction is applied.

The following are the concessions granted by the Community for the principal products exported by Lebanon (for certain products, the period during which the concessions are granted is noted in parenthesis):

CCT n°	Merchandise designation	Reduction rate %
05.04	Animal guts, bladders and stomachs whole or in pieces, other than fish	80
07.01	Onions (February 1 - April 30)	50
	Garlic (February 1 - May 31)	50
	Hot or sweet peppers (November 15 to April 30)	40
07.05	Dried shell vegetables, shelled even broken	80
08.01	Dried dates	80
	Mangoes, mangosteen and guavas	40
08.02	Fresh oranges	60
	Mandarins, tangerines, satsumas, clementines, wilkings and other citrus hybrids	60
	Fresh lemons	40
	Grapefruit and pomelos	80
	Limes and sweet limes	80
08.04	Fresh eating grapes (December 1 - April 30)	60
08.05	Nuts and pistachios	50
08.09	Watermelon (April 1 - June 15)	50
08.12	Papayas	50
09.09	Anis, chinese anis, fennel, cumin, coriandre, carraway and juniper seeds	80
12.03	Seeds, spores and fruit seeds	50
12.07	Plants: pyrethrum, licorice roots, Tonka beans, camomile, mint, quinquina bark, Calabar beans, quassia, amara, coca leaves, cibébé pepper, other woods, roots, barks, mosses linchen and algae	80
12.08	Fresh or dried carob	80
20.01	Mangoe chutney	80



## E. Origin regulations applicable to Lebanese products

In order that the trade advantages contained in the agreement truly benefit Lebanese products and these only, it is essential that the concept of "product origin" be precisely defined. Protocol n.2 of the EEC-Lebanon agreement does just that.

A product is considered as being "of origin" if it is produced in its entirety ("entirely obtained") in the country involved, or else if it is the object of "sufficient processing or transformation".

### a) Sufficient processing or transformation

Processing or transformation is considered to be "sufficient" if it entails a change in the tariff position - in the schedule of the Council for Customs Cooperation - for the final product obtained. However, there are several exceptions to this principle:

- refined oil products (enumerated in list C) are excluded from the application of protocole n.2 . Special rules of origin are applied in each of the EEC member nations:
- certain processing or transformation operations leading to a change in the tariff position do not confer the character of a product of origin or only confer this character under certain conditions: list A inventories the products concerned and specifies the required conditions (often a minimum percentage of valorization);
- certain processing or transformation operations which do not lead to a change in tariff position nevertheless confer the character of a product of origin to products involved because they fulfill certain conditions. These products are enumerated in list B.

Certain products appear both in list A and list B. In this case, the conditions indicated in both lists must be fulfilled. If both lists refer to a percentage rule, the proportion of imported elements which are not of origin may not exceed the highest percentage. In no event should the two percentages be added.

The sufficient processing and transformation of imported products does not apply to products imported from the Community by providing these are "products of origin".

### b) Minimal processing and transformation

Certain processing and transformation operations are always considered "sufficient" to confer the character of products of origin, whether there is any change in position or not and whether conditions set out in list A and B are fulfilled or not. The following processing and transformation are considered to be "insufficient" as they do not attain the minimal threshold:

- conservation of merchandise during its transport and its stocking (aeration, drying, refrigeration, extraction of spoiled parts, etc..)
- simple dusting, sifting, grading, classification, selection, washing, painting, cutting operations;
- simple packaging operations (bottling, packing, etc...);
- simple blending of products, even of different types, if one or

- several of the components of the blend do not fulfill the conditions required to be considered as of origin;
- simple piecing together of parts of an article in order to make a complete article;
  - slaughter of animals.

#### c) Direct transport

In order that the above-mentioned rules be applicable, it is also necessary that products of origin should have been transported directly from the country of origin to the country of destination.

If, for geographical reasons, another territory must be crossed, the following conditions must be fulfilled:

- all operations other than transshipment, temporary storage or conservation of the merchandise are excluded;
- products must not have been marketed or offered for consumption in the country of transit;
- the products must have remained under the supervision of the customs authorities of the transit country.

#### d) Export documents

A EUR 1 certificate is normally utilized. It is delivered by the customs authorities when the exporter fills in the request forms. If the products are mailed or sent by parcel post, and the value does not exceed 1,000 ECU, the exporter may choose to use a EUR 2 form, which he fills in himself or which is filled in for him by an authorized representative. The form is then placed in the parcel and does not have to be verified by the customs of the exporting country.

No document is required, whatever form of transportation is utilized if the parcel is worth less than 60 ECU and contains products destined for personal or family utilization (without commercial objectives) of the person it is addressed to.

#### Systematic questionnaire designed to determine whether a product is of origin.

Q 1 Was your product entirely obtained in Lebanon?

Yes: product of origin

No : Q 2

Q 2 (+) Are the imported parts utilized of EEC origin?

Yes: product of origin

No : Q 3

Q 3 (+) Do the imported parts which are not of EEC origin have an NCCD four figure NCCD classification which is different from that of the final product?

Yes: Q 4

No : Q 6

Q 4 (+) Is your product on list A ?

Yes: Q 5

No : product of origin

Q 5 Does your product fulfill the additional criteria set forth in list A?

Yes: product of origin

No : not product of origin

Q 6 (+) Is your product on list B?

Yes: Q 7

No : Not product of origin

Q 7 Does your product fulfill the other criteria set forth in list B?

Yes: product of origin

No : not product of origin

N.B. : A general exemption of 5% is provided for at the beginning of list B, last column, for certain products which come under chapters 84-92, 73.37, 97.07 and 98.03.

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(+) If your answer is Yes and No, you must follow the possibilities resulting from both answers. Your product is a product of origin only if all the answers to the questions are followed by the comment "product of origin".

#### F. Lebanese import regulations

By virtue of the principle of non-reciprocity on which the commercial section of the cooperation agreement is based, Lebanon is not obliged to grant to the EEC, trade concessions equivalent to those it receives. However, reciprocity remains a long term objective. Indeed, article 25 provides that on the occasion of the periodical reviews, the parties will try to find means of progressing towards the elimination of obstacles to exchanges, while keeping in mind Lebanon's development requirements.

At present, Lebanon must only grant the Community the most favoured nation treatment. This means that it will extend to the Nine all the favourable trade terms set out in subsequent agreements concluded with other countries. Lebanon may, however, grant less favourable conditions than those of the most favoured nation in the case where it would form a customs union or a free-exchange zone with other countries, or would participate in a regional economic integration experiment.

Whenever it proves to be necessary for its industrialization and its development, Lebanon may introduce new customs duties or quantitative restrictions. In view of applying these measures, consultations take place at the request of the Community within the Council for Cooperation. The designated quotas must be applied to the EEC as an entity, and there

can under no circumstance be any discrimination between the member nations of the Community.

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Rules concerning Community products as well as Lebanese products are rules normally applicable in the absence of problems. But in order to give the system a certain flexibility, safeguard clauses have been included which can be applied in certain specific cases.

Thus, should one of the parties detect dumping practices in its relations with the other party, it may take "appropriate measures" in conformity with article VI of the general agreement on trade and tariffs (GATT). Identical measures may be taken against discriminatory practices in matters of subsidies or of grants. In addition, in case of serious problems in the balance of payments, similar safeguard measures may be taken either by Lebanon or by EEC member nations.

However, these measures must be discussed in the Council for Cooperation to which all the elements needed for a thorough examination of the situation must be supplied. The measures which cause the least disturbance to the functioning of the agreement must be chosen in priority, and they must be removed as soon as conditions permit.

### 3. ECONOMIC, TECHNICAL AND FINANCIAL COOPERATION

The object of the cooperation defined by the EEC-Lebanon agreement is to contribute to the development of Lebanon, while taking into account the priorities adopted by the national plans and programs, as well as the importance of favouring regional cooperation.

#### A. Scope of the cooperation

Cooperation between the EEC and Lebanon can occur in the following fields (article 4):

- development of the economic infrastructure (means of communication, supplying of water and electricity, etc..) so as to encourage Lebanese economic diversification;
- promotion of trade;
- industrial cooperation, which may take various forms:
  - . participation in programs for the industrial development of Lebanon;
  - . organization of contacts between persons responsible for industrial policies and economic operators from Lebanon and from the Community;
  - . transfer of technology (sale on favourable terms of patents, licences, etc...);
  - . contribution to the elimination of non-tariff obstacles to exchanges (safety, health and packaging norms);
  - . cooperation in the fishing sector;
  - . encouragement of private investments of mutual interest to the parties.

The Council for Cooperation defines the means and methods of putting into effect these various types of cooperation. It can also broaden the scope for cooperation.

## B. The Community's financial aid

As specified in article 1 of the agreement's financial protocol, the object of the Community's financial aid is to contribute to the economic and social development of Lebanon.

### a) Size and duration of the aid

The total amount of the Community's financial aid is of 30 million ECU and must be committed over a period beginning with the entering into effect of the cooperation agreement (November 1, 1978) and ending on October 31, 1981.

Although provisions have been made to distribute the aid as regularly as possible during the term of application, a relatively larger amount could be committed during the first two years so as to compensate for the ratification delays. Credits not utilized at the end of October 1981 may be drawn on until exhausted following the normal procedure.

The aid is composed as follows:

EIB loans	: 20 million ECU
Special term loans	: 2 million ECU
Non-refundable grants	: 8 million ECU
TOTAL	: 30 million ECU

The European Investment Bank loans are covered by Community guarantees, and not by national guarantees. The non-refundable grants and the special term loans are drawn on the Community's budget, payable in the new European currency unit since January 1, 1978.

The EBI loans are granted from the Bank's own resources and are generally accompanied by a 2% interest rate reduction financed by funds provided for under the heading of non-refundable aid.

The special term loans are granted for a period of 40 years at a 1% nominal interest rate. They are accompanied by a 10 year deferred payment clause.

### b) Object of the financial aid

The EEC's financial contribution may be utilized for the total or partial financing of:

- investment projects in the field of production and of the economic infrastructure in particular with a view to diversifying the economic structure of Lebanon, to encouraging its industrialization, and to modernizing its agriculture. These projects are generally financed by EBI loans, special term loans, or a combination of both;
- technical cooperation preliminary or complementary to the investment projects presented by Lebanon (feasibility studies, choice of technologies, etc...). Financing will normally take the form of non-refundable grants.

-training of the staff called upon to operate or manage the projects undertaken. The training expenses are normally covered by non-refundable grants.

Community aid is destined to cover the costs of carrying out projects and may in no case serve to cover current administrative, maintenance and operating costs.

#### c) Beneficiaries of the financial aid

The Lebanese government is, in general, the beneficiary of the EEC's financial aid, but the following may also benefit from this aid with the Lebanese government's approval:

- State development bodies in Lebanon;
- private bodies working towards economic and social development in Lebanon;
- private Lebanese companies;
- grant-holders and trainees within the framework of professional training projects.

#### d) Financial aid administration

##### Presentation and examination of projects

Upon the approval of the Lebanese government, each body or person mentioned above may present a request to the EEC for financial aid. The request will then be examined by the EEC's competent authorities (Commission or EBI) in cooperation with the Lebanese government and the applicant. If the request is accepted after examination, a decision is adopted as regards financing.

The Lebanese government and the other aid beneficiaries are responsible for the execution, the management and the maintenance of the projects financed by the Community. The Community ascertains that its financial aid is utilized in the most efficient manner possible and in conformity with the allocations decided upon.

##### Signing of deals and contracts

All individual or legal entities in Lebanon and the EEC member nations may participate in tender invitations and awards, deals and contracts relating to projects financed by the Community.

For projects the value of which is estimated to be less than 1 million ECU, an accelerated procedure may be utilized, so as to encourage participation of Lebanese companies in their execution.

In certain exceptional cases, the participation of other countries in deals financed by the EEC may be decided of common accord. This may also be decided as regards projects which are jointly financed.

Deals and contracts signed in view of carrying out projects or actions financed by the Community will be granted by Lebanon fiscal and customs conditions as favourable as those which apply to other international organizations.

Before granting it, the Community may ask the Lebanese government to guarantee a loan made to a non-governmental body. During the entire duration of the loans, Lebanon undertakes to place at the disposal of debtors, the currency necessary to pay interest, commissions and to refund the capital.

The Council for Cooperation controls the financial and technical cooperation projects. Each year, it examines how the aid has been utilized and defines, when necessary, the general guidelines of this cooperation.

### C. Implementation of the technical and financial cooperation

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So that concrete action may be taken as soon as the agreement goes into effect, it has been agreed that the work preliminary to the implementation of the cooperation could begin upon the signing of the agreement.

A Community mission therefore arrived in Lebanon to study the economic situation and to discuss with the Lebanese authorities the country's needs in matters of development. In November 1977, the Commission forwarded to the EEC Council of Ministers, a proposal defining the guidelines for technical and financial cooperation. Once adopted by the Nine, these guidelines will be submitted to the EEC-Lebanon Council for Cooperation.

In January 1978, a joint mission of the Commission and the EBI went to Lebanon to identify those projects and activities which might receive Community financing.

#### a) General objectives

- Restoring and development of basic infrastructures in view of accelerating economic recovery and regional decentralization.
- Development of an industrial and agricultural potential in view of increasing production, improving living and employment conditions and reducing regional disparities.
- Promotion of industrial cooperation between operators, in particular with a view to facilitating the transfer of technology, the development of investments and the carrying out of joint ventures.

The following principles should guide the implementation of the cooperation:

- activities requiring the convergent utilization of the various instruments of cooperation should be encouraged;
- the Community's participation must act as catalyzer by inciting other sponsors to provide funds and by encouraging triangular cooperation activities (along the following lines : Lebanese projects, OPEC capital, and European technology).

#### b) Economic priorities

Projects and activities financed by the Community must deal with the following priorities:

##### Infrastructure

- Infrastructures linked to the recovery of economic activity and regional

development, in particular the development of industrial zones located outside the Beirut region and infrastructures linked to the installation of these zones.

#### Development of production

##### Industry

- Projects encouraging the modernization, reorganization and decentralization of small and medium-sized companies and increasing Lebanese industry's level of competition;
- Projects encouraging the introduction of new technologies.

##### Agriculture

- Projects contributing to the development of the agricultural sector, in particular, projects contributing to the improvement of the standard of living in the underprivileged rural zones.

##### Training, research, technical assistance

- Research activities in view of encouraging the development of a technology adapted to Lebanon's needs;
- Training and technical assistance activities, particularly those linked to the implementation of the above-mentioned objectives.

#### c) Project identification

Reconstruction being the task to which priority must be given, financial requests presented by the Lebanese authorities have been concentrated on projects which could contribute effectively to the economic revival and to the reorganization of public services. The following sectors are involved: development of the infrastructure, technical training and assistance, agricultural development.

The following are the principal projects presented:

- Extension of the thermal power station at Jieh: this project has already been examined, and a first phase of the work has begun thanks to emergency aid (EBI loan) granted exceptionally to Lebanon. The 5 million ECU financed in conformity with the agreement protocol (EBI low interest rate loan) will be invested by 1981.
- Repair of national roads: project financed by an EBI low interest rate loan of approximately 10 million ECU: invested by 1980.
- Acqueduct linking the Axali river to Beirut's distribution network: projects financed by an EBI low interest rate loan: invested by 1980.
- Reorganization and computerization of customs services: this project began in 1979 with the accelerated procedure (sending of experts) and is supported by a total amount of 0.9 million ECU (non refundable aid).
- A training program of several years: grants, training periods for a total amount of 0.2 million ECU (non-refundable aid).



#### 4. INSTITUTIONS

##### A. Council for Cooperation

A Council for Cooperation has been set up to supervise the proper functioning of the agreement and to implement the proposed cooperation. It is composed of representatives from the Community and from Lebanon.

The Council for Cooperation normally meets once a year, but extraordinary meetings may be held upon the request of one of the parties, each time a special event requires it. It is presided over in turn by an EEC representative and by a representative from Lebanon.

The Council for Cooperation may decide to set up specialized committees to assist it in accomplishing its tasks. It also facilitates contacts between members of the European Parliament and members of the People's Assembly in Lebanon.

##### B. Settling of disputes

The parties must take the necessary steps to carry out the obligations set out in the agreement. If one of the parties should fail to carry out any of these obligations, the other party may take the appropriate measures. However, the party must previously inform the Council for Cooperation and provide it with all the elements needed for a thorough examination of the situation.

The Council for Cooperation endeavours to find a solution which will be acceptable to both parties. If it fails to do so, the party which considers itself as injured may take the contemplated measures, selecting in first place those which will least perturb the functioning of the agreement.

##### C. Non-discrimination

Lebanon and the EEC have agreed that the application of the agreement could in no way result in any discrimination between their nationals or their companies (article 43) - and for Lebanon, between the Community's member nations. However, article 30 authorizes certain restrictions on exchanges justified by reasons of public order, public security, health protection, etc., but on condition that these restrictions do not constitute "a means of arbitrary discrimination, nor a disguised restriction in the trade relations between the contracting parties".

In an exchange of letters concerning the two above-mentioned articles, the Lebanese government declared that "... its commitments will not lead it to repeal the laws and regulations in application insofar as these laws and regulations remain necessary to the protection of the essential interests of its security. (Lebanon) attends to the implementation of these laws and regulations in order to ensure their conformity with the provisions of article 41, paragraph 1 of the agreement" (on the carrying out of the obligations contained in the agreement).

For its part, the Community declares: "that it expects that the principles set out in the agreement, including those contained in

articles 30 and 43 of the agreement, be fully applied".

The Community feels in particular " .... that the application of the principle of non-discrimination should ensure the correct and conflict-free application of the agreement".

D. Reexamination of the agreement

As the agreement is concluded for an unlimited duration, it was thought necessary to include a clause of periodical reexamination designed to avoid a slowdown in cooperation. This reexamination which normally takes place every five years, is intended to be both an assessment and a stimulant. The parties examine the results of the agreement and study improvements which could be made on both parts on the basis of the acquired experience.

Finally, each party may renounce the agreement by notifying the other party. The agreement ceases to be enforced twelve months after this notification.

ANNEXE A

PROCESSED AGRICULTURAL PRODUCTS REFERRED TO IN ARTICLE 15

Common custom tariff N°	Merchandise designation
ex 17.04	Confectionery without cocoa, to the exclusion of licorice extracts containing more than 10% in weight of saccharose, without other additives.
18.04	Chocolate and other food preparations containing cocoa
19.01	Malt extracts
19.02	Preparations: "baby foods, diet foods and culinary preparations containing flower, starches, potato flour, or malt extracts, even with cocoa added in a proportion inferior to 50% in weight.
19.03	Pasta
19.04	Tapioca, including potato flour tapioca
19.05	Cereal based products obtained by blowing or toasting: "puffed rice", "cornflakes" and their like
19.06	Hosts, tablets for medicine, sealing was, dried flour, starch or potato flour dough in sheets and similar products
19.07	Bread, sea biscuits and other ordinary baked products, without addition of sugar, honey, eggs, fats, cheese or fruit
19.08	Refined bakery products, pastries and biscuits even with cocoa added in any proportion
ex 21.01	Roasted chicory and other roasted substitutes for coffee and their extracts  - to the exclusion of roasted chicory and its extracts
21.06	Natural yeasts, live or dry : prepared artificial yeasts:  A. Natural live yeasts:  II. Bread-making yeasts
ex 21.07	Food preparations not listed or included elsewhere, containing sugar, dairy products, cereals or cereal-based products (1)

Common custom tariff N°	Merchandise designation
ex 22.02	Lemonades, flavoured sparkling waters (including mineral waters treated in this manner) and other soft drinks, to the exclusion of the fruit and vegetable juices listed in n° 20.07
ex 29.04	<p>Acyclic alcohols and their holo-genated, sulfonated, nitrated and nitrosated derivatives</p> <p>C. Polyalcohols:</p> <p>    II. Mannitol</p> <p>    III. Sorbitol</p>
35.05	Dextrine and dextrine glues; soluble or roasted starches and potato flour; starch or potato flour glues
38.12	<p>Prepared trimmings, prepared finishings and mordant preparations, of the type used in the textile industry, the paper industry, the leather industry or similar industries:</p> <p>A. Prepared trimmings and prepared finishing:</p> <p>    I. made of starchy materials</p>
38.19	<p>Chemical products and chemical industry or connected industry preparations (including those listed or included elsewhere; residual products of the chemical or connected industries, not listed or included elsewhere:</p> <p>T. Sorbitol, other than the sorbital referred to in sub-position 29.04 C III</p>

(1) This reference applies only to products which, upon being imported into the Community, are subject to the assessments provided for in the common customs tariff, composed of a) an ad valorem duty which constitutes the fixed element of the assessment; b) of a variable element.

ANNEXE B

EUROPEAN CURRENCY UNIT

The European Currency Unit (ECU) utilized to express the EEC's financial contribution to Lebanon, is now in general application throughout the Community. Indeed, the Community's budget is expressed in ECU since 1978.

The ECU is calculated on the basis of a "basket" of currencies of the Community member nations. The share of each member nation in the basket depends on the importance of its domestic production and of its intra-Community exchanges. The shares are the following:

German mark	0.828
Pound sterling	0.0885
French franc	1.15
Italian lira	109
Dutch florin	0,286
Belgian franc	3.66
Luxemburg franc	0.14
Danish krone	0.217
Irish pound	0.00759

The value of the ECU for each of the nine currencies is calculated daily by the Commission of the European Community on the basis of the exchange rate prevalent in the exchange market. The ECU rates thus obtained are published each afternoon and communicated by telex to the central banks as well as to financial institutions and news agencies. They are also published in the official Community Journal (serie C communications and information) on the weekday following the quotation.

The ECU's value is not calculated in Lebanese currency, in view of the fact that the financial transfers are normally made in the currency of one of the EEC member nations and converted into Lebanese pounds.

On January 1st, 1980, 1 ECU was worth 1.45 USD.

ANNEXE C

FOOD AND EMERGENCY AID

Food aid does not enter into the scope of the EEC-Lebanon cooperation agreement. However, Lebanon is one of the beneficiaries of the Community's policy of food aid. Thus from 1970 to 1976, it received cereals, powdered milk and butteroil in the amount of 7.99 ECU.

In 1976, as a result of the events which shook Lebanon, the Community decided to implement an exceptional aid program. This program among others, placed at the disposal of Lebanon emergency food aid in the amount of 10.28 million ECU.

In general, this food aid is sent directly to the country to be distributed to the needy, but it sometimes happens that it goes through the channel of humanitarian organizations, principally the Red Cross (indirect food aid).

Under the heading of emergency aid, Lebanon has also received a loan from the EBI in the amount of 20 million ECU.

Food aid (direct and indirect)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Millions of ECU (World prices)	0.92	7.64	2.85	2.90	2.10
Cereals (in tons)	3,590	22,750	25,000	20,000	10,000
Powdered milk (in tons)	250	4,160	2,275	950	800
Butteroil (in tons)	200	2,840	1,240	650	650

ANNEXE D

BASIC DATA ON LEBANON

Area	:	10,170 sq. km
Climate	:	on the coast, hot and humid in summer, mild the rest of the year with rain in January, February and March
Temperature	:	(Beirut) hottest month : August (mean temperature: 28.4°) coldest month: February (mean temperature: 12.7°)
Monetary unit	:	Lebanese pound (L£), divided into piasters 1 L£ = 0.31 USD (July 1979) 1 USD = 3.24 L£ 1 L£ = 0.21 ECU (January 1980) 1 ECU = 4.72 L£

POPULATION , RESOURCES, EQUIPMENT

Population	:	3.06 million inhabitants
Annual rate of demographic growth 1970-1976)	:	3.1%
Density	:	301 inhabitants per sq. km.
Principal towns (population in 1975	:	Beirut (capital) : 1,500,000 inh. Tripoli : 160,000 inh. Zahleh : 45,000 inh. Saida (Sidon) : 36,000 inh. Djounieh : 30,000 inh. Sour (Tyre) : 15,000 inh.
Active population (1975)	:	700,000 persons
GNP per person (1975)	:	1,070 USD
Mineral resources	:	rare, a little lignite
Oil refinig capacity	:	3 million tons
Electricity production	:	1,850 megawatts (1975)
Ports	:	Beirut, Tripoli, Saida
Airport	:	Beirut (Khaldé)

PRODUCTION

Gross National Product (1975)	:	3,290 million USD	
Annual rate of increase in GNP	:	1963 - 1967	: 5.1%
	:	1968 - 1973	: 7.6%
Structure of the GDP (1974)	:	Agriculture	: 9.2%
	:	Industry	: 22.7%
	:	Services	: 68.1%



ANNEXE E

PRINCIPAL ECONOMIC SECTORS

1. AGRICULTURE

Agriculture does not play as important a role in the Lebanese economy as it does in the economies of the other Mediterranean countries. In 1974, agricultural activities contributed 9.2% of the G.P. The active agricultural population has greatly decreased during the last twenty years: it represented only 12% of the population in 1977, as compared to 50% in 1960.

The abandoning of less fertile land has resulted in the decrease in arable surface: 210,000 ha in 1972, as against 260,000 ha in 1965. This trend has hardly been compensated by a rapid improvement in the production of richer lands situated in a strip along the coast and in the Bekaa plain. As a result, the average growth of the agricultural population did not exceed 2.5% a year between 1964 and 1970. In the last few years, the government has concentrated on returning abandoned land to cultivation, on increasing the irrigation network (irrigated land represents approximately 1/4th of the arable land) and on developing the plantation of fruit trees, principally as a result of the "Green Plan".

Fruits, vegetables and cereals are the principal crops. The fruit and vegetable sector is the most important and also the most dynamic (more rapid growth than in the other sectors); in 1973, of a total agricultural production worth 805 million L£, the fruit production represented 352 million L£ and the vegetable production, 117 million L£. Citrus fruit are the leading agricultural export products. Although cereals (wheat and barley) occupy first place as to area, their contribution to the agricultural production is relatively small: 23 million L£ in 1973.

Principal production (in thousands of tons)

	1973	1974	1975	1976 (1)
Wheat	55.1	76	65	30
Citrus fruit	307.3	311	284	289
Potatoes	116.5	94	80	85
Sugar beet	139.4	160	145	36
Apples	166.1	180	170	173
Grapes	107.4	105	100	100

(1) Estimate

Source: FAO

The civil war seriously disorganized agricultural production particularly in the south of the country where many plantations were destroyed. The loss in fixed capital suffered by the agricultural sector is estimated at around 100 million USD. The drop in the agricultural production has resulted in price increases and massive imports of products have had to be made (particularly cereals).

## 2. MANUFACTURING INDUSTRY

The secondary sector contributes 21% to the GDP and employs 25% of the active population. Lebanon has no known mineral resources, except for lignite. But it owns several pipeline terminals (oil exported to Europe) and operates two important oil refineries; one in Tripoli with a capacity of 30,000 barrels/day and the other at Saïda with a capacity of 16,500 barrels/day.

Compared to other Middle Eastern countries, Lebanon's industry is relatively developed. It is only since the 1970's that this manufacturing industry began to develop rapidly, when it turned to exporting products destined for the Middle Eastern market. Business enterprises are usually small and concentrated in the outskirts of Beirut. They are specialized in food processing, construction materials, metal, plastic and leather processing, textiles and ready-to-wear clothing.

The increase in industrial exports - principally destined for Saudi Arabia, Jordan, Syria, Iraq, and Kuwait - has been rapid since these have grown from 87 million L£ in 1967 to 1,197 million L£ in 1978.

The industrial sector has suffered substantial damage as a result of fighting which took place in Lebanon: more than 150 plants were destroyed and losses were estimated at 30 to 35% of the total industrial investment.

## 3. SERVICES

The service sector employs close to 60% of the active population and contributes 69% to the GDP. A third of the services are exported.

Lebanon has been able to take advantage of its geographical situation to develop trade and transit activities as well as the wealth of its sites and its pleasant climate which have encouraged its tourist industry (approximately 1 million tourists per year). In addition, since a few years, Beirut has become an important financial center where leading international banks have settled. The inflow of Arab capital has greatly contributed to the development of the Lebanese banking network.

Merchandise enters essentially through the port of Beirut which has grown very rapidly during the period when the Suez canal was closed. Traffic through this port went from 642,000 tons in 1967 to 4 million tons in 1974. Many of the port facilities were destroyed during the war, and the rebuilding and extension of the port which has been given top priority, will cost more than 200 million L£. Without as yet equalling the record figure for 1974, traffic has partially resumed: 2.1 million tons in 1977 and 1.8 million tons in 1978. Traffic through Tripoli, the second port in the country, is essentially tanker traffic.

The international airport at Beirut is the most important in the world: in 1974 traffic was of 2.8 million passengers and 145,000 tons of merchandise.

4. TRADE

Despite the increase in trade deficit during the last few years, Lebanon's balance of payments continues to show a surplus due to transfers made by emigrants, to income of capital invested abroad and to receipts from tourism.

Trade Balance (1974 - 1978)

	In million L <sup>B</sup>				
	1974	1975	1976	1977	1978
Imports	3,386	2,792	2,323	2,247	1,930
Exports	5,168	4,504	2,178	4,206	5,100
Balance	-1,782	-1,712	145	-1,959	-3,170

Source: Beirut Chamber of Commerce.

Current examination of trade trends shows that the major part of Lebanese exports are destined for the Arab countries of the Middle-East (more than 80% in 1977 and 1978), while imports principally originate from the EEC (42% in 1977), the United States, the countries of Eastern Europe and Japan to a lesser extent.

ANNEXE F

USEFUL ADDRESSES (in Beirut, unless otherwise specified)

Delegation to the Commission in Lebanon

Marc JANSSENS, delegate

Centre Géfinor, Bloc B, 8th floor, rue Clémenceau

EEC member nations Embassies in Lebanon

Belgium	: Centre Verdu, rue Dunant
Denmark	: Rue California, New Maras bldg.
France	: Rue Clémenceau
German Federal Republic	: Rue Mansour Jourdak, Daouk bldg.
Italy	: Rue Makdissi, Cosmidis bldg.
Netherlands	: Rue Kantari, Shmarani bldg.
United Kingdom	: Avenue de Paris, Ain-el-Mréissé

Leading Banks

Bank of Lebanon (Central bank)	: Rue Masraf Loubnane
Almshrek Bank	: Rue Riad el-Solh
Bank of Beirut and the Arab countries	: Rue Clémenceau
Audi Bank	: Avenue Fouad Chehab, Saint-Nicolas district
Banque du Crédit National	: Rue Riad el-Solh
Banque du Crédit Populaire	: Rue Riad el-Solh
Banque de l'Industrie et du Travail	: Rue Riad el-Solh
Lebanon and Overseas Bank	: Rue Spears
Mediterranean Bank	: B.P. 348
Crédit Libanais	: Square Riad-el-Solh
National Bank for industrial and tourist development	: Avenue Fouad Chehab

Insurance firms

"La Phénicienne"	: Centre Géfinor, rue Clémenceau
Al-Ittihad al-Watani	: Fattal Bldg.
Arabia Insurance Company Ltd	: Arabia House, rue de Phénicie
Commercial Insurance Company	: Centre Starco
Compagnie Libanaise d'Assurances	: Rue Riad el-Solh

Chambers of Commerce and Industry

Beirut Chamber of Commerce and Industry	: Sanayeh, rue Speras
Tripoli Chamber of Commerce and Industry	: Tripoli
Saida Chamber of Commerce and Industry	: Saida
Zahlé Chamber of Commerce and Industry	: Zahlé

National Development Organism

Council for Development and Reconstruction: Beirut  
(founded in 1976 to undertake the reconstruction after the civil war)

Employer's organizations

Association of Lebanese Manufacturers : Rue Justinien, Chamber of  
Commerce bldg.  
National Council of Employers : Beirut

Unions

General Confederation of Lebanese Workers : Beirut

Transport

Railroad

Office of Lebanese National Railways and of Beirut and suburbs public  
transport : PB 109, Souk el-Arwam

Shipping

Numerous private shipping companies: the port of Beirut was closed  
during the civil war, but was reopened in December 1976. It was closed  
again for five months in 1978.

Civil Aviation

Middle East Airlines (MEA) : MEA bldg. Beirut International  
Airport, PB 206  
Trans-Mediterranean Airways (TMA) : Beirut International Airport  
PB 3018

Tourism

Ministry of Tourism : Beirut  
National Tourist Council : Rue de la Banque du Liban

USEFUL ADDRESSES IN THE EEC

1. Directorate-General for Development  
Commission for the European Communities  
200, rue de la Loi  
B - 1040 Brussels           Tel: 735 80 30
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CHAMBERS OF COMMERCE OF THE NINE MEMBER NATIONS

1. BELGIUM Fédération nationale des chambres de commerce  
et d'industrie de Belgique  
40, rue du Congrès  
1000 Bruxelles
2. DENMARK Danish National Committee of International  
Chamber of Commerce  
Børsen - 1217 Copenhagen K
3. FRANCE Chambre de Commerce de Paris  
27, avenue Friedland  
75008 Paris
4. ALLEMAGNE Deutsche Industrie und Handelstag  
Adenauerallee 148  
53 Bonn
5. IRELAND Association of Chambers of Commerce of  
Ireland  
7 Clare Street  
Dublin 2
6. ITALY Unione Italiana delle Camere di Commercio  
Industria Artigianato e Agricoltura  
Piazza Sallustio 21  
00187 Rome
7. LUXEMBURG Chambre de Commerce  
8 avenue de l'Arsenal  
Luxemburg
8. NETHERLANDS Nederlandse Organisatie voor de Internationale  
Kamer van Koophandel  
Prinses Beatrixlaan 5  
The Hague
9. UNITED KINGDOM Association of British Chambers of Commerce  
68 Queen Street  
London EC4



ANNEXE G

ABBREVIATIONS

- ACP : African, Caribbean and Pacific nations, who have signed the Lomé Agreement
- CAP : Common Agricultural Policy
- CCT : Common Customs Tariff
- ECU : European Currency Unit
- EBI : European Bank for Investment
- EEC : European Economic Community
- GATT : General Agreement on Tarrifs and Trade
- GNP : Gross National Product
- GPS : Generalized Preference Scheme
- OJ : Official Journal of the European Communities
- MCA : Monetary Compensatory Amounts

GLOSSARY

- CAP : The common agricultural policy's objective is to rationalize the agricultural production and to establish a community system for aid and supervision of imports. It covers more than 95% of the Community's agricultural production
- ECU : Monetary Unit utilized by the Community within the framework of financial aid granted Lebanon. It is calculated on the basis of a basket of currencies of the Nine EEC member Nations and represents a weighted average of their value in the market.
- MCA : The Monetary Compensatory Amounts take into consideration the differences between basic prices in intra-Community trade.
- Levies : Levies are the equivalent of compensatory duties and are duties percieved on imports with a view to compensating export subsidies granted by another country.
- Reference price : It applies to fruit and vegetable imports with a view to protecting Community producers. It serves as indicator for the price in the Community's internal market.

Copies of the EEC-Lebanon Cooperation Agreement may be requested at the DG X (Directorate General for Information), Commission of the European Communities, Brussels.