

EC-LEBANON INTERIM AGREEMENT

Interim Agreement on trade and trade-related matters between
the European Community, of the one part, and the Republic of Lebanon, of the other part

The European Community, hereinafter referred to as the "Community", of the one part, and

The Republic of Lebanon, hereinafter referred to as "Lebanon", of the other part,

Whereas the Euro-Mediterranean Agreement establishing an Association between the European Community and its Member States, of the one part, and the Republic of Lebanon, of the other part, was signed at Luxembourg on 17 June 2002,

Whereas the Euro-Mediterranean Association Agreement is intended to strengthen and widen relations between the Community and its Member States and Lebanon established by the existing Cooperation Agreement of 1977,

Whereas it is in the mutual interest of the Parties to implement as speedily as possible, by means of an Interim Agreement, the provisions of the Association Agreement on trade and trade-related matters,

Whereas it is necessary to ensure that, pending the entry into force of the Association Agreement and the establishment of the Association Council, the Cooperation Council set up by the existing Cooperation Agreement of 1977 exercise the powers assigned by the Association Agreement to the Association Council, which are necessary in order to implement the Interim Agreement,

Have decided to conclude this Agreement and to this end have designated as their plenipotentiaries:

THE EUROPEAN COMMUNITY

Josep Piqué i Camps
Minister of Foreign Affairs of the Kingdom of Spain
President-in-Office of the Council of the European Union

Chris Patten
Member of the Commission of the European Communities

LEBANON

Mahmoud Hammoud
Minister of Foreign Affairs and Emigrants

Who, having exchanged their full powers, found in good and due form,

Have agreed as follows:

TITLE I

General Principles

Article 1 (aa2)

Relations between the Parties, as well as all the provisions of this Agreement itself, shall be based on respect of democratic principles and fundamental human rights as set out in the Universal

Declaration on Human Rights, which guides their internal and international policy and constitutes an essential element of this Agreement.

TITLE II

Free Movement of Goods

Article 2 (aa6)

The Community and Lebanon shall gradually establish a free trade area over a transitional period not exceeding 12 years from the entry into force of this Agreement according to the modalities set out in this title and in conformity with the provisions of the General Agreement on Tariffs and Trade of 1994 and of the other multilateral agreements on trade in goods annexed to the Agreement establishing the World Trade Organisation (WTO), hereinafter referred to as the GATT.

CHAPTER 1

Industrial Products

Article 3 (aa7)

The provisions of this Chapter shall apply to products originating in the Community and Lebanon falling within Chapters 25 to 97 of the Combined Nomenclature and of the Lebanese customs tariff with the exception of the products listed in Annex 1.

Article 4 (aa8)

Imports into the Community of products originating in Lebanon shall be allowed free of customs duties and of any other charge having equivalent effect.

Article 5 (aa9)

1. Customs duties and charges having equivalent effect applicable on import into Lebanon of products originating in the Community shall be progressively abolished in accordance with the following schedule:

- five years after the date of entry into force of this Agreement each duty and charge shall be reduced to 88 % of the basic rate,
- six years after the date of entry into force of this Agreement each duty and charge shall be reduced to 76 % of the basic rate,
- seven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 64 % of the basic rate,
- eight years after the date of entry into force of this Agreement each duty and charge shall be reduced to 52 % of the basic rate,
- nine years after the date of entry into force of this Agreement each duty and charge shall be reduced to 40 % of the basic rate,
- 10 years after the date of entry into force of this Agreement each duty and charge shall be reduced to 28 % of the basic rate,

- 11 years after the date of entry into force of this Agreement each duty and charge shall be reduced to 16 % of the basic rate,
- 12 years after the date of entry into force of this Agreement the remaining duties and charges shall be abolished.

2. In the event of serious difficulties for a given product, the schedule applicable under paragraph 1 above may be reviewed by the Cooperation Council by common accord on the understanding that the schedule for which the review has been requested may not be extended in respect of the product concerned beyond the maximum transitional period of 12 years. If the Cooperation Council has not taken a decision within 30 days of an application by Lebanon to review the schedule, Lebanon may suspend the schedule provisionally for a period which may not exceed one year.

3. For each product concerned, the basic duty to be gradually reduced as provided in paragraph 1 shall be the rates referred to in Article 15.

Article 6 (aa10)

The provisions concerning the abolition of customs duties on imports shall also apply to customs duties of a fiscal nature.

Article 7 (aa11)

1. Exceptional measures of limited duration which derogate from the provisions of Article 5 may be taken by Lebanon in the form of an increase or reintroduction of customs duties.

2. These measures may only concern new and infant industries, or sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties entail major social problems.

3. Customs duties on imports into Lebanon of products originating in the Community that are introduced by such exceptional measures may not exceed 25 % ad valorem and shall maintain an element of preference for products originating in the Community. The total value of imports of the products which are subject to these measures may not exceed 20 % of the yearly average of total imports of industrial products from the Community during the last three years for which statistics are available.

4. These measures shall be applied for a period not exceeding five years unless a longer duration is authorised by the Cooperation Council. They shall cease to apply at the latest on the expiry of the maximum transitional period of 12 years.

5. No such measures can be introduced in respect of a product if more than three years have elapsed since the elimination of all duties and quantitative restrictions or charges or measures having equivalent effect concerning that product.

6. Lebanon shall inform the Cooperation Council of any exceptional measures it intends to adopt and, at the request of the Community, consultations shall be held on the measures and sectors concerned before they are implemented. When adopting such measures Lebanon shall provide the Cooperation Council with a schedule for the elimination of the customs duties introduced under this Article. This schedule shall provide for a phasing-out of these duties in equal annual instalments starting no later than the end of the second year following their introduction. The Cooperation Council may decide on a different schedule.

7. By way of derogation from provisions of paragraph 4, the Cooperation Council may exceptionally, to take account of the difficulties involved in setting up new industries, endorse the measures already taken by Lebanon pursuant to paragraph 1 for a maximum period of three years beyond the 12 year transitional period.

CHAPTER 2

Agricultural, Fisheries and Processed Agricultural Products

Article 8 (aa12)

The provisions of this Chapter shall apply to products originating in the Community and Lebanon falling within Chapters 1 to 24 of the Combined Nomenclature and of the Lebanese customs tariff and to the products listed in Annex 1.

Article 9 (aa13)

The Community and Lebanon shall progressively establish a greater liberalisation of their trade in agricultural, fisheries and processed agricultural products, of interest to both parties.

Article 10 (aa14)

1. Agricultural products originating in Lebanon listed in Protocol 1 on importation into the Community shall be subject to the arrangement set out in that Protocol.

2. Agricultural products originating in the Community listed in Protocol 2 on importation into Lebanon shall be subject to the arrangement set out in that Protocol.

3. Trade in processed agricultural products falling under this chapter shall be subject to the arrangements set out in Protocol 3.

Article 11 (aa15)

1. Five years after the entry into force of this Agreement, the Community and Lebanon shall assess the situation in order to determine measures to be applied by the Community and Lebanon one year following the revision of this Agreement, in accordance with the objective set out in Article 9.

2. Without prejudice to the provisions of paragraph 1 and taking account of the volume of trade in agricultural, fisheries and processed agricultural products between the two Parties and the particular sensitivity of such products, the Community and Lebanon shall examine on a regular basis in the Cooperation Council, product by product and on an orderly and reciprocal basis, the possibility of granting each other further concessions.

Article 12 (aa16)

1. In the event of specific rules being introduced as a result of the implementation of its agricultural policy or of any alteration of the current rules or in the event of any alteration or extension of the provisions relating to the implementation of its agricultural policy, the Party concerned may amend the arrangements resulting from the Agreement in respect of the products concerned.

2. The Party carrying out such modification shall inform the Cooperation Council thereof. At the request of the other Party, the Cooperation Council shall meet to take due account of the interest of the other Party.

3. If the Community or Lebanon, in applying paragraph 1, modifies the arrangements made by this Agreement for agricultural products, they shall accord imports originating in the other Party an advantage comparable to that provided for in this Agreement.

4. Any modification of the arrangements made by this Agreement shall be the subject, at the request of the other Party, of consultations within the Cooperation Council.

Article 13 (aa17)

1. Both Parties agree to cooperate to reduce the potential for fraud in the application of the trade provisions of this Agreement.

2. Notwithstanding other provisions of this Agreement, where one Party finds that there is sufficient evidence of fraud such as a significant increase in trade products by one party to the other party, beyond the level reflecting economic conditions such as normal production and export capacities, or failure to provide administrative cooperation as required for the verification of evidence of origin by the other Party, both Parties shall enter into consultations immediately to find an appropriate solution. Pending such a solution, the Party concerned may take the appropriate measures it deems necessary. In the selection of the measure priority must be given to those which least disturb the functioning of the arrangements established in this Agreement.

CHAPTER 3

Common Provisions

Article 14 (aa18)

1. No new customs duties on imports or exports or charges having equivalent effect shall be introduced in trade between the Community and Lebanon, nor shall those already applied upon entry into force of this Agreement be increased unless this Agreement provides otherwise.

2. No new quantitative restriction on imports or measure having equivalent effect shall be introduced in trade between the Community and Lebanon.

3. Quantitative restrictions on imports and measures having equivalent effect in trade between Lebanon and the Community shall be abolished upon the entry into force of this Agreement.

4. Neither the Community nor Lebanon shall apply to exports between themselves either customs duties or charges having equivalent effect, or quantitative restrictions or measures of equivalent effect.

Article 15 (aa19)

1. For each product the basic rate to which the successive reductions laid down in Article 5(1) are to be applied shall be that actually applied vis-à-vis the Community on the day of conclusion of the negotiations.

2. In the event of the accession of Lebanon to the WTO, the applicable rates for imports between the Parties shall be the WTO bound rate or lower effectively applied rate enforced as of the date of the accession. If, after the accession to the WTO, a tariff reduction is applied on an erga omnes basis, the reduced rate shall apply.

3. The provision laid down in paragraph 2 is of application for any tariff reduction applied after the day of conclusion of the negotiations on an erga omnes basis.

4. The Parties shall communicate to each other their respective applied rates on the day of conclusion of the negotiations.

Article 16 (aa20)

Products originating in Lebanon shall not enjoy more favourable treatment when imported into the Community than that applied by Member States among themselves.

Article 17 (aa21)

1. The Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.

2. Products exported to the territory of one of the Parties may not benefit from repayment of indirect internal taxation in excess of the amount of indirect taxation imposed on them either directly or indirectly.

Article 18 (aa22)

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade except in so far as they alter the trade arrangements provided for in this Agreement.

2. Consultations between the Parties shall take place within the Cooperation Council concerning agreements establishing such customs unions or free trade areas and, where requested, on other major issues related to their respective trade policies with third countries. In particular, in the event of a third country acceding to the Community, such consultations shall take place so as to ensure that account can be taken of the mutual interests of the Community and Lebanon.

Article 19 (aa23)

If one of the Parties finds that dumping is taking place in trade with the other Party in line with prevailing international rules as defined in Article VI of the General Agreement on Tariffs and Trade (GATT) 1994 and related internal legislation, it may take appropriate measures against this practice in accordance with the WTO Agreement on the implementation of Article VI of the GATT 1994 and related internal legislation.

Article 20 (aa24)

1. Without prejudice to Article 27, the WTO Agreement on Subsidies and Countervailing Measures shall apply between the Parties.

2. Until the necessary rules referred to in Article 27(2) are adopted, if either Party finds that subsidy is taking place in trade with the other Party in line with prevailing international rules as defined in Articles VI and XVI of the General Agreement on Tariffs and Trade (GATT) 1994 and related internal legislation, it may invoke appropriate measures against this practice in accordance with those rules as defined by the WTO Agreement on Subsidies and Countervailing Measures and related internal legislation.

Article 21 (aa25)

1. The provisions of Article XIX of the GATT 1994 and the WTO Agreement on Safeguards and related internal legislation are applicable between the Parties.

2. Before applying safeguard measures as defined by international rules, the Party intending to apply such measures shall supply the Cooperation Council with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

In order to find such a solution the Parties shall immediately hold consultations within the Cooperation Council. If, as a result of the consultations, the Parties do not reach an agreement within 30 days of the initiation of the consultations on a solution to avoid the application of the safeguard measures, the Party intending to apply safeguard measures may apply the provisions of Article XIX of the GATT 1994 and the WTO Agreement on Safeguards.

3. In the selection of safeguard measures pursuant to this article, the Parties shall give priority to those, which cause least disturbance to the achievement of the objectives of this Agreement.

4. Safeguard measures shall be notified immediately to the Cooperation Council and shall be the subject of periodic consultations within the Cooperation Council, particularly with a view to their abolition as soon as circumstances permit.

Article 22 (aa26)

1. Where compliance with the provisions of Article 14(4) leads to:

- (a) re-export to a third country against which the exporting Party maintains, for the product concerned, quantitative export restrictions, export duties or measures or charges having equivalent effect; or
- (b) a serious shortage, or threat thereof, of a product essential to the exporting Party;

and where the situations referred to above give rise, or are likely to give rise, to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in paragraph 2.

2. The difficulties arising from the situations referred to in paragraph 1 shall be submitted for examination to the Cooperation Council. The Cooperation Council may take any decision needed to put an end to the difficulties. If it has not taken such a decision within 30 days of the matter being referred to it, the exporting party may apply appropriate measures on the exportation of the product concerned. The measures shall be non-discriminatory and shall be eliminated when conditions no longer justify their maintenance.

Article 23 (aa27)

Nothing in this Agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; of the protection of health and life of humans, animals or plants; of the protection of national treasures of artistic, historic or archaeological value; of the protection of intellectual, industrial and commercial property; of rules relating to gold and silver and conservation of exhaustible natural resources. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 24 (aa28)

The concept of "originating products" for the application of the provisions of the present title and the methods of administrative cooperation relating thereto are laid down in Protocol 4.

Article 25 (aa29)

The Combined Nomenclature of goods shall be applied to the classification of goods for imports into the Community. The Lebanese customs tariff shall be applied to the classification of goods for imports into Lebanon.

Article 26 (aa34)

Where one or several Member States of the Community or Lebanon face or risk facing serious difficulties concerning balance of payments, the Community or Lebanon respectively may, in conformity with the conditions laid down within the framework of the GATT and Articles VIII and XIV of the Statutes of the International Monetary Fund, take restrictive measures with regard to current payments if such measures are strictly necessary. The Community or Lebanon, as appropriate, shall inform the other Party immediately thereof and shall provide as soon as possible a timetable for the removal of such measures.

TITLE III

Trade-Related Provisions

CHAPTER 1

Competition

Article 27 (aa35)

1. The following are incompatible with the proper functioning of this Agreement, in so far as they may affect trade between the Community and Lebanon:
 - (a) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition, as defined by their respective legislation;
 - (b) abuse by one or more undertakings of a dominant position in the territories of the Community or Lebanon as a whole or in a substantial part thereof, as defined by their respective legislation.
2. The Parties will enforce their respective competition legislation and shall exchange information taking into account the limitations imposed by the requirements of confidentiality. The necessary rules for cooperation in order to implement paragraph 1 shall be adopted by the Cooperation Council within five years of entry into force of this Agreement.
3. If the Community or Lebanon considers that a particular practice is incompatible with the terms of paragraph 1 of this Article, and if such practice causes or threatens to cause serious prejudice to the other Party, it may take appropriate measures after consultation within the Cooperation Council or after 30 working days following referral for such consultation.

Article 28 (aa36)

The Member States and Lebanon shall progressively adjust, without prejudice to their commitments respectively taken or to be taken under the GATT, any State monopolies of a commercial character, so as to ensure that, by the end of the fifth year following the entry into force of this Agreement, no discrimination regarding the conditions under which goods are procured and

marketed exists between nationals of the Member States and of Lebanon. The Cooperation Council will be informed about the measures adopted to implement this objective.

Article 29 (aa37)

With regard to public enterprises and enterprises to which special or exclusive rights have been granted, the Cooperation Council shall ensure that as from the fifth year following the date of entry into force of this Agreement there is neither enacted nor maintained any measure distorting trade between the Community and Lebanon to an extent contrary to the Parties' interests. This provision should not obstruct the performance in law or in fact of the particular tasks assigned to these enterprises.

CHAPTER 2

Intellectual, Industrial and Commercial Property

Article 30 (aa38)

1. Pursuant to the provisions of this Article and of Annex 2, the Parties shall ensure adequate and effective protection of intellectual, industrial and commercial property rights in conformity with the highest international standards, including effective means of enforcing such rights.

2. The implementation of this Article and of Annex 2 shall be regularly reviewed by the Parties. If problems in the area of intellectual property protection affecting trading conditions occur, urgent consultations shall be undertaken, at the request of either Party, with a view to reaching mutually satisfactory solutions.

CHAPTER 3

Customs Cooperation

Article 31 (aa56)

1. The Parties shall develop customs cooperation to ensure that the provisions on trade are observed. For this purpose they shall establish a dialogue on customs matters.

2. Cooperation shall focus on the simplification of controls and procedures concerning the customs clearance of goods, and shall take the form of exchange of information among experts and vocational training.

3. Mutual assistance between administrative authorities in customs matters shall take place in accordance with the provisions of Protocol 5.

TITLE IV

Institutional, General and Final Provisions

Article 32

The Cooperation Council set up by the Agreement between the European Economic Community and the Republic of Lebanon signed on 3 May 1977 shall perform duties assigned to it until the Association Council and the Association Committee provided for in Articles 74 and 77 respectively of the Association Agreement are established.

Article 33 (aa75)

1. The Cooperation Council shall consist of the members of the Council of the European Union and members of the Commission of the European Communities, on the one hand, and of members of the Government of Lebanon, on the other.
2. Members of the Cooperation Council may arrange to be represented, in accordance with the provisions laid down in its Rules of Procedure.
3. The Cooperation Council shall establish its Rules of Procedure.
4. The Cooperation Council shall be chaired in turn by a member of the Council of the European Union and a member of the Government of Lebanon in accordance with the provisions laid down in its Rules of Procedure.

Article 34 (aa82)

1. Each of the Parties may refer to the Cooperation Council any dispute relating to the application or interpretation of this Agreement.
2. The Cooperation Council may settle the dispute by means of a decision.
3. Each Party shall be bound to take the measures involved in carrying out the decision referred to in paragraph 2.
4. In the event of it not being possible to settle the dispute in accordance with paragraph 2, either Party may notify the other of the appointment of an arbitrator; the other Party must then appoint a second arbitrator within two months. For the application of this procedure, the Community and the Member States shall be deemed to be one Party to the dispute.

The Cooperation Council shall appoint a third arbitrator.

The arbitrators' decisions shall be taken by majority vote.

Each party to the dispute must take the steps required to implement the decision of the arbitrators.

Article 35 (aa83)

Nothing in this Agreement shall prevent a Party from taking any measures:

- (a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;
- (b) which relate to the production of, or trade in, arms, munitions or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;
- (c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security.

Article 36 (aa84)

1. In the fields covered by this Agreement and without prejudice to any special provisions contained therein:

- (a) the arrangements applied by Lebanon in respect of the Community shall not give rise to any discrimination between the Member States, their nationals, companies or firms;
- (b) the arrangements applied by the Community in respect of Lebanon shall not give rise to any discrimination between Lebanese nationals, companies or firms.

2. The provisions of paragraph 1 shall be without prejudice to the right of the Parties to apply the relevant provisions of their fiscal legislation to taxpayers who are not in identical situations as regards their place of residence.

Article 37 (aa86)

1. The Parties shall take any general or specific measures required to fulfil their obligations under the Agreement. They shall see to it that the objectives set out in this Agreement are attained.

2. If either Party considers that the other Party has failed to fulfil an obligation under this Agreement, it may take appropriate measures. Before so doing, except in cases of special urgency, it shall supply the Cooperation Council with all the relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

3. In the selection of the appropriate measures referred to in paragraph 2, priority must be given to those which least disturb the functioning of this Agreement. The Parties also agree that these measures shall be taken in accordance with international law and shall be proportional to the violation.

These measures shall be notified immediately to the Cooperation Council and shall be the subject of consultations within the Cooperation Council if the other Party so requests.

Article 38 (aa87)

Annexes 1 and 2 and Protocols 1 to 5 shall form an integral part of this Agreement.

Article 39 (aa89)

1. This Agreement shall be applicable until the entry into force of the Association Agreement signed on 17 June 2002.

2. Either Party may denounce this Agreement by notifying the other Party. This Agreement shall cease to apply six months after the date of such notification.

Article 40 (aa90)

This Agreement shall apply, on the one hand, to the territories in which the Treaty establishing the European Community is applied and under the conditions laid down in that Treaty and, on the other hand, to the territory of Lebanon.

Article 41 (aa91)

This Agreement is drawn up in duplicate in the Arabic, Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish, and Swedish languages, each of these texts

being equally authentic. It shall be deposited with the General Secretariat of the Council of the European Union.

Article 42 (aa92)

1. This Agreement shall be approved by the Parties in accordance with their own procedures.
2. This Agreement shall enter into force on the first day of the second month following the date on which the Parties notify each other that the procedures referred to in paragraph 1 have been completed.
3. Upon its entry into force, this Agreement shall replace Articles 8 to 28, 30 to 34, 36(1), 37, 40 to 44, 46 to 49 of the Cooperation Agreement between the European Economic Community and the Republic of Lebanon, including its Protocol 2, and Annexes A, B and C, and the Agreement between the Member States of the European Coal and Steel Community and Lebanon, signed in Brussels on 3 May 1977.

Done at Luxembourg, on the seventeenth day of June in the year two thousand and two.
