

**ASSOCIATION  
BETWEEN  
THE EUROPEAN UNION  
AND LEBANON**

**- Association Council -**

**Brussels, 16 February 2009**

**UE-RL 3001/09**

**DRAFT MINUTES**

---

of : Third meeting of the EU-Lebanon Association Council  
date : 19 February 2008  
in : Brussels

---

## S U M M A R Y

	<u>Page</u>
Introductory remarks	3
1. Adoption of the agenda	3
2. Approval of the draft minutes of the second EU-Lebanon Association Council (Luxembourg, 24 April 2007) (cf. doc. UE-RL 3002/08)	3
3. Situation and outlook as regards EU-Lebanon relations	4
- Implementation of the Association Agreement	4
- European Neighbourhood Policy	4
- State of play of reforms in Lebanon	5
4. Political dialogue on matters of common interest	5
- Developments in the EU	
- Developments in Lebanon	
- Regional and international issues	
5. Any other business	5
o o o	
<u>Annex I</u> : Agenda	6
<u>Annex II</u> : List of participants from the EU	7
<u>Annex III</u> : List of participants from Lebanon	8
<u>Annex IV</u> : Position of the European Union	9
<u>Annex V</u> : Position of Lebanon	23

The **Third Association Council between Lebanon and the EU** held its third meeting on 19 February 2008 in Brussels.

The meeting was chaired by the EU which was represented in troika format, by Mr Matjaž ŠINKOVEC (State Secretary Ministry of Foreign Affairs/Slovenia-Presidency), Mr Jean FELIX-PAGANON (Director North Africa and Middle East, Ministry of Foreign Affairs/France - incoming Presidency), Mr Hugues MINGARELLI (Deputy Director-General for External Relations, European Commission) and Mr Christian JOURET (Head of Task Force “Mediterranean/Middle East”, Policy Unit/Council Secretariat).

The Lebanese Delegation was headed by Mr Tarek MITRI (Acting Minister for Foreign Affairs).

*(see full list of participants in Annex II)*

### **Introductory remarks**

In its opening statement, the **EU Presidency** stressed the EU’s commitment to a sovereign, independent and stable Lebanon. The Presidency furthermore expressed its satisfaction that the partnership between the EU and Lebanon had continued to prove its value throughout the turbulent last year.

**Minister Mitri** thanked the EU for all financial assistance and support to the reform process. Both sides stressed the importance of the shared values underlying the EU-Lebanon partnership.

### **Point 1: Adoption of the agenda**

The Association Council adopted the draft agenda of its meeting (see Annex I, doc. UE-RL 3001/08).

### **Point 2: Approval of the draft minutes of the second EU-Lebanon Association Council (Luxembourg, 24 April 2007) (cf. doc. UE-RL 3002/08)**

The minutes of the 2<sup>nd</sup> Meeting of the EU Lebanon Association Council (24 April 2007) were approved without modification.

### **Point 3: Situation and outlook as regards EU-Lebanon relations**

#### **Implementation of the Association Agreement**

In its intervention on the Implementation of the Association Agreement, the **Commission** recognised in particular Lebanon's efforts despite the political crisis to launch the work in several subcommittees on the ENP Action Plan. Preparing Lebanon's integration into the world trade system had been another major objective of the cooperation during the last year. There was general agreement that the remaining subcommittees should be organised in the near future. Coherence between the financial cooperation and European Neighbourhood Policy objectives would also continue to be a priority.

**Minister Mitri** briefed on a number of measures undertaken by the government in follow-up to the subcommittees (e.g. adoption of new draft legislation by the Council of Ministers in the internal market sector). He confirmed Lebanon's adherence to the timetable for gradual dismantling of tariffs on EU industrial imports (starting on 1 March 2008). The Adaptation Protocol to take into account the latest EU enlargement was being processed; in the meantime a Lebanese government decree ensured that Romanian and Bulgarian products enjoyed equal treatment with products from the rest of the EU.

#### **European Neighbourhood Policy**

The **Presidency** introduced the point, stressing the new opportunities the European Neighbourhood Policy was creating for a further reinforcement of EU-Lebanon co-operation. The **Commission** stated that results of ENP implementation so far - although still limited - nevertheless constitute an achievement. Three priority areas for further development were economic integration, mobility of persons and the resolution of regional conflicts. Furthermore, the **Commission** indicated that ENP Progress Reports for all partner countries would be issued in early April. The new Neighbourhood Investment Facility would become operational before the end of the year.

**Minister Mitri** expressed Lebanon's interest for the three priority areas mentioned above: The removal of barriers to trade, economic integration and travel facilitation and Europe's contribution to conflict resolution was welcomed by Lebanon. Europe should also play a greater role in the resolution of regional conflicts, notably the Israeli-Palestinian one, which affected Lebanon directly.

## **State of play of reforms in Lebanon**

**Minister Mitri** presented the State of Reforms achieved since the Paris III Conference of January 2007. Apart from mobilising international assistance, the Conference was a vehicle for reform and modernisation. 48 % of the 7.6 billion USD pledged by the international community in Paris had been mobilised by the end of 2007. Direct assistance to the private sector and budget support had been mobilised particularly quickly. The Minister recognised the importance of improving public finance management. Reforms in the social sector (e.g. the labour legislation and the pension system) had been launched as well. Improving the business environment – notably by streamlining regulations environment - was another priority. On privatisation of the telecom sector, the government had hesitated to launch the process in full before a new government had been formed. A new co-ordination unit for international donors had been created as well. The Lebanese Delegation also briefed about the co-operation with the International Monetary Fund.

The **Commission** welcomed the progress achieved in the macroeconomic sector and stressed the need to continue improving public finance management. A fair distribution of the costs and benefits of the reform process among all layers of Lebanese society was crucial. Lebanon should pay due attention to the social dimension of the reforms. The Commission also underlined the importance of supporting efforts to strengthen the rule of law. Lebanese civil society should also play an appropriate role in the reform process.

**Minister Mitri** agreed with these suggestions.

### **Point 4: Political dialogue on matters of common interest**

This point was dealt with in the informal part of the session of the Association Council. It comprised a discussion on Developments in the EU, Developments in Lebanon, Regional and international issues.

### **Point 5: Any Other Business**

No point was raised under this item.

**ASSOCIATION  
BETWEEN  
THE EUROPEAN UNION  
AND LEBANON**

**The Association Council**

**Brussels, 13 February 2008**

**Annex I**

**UE-RL 3001/08**

**PROVISIONAL AGENDA**

---

Meeting:	Third session of EU-Lebanon Association Council
Date	19 February 2008
in :	Brussels

---

- 1. Adoption of the agenda**
- 2. Approval of the draft minutes of the second EU-Lebanon Association Council (Luxembourg, 24 April 2007) (cf. doc. UE-RL 3002/08)**
- 3. Situation and outlook as regards EU-Lebanon relations**
  - Implementation of the Association Agreement
  - European Neighbourhood Policy
  - State of play of reforms in Lebanon
- 4. Political dialogue on matters of common interest**
  - Developments in the EU
  - Developments in Lebanon
  - Regional and international issues
- 5. Any Other Business**

**LIST OF PARTICIPANTS OF THE EU**

<b>COUNTRIES/INSTITUTIONS</b>	<b>NAMES</b>
Presidency	Mr. Mag. Matjaž Šinkovec, State Secretary in the Ministry of Foreign Affairs Ms. Metka Ipavic, Representative to the Political and Security Committee Mr. Matej Marn, Head of the European Union Division in the Ministry of Foreign Affairs Ms Barbara Žvokelj, Minister plenipotentiary, Counsellor to the State Secretary Mr. Šinkovec in the Ministry of Foreign Affairs Ms. Andreja Horvat, Permanent Representation Mr. Črtomir Fišinger, Permanent Representation
General Secretariat	Mr. Javier SOLANA, High Representative Mr. Christian JOURET, Head of Unit "Task Force, Mediterranean/Middle East", Policy Unit Mr. Roberto OLMÍ, Principal Administrator, DG E 5
Commission	Mr. Hugues MINGARELLI, Deputy Director-General External Relations Mr. Leonidas TEZAPSIDIS, Head of Unit, DG RELEX F 3 Mr. Werner SCHOLZ, Desk Lebanon, DG RELEX F 3
Incoming Presidency	Mr. Jean FELIX-PAGANON, Director, North Africa and Middle East, Ministry of Foreign Affairs Ms. Raja RABIA, Counsellor, Mediterranean and Near East, Permanent Representation of France to the EU

**THIRD EU-LEBANON ASSOCIATION COUNCIL MEETING**

(Brussels, 19 February 2008)

**LIST OF THE LEBANESE DELEGATION**

S.E. Monsieur Tarek MITRI, Ministre des Affaires Etrangères et des Emigrés ad interim, Chef de la délégation

S.E. Monsieur Adnan MANSOUR, Ambassadeur, Chef de la Mission du Liban auprès de l'UE

Monsieur Rami MORTADA, Conseiller près le Ministère des Affaires Etrangères et des Emigrés

Monsieur Henri CASTOUN, Secrétaire d'Ambassade près la Mission du Liban auprès de l'UE

Madame Joanna AZZI, Secrétaire d'Ambassade près le Ministère des Affaires Etrangères et des Emigrés

Madame Rafif BERRO KOBEISSI, Conseillère du Ministre de l'Economie et du Commerce

Brussels, 14 February 2008

**THIRD MEETING OF THE  
EU-LEBANON ASSOCIATION COUNCIL  
(Brussels, 19 February 2008)**

**Statement by the European Union**

1. The European Union warmly welcomes this **third meeting of the EU-Lebanon Association Council**. Even in these turbulent times for Lebanon, our partnership continues to prove its value and to develop. The EU would like, more than ever, to reaffirm its strong commitment to the sovereignty, independence, unity and stability of Lebanon as well as its solidarity with all the Lebanese.
2. The entry into force of the EU-Lebanon ENP Action Plan in January 2007 marked a further upgrading of the existing cooperation in the framework of the Association Agreement and of the Barcelona Process. Since our last Association Council's meeting, the **first EU-Lebanon Association Committee** was held in Beirut on 14 November 2007, as well as an **EU-Lebanon Economic Dialogue** and several **Subcommittees**, most recently the **Subcommittee on Research, Innovation, Information Society, Education, Culture** which held its first meeting on 6 February 2008 in Brussels.
3. The European Union would like to underline the great importance it attaches to the **political dialogue** institutionalised by the Association Agreement. We should continue to conduct it frankly and openly, in a spirit of partnership and mutual respect.
4. Regarding the **Barcelona Process**, the EU shares with Lebanon an attachment to the deepening of the Euro-Mediterranean Partnership. The Partners have just reaffirmed their firm commitment to the continuing implementation of the Five Year Work Programme and a Code of Conduct on Countering Terrorism, adopted at the Barcelona Summit in November 2005. Also in Lisbon on 5 and 6 November 2007, their Ministers of Foreign Affairs approved a Work Programme for the coming year focussing on fields such as political and security dialogue, implementation of the code of conduct on countering terrorism, civil protection, free trade, energy, transport, environment, education, strengthening the role of women in society, inter-cultural dialogue and migration. Moreover, the Union welcomed Lebanon's active participation at the First Euro-Mediterranean Ministerial Meeting on Migration on 20 November 2007, in Albufeira; this conference focussed on a balanced approach between legal migration, migration and development and illegal migration and constituted an opportunity to reinforce, at the regional level, the dialogue on this important issue. Also, in this field, the implementation of the Chapter " Migration, Social Integration, Justice and Security" of the Five Year Programme, continued. In this context, the Union is also pleased to see the reinforcement of the role of the civil society through closer cooperation between civil society actors and the development of their activities including, for example, the recent conference on social dialogue with social partners and government representatives or the holding of the first meeting of the Euro-Med Youth

Parliament, on 26 May-3 June 2007, in Berlin. The Anna Lindh Foundation for the Dialogue between Cultures and the Euromed Non-Governmental Platform have also contributed to strengthening the role of civil society in the Partnership and are actively involved in the preparation of the First Euromed Conference on Culture, to be held on 29-30 May 2008, in Athens. The Euro-Mediterranean Parliamentary Assembly is another player working to bring South and North closer together; preparations for its next plenary meeting, to be held on 27-28 March 2008, in Athens, have already started. The EU is convinced that Lebanon will continue to be an active partner in promoting these cooperation efforts further.

5. The **European Neighbourhood Policy (ENP)** provides an important complement to the longstanding regional dialogue and integration carried forward in the context of the Euro-Mediterranean Partnership. The ENP provides a real opportunity to further strengthen relations with Mediterranean partners, fully acknowledging their different circumstances and interests. Since its inception, the progress achieved under the ENP has confirmed the great potential of this long-term policy. The EU welcomes Lebanon's commitment to the common shared values set out in the **EU-Lebanon ENP Action Plan**. The EU highly appreciates that despite the difficult general situation, the implementation of the EU-Lebanon ENP Action Plan has promptly been launched after its adoption.
6. Since 1 January 2007, the bulk of our cooperation has been funded under the **European Neighbourhood and Partnership Instrument (ENPI)**, a considerably more flexible instrument than its predecessors. Other cooperation instruments (macro financial assistance, human rights, nuclear safety, as well as thematic programmes) are also available for ENP partners. These grant resources are complemented by loans provided by the European Investment Bank in the context of the new lending mandates including through an enhanced FEMIP. Furthermore, the Council, having decided on opening community agencies and programmes to ENP partners on their merits and where the legal bases so allow, notes Lebanon's first steps to commence exploratory talks with the Commission to examine ways for its potential participation, and invites the Commission to keep the Council informed on developments in this regard.
7. The EU confirmed its role as a major financial donor to Lebanon at the **"Paris III" pledging Conference in January 2007**, where EU Member States and institutions accounted for almost 40% of the EUR 5.8 billion pledged by the international community, against the Lebanese government's commitment to implement effective reforms at economic and social levels. This was a strong message of support to the people of Lebanon and its legitimate government.
8. The EU recalls that these resources are intended to contribute to meeting the challenges of **reconstruction and macroeconomic stabilisation**, to the benefit of the entire Lebanese population. It reaffirms the necessity of implementing the commitments entered into at the Paris III international conference, both those given by the international donor community concerning financial assistance and those made by the Lebanese Government to implement effective reforms at economic and social level. The EU encourages the Government of Lebanon to rally all parts of Lebanese society behind its reform agenda and to ensure a fair distribution of the costs and benefits of the reform process in the interests of the entire Lebanese population.
9. The EU expects a swift and effective implementation of the **programme of reconstruction, recovery and reform** by the Lebanese Government and stands ready to support the programme, especially with regard to economic recovery. Looking beyond the Reform Agenda adopted in January 2007, major political reforms should encompass the strengthening of political parties, a new electoral framework, the judiciary and the penitentiary system.

10. During 2007, the EU and its Member States engaged in intense diplomatic activity aimed at helping to **overcome the political deadlock** that endured since November 2006. High Representative Solana, mandated by the Council, travelled to the region in March and delivered the message of the EU: reiterate full support for the legitimate government of Lebanon; underpin UN and Arab mediation efforts; convey to Syria the need to play a constructive role. Foreign Ministers of several Member States carried out a number of visits to the region, and especially to Lebanon.
11. The Council reiterated that dialogue and full respect for the democratic institutions of the country should be the guiding principles of the political process, in the interest of all the Lebanese. In this regard, the Council welcomed as a constructive contribution the inter-Lebanese meeting facilitated by France at **Celle Saint-Cloud on 14-15 July 2007**, that created an atmosphere of confidence between the representatives of the main political forces and urged the political factions in Lebanon to honour their commitment to pursue the dialogue reinitiated in that occasion.
12. The EU has been following closely the electoral process in Lebanon, expressing growing concern for the repeated adjournments of the Parliamentary sessions due to elect a new President of the Republic. It reiterated its call for the holding of free and fair presidential elections, without foreign interference, in a spirit of consensus and in full respect of the Lebanese democratic institutions and constitutional norms. The EU has been an active player in encouraging constructive dialogue between the parties and will continue to do so.
13. The EU remains strongly concerned at the continued absence of a Head of State in Lebanon. It regrets that it has not yet been possible to elect a new President, and that the parliamentary session has been postponed several times.
14. The EU welcomed the unanimous endorsement by the extraordinary session of the Foreign Ministers of the **Arab League** held on 6 January 2008 in Cairo of a **plan** for the immediate election of the president, the formation of a national unity government and the adoption of a new electoral law. The EU warmly supports the mediation efforts by the Secretary General of the Arab League aimed at a rapid solution of the crisis.
15. It calls upon the parties to work responsibly in order to implement without any further delay the plan of the Arab League, as well as to refrain from all actions that could upset public order and the security of the citizens. In this regard, the EU deplores the escalating tension which has led to further loss of lives during street protests in Beirut on 27 January 2008. On that occasion, the EU reiterates its support to the legitimate and democratic government of Prime Minister Fouad Siniora and to the Lebanese Armed Forces and their contribution to the stability of the country. Recalling the importance of stability in Lebanon for the whole region, the EU looks forward to the full resumption of the functioning of democratic institutions in Lebanon.
16. The EU constantly reiterated its firm denunciation of series of **targeted attacks** on Lebanese citizens, journalists, political leaders and members of the security Forces, and deplored the ensuing loss of lives. It condemned in the strongest possible terms the assassination of Member of Parliament **Walid Eido**, his son and others on 13 June 2007; the car bomb attack perpetrated on 19 September 2007 in Beirut, which claimed the life of six people, including Member of Parliament **Antoine Ghanem**; the assassination of Brigadier General **François Al Hajj** in a car bomb attack on 12 December 2007; the bombing of a US diplomatic vehicle in Beirut that killed

three people and injured several others on 15 January; and, most recently, the terrorist attack perpetrated in Beirut on 25 January that claimed the lives of Captain **Wissam Eid** of the Internal Security Forces and of four others. These and other personalities targeted since 2004 had distinguished themselves by their struggle for an independent, sovereign and stable Lebanon, free of foreign interference.

17. The EU supports the efforts by the Lebanese Government and the security forces to bring the perpetrators, organizers and sponsors of these ruthless acts to justice and to ensure security and stability throughout Lebanon and welcomes the Security Council's decision to allow the UNIIC to assist the Lebanese authorities in investigating several of these cases. The EU underlines that none of these destabilisation attempts should be allowed to weaken the Lebanese people's resolve to take a firm stand against violence. It urges all Lebanese parties and all actors in the region to refrain from any activities that would further endanger the political stability of Lebanon. The EU reiterates its firm denunciation of all terrorist attacks and of all attempts to undermine peace and stability in Lebanon.
18. The EU reaffirms its full support for the **UN Independent International Investigation Commission (UNIIC)**, as mandated by UNSCR 1595, 1636 and 1644. It commends the professional work accomplished by Mr Brammertz and his team under difficult circumstances and welcomes his successor Mr Daniel Bellemare. The EU welcomed the adoption of UNSCR 1748 extending the mandate of UNIIC until 15 June 2008. It continues to urge all parties to cooperate unconditionally with UNIIC.
19. The EU also reaffirms its commitment to the establishment of a **Special Tribunal for Lebanon** in accordance UNSC Resolution 1757 which brings into force the agreement on the establishment of the Tribunal. EU Member States actively supported, contributed to and facilitated the setting up of the UN Special Tribunal for Lebanon that will be located in the Netherlands. The EU looks forward to the early completion of the remaining steps necessary for the establishment of the Tribunal. It urges all members of the international community to lend their support and to fully cooperate with the Special Tribunal. The EU looks forward to the start of the work of the Special Tribunal as soon as possible.
20. The EU remains determined to reinforce Lebanon's sovereignty, independence, territorial integrity, unity and stability, according notably to UNSC Resolutions 1559, 1680, 1701 and 1757. The EU had a relevant role in spearheading these Resolutions on Lebanon. The EU reaffirms its call for the full and speedy implementation of **UNSCR 1701** and all relevant resolutions of the Security Council.
21. EU Member States remain the main contributors to the enhanced **UNIFIL, deployed side by side with the Lebanese Armed Forces**. In August 2007 the EU welcomed the prolongation of the Force's mandate for another year. The EU strongly condemns the terrorist attacks against UNIFIL, in particular the one that claimed the lives of 6 peacekeepers of the Spanish contingent on 24 June 2007, as well as the recent attack in which three Irish peacekeepers were injured on 8 January 2008. UNIFIL including its Maritime Task Force is successfully implementing its mandate and will continue to do so.
22. The EU commends the **efforts by the government of Lebanon to extend full authority over its territory** through the Lebanese Armed Forces, in accordance with UNSCR 1701, and the assistance provided by UNIFIL. The EU stands ready to consider further requests of assistance to the Lebanese Armed Forces.

23. **Disbanding and disarming of all Lebanese and non-Lebanese militias** should take place through a political process that will lead to the full authority of the Government of Lebanon. The EU calls on the Government of Lebanon, further to its decision to adopt a seven point plan, to define such a political process. The EU expresses its deep concern at reports of alleged **illegal arms transfer across the Syrian-Lebanese border** and calls on the Syrian government to take all possible measures to prevent such arms transfers. It welcomes the efforts by the Lebanese Government to further reinforcing its control on the border. In this respect, it notes with satisfaction Lebanon's efforts at applying on its northern land border an integrated border management concept with the support of international donors, including EU Member States and the Commission. The EU recalls the importance of the **delineation of the border between Syria and Lebanon**. It welcomes in this regard the UN Secretary General's intention, stated again in his latest report, to consider options for a greater UN role on the Sheb'a Farms issue, including the suggestion by the Government of Lebanon presented in the Seven Points Plan of August 2006. In this regard, the EU looks forward to the cooperation of all parties concerned.
24. The EU reiterates its call on the Government of **Israel** to stop violations of Lebanese airspace by the Israeli Air Force, which are in violation of UNSCR 1701 and to provide the UN with all information on cluster munitions used during the 2006 hostilities. It also calls on all parties to seek a swift solution for an Israeli withdrawal from the Lebanese part of the town of Ghajar occupied since 2006. It fully supports all UNIFIL's efforts in this regard.
25. The EU repeats its call for the immediate and unconditional **release of the abducted Israeli soldiers**.
26. The EU welcomes the start of negotiations between Israeli and Palestinian officials on all outstanding issues, including all final status issues, with a view to concluding a peace agreement before the end of 2008 as agreed in Annapolis last November. This is a crucial opportunity for regional and international partners to support effectively a **just, lasting and comprehensive peace in the Middle East**. The EU remains mindful that a comprehensive and just peace must also include Lebanon and Syria, in line with relevant UN Resolutions. In this context, the EU calls for a continued broad and constructive involvement by Arab partners, building on the Arab Peace Initiative. The goal remains the establishment of an independent, democratic, contiguous and viable Palestinian state in the West Bank and Gaza that will unite all Palestinians, living side by side in peace and security with Israel and its other neighbours.
27. The EU is deeply concerned about **recent events in Gaza** and the grave disturbances at the border between Gaza and Egypt. It expresses its sympathy for the civilian populations affected by the violence in Gaza and in Southern Israel. It condemns the continued firing of rockets into Israeli territory, the recent suicide attack in Dimona and all other activities which are contrary to international law and endanger civilians. It reiterates its great concern on the humanitarian situation in Gaza and calls for the continuous provision of essential goods and services, including fuel and power supply.
28. The EU, in all its contacts, has constantly insisted that it expects **Syria** to fully comply with international obligations and relevant UNSC resolutions and to actively support the international efforts aimed at finding a solution to the political situation in Lebanon - most recently, the Arab League's plan. The EU expects Syria to normalise bilateral relations with Lebanon through the establishment of full diplomatic relations and the exchange of Ambassadors. It has called on Syria to effectively control its border with Lebanon with a view

to stopping illegal movements, in particular illegal arms transfers. The EU also expects from Syria to rapidly proceed with the delineation and delimitation of the bilateral border with Lebanon, including the disputed parts along the border. Moreover, the EU has called on Syria to fully cooperate with the UN International Independent Investigation Commission and with the Special Tribunal for Lebanon. A solution to the crisis in the Middle East will require a comprehensive approach and include the Lebanese and Syrian tracks. The EU has argued in favour of the inclusion of Syria in the Annapolis process. It expects Syria to play a constructive and responsible role in the region.

29. The EU expresses great concern about the negative impact of Iranian policies on stability and security in the Middle East and underlines that Iran needs to play a responsible role in the region, in conformity with all relevant UNSC Resolutions, including in relation to Lebanon. The EU is deeply concerned at **Iran's** approach to the Middle East Peace Process, including its opposition to a solution based on two states, Israel and Palestine, existing side by side in peace and security, in line with the Arab Peace Initiative.
30. The EU welcomed the end of the crisis caused by extremist militants entrenched in the Palestinian refugee camp at **Nahr al Bared**, while deploring the loss of life and human suffering caused by the terrorist violence. It reiterated its full support to the Lebanese Government and Armed Forces engaged in Nahr al Bared. The EU also welcomed the formal commitment of the Lebanese Government to rebuild the camp and, in this context, stressed the importance of the conference chaired by Prime Minister Siniora on 10 September 2007 on the launching of the relief, recovery and reconstruction project of the camp. The EU underlined its readiness to support those efforts and encouraged the continuation of the work of the Lebanese-Palestinian Dialogue Committee. The EU and its Member States will continue to assist the civilian population affected by the fightings. The EU recalls its long-standing support to Palestinian refugees in Lebanon. In 2007, the EC mobilised 18.5 MEURO under various instruments directly in favour of this target population and 66 MEURO in contribution to the UNRWA general fund.
31. The EU recognizes that the presence of **Palestinian refugees** in Lebanon resulting from the 1948/49 Arab-Israeli war and subsequent conflicts has placed a particularly heavy responsibility on the national authorities and on the United Nations Relief and Works Agency (UNRWA) in respect of well-being, housing and other humanitarian needs. The EU reaffirms its support for a solution to the Palestinian refugees issue in accordance with International Law and UNSC resolutions 242, 338 and 1397 and UNGA Resolution 194 and within the context of a comprehensive peace agreement. However, the EU is concerned that Lebanese laws and policies have a discriminatory effect on enjoyment of the basic economic and social rights. The EU calls on Lebanon to take measures to ameliorate the situation of Palestinian refugees, especially with regard to their right to work.
32. The EU looks forward to the continuation on a regular basis of the substantial dialogue on human rights, governance and democracy issues launched at the **Human Rights Working Group meeting in Beirut on 12 April 2007**. The EU is supportive to Lebanon's efforts to ensure follow-up to the joint conclusions of the first Working Group meeting and looks forward to developing the dialogue within the relevant sub-committee. In a spirit of respect and cooperation, the EU will seek to identify with the Lebanese authorities areas where it may provide practical support for the furthering of Lebanon's own reform measures in the areas of the judiciary, civil society, police procedure and individual rights.

33. The EU welcomes the existence of a very active **civil society** in Lebanon. It encourages Lebanon to continue to take steps aimed at supporting its civil society. The EU attaches great importance to freedom of speech, including freedom of the press. It recognizes that Lebanon has a vibrant press panorama and encourages Lebanon to continue working towards the enhanced protection and promotion of these rights.
34. The EU encourages the promotion of gender equality and the enhancement of the participation of **women** in all spheres of society as an important factor for the political, economic, social and cultural development of a country. It encourages the Lebanese authorities to work to further increase the participation and representation of women at all political levels and to strive to further strengthen the status of women, including by reviewing the relevant legislation.
35. The EU encourages Lebanon to ensure that **children** affected by armed conflict have access to adequate health and social services, including psychosocial recovery and social reintegration. Moreover, the EU encourages the enhancement of the protection and promotion of children's rights, particularly through the development of a child welfare strategy and related national action plans, the formulation of a child protection policy targeting neglected and abused children and the intensification of efforts to progressively eliminate child labour.
36. The issue of **drafting a new electoral legislation** acquired even more relevance as it is part of the Arab League Plan. In this context the recommendations of the 2005 EU Election Observation Mission for strengthening the electoral process remain pertinent.
37. The independence and proper functioning of the **judiciary** is a key feature of each democratic state. The EU reiterates its call on Lebanon to reform judiciary with a view to ensuring its independence and impartiality, further reinforcing its administrative capacity and the efficiency of the system of administration of justice and of bodies responsible for applying the law, and improving access to justice as well as competences within the court system. The EU urges Lebanon to ensure greater effectiveness in implementing the existing safeguards against torture, ill-treatment and arbitrary detention in order to fully meet international standards. The EU further urges Lebanon to consider reducing the jurisdiction of its military courts. Furthermore, the EU urges Lebanon to move beyond the existing de-facto moratorium and to abolish the death penalty. Progress in these matters will be important for the quality of cooperation between the EU and Lebanon.
38. The EU attaches importance to the area of **justice, freedom and security** as set out in the ENP Action Plan. The EU encourages Lebanon to address important reforms in these fields and will undertake to support the Lebanese Government in its efforts. In this context, the EU recalls the launching of the EC-funded projects on "Security and Rule of Law" and "Support for Reforms", which will assist Lebanon in carrying through crucial reforms such as in the security sectors and in the judiciary. In addition, the EC is currently preparing for a future project to further support the efficiency and independence of the judiciary.
39. The EU urges the Government of Lebanon to adopt measures necessary to **fight corruption**.
40. The EU attaches great importance to the **fight against drugs** and to the need to set up a global strategy to tackle both supply of and demand for drugs, as well as drug trafficking and diversion of precursors. In this regard the EU deplors the record crops of cannabis in the Bekaa in the last summer. The EU aims at establishing closer cooperation with Lebanon in important areas such as prevention, training and epidemiological research, developing

treatment and rehabilitation programmes for drug addicts, and developing the capacity of the relevant law enforcement authorities in the field.

\* \* \*

41. The EU commends Lebanon for its considerable efforts to progress with economic reforms despite a difficult political environment. **Macroeconomic stability** has been ensured despite internal and external pressures. In 2007, the economy has slowly recovered from the 2006 conflict with Israel in a context of continuous political stalemate and recurrent outbreaks of violence.
42. The EU considers that sound **public finance management** is necessary to improve fiscal outcomes, better control public debt and contribute to improving the allocation of scarce resources to priority areas. The implementation of a single treasury account and measures aiming at improving cash management should feature among the top priorities. The EU welcomes the Government's on-going reform efforts focused on budget formulation and execution, medium-term planning and prioritisation of expenditures across ministries and other public agencies, as well as tax reforms.
43. The EU welcomes progress made towards the implementation of its vast agenda for **growth-enhancing reforms**. The EU underlines that progress on all fronts is necessary to allow synergies to develop between its different components and help ensure its success. Unfortunately, the difficult political context and the paralysis of the legislative activity put **limits to the process of reforms**.
44. **Bilateral trade in goods** with the EU amounted to almost €3.5 billion in 2006, with a further rise expected in 2007. Mirroring Lebanon's overall trade deficit, the trade balance is positive in favour of the EU. Although Lebanon is increasingly diversifying its trade relations, the EU remains its main trading partner at some 38% of Lebanese imports, and 11% of its total exports.
45. Trade relations are expected to develop further with the progressive and full implementation of the **Association Agreement**, which fully entered into force in April 2006, the broadening of the trade and economic integration agenda under the European Neighbourhood Policy Action Plan, and the stabilisation of the Lebanese economy.
46. According to the calendar linked to the Association Agreement and its trade provisions, the progressive elimination of tariffs on EU imports of industrial products into Lebanon will occur starting from 1 March 2008, while Lebanese industrial exports to the EU already enjoy duty free access.
47. The first EC-Lebanon **sub-committee on industry, trade and services** took place in July 2007 in Beirut. The EU welcomes Lebanon's participation in the Euro-Med negotiations for the liberalisation of **trade in services** and of establishment, which were launched at the regional level in 2006. The EU hopes that, upon completion of its accession to the World Trade Organisation, Lebanon will enter the bilateral phase of negotiations on services and

establishment. Given that the benefits of liberalisation of trade in services may outweigh the benefits of liberalisation of goods manifold, the services sector is an area with significant unused potential. The EU also expresses the hope of a swift conclusion of the negotiations for the establishment of a new mechanism for the **settlement of bilateral trade disputes**.

48. The EU looks forward to Lebanon playing an active role in the **Working Group of Senior Officials** established at the 6th Euromed Trade Ministerial meeting (Lisbon 20 October 2007) to draw a road map of next steps in the trade field till 2010 and beyond. It will focus on how to diversify and enhance trade, encourage industrial integration and promote European investments in the Med countries. The Group will propose appropriate actions, on issues such as non tariff barriers, intellectual property rights, competition, public procurement, technical barriers to trade, and improved consultation on trade measures having impact on access to markets. The first meeting will take place in Egypt in early 2008, and the results of the discussions of the Working Group will be presented to the 7th Euromed Trade Ministerial in the second semester of 2008.
49. With a view to achieving **the trade-related objectives of the Barcelona Process**, preparatory work has also been undertaken for the adoption of EU standards and technical regulations in specific sectors, and for the upgrading of quality infrastructure with a view to prospective negotiation of conformity assessment agreements (ACAA). Following the preliminary identification by Lebanon of some priority sectors for legislative alignment (e.g. electrical products, machinery and construction products) a work programme has now to be developed. Horizontal and sectoral legislation needs to be reviewed by the Commission services.
50. The EU encourages Lebanon to develop a strategy and obtain continuity in the **policies for enterprise development and SMEs**. The EU welcomes Lebanon's commitment to implement the Euro-Mediterranean Charter for Enterprise, adopted in 2004, and appreciates that a first Charter Conference took place in October 2007. The EU encourages Lebanon to increase the Charter's visibility and to further enhance the dialogue between business, the administration, research and academic institutions. The EU and Lebanon will continue to cooperate on enterprise and SME policy development. The EU welcomes Lebanon's interest to participate in the EU Competitiveness and Innovation programme, and invites Lebanon to start talks on a Protocol to the Association Agreement with the EC, which will allow Lebanon to take part in Community Programmes.
51. As regards **agriculture and rural development**, the EU hopes that a commitment on both sides to participate in the liberalisation of trade in agricultural products, processed products and fishery products will be achieved once the conditions so permit. This commitment needs to be encouraged in order to further the liberalisation of agricultural trade, promote cooperation in revitalising and rebuilding rural areas, and encourage sustainable development. The integration of this dimension, with the development of supporting quality policy measures including respect for geographical indications, standards and norms, etc., is a major leap forward in cooperation. The EU will support all efforts in this direction. The concrete expression of this cooperation will be the joint organisation of working agendas and meetings of experts devoted to agriculture and rural development in accordance with the provisions of the recently adopted Action Plan. The EU hopes that Lebanon, in the regional context, will use to its best advantage the opportunities arising from the Rabat Roadmap.

52. The EU underlines the important role of **customs** in facilitating legitimate trade and enhancing the security of the international supply chain. Customs legislation and procedures, based upon modern techniques, such as risk assessment and the use of simplified procedures, are of benefit to legitimate economic operators, as well as to customs administrations and to the overall stimulation of trade. In order to encourage trade and to promote economic cooperation throughout the Mediterranean region, the EU recalls the importance of the customs-related actions included in the recently adopted Action Plan.
53. Following the regional work on rules of origin which led to the endorsement, at the Palermo Trade Ministerial Meeting on 7 July 2003, of the new **Protocol on rules of origin** extending the Pan-European system of cumulation to the Mediterranean countries, the EU Council adopted the new Protocol at the end of 2005 and requested Mediterranean partners to adopt it in turn, with a view to replacing the present protocol to the Association Agreement with the new one. Lebanon is invited to do so as a matter of priority, thus increasing the number of partners with which Lebanon already applies diagonal cumulation, i.e. the EFTA countries. In order to facilitate trade and allow new sourcing and trading patterns through the new Protocol, Lebanon is also encouraged, as much as the other partners, to pursue the liberalisation efforts within the region by concluding Free Trade Agreements with other Mediterranean partners.
54. The EU continues to attach great importance to **regional dialogue and sub-regional cooperation** as important factors for implementing the objectives of the Euro-Mediterranean Partnership. It supports and encourages any practical measures towards developing cooperation and South-South integration. In this respect, the EU follows with great interest progress in the implementation of the Agadir Agreement between Jordan, Morocco, Tunisia and Egypt. The agreement is as an important step towards the creation of a Euro-Mediterranean free trade area. The EU encourages Lebanon to carry out negotiations for the liberalization of trade with other countries in the region, such as Turkey.
55. The EU attaches great importance to the accession of Lebanon to the **WTO**. Five meetings of the accession Working Party have so far taken place. Lebanon has made efforts to bring its economic and trade legislation into line with multilateral requirements, and the EU warmly welcomes the progress made so far. Lebanon is encouraged to continue with this positive development and to address the comments and concerns raised by the WTO members as regards Lebanon's legislation and its overall trade regime. The EU also invites Lebanon to continue bilateral discussions on its services offer, and stands ready to provide technical assistance to facilitate the acquisition of capacity and know-how on WTO issues.
56. The EU underlines the need to undertake policies and actions at the highest level of government policy development so that progress can be made towards the economically, socially and environmentally **sustainable development** of the country. The implementation of the Mediterranean Strategy for Sustainable Development agreed under the Barcelona Convention in 2005 will be instrumental in this respect. Cooperation can be reinforced in the context of the implementation of the five-year work programme of the Barcelona Process adopted at the 10<sup>th</sup> Anniversary Euro-Mediterranean Summit in November 2005. The EU encourages Lebanon to proceed with the ratification of the amended Barcelona Convention and related Protocols and to move ahead with the full implementation of the legal requirements of said Conventions and Protocols.

57. In the energy and transport sectors, the EU underlines the importance of integrating Lebanon's energy and transport networks into the regional networks under development in the Euro-Mediterranean framework. In the **energy** sector, the EU underlines the conclusions of the Euro-Mediterranean Energy Ministerial Conference held in Cyprus on 17 December 2007, in particular the agreement that was reached on the Priority Action Plan for Euro-Med energy cooperation in 2008-2013, and welcomes Lebanon participation in this process. In this context, the EU notes Lebanon's participation in the Mashrak regional gas project and encourages Lebanon to also explore the scope for regional cooperation in the electricity field and in the other actions as referred to in the Priority Action Plan. The EU underlines the importance of Lebanon formulating a long-term energy strategy and policy instruments which recognise the need to proceed with legal and regulatory reforms, and restructuring the oil and electricity sectors, especially with a view to improving the financial and operational performance of "Electricité du Liban", raising overall energy efficiency and promoting renewable energy sources. The EU notes the steps taken by Lebanon towards the restructuring of the electricity sector and is prepared to provide specific technical support for reforms in this sector. The EU welcomes Lebanon's steps towards diversification of energy supply sources, e.g. in the reconstruction of the infrastructure, priority should be given to renewable energy solutions.
58. The EU encourages Lebanon to further develop the national sustainable **transport** policy for the development of all modes of transport and related infrastructure, in particular to strengthen safety and security and to integrate into transport policy environmental as well as intermodality considerations. It also underlines the key role of Lebanon in promoting sub-regional cooperation on transport issues with its neighbours and the importance of border-crossing facilitation actions to improve the fluidity of transport flows between Lebanon, regional partners and the EU. To this end the EU welcomes the adoption of the Regional Transport Action Plan for the Mediterranean, invites Lebanon to pursue the implementation of its actions relevant to Lebanon. The EU warmly welcomes the cooperation established in the area of maritime safety and notably on the re-establishment of the Beirut VTS system. The EU also welcomes the adoption of the Horizontal Agreement in the field of air transport between the EU and Lebanon as a crucial first step in aviation relations and encourages Lebanon to participate in the development of the Motorways of the Sea in the Mediterranean.
59. The EU attaches great importance to intensifying cooperation on the **environment** and taking forward the work of implementing bilateral environmental cooperation within the framework of the Association Agreement. The EU underlines the need to undertake policies and actions at the highest policy development level to enable Lebanon's economic, social and environmentally sustainable development. The ENP Action Plan with Lebanon foresees actions to this effect at national level. The EU-Lebanon Sub-Committee on *Transport Energy and Environment (including water)* should assist Lebanon in the implementation of this Action Plan. At regional level, cooperation can be reinforced in the context of the implementation of the five year plan of the Barcelona Process, the Horizon 2020 Initiative, and the Mediterranean component of the EU Water Initiative. The EU underlines the objectives set by the Spring 2007 European Council with regard to climate change. It invites Lebanon to share its suggestions concerning the development of a post-2012 regime in this field, and attaches great importance to deepening the dialogue on climate change issues, including with regard to adaptation.
60. In the **health sector**, the EU notes the ongoing reform and encourages Lebanon to pursue the reform. The EU welcomes the enhanced health dialogue with Lebanon in the context of the ENP action plan. The EU notes the participation of Lebanon in the EU Network of competent authorities in health information and knowledge as well as in the 'EpiSouth' network for EU,

Mediterranean and Balkan countries on communicable diseases. The EU, recalling the importance of regional health cooperation, will continue to invite Lebanon to such events. The EU welcomes Lebanon active participation in the Euromed workshop on surveillance and control of communicable diseases and health systems organised in Brussels on 4-5 December 2007 and encourages a similar active role during the preparation of the Second Euromed Ministerial Conference on Health, which is due to take place in the second semester 2008. Lebanon is encouraged to swiftly implement international health agreements, in particular the International Health Regulations and the WHO Framework Convention on Tobacco Control.

61. Concerning the **information society**, the EU welcomes the appointment of the board of directors of the future regulatory authority and encourages Lebanon to take the necessary steps to ensure the rapid functioning of the regulatory authority by providing the necessary human and financial resources. Lebanon is encouraged to pursue the goals set up in the "Paris III" reform agenda – the corporatisation of the fixed telephony operator and the privatization of the telecommunication sector. The EU invites also the representatives of the Lebanese research and innovation sectors to participate in the Information and Communication Technologies priority of the 7th Framework Programme. The EU notes also that Lebanon launched in 2007 a national broadband telecommunication service and encourages the government to make this offer widely accessible.
62. As regards **research activities**, the EU encourages Lebanon to pursue its research and innovation policy to strengthen Lebanon's scientific and technological capacity with a view to preparing for the best possible integration of Lebanon's research and technology sectors into the European Research Area and Community Framework Programme. Research sectors of high priority should be identified in order to be able to strengthen cooperation and communication between EU and Lebanon more efficiently. The EU encourages Lebanon to participate in research community programmes and activities, especially in the 7<sup>th</sup> Framework Programme.
63. Concerning **competition**, the EU welcomes the steps taken by Lebanon to prepare a competition law. The EU encourages Lebanon to adopt and apply the draft competition law and to establish an independent and adequately-resourced competition authority. The EU is prepared to support Lebanon's efforts to implement the new law, in particular the creation of mechanisms to apply legislation and review competition cases.
64. The EU encourages the implementation of **ongoing education reforms** and in particular of the National Education Strategy and of the priorities presented in the the "Paris III" reform document. Initiatives leading to enhancing the capacity of institutions and organisations involved in quality assurance of education and training programmes are highly relevant. In particular, the EU supports the willingness to reinforce the institutional capacity of the public sector and to ensure the implementation of the principles developed in the Bologna process. The emphasis should be put also on the reform of the Vocational Education and Training sector in order to adapt it to the needs and challenges of the modern labour market. The EU also welcomes policies aiming at ensuring access to high-quality education for all and enhancing the relevance of education and training programmes to the labour market.
65. The EU encourages Lebanon to confirm its support for the ratification and implementation of the **UNESCO Convention on the protection and the promotion of the diversity of cultural expressions**. The UNESCO Convention sets out common rules, principles and points of reference for cultural diversity at a global level and its ratification and implementation is considered as a pre-requisite for deepening of EU's relations with Lebanon in the field of

culture. The convention entered into force on 18 March 2007 and is ratified by the European Community and most Member States.

66. The EU is looking forward to continued cooperation on **migration issues** in the framework of the Subcommittee on Justice, Freedom and Security.
67. In the **framework of financial cooperation**, the European Commission has recently developed the new Country Strategy Paper 2007-2013 and in cooperation with Lebanon the new National Indicative Programme for 2007-2010. The global amount of the National Indicative Programme for 2007-2010 is EUR 187 million, with a further allocation for 2007 of EUR 4 million to support Palestinian refugees in Lebanon. For 2007 and 2008, packages of EUR 50 million each year will see three quarters of these funds (EUR 72 million) being used to support economic recovery and reconstruction. In 2009 and 2010 EUR 43 million and EUR 44 million are foreseen with the support focusing on social, political and economic reform. The 2007 programme has been processed through EC fast-track procedures. The activities in support of socio-economic and political reforms (EUR 10m) were identified with the Lebanese government while reconstruction actions supporting economic recovery (EUR 18m) were pre-identified during the AIDCO-led missions in the second half of 2006. These actions include actions building on existing projects supporting local development. De-mining operations (EUR 4 million) will ensure continuity with ongoing ECHO programmes and the Scholarship Programme and Camp Improvement Programme for Palestinian Refugees (totalling EUR 7 million) build on earlier EC-funded actions.
68. The **facility to support SMEs affected by the hostilities of the summer of 2006** (EUR 15m), in cooperation with an EIB loan of EUR 100m, was identified in early January 2007 with a view to early implementation. The support will be provided to and managed by the Banque de Liban which will also be responsible for managing the EIB loans. The target groups for the EU grant are Lebanese SMEs affected by the hostilities and the banks that lend to the SME sector. The EU grant will be used to subsidise interest rates on the loans to SMEs provided under EIB loan and for technical assistance directed at financial intermediaries. The subsidy will be flexible and front-loaded to have an immediate impact and will cover private sector projects in industry, agriculture, IT, services, health and education.
69. The subsidy will be also available for the re-financing of existing investment-related loans and the subsidy includes a Technical Assistance component to be used to support training programme for financial intermediaries under the umbrella of the Association of Banks in Lebanon (ABL). The 2008 programme is under preparation and will include support to the independence and efficiency of the judiciary (EUR 10m), further support to the reinforcement of the private sector competitiveness (EUR 14m), support to local development in the north of Lebanon (EUR 18m), and general support to reforms with a potential focus on assistance to reform aimed at “Electricité du Liban” (EUR 8m)
70. Under the New ENPI, EUR 50 million was committed under bilateral assistance in 2007, partly for reconstruction and recovery purposes as mentioned above. In 2007 disbursements amounted to EUR 32.6 million or 65 % of the commitment.
71. Within the framework of the Barcelona Process, **the European Investment Bank (EIB)** has strengthened its financial partnership with the Mediterranean Partner countries through the creation of a specialised instrument, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). Between 2003 and 2007, a total amount of EUR 570 million in EIB own

resources and EUR 12.5 million in risk capital has been committed for Lebanon. Priority sectors for EIB financing include productive infrastructure, the private sector and the environment. In 2007, particular effort was devoted to strengthening ties with the local banking sector. A direct global loan totalling EUR 195m was shared between a group of leading private Lebanese banks to provide long-term financing in support of small- and medium-sized enterprises in industry (including agro-industry and services), tourism, healthcare, education, IT and knowledge-based economy. Risk capital operations supported by the EIB and launched during 2007 comprise technical assistance with two dedicated FEMIP operations to create a private equity investment vehicle, as well as funding aimed to assist the development of two other private equity funds, first such local funds in Lebanon. Regional private equity funds, also supported by the EIB under risk capital resources, will make additional resources available to the Lebanese private sector.

72. The EU looks forward to a fruitful and constructive meeting of the Association Council, which will mark an important moment for the further intensification of our bilateral relations in all areas.

---

**Lebanon-EU third Association Council**  
**Brussels, February 19<sup>th</sup> 2008**  
**Statement of the Republic of Lebanon**

1- Lebanon welcomes the holding of this third Lebanon –EU association Council which reaffirms our strong commitment to further enhancing our bi-lateral relations. This Council represents a welcome opportunity to provide an assessment of our bi-lateral relations, to focus on areas of particular interest to both parties and to deepen cooperation, creating new opportunities .This Council will also allow for an exchange of views on regional and international political issues of common interest.

2- Over the past year, our bi-lateral relations have witnessed a qualitative leap, with the beginning of the implementation of the Lebanon-EU Action Plan which opened up new horizons for cooperation and dialogue. Indeed, six sub-committees were convened throughout the year 2007 ; the Association Committee met in November 2007 and adopted formally the Deliverables agreed by each of the six sub-committees.

3- Lebanon and the EU share a common vision for the future of our region based on peace , stability and prosperity and underpinned by respect for democracy and human rights .We consider our partnership with the EU as a pillar of our foreign policy and an affluent for our reform policy. Lebanon looks forward to the launching of a regular Lebanon-EU political dialogue which will be an important tool to strengthen further our political cooperation .

4- Lebanon is grateful to the EU and to European countries for their contribution to the Paris 3 Conference, and to UNIFIL troops in the South. We are highly appreciative of the continuous efforts carried out by the EU High Representative for CFSP and by European countries individually to help Lebanon overcome the political crisis it has been facing throughout the past year.

5- Recent political developments in Lebanon have not weakened the Lebanese people 's resolve to implement their ambitious reform agenda. Lebanon is convinced that the EU will lend its support to this endeavor, and European values represent an inspiration to this direction.

## **Political Chapter**

### **Nahr El Bared Battle**

6- On May 20<sup>th</sup> 2007, Lebanese security police conducted a raid on a house in Tripoli which was used by militants from Fath El Islam. In retaliation, the militants attacked Lebanese military posts at the gate of Nahr -El –Bared refugee camp in the North of Lebanon, slaughtering 27 soldiers during their sleep and killing a number of civilians who came to the rescue of the Lebanese army soldiers'.

7-The group refused all calls to hand over the perpetrators of the attack to the Lebanese Justice, leaving the army with no choice but to engage in military confrontation. The ground offensive began on June 1st 2007,;following three months of fierce fighting, the Lebanese Army seized the last stronghold of the militants on September 7<sup>th</sup> taking full control of the refugee camp, and hence, denying the terrorist group its safe heaven.

8- The Fath Al Islam group had no connection neither to Islam nor to Fatah, the Palestinian organization; it was a terrorist group that sought to destabilize Lebanon bringing chaos and destruction. This battle was imposed upon the Lebanese army which had to uphold law and order. Throughout this battle, the Lebanese army took every measure to spare civilian lives. A total of 164 soldiers died in the fighting, many were wounded and two members of the Red Cross were killed while carrying out their noble mission.

9- The Lebanese people and government consider the army's achievement a victory over terrorism ; Indeed, the Lebanese people were united around the army which is the guardian of security and stability. The Lebanese army displayed great courage and determination despite the lack of resources and equipment.

10- The Lebanese Government assured the thousands of Palestinians who fled the camp in the early days of the fighting that the camp will be rebuilt and that their evacuation was temporary. The camp and its surroundings have been declared a single disastrous zone; their reconstruction is a shared responsibility with the International Community, as Lebanon does not have the financial resources to undertake this task on its own. The reconstruction cost of the camp is estimated at 382 million dollars. Lebanon appeals to the EU and the International Community to continue their support to the reconstruction effort. The Lebanese government organized a donors' conference on September 10<sup>th</sup> during which it proposed a two-phase package to restore normalcy to the camp and its surroundings revolving around : Relief and Early Recovery to the affected population -Reconstruction of the camp and its surroundings-

11- As the Lebanese Prime Minister His Excellency Fuad Siniora put it during the Donors' Conference "If we fail to rebuild , the dangers will be limitless, the potential threat from violent extremism is against us all".

### **Implementation of Resolution 1701 :**

12- Lebanon is still healing from the wounds inflicted by Israel during its aggression in July 2006. We reiterate our deep appreciation of the role played by UNIFIL in the South in accordance with its

mandate as stipulated by Security Council Resolution 1701. Lebanon has been observing the terms of the Resolution to the letter, and relations between the Lebanese army and UNIFIL troops have been marked by close cooperation and harmonious coordination.

On the other hand, Israel continues its violation of the terms of the Resolution particularly by:

- Conducting regular overflights in Lebanon's airspace, violating Lebanon's territorial integrity and sovereignty.
- Conducting incursions beyond the Blue Line
- Continuing its occupation of the Lebanese part of El-Ghajar, in a flagrant violation of Resolution 1701 which calls on Israel to withdraw its troops behind the Blue Line
- Abducting Lebanese citizens from within Lebanese territory
- Refraining from handing over the remaining maps indicating of mines planted by Israel during its occupation until 2000
- Refraining from providing information on the location of cluster munitions Israel had used during its 2006 aggression.

13- These repeated Israeli violations of Lebanon's sovereignty makes it all the more urgent to transform the cessation of hostilities into a permanent cease-fire, as the responsibility of protecting Resolution 1701 lies in the hands of the international community. Lebanon seeks the support of the EU in this endeavour.

14- The Israeli aggression of July 2006 resulted in a human tragedy whose repercussions are still in evidence as witnessed by the daily explosion of mines and cluster bombs. It is estimated that Israel had left about 1.2 million unexploded ordnances in the South. Many Lebanese, and even UNIFIL troops have fallen victims to this deadly weapon. We appreciate the help provided by the EU to locate these unexploded ordnances in affected areas.

15- We are convinced that the solution of the issue of the Shebaa Farms occupied by Israel in a way that safeguards Lebanon's sovereign rights in that area will contribute to peace and security in the region. We hope that the EU will exert pressure on Israel to cooperate with the cartographer assigned by the Secretariat of the United Nations and implement the results of this process according to the plan provided by the Lebanese Government. Israel's refusal to cooperate with the UN cartographer under various pretexts is a flagrant breach of SC Resolution 1701.

16- The Lebanese Armed Forces are deployed on the Northern and Eastern borders with Syria to ensure the safety and security of these borders. Enhancement of border control capacity is still a matter of extreme attention and in this regard, we highly appreciate the pilot project being carried out to that purpose, with the German Government on the Northern border.

17- Lebanon looks with great appreciation to European countries for their key contribution to UNIFIL troops and values the leadership they have displayed in implementing Resolution 1701.

18- The Lebanese Government is determined to fight all attempts aimed at destabilizing the situation in the South as exemplified by the terrorist attacks carried out against UNIFIL troops. We condemn in the strongest terms the car bombs attacks which targeted UNIFIL troops in the South and the Lebanese authorities are actively cooperating with UNIFIL in the investigation aiming at bringing the perpetrators to justice. Moreover, we revere the memory of the soldiers who have fallen victim in the South to terrorist attacks. Lebanon is highly appreciative of all the sacrifices borne by UNIFIL troops to ensure peace and stability in the South.

## **Recent political developments in Lebanon**

19- The recent period has witnessed an unfortunate vacuum in the Office of the President of the Republic. This vacuum has shed a tense and fragile situation on Lebanon. According to the Constitution, the Council of Ministers collectively assumes ad interim the prerogatives of the President. However, Presidential vacuum is not a sustainable option, and everybody should actively work towards ending this situation urgently.

20- Many endeavours and initiatives have been deployed to that regard. Lastly the Arab Council of Ministers approved an integrated plan starting by the election of the consensual candidate, General Michel Suleiman, agreeing on a government of a National Unity and drafting a new electoral law.

21- Lebanon appreciates the EU's endorsement of the Arab Initiative, and notes with appreciation the French endeavours that were previously deployed to find a solution for the political crisis. Italy and Spain also deployed commendable efforts worth to be mentioned.

2- All Lebanese factions announced their support for the election of General Michel Suleiman as President of the Republic. This election should urgently be a step towards a new chapter of national consensus and agreement, through dialogue on major issues of discordance.

## **Special Tribunal For Lebanon**

23- Since 2004, Lebanon has been facing a wave of political assassinations that has no precedent in the history of Lebanon. Moreover, terrorist attacks have recently targeted diplomatic missions, army and security officers, causing many casualties among the civilians. The Lebanese people will not be intimidated by these acts of terror. Lebanon condemns in the strongest terms these acts and remains determined to seek the truth. We reiterate our full support to the establishment of a Special Tribunal to prosecute those responsible for the assassination of the late Prime Minister Rafic Hariri and all the other victims of political assassinations since October 2004. There is a national consensus that those responsible for these heinous crimes must be brought to justice. An end to impunity will help deter any further crimes.

24- Security Council Resolution 1757(2007) which formally established the Special Tribunal for Lebanon entrusted the UN Secretary General with the task of undertaking the necessary steps and measures to set up the Tribunal. As the location of the seat of the Tribunal has been determined, we hope that the issues of the appointment of judges will be settled in the near future so as to allow for the commencement of the functioning of the Tribunal.

25- Lebanon has spared no effort to secure the right conditions for the establishment of the Tribunal and has taken the necessary measures to accelerate the commencement of the work of the Tribunal. Indeed, the Ministry of Justice, handed out to the UN a list drawn by the Supreme Council of Judges, comprising the names of 12 judges, out of which 4 will be chosen to take part in the panel of judges of the Appeal's Court and the First Instance Court; Lebanon also submitted a list comprising two names out of which one judge will be appointed as Assistant to the International General Prosecutor. The International Judicial Panel which was set up by SG Ban Ki Moon is expected to finish the selection process in the near future.

Moreover, the Council of Ministers which met on the 3<sup>rd</sup> of December 2007 decided to allocate the necessary funds to finance the work of the Tribunal.

26- We count on our main ally, the EU to continue extending its support to this Tribunal. In this regard, we are appreciative of European Countries which have made pledges for financing the Special Tribunal, and look forward for further cooperation with the Secretariat of the United Nations.

### **Barcelona Process**

27- Lebanon reiterates its commitment to the Barcelona Process and to its principles, mainly the realization of peace and stability in the region .Lebanon attaches great importance to the insertion of an item on political dialogue into the agenda of Senior officials' meetings, reinforcing thus, the relevance and the credibility of the Process. We are convinced that it is the responsibility of every partner to strive for a solution to the Arab-Israel conflict; this solution, based on a just and comprehensive peace, will allow for the realization of the objectives of the Barcelona Process in all other fields.

28- The adoption of Common Ministerial Conclusions in Lisbon on the 28<sup>th</sup> of November 2007 has contributed to the strengthening of the Process and has enhanced co-ownership that should be the guiding principle of our partnership. We are committed to the implementation of the 5-year Action Plan which was adopted in Barcelona in 2005 and we are convinced that it will be implemented in a balanced way taking into account the priorities of Arab Partners.

### **Peace Process in the Middle East**

29- Lebanon remains committed to a just and comprehensive peace as the only solution to the Arab-Israeli conflict , in conformity with relevant UN Resolutions , the terms of reference of the Madrid Conference including the principle of land for peace, in line with the Arab Peace Initiative adopted in Beirut and reiterated in successive Arab Summits. This initiative remains a valid, realistic and objective framework designed to put an end to this conflict that has been undermining the development of the region for the last six decades. Lebanon calls on its EU partner to contribute to its implementation.

30- Partial and interim solutions throughout the past decades have failed, hence any solution which falls short of a complete withdrawal of Israel from Arab territories occupied on the 4<sup>th</sup> of June of 1967 will not bring peace to the region .

31- Lebanon welcomes any opportunity to achieve progress on the Israeli-Palestinian track. Therefore we welcomed the holding of the international meeting in Anapolis as a first step to re-launch negotiations towards just and comprehensive peace; however, Israel has been undermining the renewed peace efforts by continuing its settlement activities in the West Bank, which are undermining any future Palestinian State, by imposing a siege on GAZA and by carrying regular air strikes on Gaza which are causing heavy casualties among the civilians.

32- We emphasize the urgent need to improve the economic and social conditions prevailing in Gaza and to provide humanitarian assistance to the local population Israel must be persuaded to stop its air strikes, to lift the restrictions on the movement of people and to provide the essential services to the people of Gaza .

33- We call on the EU to apply pressure on Israel to stop its aggression and to preserve the renewed peace efforts. Lebanon hopes that a serious and substantive negotiation addressing the core and final status issues will put an end to this long-standing conflict ; Any solution must include the inalienable right of the Palestinian refugees to return to their homes , a right enshrined in UN Resolution 194 and by International law. Lebanon urges its European partners to ensure that no solution to the Arab-Israeli conflict would be attained at the detriment of Lebanon's vital interests. Indeed, the rejection of the permanent settlement of the Palestinian refugees in Lebanon is a subject of national consensus, enshrined in the post-war Lebanese Constitution. Putting in question this principle which was at the core of the national understanding that put an end to the civil war in 1991, would destabilize its internal peace and its fragile demographic balance.

34- Lebanon stresses the responsibility of the International Community to help improve the living conditions of the Palestinian refugees in Lebanon. In this regard, Lebanon, while acknowledging the important contribution of the EU in foreign aid to the Palestinian refugees, reiterates its call to the EU and to the International Community to increase its assistance to the Palestinian refugees during their temporary presence in Lebanon and to provide adequate financial resources to the UNRWA so as to enable it to meet the basic needs of the Palestinians, including those present in host countries. Lebanon considers that the Palestinian refugee's problem is primarily an international responsibility.

## **Economic Chapter**

1. By signing the Association Agreement with the EU, Lebanon, along with Europe, took up a challenge for the future. It is a genuine choice and a historical turning point, undertaken by both the state and the Lebanese people in a spirit of openness and cultural affinity. While seeing Europe moving geographically towards its neighbors, Lebanon congratulates itself for entering into an Association Agreement it hopes would reap the best results for both parties. Further, this Agreement consolidates Lebanon's vocation as a trade platform between Europe and the Arab World.

### **I. Macroeconomic Developments**

2. **The year 2007 was a difficult year for Lebanon.** It was marked by fights in the Northern part of the country, persistent political tension and continuous security uncertainty. These factors along with the repercussions of the 2006 summer war and blockade adversely affected the Lebanese economy by denying it the benefits from the oil boom in the region, shadowing the success of the Paris III International Donor Conference and delaying the implementation of its reform program.

3. **The country was severely hit by the two wars, the political deadlock and the security situation.** In addition to the tragic loss of human life, large-scale displacement and massive damage to private and public infrastructure, a complete dislocation of the economy occurred and many professionals and entrepreneurs left the country or lost employment.

4. **The indirect impact was much more significant.** The economy was witnessing a good performance in the first half of 2006 before it stalled for the past 18 months. Real GDP growth, which was estimated at 5-6% during the first half of 2006, ended the year at 0% and it was estimated at 2% in 2007. Agriculture and tourism were the most severely damaged sectors and private companies incurred major operational losses.

5. **The impact on investment was remarkable.** Foreign direct investment slowed down from more than 12% of GDP in 2005 to less than 9% in 2007, while in other countries in the region, FDIs skyrocketed in 2006 and especially in 2007 due to the oil boom. Moreover, the approval of foreign financed project exceeding USD 707 million is being delayed due to the closure of the parliament.

6. **In the aftermath of the July war, the international community and the European Union in particular, reacted quickly and generously to support Lebanon.** On August 31, 2006, the Swedish government hosted a Conference for Lebanon's Early Recovery in Stockholm. On January 25, 2007, the French government hosted the Paris III International Conference for support to Lebanon, in order to assist the country in its recovery, reconstruction and reforms efforts. The Paris III conference resulted in \$7.613 billion pledges made by 38 states and institutions. European pledges constituted around 38% of total pledges. Out of the USD 7.613 billion, agreements for a total of \$3,665 million were signed till end-2007. These include \$1,292 million for budget support, \$120 million for support through the Central Bank, \$944 million for promoting growth through private sector support, \$1,023 million in project financing and \$285 million in-kind support.

7. **In this respect, the government of Lebanon is committed to Paris III reforms despite the political disputes, the security challenges and the delay in the transfer of donations.** To date, a total of 122 initiatives constituting 45% of Paris III initiatives have been launched and showing tangible progress on the economic, infrastructure and privatization, and social fronts. The Ministry of Finance has been working towards rationalizing current expenditures, enhancing revenue collection, modernizing financial management, revenue administration and debt management, and improving the business environment. Reform activities at the Ministry of Economy and Trade demonstrated progress, most notably in enhancing structural reforms intended to encourage investment, promote and strengthen intellectual property, facilitate trade, and improve the business climate. Reforms in the telecommunications and power sectors are ongoing. To date, 44% of the Paris III social reform initiatives have been launched. They focus on strengthening social safety nets, reforming health and education sectors, the labor laws and the pension system.

8. **The difficult situation severely damaged the tourism sector.** It was at its record peak prior to the 2006 war, with 1.6 million tourists expected over the year, and with the number of tourists increasing by 50% over the first 6 months of the year. Unfortunately, the tragic events of 2006 led to a decrease of approximately 6.8% in the number of tourists visiting Lebanon compared to 2005, and a decrease of 17% compared to 2004. The declining trend continued through 2007 due to the deteriorating political and security conditions and to the war in Nahr El Bared. Indeed, the number of visitors decreased by 4.3% in 2007 relative to 2006 to reach 1,017,072.

9. **The evolution of the balance of payments reflected the flows of the international community's financial support and of foreign direct investments.** It had recorded a cumulative surplus of US\$ 2.5 billion in the first half of 2006, due to remittances and exceptional foreign direct investments mainly in real estate. After the war, it posted a deficit of US\$ 1.89 billion in July 2006, but by year end it had recovered all the losses incurred during the war thus posting a surplus of \$2.8 billion mainly due to the international community's financial support. In 2007, the balance of payments posted a positive cumulative surplus that surpassed US\$ 2 billion despite the unsettling security conditions and the continuing political deadlock. This is the result of the offsetting capital inflows from the booming Gulf region, the remittances from Lebanese expatriates and the activity of Lebanese commercial banks abroad.

10. **The impact of the July 2006 war on the fiscal situation was severe, but the situation improved in 2007.** Based on the strong performance of the first half of 2006, the primary surplus was expected to be at 3% of GDP for 2006, but it shifted to a deficit of 0.4% of GDP after four consecutive years of surpluses. The overall fiscal deficit reached 14% of GDP due to a revenue loss of around US\$180 million and to about US\$740 million increase in conflict-related expenditures (including expenditures financed by grants that have been pledged). On this basis, total gross public debt reached US\$40.4 billion by the end of 2006—equivalent to 181% of GDP. In 2007 and despite the financing pressures arising from public debt servicing and transfers to the electricity company (EdL), Lebanon improved its public finances and managed to meet the end-year quantitative indicative targets set under the IMF program “Emergency Post-Conflict Assistance” (EPCA). The primary deficit of LBP 7 billion registered in 2006 was turned into a surplus of LBP 1,102 billion in 2007, hence reaching 3.34% of GDP. Revenues increased by 20% compared to 2006 and amounted 24% of GDP thanks to the over-performance in VAT and telecom revenues.

11. **On monetary and financial levels, a remarkable resilience of the banking sector and financial institutions was once again demonstrated in 2007.** On one hand, the Central Bank managed to face the adverse exogenous shocks and maintained the exchange rate peg thanks to deposits of foreign currency by KSA, Kuwait and Qatar. Broad money supply M3 increased by around 13% over 2007 to reach LBP 90,234 billion in end-December 2007. On the other hand, the banking sector maintained a good performance by expanding its activities in the region. Aggregate activity (measured by the consolidated assets of banks operating in Lebanon) grew by 7.9% over the first eleven months of 2007, which compares well to the 6.6% growth recorded during the corresponding period in 2006. Customer deposits expanded by 8.6% over the said period, which is significantly higher than the 5.5% growth registered in the same period of 2006. Deposits dollarization increased by 78 basis points since end-December 2006 to reach 76.99% at end-November 2007, thereby confirming the absence of conversion pressures in both directions on the foreign exchange market at large.

## **II. Implementation of the Association Agreement**

12. **Lebanon is committed to the implementation of the Association Agreement which entered into force on April 1, 2006, and through it to the European Neighborhood Policy (ENP), to share the benefits of the EU’s enlargement with neighboring countries in strengthening stability, security and well-being.** Lebanon has engaged in negotiations with the European Union for the drafting of a joint Action Plan which lays out the strategic objectives of cooperation on political, security, social, economic and cultural issues over a timeframe of five years. Negotiations regarding the ENP Action Plan were concluded in May 2006, just before the start of the July war. The Action Plan was officially adopted by the EC and Lebanon on 19 January 2007.

13. Accordingly, 7 subcommittees out of 10 have been established to deal with the following topics under the framework of the ENP Action Plan: “Economic and Financial matters” “Human rights, Democracy and Governance”, “Industry, Trade and Services”, “Internal Market”, “Social and Migration Affairs”, “Transport, Energy and Environment”, and “Research, innovation, information Society, Education and Culture”. The subcommittees discussed the implementation of the Association Agreement and the related European Neighborhood Policy Action Plan and assessed progress on the objectives and actions which have been identified and agreed upon in the Action Plan. The three remaining subcommittees, namely “Justice and Security”, “Customs Cooperation and Taxation”, and “Agriculture and Fisheries”, are being established.

14. **With 96% of companies with less than 50 employees and 88% of companies with less than 5 employees, small and medium enterprises (SME) play an essential role in the Lebanese economy.** Accordingly, and with the aim of reviving the private sector, the Lebanese authorities and the European delegation in Beirut have put together a number of support programs and projects in favor of small and medium enterprises. The Integrated SME Support Program, funded by the EU and implemented by the Ministry of Economy and Trade aims at improving the business environment and encourage investment in the private sector through elaborating SME friendly policies, developing business support services, and improving access to finance. At the policy level, the programme completed an extensive review to identify legal and procedural impediments faced by SMEs. In addition, it assisted the Ministry in formulating a five-year strategy for the sector's development. One of the main outputs of the SME Program is the establishment of four Business Development Centers operating across the country. The MoET, through the SME Programme, partnered with KAFALAT, a loan guarantee, to improve access to finance to SMEs. Accordingly, this resulted in the release of Euro 40 Million worth of credit guarantees not tied to collateral, and which, for the first time, enabled support to innovative start-up enterprises.

15. **In its continuous efforts to improve the business environment, the government signed a Cooperation Agreement with IFC in January 2006 with the objective of simplifying business registration procedures by cutting the number of steps, cost and time.** A review of business registration procedures and a detailed process mapping which analyzes and describes every single regulatory process has been released in early August 2006. Accordingly, and in cooperation with the private and public sector, the project analyzed the associated bottlenecks and bureaucracies associated with the business procedures, and recommended a new set of streamlined procedures. Therefore, a "short term business registration simplification solution", which does not call for a change of law, was endorsed on 28 September 2007. The new procedures came into effect beginning 2008.

16. **In parallel, the joint World Bank- IFC Foreign Investment Advisory Service (FIAS) conducted a careful analysis and mapping exercise of all the post-registration procedures** that investors have to go through after registering a company, with a particular emphasis on key sectors such as Tourism, Agrofood and Information Communication Technology (ICT). The resulting recommendations of this report would be used to further engage other parts of the government with the intention of pursuing other policy reform areas to create a better business enabling environment. The final report on Lebanon's Administrative Barriers was released at the end of January 2007 and has already been disseminated to the media and several institutions.

17. **"Qualeb"- the Quality Programme, is another EU reform project that will reinforce competition and improve the competitiveness of Lebanese exports.** Qualeb aims at strengthening quality management, capabilities, and infrastructure in Lebanon, resulting in the conformity of Lebanese products to international standards, particularly EU regulations. Through Qualeb, a quality related legal framework is being prepared, consisting of drafting and amending new and existing laws and secondary legislations, mainly in the fields of metrology, standardization, technical regulations and conformity assessment, accreditation, market surveillance and product liability. In addition, QUALEB is supporting 16 selected testing and calibration laboratories from the private and public sectors, with equipment, training and consultancy, leading to international accreditation. Furthermore, QUALEB supported 50 companies for the introduction of quality management systems (ISO 9001) and food safety management systems (ISO 22000) through training and consultancy activities. As a result, more than 17 out of the 50 companies got the ISO certificate in 2007.

18. **However, the success of the implementation of the before mentioned programs does not guarantee Lebanese merchandise access to European markets.** In fact, new European regulations on trade between Lebanon and the EU could come up unexpectedly. Lebanon invites the EU to closely examine the technical barriers and other barriers to trade. In parallel, Lebanon is continuing the alignment and approximation of its legislation to comply with EU standards. Furthermore, it is crucial to put in place a decision-making mechanism which aims at coping with future obstacles that might affect the implementation of projects falling under the Association Agreement. We believe that the subcommittees created under the umbrella of the ENP should have the authority and the capacity to resolve the problems that may arise from project implementation.

19. Lebanon hopes to carry on the economic dialogue with the EU, and looks forward to frequently holding similar forums at the level of high officials and focal points.

### **III. Lebanon's economic ties**

20. The Association Agreement with the EU consolidates our bilateral relations and allows an increased trade activity with the EU, a main trade partner for Lebanon. The Association Agreement will also facilitate trade flows from and to the Arab hinterland.

21. Lebanon is in the process of finalizing the answers to the 6th round of Q&As (90 questions) received from the WTO Secretariat end of June 2007. Answers are expected to be formally sent to the WTO by February 2008. Informal bilateral talks with the EC, Canada, Cuba, USA and Taiwan have been underway since May 2007.

22. The Greater Arab Free Trade Area, in which Lebanon is member, has entered into force on January 1, 2005. On this date, custom barriers on products, which were already reduced by 80%, were totally abolished giving way to an open market of 150 million inhabitants. A framework agreement on the liberalization of services was recently concluded, and negotiations are still underway with member states.

23. Due to its geographical location, Lebanon can play the role of a trade platform between Europe and the Arab world – a reason to maintain strong and solid economic relations with its partners. In 2006, imports from Arab countries increased by 10 % compared to 2005 and added up to 15% of total Lebanese imports. Four Arab countries contributed to 68% of the imports from Arab countries. Egypt (26%) topped the list of Arab countries exporting to Lebanon and was followed by Saudi Arabia (20%), Syria (12%), and the United Arab Emirates (9%). Whereas Lebanese exports to Arab countries decreased by 1% compared to 2005 and added up to 44% of total Lebanese exports. Four Arab countries contributed to 65% of the exports to Arab countries. The United Arab Emirates (18%) and Syria (18%) topped the list, followed by Saudi Arabia (15%), and Iraq (14%).

24. The negotiations with the European Free Trade Zone ended on June 24, 2004 with the ratification of a Free Trade Agreement on industrial products, including agro-foods. It takes into consideration the different levels of development between the parties and stipulates a progressive and asymmetrical reduction of custom duties between 2008 and 2015. With EFTA, Lebanon hopes to consolidate further its bonds with Europe.

25. Lebanon and the six member states of the Gulf Cooperation Council (GCC) have signed a Free Trade Agreement on products in May 2004 and have launched negotiations for liberalizing trade in services. The Free Trade Agreement with the Gulf countries advocates the establishment, by the concerned parties, of a secure and favorable environment for investments. This kind of agreement is the first of its kind between the GCC and non GCC Arab countries.

26. Lebanon signed a Trade and Investment Framework Agreement with the USA in November 2006 and is awaiting the ratification of the agreement by the parliament in order to set up the Lebanese Committee that will represent the Lebanese side in the Lebanon-US Council on Trade and Investment.

27. Other bilateral efforts are equally taking place with a number of countries, such as Iran, Pakistan, Indonesia and Iraq. Several agreements have also been signed with Brazil - which hosts the largest Lebanese Diaspora (9 million emigrants) - in order to place Beirut as the platform for Brazilian trade with the Middle East. A memorandum of understanding was signed in 2004 which expands and diversifies bilateral relations.

28. In September 2005, Lebanon re-joined the Kimberley Process certification scheme which regulates the trade in rough diamonds. It also allows Lebanon to reestablish contact with the Lebanese community abroad that deals with rough diamonds. Lebanon is the second Arab country, after the United Arab Emirates, to join the Kimberly Process.

29. Lebanon has historic and economic ties with its commercial partners. Accordingly, free trade agreements favor convergence with Europe, especially on the standardization level, establishing conformity of Lebanese products with international and European standards, and promoting joint venture operations between Lebanese and European enterprises.

#### **IV. Structural and Legislative Reforms**

30. **Structural reforms are undertaken or are on the verge of being upheld through privatization programs. Regarding the Telecommunication sector,** the government established the Telecom regulatory Authority (TRA) and the transfer of regulatory functions from the Ministry of Telecommunications to the Authority has proceeded. On November 2, 2007, the republic of Lebanon, acting through the High Council for Privatization (HCP), and the TRA, launched the tender process for the privatization of the two state owned mobile operators. A virtual data room has been opened to interested bidders. Applications are due on February 1, 2008, with the live auction scheduled for February 21, 2008. **Regarding the Power sector,** three international consultants have been appointed in August 2007 in order to strengthen the sector policy-making capacity, enhance the operational efficiency of EDL and privatize EDL

31. **Despite the delay, encouraging progress has been achieved at the legislative level.** Several laws have been enacted, in particular the law on sanitary and phyto-sanitary measures which was approved by parliament on November 1st, 2006 and has been in effect since March 7, 2007. Parliament has also approved the law on Protection of National Products on December 21<sup>st</sup>, 2006. The law recaptures the provisions of agreements ratified by the WTO regarding anti-dumping, subsidies and compensatory measures, as well as the agreement on safeguards. The implementing decree related to the law on the Protection of National Products was approved by the council of ministers on October 2007; however, the signature of the Minister of Agriculture is still needed for it to effectively enter into force. The draft law on Import Licenses and International Trade will be

resent to Parliament (since it has been withdrawn for procedural reasons) after the signature of the Minister of Environment.

32. **The Information Technology draft law** has been approved by the Information Technology Committee at the parliament on December 21, 2006 covering e-signature, e-contracts, e-banking, e-commerce, consumer protection in e contracts, and protection of personal data, Cyber crimes, and Domain names. The Draft law is currently waiting to be approved by the joint committees at the parliament before being submitted to the plenary for approval.

33. **Moreover, a decision to cancel all fees on import licenses will enter into force once the 2006 budget is approved by Parliament.**

34. **Lebanon is committed to respect all Intellectual Property Rights.** The government, along with the EU, launched in September 2005 an initiative to promote intellectual property. In this respect, the new Industrial Designs Law, the new Trademark Law, and the amendments of the Copyright Law, were approved by the Council of Ministers in October 2007 and sent to parliament the following month. The geographical indicators law was approved by the Council of Ministers on May 21, 2007 and sent to parliament in July 2007

35. **MOET is working on increasing IP awareness at both public and private levels:** In addition to the seminars that are being held with WIPO, MOET has resumed an EU funded project (interrupted due to the war) regarding “Intellectual Property Rights Promotion” which is expected to design a clear and focused strategy for Intellectual IP awareness campaign as well as drafting the terms of reference for the implementation of the campaign. In addition, MOET is strengthening the administrative capacities of the Intellectual Property Protection Office (IPPO) in the fields of IP enforcement and development of human resources. Inspectors are being trained through participating in various seminars and workshops. Thousands of counterfeit and pirated goods were seized in the recent period in coordination with customs and about 70 cases were referred to the courts.

36. In addition, **the government is working to adhere to the international agreements and conventions stipulated in the EU Association Agreement, such as:**

- Paris Convention for the protection of industrial property (Stockholm act –approved by the Council of Ministers on May 21, 2007 and sent to parliament in July 2007).
- Nice Agreement concerning the International classification of goods and services for the purpose of the registration of marks (Geneva – approved by the CoM on May 21, 2007 and sent to parliament in July 2007).
- Patent cooperation treaty (Washington – approved by the CoM on February 20, 2007 and sent to parliament in March 2007).
- Trademark law treaty (Singapore treaty – approved by CoM on April 20, 2007, sent to parliament on 31 May 2007).
- Madrid agreement “false on deceptive indications of source on goods” approved by the CoM on April 20, 2007 and sent to parliament in July 2007.
- Berne convention for the protection of literary and artistic works (approved by CoM on June 2006 and sent to parliament in August 2007).
- Madrid Protocol relating to the Madrid Agreement concerning the International registration of Marks 1989(approved by the Council of Ministers on October 27, 2007) and sent to parliament in November 2007.

37. **The government finalized a new unfair Competition Law** (including concerned parties' comments). The Law was approved by the Council of Ministers on October 27, 2007. **The government is also preparing laws on standards and on Technical Regulations and Conformity Assessment** intended to improve the business environment. The final draft of the Standardization law is expected to be ready and approved by the Council of Ministers in 2008.

38. **Lebanon has recently finalized a draft law** on competition which was approved by Council of Ministers in October 2007, and sent to the Parliament in November 2007. The Law is currently awaiting discussions by the Parliamentary Committees before enactment by the General Assembly.

39. In its effort to modernize the insurance sector, the Ministry of Economy and Trade has recently submitted to the Council of Ministers a draft law that will regulate the sector. The draft law will create an insurance authority that will monitor the sector. The law will also put standards and codes for the existing companies and newcomers.

## **V. The Expansion of Europe and the Neighborhood Policy**

40. Lebanon hopes that the European enlargement will be an opportunity to promote stability and prosperity beyond its borders, in such a way as to consolidate integration and favor common political, economic and cultural dynamics.

41. The enlargement of Europe and the new neighborhood policy created new challenges for Lebanon urging it to strengthen this partnership by preserving preferential trade relations, and intensifying cooperation at the political, economic and cultural levels. Due to its economic, political, cultural and historical relations, Lebanon is closely linked to the EU and wishes to preserve its privileged status within these new policies.

42. Lebanon wishes to establish an expanded prosperous area characterized by close, peaceful relations, and based on cooperation, the pursuit of integration and liberalization. This aims at promoting the free circulation of people, goods, services and capital. Lebanon also wishes to support the role of the EU in promoting justice and peace throughout the Middle East, in preventing conflicts, and in managing crises in the region.