UNITED NATIONS
الاسكوا
ESCWA

Shared Prosperity Dignified Life

Enhancing trade competitiveness in Lebanon: **Morocco and Türkiye as gateways to the European Union**

E/ESCWA/CL6.GCP/2026/Policy brief.1

©Yuparet/stock.adobe.com

Acknowledgements

The present policy brief was prepared by the Economic and Social Commission for Western Asia (ESCWA), in collaboration with the Center for Policy Action (CePA) at the Lebanese American University (LAU). The work was led by Nathalie Khaled (ESCWA) and Leila Dagher (CePA, LAU), with contributions from Isabelle-Yara Nassar, Nadia Ahmad and Ali Fala (CePA, LAU), and from Maya Dah (ESCWA) and Reem El Eit (ESCWA).

Key messages

- Exports to the European Union remain limited under the European Union–Lebanon Association Agreement, as non-tariff barriers and constrained productive capacity continue to impede performance.
- High transport, energy, financing and administrative costs, combined with weak enforcement of competition rules, undermine price competitiveness.
- Morocco and Türkiye have gained access to European Union markets by leveraging geographic proximity, sectoral specialization and compliance with European Union standards.
- Lebanon can access European Union markets by collaborating with Morocco and Türkiye through rules-of-origin cumulation, shared logistics and joint production.
- Regional cooperation frameworks, strengthened competition enforcement and targeted sectoral improvements can deliver significant gains without major reforms.

Introduction

Lebanon continues to face a severe import-driven trade deficit, with exports stagnating at approximately $3.5 billion and imports far exceeding that level. Despite duty-free access to the European Union, exports remain limited due to non-tariff barriers, low competitiveness and constrained productive capacity. The present policy brief proposes integration into regional value chains, particularly through Morocco and Türkiye, as a practical pathway to overcome these constraints and strengthen access to European Union markets.

This policy brief examines the gap between Lebanon's preferential access to the European Union and its export performance, and identifies practical pathways to address this constraint. It focuses on key structural barriers, including non-tariff measures, domestic market structure, and limited integration into regional value chains. Morocco and Türkiye are used as primary benchmarks, while other country examples are included selectively to illustrate specific mechanisms. The analysis emphasizes domestic competition dynamics as a key constraint, distinct from competition provisions embedded in trade agreements.

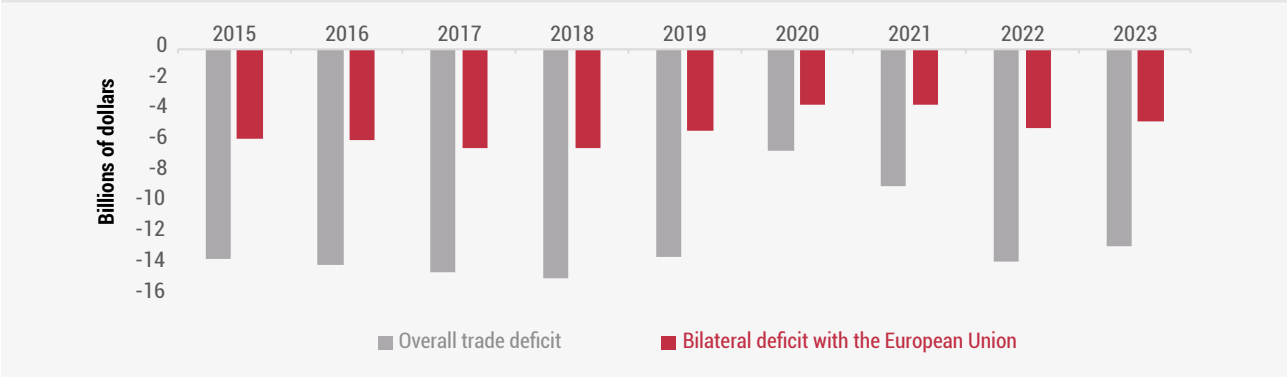
1. Trade deficit in Lebanon and untapped European Union potential

The economic crisis in Lebanon is driven by a long-standing structural trade deficit, with exports stagnating at around $3.5 billion and imports ranging between $11 billion and $19 billion.[1] This imbalance resulted in a goods deficit of about $14.2 billion in 2024, with no clear improvement in early 2025.[2]

Trade deficit drains foreign reserves, destabilizes the exchange rate, and accelerates currency depreciation, thereby increasing reliance on declining remittances and informal inflows. Combined with unresolved financial sector losses, political instability, infrastructure deterioration and recent conflict shocks, this dynamic entrenches poverty, constrains productive capacity and delays economic recovery.[3]

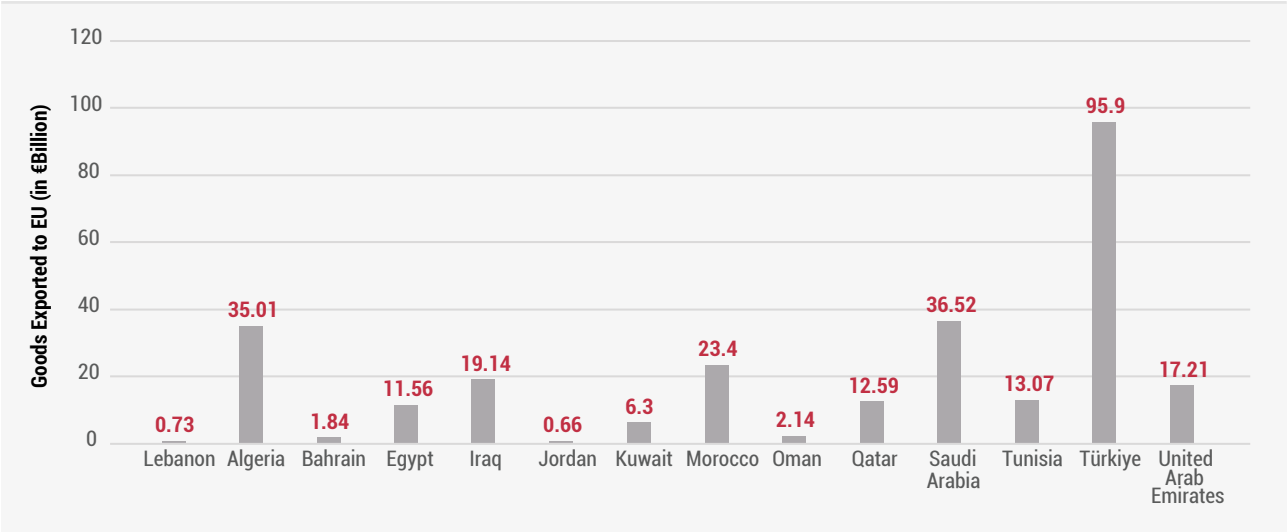
The Lebanese economy has long relied on a rentier model characterized by low-value exports, an overvalued currency, and entrenched anti-competitive practices that act as de facto non-tariff barriers. These structural constraints predate the 2019 crisis and heighten vulnerability to external shocks.[4] Trade balance data for the period 2015–2023 confirm persistently large overall deficits and a sustained deficit with the European Union, illustrating the cumulative impact of chronic imbalances (figure 1).

Figure 1. Trade deficits in Lebanon, 2015–2023



Source: World Bank, World Development Indicators: Lebanon (accessed 17 March 2026).

Figure 2. Goods exports to the European Union: Lebanon and regional peers, 2023



Source: Eurostat, International trade of EU and non-EU countries since 2002 (accessed on 18 March 2026).

The widening of the trade imbalance was most pronounced between 2006 and 2014, corresponding to the implementation phase of the European Union–Lebanon Association Agreement, suggesting that partial liberalization, in the absence of structural domestic reform, contributed to trade diversion without corresponding export expansion.[5]

Exports to the European Union remain weak despite duty-free access under the European Union–Lebanon Association Agreement. In 2024, total trade in goods with the European Union reached €5.5 billion, while Lebanese exports amounted to only €0.52 billion, accounting for around 16 per cent of total exports and leaving a sizeable bilateral deficit.[6]

The gap with regional peers is pronounced: in 2023, Lebanese exports to the European Union (approximately €0.73 billion) were significantly lower than those of Morocco (€23.4 billion) and Türkiye (€95.9 billion) (figure 2). Overall exports account for only about 15 per cent of gross domestic product (GDP) and are concentrated in low-value-added products, such as precious metals and prepared foodstuffs.[7]

This narrow export structure, combined with non-tariff barriers, including high transport costs, weak price competitiveness and limited productive capacity,[8] leaves the Lebanese economy exposed to shocks and limits its ability to benefit from global value chain opportunities.

This is consistent with broader structural indicators. Lebanon's Economic Complexity Index declined significantly, falling from 2nd in 2007 to

22nd in 2018, reflecting a weakening productive base. Estimates of untapped export potential suggest around $1 billion in additional exports, primarily in regional markets. These patterns, consistent with ESCWA analysis, confirm that weak export performance is driven mainly by structural and supply-side constraints rather than limited market access.[9]

Lebanon also ranks poorly in trade facilitation, positioned 153rd among 190 countries in trading across borders.[10] To address these constraints and diversify exports, the present policy brief emphasizes integration into global value chains, enabling firms to specialize in specific stages of production, improve productivity and wages, and generate broader economic spillovers.[11]

2. Non-tariff barriers constraining exports from Lebanon to the European Union

The European Union–Lebanon Association Agreement eliminates most tariffs on Lebanese industrial and agricultural exports, while non-tariff restrictions continue to constrain export growth to Europe. The most structurally significant constraint lies in the nature of the Agreement itself. As a first-generation "partial integration" agreement, it liberalizes tariffs but does not include deeper "inside-border" provisions related to competition policy, regulatory alignment, services, investment, or SPS/TBT standards. As a result, it provides market access without creating sufficient incentives for domestic reform, a pattern highlighted in ESCWA policy analysis of Lebanon's trade performance.[12]

In 2025, Lebanon scored 23 out of 100 on the Corruption Perceptions Index, ranking 153 out of 180 countries. Pervasive corruption, anti-competitive practices and infrastructure deficiencies increase costs and hinder market entry.[13] Logistics inefficiencies, high domestic manufacturing costs, limited scale and weak infrastructure prevent Lebanese enterprises, especially small and medium enterprises (SMEs), from meeting European Union market requirements and competing effectively.

The following sections identify the most binding constraints affecting Lebanon's export performance, rather than providing an exhaustive list. Among these, standards compliance and domestic cost distortions emerge as the most binding in the short term, as they directly affect firms' ability to access and compete in European Union markets.

A. High transport and logistics costs

Lebanese exporters face prohibitively high logistical and transport costs, compounded by inefficient port infrastructure, inadequate road networks, limited shipping capacity and regional instability. These factors increase delivered prices in European Union markets, where many Lebanese potential exports, including agrifood products, compete in price-sensitive segments. The low performance of Lebanon on the World Bank's Logistics Performance Index further underscores these infrastructure and customs-related challenges.[14,15]

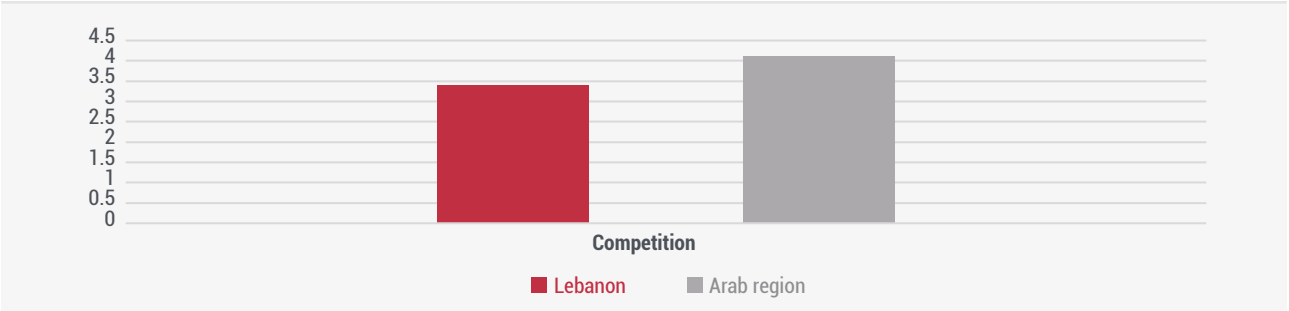
B. Low price competitiveness

High domestic input costs, including energy, financing, infrastructure and administrative burdens, together with weak competitive dynamics, undermine price competitiveness in Lebanon. Monopolistic or cartel-like market structures can lead to elevated prices and markups, reducing cost-cutting incentives and affecting productivity and export performance (figure 3).[16]

Studies indicate that market concentration remains high due to the presence of a few dominant firms and limited competition.[17] Although the 2022 Competition Law seeks to address anti-competitive practices, slow enforcement and the absence of a fully operational National Competition Authority have limited its impact. Strengthened enforcement, effective control of exemptions and increased competition in regulated sectors are required to improve price competitiveness.[18]

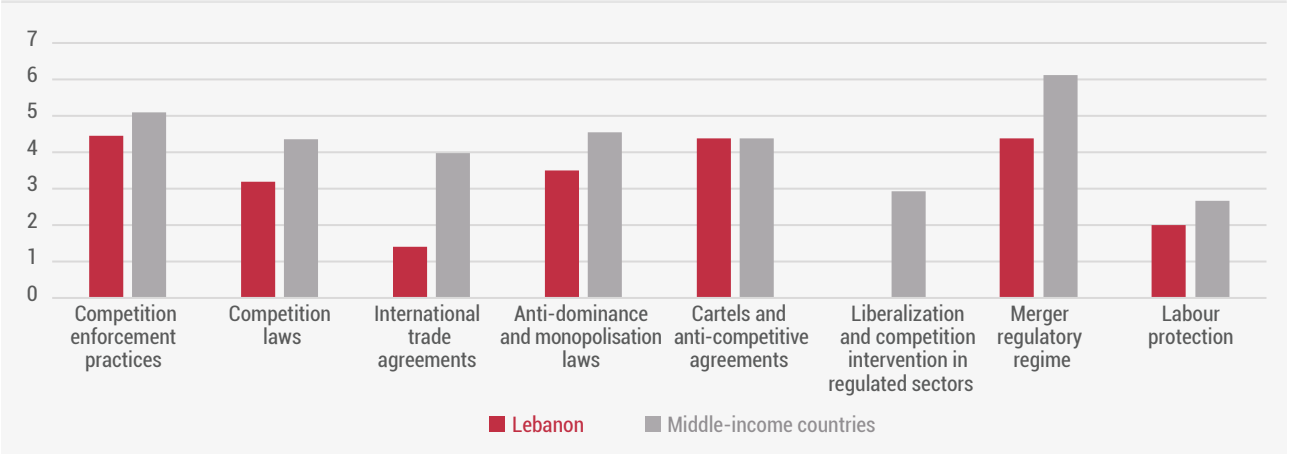
Lebanon lags Arab middle-income countries in competition legislation, enforcement, anti-dominance regulation and merger oversight, despite higher exports and greater integration into regional and European value chains. Key weaknesses relate to international trade agreements, government intervention in regulated sectors, cartels and

Figure 3. Comparative competition framework scores: Lebanon and the Arab region



Source: ESCWA, The Arab Business Legislative Frameworks: Lebanon Country Profile, 2023.

Figure 4. Competition framework performance: Lebanon and middle-income countries



Source: ESCWA, The Arab Business Legislative Frameworks: Lebanon Country Profile, 2023.

anti-competitive agreements, reflecting extensive exemptions and insufficient enforcement. These gaps increase price rigidities and cost distortions. In contrast, Morocco and Tunisia have strengthened competition frameworks, enabling firm entry, scale expansion and integration into European supply chains (figure 4).[19]

These competitive and regulatory challenges compound weaknesses in industrial policy, reducing incentives and limiting capacity of firms to upgrade, innovate and expand scale. This dynamic further reinforces limited productive capacity in Lebanon.[20] Domestic competition distortions, while independent from trade agreement provisions, increase input costs and weaken firms' ability to benefit from preferential market access.

Lebanon

Key weaknesses

- international trade agreements
- government intervention
- anti-competitive agreements
- extensive exemptions
- insufficient enforcement

C. Limited productive capacity

Industrial and agricultural sectors in Lebanon consist mainly of small, fragmented firms that lack the scale, technology and managerial capacity required to meet European Union buyer requirements, thereby limiting participation in European value chains.[21]

The productive base remains concentrated in low-value downstream activities. Manufacturing accounted for only about 1.43 per cent of GDP in 2021, signalling a narrow industrial base and limited capacity to produce intermediate goods.[22]

Lebanon

in 2021

Manufacturing

accounted for only

≈1.43% of GDP

Research shows that downstream activities in global value chains generate limited domestic value, whereas involvement in intermediate or upstream stages yields stronger development outcomes and greater retention of value added.[23]

Given low economic complexity and weak institutional capacity in Lebanon, ambitious industrial policies such as antidumping measures are difficult to administer and may stifle innovation. Re-engagement in global value chains therefore requires reform to improve the business environment, strengthen institutions, and enforce legal standards.[24]

D. Standards, conformity assessment and quality infrastructure deficiencies

European Union technical regulations under the Agreement on Technical Barriers to Trade and sanitary and phytosanitary standards impose rigorous requirements related to product safety, labelling and testing. Limited accredited testing laboratories in Lebanon, together with the near-non-operational status of the national accreditation body (COLIBAC) due to delays in appointments and staffing, force exporters to rely on costly foreign certification. This results in delays, higher expenses and frequent market entry failures, particularly for agrifood and pharmaceutical products.[25]

3. Morocco and Türkiye as gateways to European value chains

High transport costs, weak price competitiveness, limited productive capacity and inadequate standards prevent Lebanese firms from accessing European Union markets despite preferential arrangements. Strategic partnerships with regional economies already integrated into European supply chains, particularly Morocco and Türkiye, offer a practical alternative. Using diagonal rules of origin under the Pan-Euro-Mediterranean Convention and the Agadir Agreement, shared logistics and specialization in intermediate or niche inputs, Lebanese firms could secure indirect access to European Union markets without first resolving all domestic constraints.

Türkiye is the fifth-largest trading partner of the European Union.[26] In 2024, bilateral trade exceeded €210 billion, with 41 per cent of Turkish exports, mainly vehicles, machinery and electrical goods, destined for the European Union.[27] The European Union–Türkiye Customs Union has enabled deep integration into European automotive, electronics and textile value chains, while periods of Turkish lira depreciation strengthened export competitiveness.

Lebanon could draw on this experience through joint production or subcontracting arrangements that leverage established networks in Türkiye.

Morocco also maintains strong trade ties with the European Union, which accounts for 59 per cent of its goods trade,[28] with bilateral trade exceeding €60.6 billion in 2024. European Union imports from Morocco, amounting to €25.3 billion, are concentrated in automotive components, textiles, agrifood and renewable-energy products.[29] An advanced association agreement supports integration into European automotive and green supply chains, while solar exports to Spain demonstrate how geographic proximity and renewable resources can meet rising European Union demand, offering lessons for energy development in Lebanon.[30]

Diplomatic relations with Morocco and Türkiye, combined with shared Mediterranean geography, provide Lebanon with a solid foundation for collaboration. Sector-specific agreements, rules-of-origin cumulation or joint ventures could facilitate indirect access to European Union markets, allow Lebanon to benefit from partners' logistics and quality infrastructure, and overcome non-tariff barriers through specialization. Such cooperation would support export diversification and capacity-building without requiring broad domestic reforms.

Given that powerful vested interests and bureaucratic inertia have hampered past reforms, the present policy brief advocates gradual and indirect integration into European value chains, using these cases to extract practical mechanisms that can be adapted to Lebanon's context. Leveraging existing trade frameworks, private-sector partnerships and external networks would minimize resistance and enhance political feasibility.

4. Comparative evidence and expert insights

Evidence from Morocco and Türkiye demonstrates that strategic regional partnerships and integration into European value chains can enable economies facing similar structural constraints to overcome non-tariff barriers, boost export competitiveness, and secure meaningful market access. Additional international examples further illustrate the effectiveness of indirect market entry models, while expert discussions provide grounded Lebanon-specific insights on practical pathways forward.

A. Qualifying industrial zones in Jordan

Qualifying industrial zones (QIZs) in Jordan grant locally manufactured products duty- and quota-free access to the American market via Israeli market channels. This has enabled high levels of production in targeted sectors, making QIZ products the country's main export and the United States of America its leading export destination.[31] The model

illustrates how leveraging a regional partner's established market access can rapidly scale exports in economies facing structural constraints.

B. Central European integration

Czechia, Hungary and Poland have become major suppliers of automotive components to German manufacturers by specializing in specific stages of production and integrating into the automotive value chain in Germany, thereby enhancing competitiveness and strengthening global export presence.[32] This highlights the benefits of focusing on niche contributions within broader European production networks.

C. Integration of Tunisia into European Union value chains

Tunisia strengthened its role in European value chains through geographic proximity, the European Union–Tunisia Association Agreement and specialization in textiles, machinery and automotive components. In 2024, European Union imports from Tunisia reached €13 billion, mainly comprising machinery (€4.6 billion) and textiles (€2.6 billion). The European Union absorbed 67.2 per cent of Tunisian exports,[33] illustrating how Mediterranean countries can achieve strong integration into European Union markets despite domestic constraints.

Czechia
Hungary
Poland

Major suppliers
of automotive components to
German manufacturers

D. Maquiladora model in Mexico

The maquiladora programme in Mexico shows how export-processing zones can enable indirect access to large markets by assembling imported inputs for re-export. Supported by rules-of-origin cumulation under the North American Free Trade Agreement (NAFTA), later replaced by the United States-Mexico-Canada Agreement (USMCA), this hub-and-spoke model turned border regions into manufacturing centres, and increased exports and

foreign direct investment. It demonstrates how geographic proximity and regional integration allow constrained economies to scale production.[34]

E. Insights from the Lebanese American University–Ministry of Economy and Trade expert round table

The round table held on 8 July 2025 and hosted by the Lebanese American University Center for Policy Action and the Ministry of Economy and Trade emphasized the following pragmatic near-term measures to revitalize foreign trade:

- Streamline existing trade agreements and negotiate targeted new agreements.
- Address customs, port and logistics bottlenecks.
- Support SMEs through financing, training and digital tools.
- Leverage diaspora networks to promote investment and strengthen market connections.
- Accelerate digital trade through regulatory reforms.

These recommendations align with the present policy brief's call for incremental steps, including sector-specific agreements, diaspora engagement and logistics improvements, which complement partnerships with Morocco and Türkiye.

F. Competition and industrial policy as enablers of global value chain integration: evidence from Morocco and Tunisia

The integration of Morocco and Tunisia into European value chains shows that effective competition policies and targeted industrial strategies are more important than market access and proximity.[35]

The Programme de Mise à Niveau, together with technical assistance, financing and compliance with European Union quality standards, enabled Tunisian enterprises to upgrade and integrate into textile, mechanical and automotive value chains.[36] According to the Arab Business Legislative Framework (ABLF),[37] the competition framework in Tunisia is not yet fully consolidated but remains institutionally credible, supported by mature legislation, effective merger control and enforcement mechanisms. However, gaps persist in cartel regulation and in the regulation of State intervention.

In 2018, Morocco revived its Competition Council and implemented sector-specific industrial plans,[38,39] including export-oriented industrial zones and targeted incentives, to strengthen supplier ties and scale within European automotive and aerospace networks.[40] According to the ABLF assessment, the competition framework in Morocco is well-established, with effective merger control and trade agreements, although deficiencies remain in labour protection and liberalization in regulated industries.

Morocco in 2018

Sector-specific industrial plans

- strengthen supplier ties
- scale within European automotive and aerospace networks

©Vasiliy/stock.adobe.com

Policy recommendations

Lebanon should pursue targeted cooperation with Morocco and Türkiye to facilitate indirect integration into European value chains, leveraging geographic proximity, diplomatic relations and diagonal rules of origin under the Pan-Euro-Mediterranean Convention and the Agadir Agreement. Rather than broad trade liberalization, the focus should be on sector-specific strategies, informed by lessons from Central Europe, Jordan and Tunisia. These measures aim to address the structural constraints identified in the analysis, particularly those related to domestic competition, standards compliance, and cost distortions that limit the effectiveness of preferential market access.

Lebanon can leverage strengths in the agrifood and pharmaceutical sectors through bilateral or trilateral arrangements, such as memorandums of understanding or tailored rules-of-origin protocols, enabling faster access to European Union markets via intermediate inputs. Investment-for-trade measures, gradual liberalization and appropriate safeguards are needed to protect vulnerable industries.

Strict enforcement of the 2022 Competition Law, targeted sectoral support, strengthened quality certification, and progress in implementing the Agadir Agreement and World Trade Organization accession are essential. Mobilizing diaspora networks in Europe as channels for distribution and investment, and promoting cluster-based development, can help reduce trade imbalances and stimulate growth within two to three years.[41]

Endnotes

1. World Bank, World Integrated Trade Solution (WITS): Lebanon Trade Profile, 2019.
2. Credit Libanais, Balance of trade deficit narrows to $14.20 billion in 2024, Economic Research, 27 February 2025.
3. International Monetary Fund, IMF Executive Board Concludes 2023 Article IV Consultation with Lebanon, 29 June 2023.
4. Leila Dagher and Raoul Nehme, Can Lebanon's Economy Be Saved? A Plan for Revival, Middle East Policy, vol. 28, No. 1, pp. 123-134, 19 May 2021.
5 United Nations Economic and Social Commission for Western Asia (ESCWA), Trade policy of Lebanon in a new development era, 2023.
6. European Commission, Directorate-General for Trade, European Union trade with Lebanon, 2024.
7. Credit Libanais, Balance of trade deficit widens to $10.57 billion YTD August 2025, Economic Research, 20 October 2025.
8. ESCWA, Transformation and strategic growth: path to economic complexity and recovery in Lebanon, 2023.
9 Ibid.
10. World Bank, Doing business 2020 – Economy Profile Lebanon, 2020.
11. David Dollar, Global value chains provide new opportunities to developing countries. Brookings Institute, 19 July 2017.
12. ESCWA, Trade policy of Lebanon in a new development era
13. Transparency International, Our work in Lebanon (accessed 17 March 2026).
14. World Bank, Connecting to Compete 2018: The Logistics Performance Index and Its Indicators, 2023.
15. Ibid.
16. Ibid.
17. Ibid.
18. ESCWA, The Arab business legislative frameworks series: Summary, 2023.
19. Ibid.
20. Organisation for Economic Co-operation and Development (OECD), OECD Compendium of Productivity Indicators, 2015.
21. World Bank, Lebanon: Green Agri-food transformation for economic recovery (GATE) (Project P180334), 2022.
22. World Bank Group, World Development Indicators (accessed 2 February 2026).
23. World Bank Group, Lebanon: A Systematic Country Diagnostic, 2024.
24. George Badr, "Global Value Chains: A Developmental Tool for Lebanon", Journal of Sustainable Economies, vol. 1, No.1, pp. 40-48, 15 March 2025.
25. International Trade Administration, Lebanon: Standards for Trade, 23 February 2026.
26. European Commission, Türkiye: EU trade relations with Türkiye. Facts, figures and latest developments, 8 May 2025.
27. Ibid.
28. European Commission, Morocco: EU trade relations with Morocco. Facts, figures and latest developments, 8 May 2025.
29. Ibid.
30. Forum Euroméditerranéen des Instituts de Sciences Economiques, "Renewable energies and sustainable development in the Mediterranean: Morocco and the Mediterranean solar plan (MSP)?", Femise, 2012.
31. Ibrahim Saif, The socio-economic implications of the qualified industrial zones in Jordan, 2006.
32. Lorenzo Cresti and others, "Vulnerabilities and capabilities in the EU automotive industry: Leveraging input-output analysis and economic complexity", Cornell University, 16 January 2025.
33. European Commission, Tunisia: EU trade relations with Tunisia. Facts, figures and latest developments, 8 May 2025.
34. OECD, Export processing zones: past and future role in trade and development, 23 May 2007.
35. World Bank Group, Implementation completion report (SCL-40370) on a loan in the amount of US$ 38.7 million equivalent to the Republic of Tunisia for an industry support institutions upgrading project, 29 June 2004.
36. The European Bank for Reconstruction and Development and the European Union, Global value chains diagnostic – Country deep dive: Tunisia, 2022.
37. ESCWA, The Arab business legislative frameworks: Summary, 2023.
38. World Bank Group, Creating Markets in Morocco-A Second Generation of Reforms: Boosting Private Sector Growth, Job Creation, and Skills Upgrading, 2019.
39. Cardarelli, R. and Koranchelian, T., Morocco's Quest for Stronger and Inclusive Growth (USA, International Monetary Fund, 2023).
40. OECD, OECD economic surveys: Morocco 2024 – Economic assessment, 22 November 2024.
41. OECD, Competitive regional clusters: national policy approaches, 30 May 2007.

UNITED NATIONS
الاسكوا
ESCWA

Shared Prosperity **Dignified Life**

VISION: ESCWA, an innovative catalyst for a stable, just and flourishing Arab region

MISSION: Committed to the 2030 Agenda, ESCWA's passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice.

Together, we work for a sustainable future for all.

www.unescwa.org

2600080E