

**CO-OPERATION AGREEMENT BETWEEN THE
EUROPEAN COMMUNITY AND ISRAEL**

Biennial Report on the Operation of the Agreement

Communication from the Parties

The report below presents the information received from the Permanent Delegation of the European Commission, dated 21 March 2000. It is organized in accordance to the Standard Format for Information on Regional Trade Agreements (WT/REG/W/6).

I. BACKGROUND INFORMATION ON THE AGREEMENT

1. Membership and Dates of Signature, Ratification and Entry into Force

The first trade agreement between the European Community and Israel was concluded in 1964. Subsequent agreements were agreed in 1970 and 1975.

An Euro-Mediterranean Agreement Establishing an Association between the European Communities and their Member States of one part and the State of Israel of the other part (hereinafter the Association Agreement) was signed on 20 November 1995. Pending conclusion of the ratification procedures for the Euro-Mediterranean Agreement and its entry into force, the European Community and Israel concluded an Interim Agreement on trade and trade related matters. This Interim Agreement was signed on 18 December 1995 and entered into force on 1 January 1996.

4. Trade Data

Statistical data on the evolution of trade between the European Communities and Israel is presented in the Annex.

II. TRADE PROVISIONS

**1. Import Restrictions &
2. Export Restrictions**

Under the provisions of the 1975 agreement, trade in all non-agricultural goods has been duty-free since 1 January 1989. The EC for its part had abolished tariffs and quotas on imports of all industrial products by July 1977, in addition to the tariff reductions granted on most of Israel's agricultural exports. The Interim Agreement strengthens and widens the relations between the Community and its Member States and Israel established by the 1975 Co-operation Agreement.

The Interim Agreement reinforces the free trade area between the parties already established under the 1975 Co-operation Agreement. Its main features in this regard are:

- the Agreement confirms that all trade in industrial products between the parties is duty- and quota-free;¹
- the Parties agree to extend additional tariff concessions to trade in agricultural products from 1 January 1996. Furthermore, the European Community and Israel agree to progressively establish a greater liberalisation of their trade in agricultural products. Measures in accordance with this objective should be applied from 1 January 2001;
- the Parties also agree to examine the possibility of granting mutual concessions on trade in fisheries products at the latest three years after entry into force of the Euro-Mediterranean Agreement.

3. Rules of Origin

The provisions of the Interim Agreement the on rules of origin include the possibility of bilateral cumulation.

7. Subsidies and State-aid

The Interim Agreement includes provisions on competition and establishes a transparency mechanism for the exchange of information on State-aids (annual reporting on the total amount and distribution of aid given). Information on specific individual cases can also be requested.

IV. OTHER

Property rights

The Agreement confirms that both parties will grant and ensure adequate and effective protection of intellectual, industrial and commercial property rights in accordance with the highest international standards including effective means of enforcing such rights. In this context, it is foreseen that Israel shall accede to those relevant multilateral conventions to which it is not already party.

Public procurement

Separately from the Interim Agreement, the European Community and Israel have concluded two agreements on public procurement which entered into force in August 1997. The first of these relates to procurement by telecommunications operators and the second to government procurement more broadly.

¹ This has been the case since January 1989.

The Agreement on telecommunications procurement provides for a mutual opening of procurement by telecommunications operators through granting an exchange of national treatment. In Israel the provisions of Chapter 2 of the regulations of the Mandatory Tenders Law will not be applied to bids comprising products of EC origin. In the EU, the provisions of Article 36 of the Utilities Directive (93/38 EEC) will not be applied against tenders comprising products of Israeli origin.

ANNEX²

Table 1 - EU Imports from World and Israel, 1980-1998
(Million ECU)

SITC:	0	1	2	3	4	5	6	7	8	9	TOTAL
1980 (EU 9)											
WORLD	23,908	1,929	27,501	85,384	1,579	11,374	37,648	37,853	22,176	20,502	269,853
Israel	369	1	173	81	1	184	389	67	236	59	1,560
1984 (EU 10)											
WORLD	33,643	2,810	36,139	107,594	2,803	19,968	48,969	71,432	34,537	24,205	382,100
Israel	589	1	322	24	1	378	461	172	347	68	2,363
1988 (EU 12)											
WORLD	32,221	2,152	35,752	47,393	1,499	25,067	59,078	106,689	49,968	27,937	387,757
Israel	529	2	282	17	1	488	613	331	410	214	2,885
1992 (EU 12)											
WORLD	34,580	3,215	32,218	65,183	1,748	33,888	69,355	146,277	76,771	23,900	487,135
Israel	485	3	288	48	1	607	727	517	571	90	3,336
1996 (EU 15)											
WORLD	41,305	3,599	34,829	75,910	2,423	44,328	75,479	189,056	93,962	20,131	581,065
Israel	495	4	345	33	2	841	1,533	1,152	733	86	5,257
1997 (EU 15)											
WORLD	44,248	4,072	40,131	85,155	2,554	51,485	87,685	229,346	108,779	17,690	672,413
Israel	509	5	360	78	2	1,074	1,828	1,398	901	59	6,270
1998 (EU 15)											
WORLD	45,198	4,458	39,370	64,843	2,891	55,290	94,672	264,153	116,092	22,676	709,643
Israel	536	4	369	102	3	1,119	1,843	1,733	987	46	6,886

² The source for all the tables is Eurostat (COMEXT).

Table 2 - EU Exports to World and Israel, 1980-1998
(Million ECU)

SITC:	0	1	2	3	4	5	6	7	8	9	TOTAL
1980 (EU 9)											
WORLD	13,662	3,422	4,327	10,071	717	23,228	46,455	84,154	21,333	13,716	221,084
Israel	86	5	20	6	5	163	650	502	85	153	1,676
1984 (EU 10)											
WORLD	21,120	5,784	7,319	18,087	1,343	38,465	65,412	129,088	39,835	24,806	351,259
Israel	161	21	41	13	13	403	1,275	1,119	250	182	3,477
1988 (EU 12)											
WORLD	19,588	6,205	7,602	8,232	1,158	44,449	65,673	141,249	48,507	20,256	362,917
Israel	198	16	60	16	13	526	1,981	1,354	377	172	4,712
1992 (EU 12)											
WORLD	24,887	8,778	8,068	10,552	1,491	54,200	71,091	180,838	59,247	16,939	436,091
Israel	245	22	68	16	19	745	2,713	2,035	522	174	6,558
1996 (EU 15)											
WORLD	30,646	10,339	11,414	15,431	1,998	79,144	102,957	283,081	79,287	12,695	627,011
Israel	383	39	137	62	19	1,179	4,003	3,282	1,040	107	10,443
1997 (EU 15)											
WORLD	33,504	12,374	13,084	17,109	2,575	93,046	114,927	331,113	88,686	13,717	721,109
Israel	455	53	172	47	22	1,351	4,494	3,480	1,146	54	11,512
1998 (EU 15)											
WORLD	31,772	12,005	11,554	13,833	2,831	95,885	112,815	343,435	89,424	16,869	730,423
Israel	425	53	156	39	23	1,440	3,854	3,340	1,248	109	10,926

Table 3 - EU Trade with Israel by HS Section
(Million ECU)

EXPORTS					
SECTION	1988	1992	1996	1997	1998
TOTAL	4,712	6,558	10,481	11,549	10,926
I	26	26	51	58	63
II	65	67	70	96	80
III	14	20	16	16	20
IV	133	186	321	380	371
V	28	43	99	85	68
VI	384	556	920	1,084	1,142
VII	239	330	455	499	539
VIII	17	19	24	25	23
IX	14	26	118	154	145
X	88	127	264	300	320
XI	207	333	486	525	505
XII	25	38	84	91	89
XIII	115	156	266	284	261
XIV	1,277	1,694	2,420	2,870	2,347
XV	367	482	768	741	666
XVI	811	1,322	2,169	2,283	2,453
XVII	547	720	1,155	1,255	963
XVIII	112	135	256	273	352
XIX	2	5	5	6	2
XX	76	103	229	263	269
XXI	49	26	55	39	81

IMPORTS					
SECTION	1988	1992	1996	1997	1998
TOTAL	2,885	3,336	5,258	6,271	6,886
I	22	22	18	22	21
II	333	408	529	553	587
III	1	1	2	2	3
IV	291	224	167	164	168
V	101	110	94	130	159
VI	397	472	652	826	849
VII	154	231	363	445	481
VIII	11	4	10	10	11
IX	12	14	8	8	8
X	20	24	34	49	51
XI	393	474	475	516	493
XII	7	11	11	15	14
XIII	14	12	37	35	41
XIV	379	410	1,066	1,325	1,273
XV	85	138	234	256	315
XVI	305	468	1,067	1,312	1,636
XVII	16	37	58	62	83
XVIII	96	141	246	355	420
XIX	3	5	1	31	7
XX	23	37	57	60	72
XXI	43	30	48	43	52

Table 4 - EU Trade with World by HS Section
(Million ECU)

EXPORTS					
SECTION	1988	1992	1996	1997	1998
TOTAL	362,917	436,091	627,011	721,109	730,423
I	7,060	8,001	9,980	10,897	10,062
II	6,372	8,511	8,819	9,757	9,145
III	1,341	1,673	2,286	2,977	3,156
IV	13,817	19,194	24,510	27,744	27,279
V	9,723	12,152	17,487	19,630	16,711
VI	37,393	46,951	68,968	81,772	85,215
VII	15,521	16,914	23,128	27,148	27,504
VIII	4,119	4,084	7,159	7,375	6,435
IX	1,771	2,035	4,045	4,927	5,182
X	7,937	10,271	18,033	19,764	19,803
XI	20,244	25,208	31,611	34,724	35,221
XII	3,440	4,526	5,922	6,313	6,043
XIII	7,153	8,120	11,257	12,916	12,894
XIV	13,026	12,425	16,992	19,285	17,990
XV	30,826	30,864	42,214	46,944	45,623
XVI	93,666	120,842	193,730	226,482	234,539
XVII	46,674	59,351	89,086	104,705	110,049
XVIII	14,107	17,067	23,982	28,129	29,109
XIX	402	388	1,097	1,326	1,656
XX	7,819	9,378	13,350	15,177	15,242
XXI	8,204	5,727	13,354	13,115	11,565

IMPORTS					
SECTION	1988	1992	1996	1997	1998
TOTAL	387,757	487,135	581,065	672,413	709,643
I	8,349	10,300	10,897	12,227	13,296
II	17,555	17,353	23,130	25,437	24,992
III	1,542	1,781	2,250	2,390	2,693
IV	13,638	15,595	18,511	19,019	19,518
V	55,920	73,081	84,793	95,737	75,508
VI	22,179	29,303	39,774	46,234	49,432
VII	10,125	13,862	17,132	19,323	21,043
VIII	6,121	5,701	7,590	8,498	8,224
IX	9,615	10,926	9,118	10,973	11,434
X	17,605	19,227	11,110	11,996	12,571
XI	28,639	39,478	47,467	55,248	57,903
XII	3,325	5,451	7,029	8,308	8,274
XIII	2,593	3,883	4,386	5,090	5,648
XIV	17,526	15,037	21,620	23,890	26,981
XV	26,101	29,345	33,661	40,312	44,472
XVI	81,389	106,397	146,298	173,122	195,378
XVII	25,240	40,386	42,797	56,275	68,476
XVIII	14,869	19,652	24,343	27,814	29,926
XIX	118	194	466	603	510
XX	6,655	12,072	14,394	17,529	19,046
XXI	5,733	5,511	14,298	12,387	14,318