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Committee on Regional Trade Agreements Thirty-First Session

EXAMINATION OF THE FREE TRADE AGREEMENT BETWEEN THE EUROPEAN COMMUNITIES AND ISRAEL

Note on the Meeting of 19 February 2002

Chairman: Mr. A.J. Dumont (Argentina)

1. The meeting was convened in document WTO/AIR/1714.
2. Under Agenda Item C.V of its Thirty-First Session, the Committee on Regional Trade Agreements (CRTA) took up the examination of the Euro-Mediterranean Agreement (Agreement) between the European Communities (EC) and Israel. The following topics were discussed:

- A. General Remarks
- B. Section I – Background Information on the Agreement
- C. Section II – Trade Provisions

3. The Chairman stated that this was the first round of examination of the Agreement between the EC and Israel. The notification of the Agreement had been distributed in document WT/REG110/N/1, and its text in document WT/REG110/1. He proposed to organize the examination by first asking the Parties and other Members for general comments and then turn to the specifics of the Agreement, using the Standard Format (WT/REG110/3) to guide the debate. He recalled the terms of reference for the examination, adopted on 15 November 2000 by the Council for Trade in Goods as contained in document WT/REG110/2 and its Corrigendum: "to examine, in light of the relevant provisions of the GATT 1994, the Euro-Mediterranean Agreement between the European Communities and Israel and to submit a report to the Council for Trade in Goods." These terms of reference applied in conjunction with the following Understanding: "It is understood that the Understanding read out by the Chairman of the Council for Trade in Goods under item 7 of the Agenda of the meeting of the Council for Trade in Goods on 20 February 1995, as contained in document WT/REG3/1, will apply mutatis mutandis to the examination of the agreements. It was also understood that, during the examination, due account would be taken of the intrinsic differences between customs unions and free-trade areas."

A. GENERAL REMARKS

4. The representative of the European Communities, speaking also on behalf of the representative of Israel, informed the Committee that the Euro-Mediterranean Agreement between the EC and Israel had been signed in November 1995 and had entered into force on 1 June 2000, after conclusion of the ratification process in April 2000. The Parties had jointly notified the Agreement to the WTO in September 2000. The text of the Agreement had been circulated to WTO Members and copies of the Annexes and Protocols had been placed in the Secretariat for consultation by interested Members. He added that those documents were also available online on the EC web pages. He said that the Agreement, which replaced the Cooperation Agreement signed with Israel in 1975, was part

of a wider initiative which aimed to establish a new generation of agreements with the EC's partners in the Mediterranean. Other agreements of the same type had been, or were being, negotiated by the EC with other partners in the region. The Euro-Mediterranean Agreement established an association between the Parties: its aims included the expansion of trade in goods and services; the reciprocal liberalization of the right of establishment; the further progressive liberalization of government procurement; and the free movement of capital. The Agreement also aimed at encouraging regional cooperation in other areas of common interest. Thus, like other association agreements, the Agreement went beyond the simple establishment of a free-trade area. In terms of trade provisions, the Agreement reinforced the free-trade area that already existed between the EC and Israel. Accordingly, all trade in industrial products was free of custom duties from the entry into force of the Agreement, and measures were in place for the further liberalization of trade in agricultural products. The Agreement covered products in all HS Chapters. All quantitative restrictions on imports and measures having equivalent effect had been abolished from the entry into force of the Agreement, and no quantitative restrictions, or customs duties and charges having equivalent effect, could be applied on exports. Import tariffs on industrial products had been eliminated from entry into force of the Agreement, whilst for agricultural and fisheries products specific measures were foreseen to provide for a gradual liberalization of trade. In the case of some agricultural products, steps had been taken to liberalise trade immediately; the list of the products on which import duties had been eliminated from entry into force, or reduced in some cases within limits set by tariff quotas, could be found in Protocols I and II of the Agreement. In practical terms, for imports into the EC, more than 140 products, notably fruit and vegetables, were covered by the liberalization commitments, whilst for imports into Israel, Protocol II covered some 90 products. Under the Agreement, the Parties had set themselves a number of future meetings to discuss further liberalization. Accordingly, no later than three years after entry into force of the Agreement, the Parties were supposed to examine the possibility of granting each other concessions on trade in fisheries products. More broadly, the Agreement provided that the respective Parties would determine additional liberalization measures in the area of trade in agricultural products which would apply from January 2001. Due to the length of time that had elapsed between the signature of the Agreement and its entry into force, that date had slipped. He stressed, however, that the Parties were currently engaged in discussions which were well advanced and that should lead to the entry into force of additional liberalization measures in early 2003. Given the immediate and full liberalization of trade in industrial products, which accounted for 94 per cent of total trade in the year 2000, together with the liberalization provided for in trade in agricultural products, the Parties held the firm view that the Agreement met the test of GATT Article XXIV:8(b), in that it would lead to the establishment of a free-trade area in which duties and other restrictive regulations of commerce would be eliminated on substantially all the trade between them. Furthermore, in respect of the implications of the Agreement for third parties, the Agreement contained no provisions requiring the Parties to raise duties or the level of other regulations of commerce applicable to the trade of non-members. In that sense, the Parties considered that the Agreement was also consistent with the requirements of Article XXIV:5(b). He indicated that the economic and commercial relations between the EC and Israel had, in recent years, developed in a very positive manner. The total amount of two-way trade in goods in 2000 had totalled €25,654 million, in comparison to €14,321 million in 1995. The Parties considered those figures as a positive evolution in trade, and were confident that the Agreement would help to ensure the continuation of this trend in the coming years.

B. SECTION I – BACKGROUND INFORMATION ON THE AGREEMENT

5. With regards to Scope, the representative of the United States asked which fisheries products were currently covered under the Agreement, as it appeared to her that none currently was, and that no specific targets had been mentioned with regard to the proportion of fisheries trade that would be covered. She added that the examination of the Agreement would be facilitated by the provision of more data and statistics with regard to the percentage of trade covered in various areas, including in agriculture and fisheries, both in terms of trade volumes and tariff lines.

6. The representative of Canada supported the United States representative in her request for additional data for industrial, agricultural and fisheries products, both in terms of trade volume and tariff lines. She expressed doubts that the coverage of the Agreement met the requirement of substantially all the trade, when it was evident from the Standard Format that the entire fisheries sector was not subject to tariff elimination, nor was a substantial part of the agricultural sector. She added that the Standard Format only referred to 140 products.

7. The representative of Hungary reminded the Committee that there was no requirement to provide tariff line information for the examination of trade coverage in an RTA.

8. The representative of Australia observed that, according to Article 11 of the Agreement, an assessment was supposed to have taken place in the year 2000 to determine further liberalization in the agricultural sector commencing in 2001. He sought confirmation from the Parties that the timetable had changed and that the results of such an assessment would be known in early 2003.

C. SECTION II – TRADE PROVISIONS

9. With regard to safeguards, the representative of Canada wondered whether there was a maximum length of time that a measure could be employed for, and for how long that particular provision was accessible.

10. The Chairman noted that the first round of examination of the Euro-Mediterranean Agreement between the EC and Israel had allowed the Committee to clarify a number of questions, although others were still pending. He invited those delegations wishing to ask additional questions to forward them in writing to the Secretariat by 15 March, and the Parties to submit their replies in writing as soon as possible and no later than 30 April.

11. The Committee took note of the comments made.
