

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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AGREEMENT BETWEEN THE EUROPEAN COMMUNITIES AND ISRAEL

Questions and Replies

The contracting parties were invited (document C/M/107 and GATT/AIR/1195) to communicate to the secretariat any questions they might wish to put concerning the Agreement between the European Communities and Israel.¹ In response to this request, a number of questions were received and were transmitted to the parties to the Agreement. The questions and the parties' replies are attached.

¹Copies of the text of the Agreement were sent to each contracting party with document L/4194/Add.1

AGREEMENT BETWEEN THE EUROPEAN ECONOMIC
COMMUNITY AND ISRAEL

Questions and replies

I. GENERAL CONSIDERATIONS

1. The Agreement makes no mention of the parties' intent to form either a free-trade area or a customs union. Do the parties plan to form a free-trade area covering substantially all trade?

Reply

In the preamble to the Agreement, the European Economic Community and the State of Israel declare that they are "resolved to continue the progressive elimination of the obstacles to substantially all their trade, in accordance with the provisions of the General Agreement on Tariffs and Trade concerning the establishment of free-trade areas".

The provisions of the Agreement relating to trade correspond to that objective.

2. Is the Agreement intended to be an interim arrangement leading to the formation of a free-trade area (or of a customs union) in the sense of Article XXIV of the General Agreement? If so, are there a "plan and schedule" as required under Article XXIV:5(c) for the formation of such a free-trade area (or customs union) within a reasonable length of time?

Reply

Protocols 1 and 2, which set out the respective obligations of the Parties to the Agreement as regards the progressive elimination of the obstacles to substantially all their trade, contain all the necessary provisions regarding a plan and schedule for the formation of a free-trade area within a reasonable length of time.

3. Is the Agreement presented as a request for an Article XXV waiver pending the parties' consideration of the possibility of a wider association taking the form of a customs union or a free-trade area covering substantially all trade and, if an interim agreement, providing a reasonable "plan and schedule"?

Reply

The Parties to the Agreement are not requesting an Article XXV waiver.

4. What "charges having an effect equivalent to customs duties on imports introduced on or after 1 January 1974" (Article 3) will be or have been removed? Will this removal be effected on a most-favoured-nation basis? What charges, "the rate of which on 31 December 1974 was higher than that actually applied on 1 January 1974" will be or have been removed? Will these reductions be or have they been effected on a most-favoured-nation basis?

Reply

As far as the Community is concerned, no charge having an effect equivalent to customs duties has been introduced as from or since 1 January 1974.

As far as Israel is concerned, the import charges introduced after 1 January 1974 have now been abolished. The abolition applies erga omnes.

5. Have the provisions of Article 6:1 been utilized? What "distortions" might possibly arise by the reduction of most-favoured-nation duties by one of the parties?

Reply

Israel utilized the provisions of Article 6:1 on 1 July 1975.

The "distortions" mentioned in that Article do not refer to the maintenance of a preferential margin in favour of the Parties but to the consequences which might result, by virtue of the provisions of the Agreement, from the fact that both Parties remain free to reduce their external tariffs.

6. What "practices of an internal fiscal nature" are referred to in Article 9? Is it the intention of the parties that the prohibition of "repayment of internal taxation in excess of the amount of direct and indirect taxation" should be applied to any present practice of the parties?

Reply

Under Article 9, the Parties to the Agreement undertake to refrain from any practice the effect of which would be:

- on importation, to tax imported products more highly than like domestic products;
- on exportation, to allow exported products to benefit from repayment of taxation in excess of the amount of direct or indirect taxation imposed on them.

These obligations are fulfilled at present.

II. PROTOCOL 1

7. Is the abolishment of quantitative restrictions on the products referred to in Article 4 of Protocol 1 to be accomplished on an MFN basis? What are these quantitative restrictions? Under which provisions of the General Agreement would the maintenance of quantitative restrictions against third-country imports be justified?

Reply

The abolition of quantitative restrictions between the Parties to the Agreement is covered by Article XXIV on the establishment of free-trade areas.

8. What is the basis of the selection of products listed in Article 5 of Protocol 1? Do the European Communities (EC) apply quantitative restrictions on listed products of third countries? If so, are these to be eliminated on an MFN basis?

Reply

The products in question are ones which could cause economic problems for the Community in the context of its relations with Israel. Of the products listed in Article 5 of Protocol 1, textiles are practically the only products not liberalized at Community level.

The abolition of these restrictions is covered by Article XXIV.

III. PROTOCOL 2

9. (a) What is the relation between the import surcharge imposed by Israel and the customs duty reduction provided for in Article 1 of Protocol 2?

(b) Does the concept "charges having equivalent effect" (Articles 1 and 2 of Protocol 2) also include the import surcharge and the import deposit scheme in Israel? If so, will the elimination of these charges take place also with regard to imports from third countries?

Reply

The 15 per cent import surcharge imposed by Israel is an exceptional and temporary measure. Its application vis-à-vis the partners in the Agreement is based on the safeguard clause relating to balance-of-payments difficulties which is incorporated in the agreements.

The import deposit scheme was abolished by Israel in respect of all countries on 8 October 1975.

10. What was the basis of the selection of products in Annexes A and B to Protocol 2?

Reply

(a) The criterion for the selection of the products in Annex A was the sensitive nature of local production.

(b) For the products in Annex B, the criterion was the fact that they could have a harmful effect on sensitive or infant industries.

Since this is only a potential risk, the rate indicated in the Agreement is temporarily suspended.

11. What duties in the Israeli Customs Tariff have fiscal and protective elements (Article 4 of Protocol 2) and how are the two elements distinguished?

Reply

A number of duties in the Israel Customs Tariff are fiscal and/or protective in nature. As regards the duty on unmanufactured tobacco and cigarettes, for example, the difference between the fiscal component and the protective component is the percentage of value added in a given product.

12. Will the abolition of quantitative restrictions referred to in Article 5 of Protocol 2 be accomplished on an MFN basis, or only with respect to imports from the EC? Under which provisions of the General Agreement would the maintenance of quantitative restrictions against third-country imports be justified?

Reply

The abolition of quantitative restrictions referred to in Article 5 of Protocol 2 will be carried out on an MFN basis.

IV. PROTOCOL 3

1. Is the prevention of trade deflection an essential purpose of the rules of origin which are set forth in Protocol 3 of the Agreement?

Reply

The prevention of trade deflection is one of the objectives of the rules of origin, but not the essential objective.

14. If so, does the potential for trade deflection justify the strictness of the rules of origin? Is the greater restrictiveness of certain rules related to the potential for trade deflection resulting from tariff differentials on given products?

Reply

See Question No. 13.

15. List B of Protocol 3 provides that incorporation of non-originating materials and parts in boilers, machinery, mechanical appliances, etc., of Chapters 84 to 92, in boilers and radiators of heading No. 73.37, and in the products of headings Nos. 97.07 and 98.03, does not make such products lose their origin status, provided that the value of these products does not exceed 5 per cent of the value of the finished product. What is the basis for this restrictive rule?

Reply

This rule helps to facilitate control without affecting either the status of "wholly obtained" products or the degree of working or processing already undergone by the products in question which has contributed to confer on them the status of originating products.

16. What is the basis for the rule which limits the use of non-originating transistors to a maximum of 3 per cent of the value of the finished product?

Reply

Only the working and processing operations described in the fourth column of List A are considered as sufficient working or processing to confer originating status, and this includes the "transistors rule".

17. Is the potential for trade deflection affected by the geographical location of the parties to the Agreement and the characteristics of their respective economies?

Reply

Not particularly.

18. If the rules of origin reflect other criteria and objectives than the prevention of trade deflection, what are these criteria and objectives?

Reply

In a free-trade area the prevention of trade deflection is not the chief or sole purpose of rules of origin; their main object is to enable each partner to continue its own trade policy towards third countries. They make it possible to establish the categories of products to which the provisions of the Agreement apply, provisions which concern rights and obligations not only in respect of customs duties but also in respect of any other measure relating to the trade covered by the Agreement.

19. If it is determined that the restrictive rules of origin will result in prejudicial effects to the trade interests of third countries, are the parties to the Agreement willing to consult and implement agreed adjustments to the rules?

Reply

If any such prejudicial effects resulted, the matter would be examined by the Parties to the Agreement, which could agree on the measures to be taken.

V. ANTI-DUMPING

20. According to Article 14 of the Agreement, the parties have undertaken to apply any anti-dumping measures vis-à-vis each other in accordance with the Agreement on the Implementation of Article VI of the General Agreement. Is it also the intention of Israel to apply any anti-dumping measures vis-à-vis third countries in accordance with the said Agreement?

Reply

Yes. Anti-dumping measures are applied in Israel vis-à-vis all third countries in accordance with Article VI of GATT.

VI. TRADE COVERAGE

21. What is the proportion of total trade between the European Communities and Israel which is already duty free on a most-favoured-nation basis?

Reply

The respective proportions are 29 per cent of the Community's total imports from Israel (1973 trade figures) and 39.6 per cent of Israel's total imports from the Community (in 1974).

22. What percentage of total trade between the European Communities and Israel will be exempt from customs duties and other restrictive regulations of commerce within the meaning of Article XXIV:8?

Reply

In the light of the 1973 trade figures:

- 88.8 per cent of the Community's total imports from Israel are affected by the tariff dismantling provisions. 58.2 per cent of total imports (1973 value)¹ already enjoy total exemption from customs duties under the Agreement;

¹This percentage reflects the present (1973) structure of Israel's exports to the Community, it cannot reflect the trend of exports (which will develop as a result of industrialization in Israel or the prospects for the development of trade emerging from the Agreement).

- on the basis of the 1974 statistics, 96.5 per cent of all Israel's imports from the Community will be exempted from customs duties in accordance with Protocol 2 and from other restrictive regulations of commerce within the meaning of Article XXIV:8 of GATT.

23. What was the total value of imports into the European Communities of products originating in Israel in each of the three most recent years for which statistics are available?

- (a) What value and percentage of the above were comprised of agricultural products?
- (i) What was the value of citrus imports?
- (ii) What percentages do these represent of (1) total European Communities citrus imports and (2) European Communities citrus imports under the various preferential tariff arrangements?
- (b) What value and percentage of European Communities imports from Israel were comprised of industrial products?

Reply

	1971		1972		1973	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
Total imports	378,710	100	414,726	100	432,717	100
of which:						
(a) <u>Agricultural products</u>	199,740	52.7	202,060	48.7	184,934	42.7
of which:						
(a) i Citrus fruit	121,809	32.2	113,803	27.4	86,229	19.9
(a) ii (1) Total citrus imports (from outside EEC)	558,401	100	573,125	100	615,147	100
of which: citrus imports from Israel	121,809	21.8	113,803	19.9	86,229	14.0
(a) ii (2) Total citrus imports under preferential arrangements	447,264	100	458,477	100	423,067	100
of which: citrus imports from Israel	121,809	27.2	113,803	24.8	86,229	20.4
(b) <u>Industrial products</u>	178,970	47.3	212,666	51.3	247,783	57.3

N.B. - As regards the structure of imports, note the upward trend of imports of industrial products and the downward trend of imports of agricultural products.

24. What was the value (and percentage of total imports) of the following categories of imports into the EC of products originating in Israel in each of the three most recent years for which statistics are available:

- (a) imports of products on which customs duties and levies were not imposed;
- (b) imports of products which are scheduled under the Agreement to become duty-free;
- (c) imports of products benefiting from reductions in duties and/or charges;
- (d) imports of products on which customs duties and charges having an equivalent effect are to be reduced;
- (e) imports of products for which tariff quotas or quantitative restrictions are not to be eliminated;
- (f) imports of products excluded from the Agreement?

Reply

	1971		1972		1973	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
(a) Total zero-duty imports - MFN	113,291	29.9	136,828	33.0	126,089	29.1
(b) Total zero-duty imports under the Agreement	183,764	48.5	218,003	52.6	251,748	58.2
(c) and (d) Total imports covered by tariff dismantling	328,232	86.7	397,970	96.0	384,317	88.8
(e) Quota dismantling		100		100		100
(f) Products excluded	50,478	13.3	16,756	4.0	48,400	11.2

25. What value and percentage of (1) agricultural and (2) industrial products will be free to enter the EC from Israel without payment of duties or subject to other restrictive regulations?

Reply

Industrial products	178,970	47.3	212,666	51.3	247,783	57.3
Agricultural products	4,794	1.3	5,883	1.4	3,965	0.9

26. What value and percentage of (1) agricultural and (2) industrial imports into the EC from Israel will be subject to tariffs when the Agreement is fully implemented?

Reply

Agricultural products	50,478	13.3	16,756	4.0	48,400	11.2
Industrial products	0	0	0	0	0	0

27. What was the total value of imports into Israel of products originating in the EC in each of the three most recent years for which statistics are available?

- (a) What value and percentage of the above were comprised of agricultural products?
- (b) What value and percentage of the above were comprised of industrial products?

Reply

Israel's imports from the EEC (\$ '000 c.i.f.)

	1972		1973		1974	
	Value	% of total	Value	% of total	Value	% of total
<u>Total</u>						
Imports	1,070,173	-	1,633,113	-	1,999,997	-
<u>Agriculture</u>						
Imports (1-24)	51,191	4.8	75,145	4.6	150,735	7.5
<u>Industry</u>						
Imports	1,018,982	95.2	1,557,968	95.4	1,849,262	92.5

28. What was the value (and percentage of total imports) of the following categories of imports into Israel of products originating in the EC in each of the three most recent years for which statistics are available:

- (a) imports of products on which customs duties and levies were not imposed;
- (b) imports of products which are scheduled under the Agreement to become duty-free;
- (c) imports of products benefiting from reductions in duties and/or charges;
- (d) imports of products on which customs duties and charges having an equivalent effect are to be reduced;
- (e) imports of products for which tariff quotas or quantitative restrictions are not to be eliminated;
- (f) imports of products excluded from the Agreement?

Reply

Israel's imports from the EEC (\$ '000 c.i.f.)

	1972		1973		1974	
	Value	% of total	Value	% of total	Value	% of total
<u>Category:</u>						
a.	734,990	68.7	979,805	60.0	1,051,609	52.6
b.	702,873	65.7	949,816	58.2	971,574	48.6
c.	65,386	6.1	86,605	5.3	119,712	6.0
d.	640	0.1	1,040	0.1	2,315	0.1
e.	-	-	-	-	-	-
f.	42,526	4.0	65,487	4.0	466,689	3.3

29. What value and percentage of (1) agricultural and (2) industrial products will be free to enter Israel from the EC without payment of duties or subject to other restrictive regulations of commerce when the Agreement is fully implemented?

Reply

Agricultural imports worth \$81.7 million, representing 54.2 per cent of the total, and industrial imports worth \$1,849.3 million, representing 100 per cent of the total, will enter Israel duty-free and without being subject to any other restrictive measure when the Agreement is fully implemented.

30. What value and percentage of (1) agricultural and (2) industrial imports into Israel from the EC will be subject to preferential tariffs when the Agreement is fully implemented?

Reply

Agricultural imports worth \$2.3 million, representing 1.5 per cent of the total, will be subject to reduced tariffs.

All industrial products will enter Israel duty-free.

VII. OTHER QUESTIONS

31. The preamble to EC Regulation 1274/75 of 20 May 1975 states that: "concessions for certain agricultural products provided for in the Agreement are subject to compliance with certain conditions which will be specified in Community rules now in preparation; whereas application of these concessions should be suspended until said rules have been adopted".

- (a) What are the conditions that are to be specified, and for which agricultural products will these conditions be applicable?
- (b) Do the parties intend to inform GATT contracting parties of these modifications once they are defined?
- (c) On what date will the tariff reductions for the products described in Article 2 of EC Regulation 1274/75 be applied?

Reply

Regulation No. 1274/75 no longer applies. The concessions to which it referred entered into force on 1 September 1975.

32. How does the EC define "public aid" in Article 12:1(iii)?

Reply

An a priori definition of "public aid" for the purpose of the application of Article 12 cannot be given. Each case must be assessed individually.

ANNEX I

Additional Questions Asked by Japan

1. According to paragraph 1, Article 1 of Protocol 2, the customs duties on imports into Israel of products listed in Annex II of the Treaty of Rome are not subject to the abolition time-table provided for therein.

What is the reason for this?

Reply

As appears from Article 7 of Protocol 2 (and from Articles 8, 9 and 10 of Protocol 1), the products listed in Annex II of the Treaty of Rome are also covered by the tariff dismantling programme.

Article 22 of the Agreement provides that the contracting parties shall review the results of the Agreement, first from the beginning of 1978 and again from the beginning of 1983, and consider any improvements which could be made, bearing in mind the objectives of the Agreement.

In any event, as already mentioned in reply No. 23, some 95 per cent of total imports into Israel from the Community are already covered by the tariff dismantling provisions.

2. According to paragraph 2, Article 2 of Protocol 2, in respect of products listed in Annex B, the basic duties to be taken into consideration in calculating the reductions referred to in Article 1 shall be those actually applied in respect of third countries and not in respect of the Community.

What is the reason for this?

Reply

In respect of products listed in Annex B of Protocol 2, the Israeli customs tariff is in process of restructuring. For this reason, it has been agreed that the reductions referred to in Article 1 shall be calculated on the basis of the Israeli tariffs as fixed, or to be fixed, by the said restructuring and applicable in respect of third countries.

In any event, the full tariff dismantling programme has to be completed by the dates laid down in Protocol 2.

3. Indicate the following trade value for the three most recent years for which statistics are available:

- (1) Imports of the EEC from Israel
 - (a) total imports
 - (b) imports of the products listed in Annex II of the Treaty of Rome
 - (c) imports of the products listed in Article 8 of Protocol 1
 - (d) imports of the products listed in Article 9 of Protocol 1
 - (e) imports of the products listed in Article 10 of Protocol 1
- (2) Imports of Israel from the EEC
 - (a) total imports
 - (b) imports of the products listed in Annex II of the Treaty of Rome
 - (c) imports of the products listed in Annex E of Protocol 2
 - (d) imports of the products listed in Annex F of Protocol 2

Reply

	1971		1972		1973	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
(a) Total imports	378,710	100	414,726	100	432,717	100
(b) Annex II	199,740	52.7	202,060	48.7	184,934	42.7
(c) Article 8	143,911	38.0	178,853	43.1	131,689	30.4
(d) Article 9	537	0.1	557	0.1	857	0.2
(e) Article 10	20	0.1	11	0.1	23	0.2

ANNEX II

Additional Questions Asked by Canada

1. The Parties to the Agreement state that it aims at the "development of economic relations established by the Preferential Trade Agreement concluded in 1970 between the Community as originally constituted and Israel, by extending these relations to the enlarged Community". Is it the intention of the Parties to the Agreement to achieve a Free-Trade Area as defined in GATT Article XXIV, paragraphs 5 through 9?

Reply

See reply to question No. 1 of the first questionnaire.

2. In replies to questions submitted in 1971 in preparation of a Working Party examination of the 1970 European Communities/Israel Agreement, the Parties to the then Agreement stated that the Agreement was in conformity with GATT Article XXIV and constituted an interim agreement leading to the establishment of a Free-Trade Area. Is the new Agreement another interim Agreement leading to a Free-Trade Area, consistent with GATT Article XXIV:5(b)? If so, does the Agreement contain a "plan and schedule" for gradual elimination of trade barriers with respect to "substantially all trade"? What is this "plan and schedule"?

Reply

See reply to question No. 2 of the first questionnaire.

3. The Agreement is said to be of unlimited duration, but may be revoked at twelve-months' notice. Furthermore, it contains a provision under which "Contracting Parties will examine, according to the procedure adopted for negotiation of the Agreement for the first time as from the beginning of 1978 and subsequently as from the beginning of 1983, results of the Agreement and any improvements that might possibly be applied thereto by either Party as from 1 January 1979 and 1 January 1984 respectively, based on experience gained during the operation of the Agreement and on its objectives". Does this constitute "a plan and schedule for formation of such a Customs Union or of such a Free-Trade Area within a reasonable length of time" consistent with GATT Article XXIV?

Reply

Since the Agreement is of unlimited duration, the Contracting Parties have included a review clause in Article 22 which provides for the possibility of improving and consolidating the establishment of the free-trade area so that it more than fulfils the requirements of Article XXIV, in particular as regards "substantially all trade". The "plans and schedules" are set out in Protocols 1 and 2.

4. (a) Do the Parties to the Agreement consider it is consistent with Article XXIV:8(b), i.e. does it apply to "substantially all trade between constituent territories in products originating in such territories"?

(b) In particular, do the Parties consider that provisions permitting the European Communities to subject to "ceiling or strict surveillance" some sensitive industrial products imported from Israel and Israel to increase duties up to 20 per cent on some products in order to encourage development of new industries, consistent with the basic principle of Article XXIV? Will this increase of duties by Israel be limited to European Communities origin products or be extended to third countries? What value and percentage of European Communities imports from Israel will be subject to annual ceilings (re Protocol 1, Article 5)?

Reply

(a) The Agreement covers substantially all trade.

(b) The fact of being able to exercise surveillance over the effects of free trade in certain products has made it possible to include these products in the Agreement. In any case, the Agreement provides for the abolition of this surveillance by 31 December 1979 at the latest. As far as Israel is concerned, the provision in question is designed to take account of the requirements of its industrialization programme. If the provision is utilized, the duty thus introduced or increased will come within the process of tariff dismantling defined in Article 1 of Protocol 2. In any event, increase in duties will be carried out on a most-favoured-nation basis.

The products specified in Article 5 of Protocol 1 represent less than 5 per cent of the Community's imports from Israel (1973 value).

5. It would appear that the elimination of customs duties on industrial products by Israel will be slower than will be the case in the Community (the Israel customs tariff dismantlement period for industrial products is spread until 1985 and possibly to 1989, compared with the European Communities dismantlement period that will terminate in 1977). Do the Parties consider this compatible with the free-trade principle of GATT Article XXIV?

Reply

The policy followed by the Community is to take account of the respective economic development levels and requirements of the parties between which the establishment of a free-trade area is initiated. There is nothing in Article XXIV to prevent the time-table for the fulfilment of the reciprocal obligations being phased differently if the parties directly concerned so agree. This type of provision cannot affect the principle of free trade, which remains the objective to be attained.

6. Customs duties and charges having equivalent effect on products exported from one party to the other shall be abolished by 1 July 1977. To what extent are export duties currently charged by the European Communities and Israel? Do the Parties consider export duties constitute "restrictive regulations of commerce"?

Reply

On the Community side, export duties are not applied at present.

On the Israeli side, one product only is subject to export duties.

Export duties could be used under certain circumstances in order to obtain the same effect as "restrictive regulations of commerce".

7. What is the total value (in dollars) of imports of the European Communities from Israel for the last three years and vice versa? What percentage of imports are: (i) industrial products and (ii) agricultural products?

Reply

See replies to questions Nos. 23 and 27 of the first questionnaire.

8. What value and percentage of the European Communities (at six) imports from Israel were free before the new Agreement, as a result of the 1970 European Communities/Israel Agreement, and vice versa? Could respondents break down figures by: (i) industrial products and (ii) agricultural products?

Reply

The 1970 Agreement initiated a process of tariff dismantling which is being continued by the present Agreement.

Duty-free products covered by the 1970 Agreement represented 29.1 per cent of total imports in 1973.

9. By the time the Agreement is fully implemented, what value and percentage of (i) imported industrial products and (ii) imported agricultural products will, without payment of duties or being subject to other restrictive regulations of commerce, enter the European Economic Community from Israel, and vice versa?

Reply

"By the time the Agreement is fully implemented", the value and percentage of imports of (i) agricultural products and (ii) industrial products entering the European Communities free of duty from Israel would be as follows:

	<u>Agricultural products</u>		<u>Industrial products</u>	
	'000 EUR	%	'000 EUR	%
1973 value	3,965	0.9	247,783	57.3

provided that:

(a) the structure of Israel's exports to the Communities remains unchanged, i.e. that industrial development in Israel remains static;

(b) there have been no "improvements", as referred to in Article 22, in the process of tariff dismantling, which is already substantial and covers agricultural products worth 133 million EUR (1973 value), that is 30.6% of total imports.

10. In the agricultural sector, the European Communities grants concessions to Israeli exports. It would appear that 85 per cent of such Israeli exports will benefit from European Communities concessions, covering inter alia lemons which will be granted 40 per cent tariff reduction, other fresh citrus fruit a 60 per cent reduction, etc. New member States could apply reductions of up to 80 per cent on citrus fruits imported from Israel (joint press release 601/75 (presse 49)). What value and percentage of Israeli exports of agricultural products to the European Communities will benefit from free access?

Reply

See reply to question No. 25 of the first questionnaire.

11. For its part, Israel will make reciprocal concessions in the agricultural sector for a "restricted list of products in respect of which reductions will range from 15 per cent to 25 per cent". What value and percentage of Israeli agricultural imports from the European Communities will be covered by reductions? What value and percentage of the European Communities agricultural exports will enter duty free in Israel?

Reply

\$2.3 million (1974 statistics), which is 1.5 per cent of total agricultural imports from the EEC, will be covered by reductions.

\$88.6 million (1974 statistics) which is 58.8 per cent of total agricultural imports from the EEC, will enter Israel duty free.

12. There is provision in the Agreement according to joint press release 601/75 (presse 49), 11 May 1975 to the effect that for a certain number of products representing about 8 per cent of total Israeli imports, it would be open to Israel, during the period of the Agreement, to increase duties and implement their abolition starting from these increased levels. Can Israel explain the purpose of this provision? Does Israel consider this consistent with GATT Article XXIV? Will a measure be applied only on imports from the Community or to other origins as well? Can Israel indicate which products or tariff items it might have in mind in this regard?

Reply

See reply to question No. 11(b).

In case the suspended rates are invoked, it will be carried out on an m.f.n. basis.

13. The Agreement stipulates that both Parties will abolish quantitative restrictions on imports of industrial products from each other. Will the quantitative restrictions be abolished on an m.f.n. basis? Will the quantitative restrictions on agricultural products also be abolished? What value and percentage of agricultural products imported by the European Communities from Israel and vice versa are subject to quantitative restrictions? What is the value and percentage of Israeli imports from the European Communities contained in Annex C of Protocol No. 2 and for which quantitative restrictions will be abolished not later than 1985?

Reply

See reply to questions Nos. 7 and 12 of the first questionnaire.

The Community does not apply quantitative restrictions.

As far as Israel is concerned, quantitative restrictions on products which are not included in the Agreement will not be abolished. \$114.8 million, which is 5.7 per cent (1974 statistics) of total Israeli imports from the EEC, are covered by Annex C of Protocol 2.

14. It is believed that the rules of origin to be applied will be similar to those applicable in relations between the European Communities and the EFTA countries. Do the Parties consider the new rules of origin are compatible with GATT Article XXIV:5(b)? In the event that the new rules of origin have prejudicial effects on trade interests of third countries, will there be provisions for modifications?

Reply

By definition, the rules of origin cannot affect the provisions of Article XXIV:5(b) of the General Agreement. See reply to question No. 19.

15. In the event that a Party to the Agreement has to invoke its safeguard clauses, can the Parties to the Agreement provide assurances that the measures will be kept within the confines of the Agreement and not extended as GATT Article XIX action against all imports, including those from third parties not responsible for difficulties which arise?

16. Should any party to the Agreement initiate any trade restrictive measures regarding imports in general (e.g. Israeli 15 per cent additional duty and 10 per cent surtax), are the Parties to the Agreement exempt from such action?

Replies (to question Nos. 15 and 16)

Article 15 of the Agreement and Article XIX of the General Agreement cover two totally different fields and sets of obligations.

See also reply to question No. 9 of the first questionnaire.

17. In respect of the imports from third countries of items covered by this Agreement and on which preferential treatment is being granted to the Parties to this Agreement, are there any of these products on which duties are higher or other regulations of commerce more restrictive than the corresponding duties or regulations of commerce applicable to third countries before the Agreement?

Reply

As far as the Community is concerned: no.

As far as Israel is concerned, since the Agreement entered into force, Israel on the one hand increased duties on several tariff items, and on the other hand, carried out reductions on a wide range of products within the framework of the import liberalization scheme. (See reply to question No. 5 of the first questionnaire.)

