

**INFORMATION****COOPERATION AND DEVELOPMENT****ISRAEL and the E E C****145/77 E**

The additional Protocol and the financial Protocol signed at 8 February 1977 on Brussels between the EEC and the State of Israel, are the necessary and expected complements to the agreement between the same two parties signed on 11 May 1975.

This agreement came into force on 1st July 1976, but hitherto it has been limited to questions of trade, and cooperation on the strictly commercial side. The addition of the two new protocols converts it into a "global" agreement, in line with the "global" mediterranean policy of the European Community.

Both the Community and Israel were anxious to see a considerable extension in the scope of this cooperation. The additional protocol makes this possible, more especially in relation to the development of the production infrastructure, trade promotion, development work in science and technology, agriculture and fisheries and in the encouragement of private investment.

The finance Protocol covers only a limited period, and is primarily intended to assist Israel's industrialisation. Through the European Investment Bank it makes available a credit of 30 million european units of account (EUR) to the Israeli authorities and the country's economy.

This broadening of the cooperation provided in the 1975 agreement, coupled with the financial support in question, are the new features in the EEC assistance to Israel's economic and social development. An agreement of this kind, it has been emphasised by M. Claude CHEYSSON, makes it possible to approach the problem from every side -- commercial, financial, technical, technological and institutional -- without misuse of the instruments or impugning the nation's independence.

The 1975 agreement is thus strengthened and broadened, bringing it into general alignment with the other trade and cooperation agreements made with other countries in the same region. There are in fact various exceptions to the similarity between these agreements, because of the differences in national development levels; but they all conform to the principles of the global mediterranean approach laid down by the Heads of State and Government of the EEC countries at the Summit Conference held in Paris in October 1972 in the passage which read: "The Community attaches primary importance to the implementation of its commitments with the countries of the mediterranean basin, with which agreements have been or remain to be made, and which should be subject to a global and balanced approach".

I.1964 : "A FIRST STEP"

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The links between the EEC and Israel are almost as old as the European Community itself.

As early as the summer of 1957 -- some months before the Treaty of Rome had come into effective operation -- the Israeli government was seeking discussions with the Common Market; and the earliest memoranda from Israel to the Community date from this period. In April 1958 Israel was to be the third of the countries requesting the accreditation of a diplomatic representative to the EEC.

In the Community's external policy, too, one of the earliest measures taken was to establish contractual links with Israel. In the autumn of 1962, there began a first series of negotiations, the results of which were brought up for discussion in the EEC Council on 1st April 1963. They subsequently bore fruit in a trade agreement signed on 4 June 1964.

This was an agreement for an initial period of three years, and subject to renewal. It came into effect as from 1st July 1964.

The provisions included temporary and partial suspensions of duties charged under the EEC external tariff for goods under some twenty industrial and agricultural headings.

For a number of the industrial products-- bicalcium phosphates, methyl bromide, bathing suits, aluminium, venetian blinds, asbestos products and others -- the duty reductions amounted on the average to 20%.

Among the provisions regarding agricultural produce, the agreement reduced the duty on grapefruit juice by 10%, avocado by 33% and grapefruit by 40%.

There were some difficulties in bringing this tariff system into effective operation, because the EEC common external tariff was not yet in application. In practice the duty reductions provided in the agreement were only really effective in respect of member countries where the existing customs duties at this time were higher than those of the common customs tariff. The agreement also provided, that the duties of the common customs tariff should forthwith be applied (without reductions) by France in respect of oranges and sub-tropical fruit juices from Israel; and by Germany in respect of tomatoes and israeli dehydrated vegetables.

The introduction of this tariff system was accompanied by the total or partial elimination by the EEC countries of such import restrictions as still subsisted.

In counterpart, Israel made a declaration of intent, by which it undertook to facilitate the import of EEC goods into its national market.

A joint Committee was set up to supervise the operation of the agreement and the growth of the trade between the parties.

An agreement on these lines was in itself no more than modest. On the other hand, it was regarded as only "a first phase" and as "an initial step towards more active cooperation". In the preamble to the agreement itself, the parties put on record their desire to lay the foundations for a progressive broadening of their trade relations.

## II. A JOINT DESIRE TO STRENGTHEN THE CONTRACTUAL LINKS

The first agreement was an undoubted success and its weak points were duly noted. This helped to stimulate the joint desire to strengthen the contractual link and extend its scope. It was Israel which took the initiative in seeking further development of the links, which she did at a time when the 1964 agreement still had nine months to run.

On 4 October 1966 the Israeli government sent in a memorandum to the EEC Council, proposing an Agreement of Association.

To this end exploratory discussions were opened in January 1967 between representatives of the EEC Commission and an Israeli government delegation, led by Ambassador Amiel E. Najjar, head of the Israeli Mission to the Community.

The drafting of the new agreement took a considerable time -- much longer than had been expected, or than either party had wished. It was not till 17 October 1969 that the EEC Council adopted a mandate for the opening of official negotiations between the EEC and Israel.

Before this formal mandate could be drawn up, there had had to be a considerable number of working sessions in the various institutions of the Community, in which the main reference documents were three reports drawn up by the Commission. The first of these (7 June 1967) analysed the relations between the EEC and Israel. The second (22 June 1967) followed soon after, and was devoted to an analysis of the Israeli economy. The third was dated 23 October 1968, and was submitted to Council as a statement of the various solutions which could still be envisaged for future relations between the two partners.

This elaborate care in preparing the EEC offer, and the delay to which it gave rise, are quite easily understood. It has to be remembered that both parties were considering in this period the possibility of setting up much closer links than had existed in the past. It was proposed that both parties should be much more compulsively bound, especially the Community which was making preparations to assist in Israel's economic development and the expansion in its industrial and agricultural exports, just at the time when it was itself completing its own customs union and getting its own common agriculture policy into operation. This background, also, explains the agreement between the two parties to limit this second stage to the establishment of preferential trade links.

The negotiations began in Brussels on 12 November 1969. They were reasonably expeditious, and a preferential trading agreement was signed in Luxembourg on 29 June 1970.

Meantime, with a view to avoid any breaking of the links which might have been prejudicial to either or both of the partners, the non-preferential agreement of 1964, which had expired on 30 June 1967, had several times been renewed by the Community. This had continued until the new agreement came into operation on 1st October 1970.

### III. THE 1970 AGREEMENT -- A NEW STAGE

From the outset, this new agreement was considered less as an achievement in itself than as a further step towards a still closer relationship between the European Community and Israel. This was reflected in its scheduled duration being only five years; but it contained provision for the negotiation of yet another agreement on a still wider basis, 18 months before this agreement expired on 1st October 1976.

The 1970 agreement came within the provisions of article 113 of the EEC Treaty; but it nevertheless marked substantial progress in the strengthening of the contractual links between the Community and Israel. It was aimed to "promote an increase in the trade between the European Economic Community and the State of Israel, and thus to contribute to the expansion of international trade". It was a preferential agreement granting Israel tariff advantages materially greater than had hitherto been available, and with some degree of reciprocity in favour of the EEC.

For israeli industrial goods, indeed, the Community had been progressively reducing the duties charged between the entry into force of the agreement on 1st October 1970 and the end of 1973; and by the latter date the scale of the reduction was as much as 50% of the full duties. For various "sensitive" products (such as aluminium bars, shapes and sheets and motor cars) the agreement had made various exceptions to the general reduction; but in 1970 the tariff headings concerned accounted for only about 10% of total israeli exports. Moreover, the tariff cuts were accompanied by the elimination of quantitative restrictions, thus liberalising Community imports from Israel.

This preferential treatment for Israel's industrial exports was, from the first, regarded in the light of Israel's commercial, technical and technological capacity as being a decisive encouragement to further investment, making for the country's industrial development.

Having regard to the proportion of agricultural products, in the israeli export trade, the EEC concessions under this head were no less important. Preferences were indeed granted in respect of about 80% of Community imports from Israel and were reflected in duty reductions of

between 30% and 70% of those provided in the common external tariff. The principal produce exports from Israel -- such as oranges, grapefruit, mango, avocado, lemons, pimento and fruit and vegetables in various processed forms -- had the benefit of this preferential treatment. Citrus fruit, however, was a special case, for the duty reductions were subject to conformity to specific price minima, on the same lines as had been required of other mediterranean countries which are big producers of citrus fruit.

The agreement was a starting point towards setting up a free trade area between the partners, and was scheduled as such by the Secretariat of the General Agreement on Tariffs and Trade (GATT). It also provided for duty concessions to be made to the Community by Israel. In virtue of these, some 60% of EEC exports to Israel had the benefit of duty reductions rising progressively to 10, 15, 25 and even 30% of the full duties, depending on the product concerned. In parallel with this, Israel liberalised her imports of the products enjoying these concessions and consolidated, vis-à-vis the Community the liberalisations which had already been carried out.

A joint Committee was set up to supervise the right execution of the agreement.

#### IV. THE FIRST GLOBAL MEDITERRANEAN AGREEMENT

The preferential agreement of 1970 had been in existence only a few months when new discussions were opened between the Community and Israel, and also between the Community and other countries in this part of the Mediterranean. The occasion for these discussions was the nearby prospect of the enlargement of the Community to include four new members -- the United Kingdom, Ireland, Denmark and Norway; and the first thing to be done was to assess the legal, commercial and economic impact of this enlargement on the treaty relationships already existing between the Community and the mediterranean countries concerned.

At a very early stage the Israeli government drew the attention of the Community to the danger that this enlargement -- of which incidentally it thoroughly approved -- might prejudice the balance set up by the preferential agreement in its then-existing form, and to the changes it would imply in the established trade relations between Israel and the four individual candidates for EEC membership.

It so happened that the ventilation of these difficulties coincided with the adoption by the European Parliament of a resolution ( 9 February 1971) inviting the foreign affairs ministers of EEC countries "to lay down a joint policy vis-à-vis the countries of the mediterranean basin". In the debate on this resolution, Mr. Ralf Dahrendorf, speaking on behalf of the EEC Commission, laid down three principles :

- a satisfactory compromise should be sought in the EEC relations with mediterranean countries, between mutual economic interdependence on the one hand and mutual respect for one another's independence on the other;

- the relations between the Community and the mediterranean countries should be subject to a common conception which would take account of the individual characteristics of each;
- it is a matter of primary importance to go beyond the purely commercial framework and to contribute to the general economic development of the region.

This new concept of relations between the Community and the mediterranean countries gradually gained acceptance; and when the EEC Council of Ministers met on 27 and 28 June 1972, it decided to examine a "global approach" to the problems arising in a region so close at hand, on lines which might lead to agreements currently in force being renegotiated before the dates fixed for their expiration."

This idea was given top-level acceptance a few months later in the Summit meeting in Paris on 19 October 1972. On this occasion the Heads of State and Government emphasised, in their final public declaration, the importance they attached to the commitments contracted by the Community vis-à-vis the countries of the mediterranean basin and indicated that these agreements should be subject to "a global and well-balanced approach".

The adhesion to the Community of the United Kingdom, Ireland and Denmark dates officially from 1st January 1973. In the months which followed, the Community set about defining, using proposals by the Commission as a starting point, the content to be given to this "global approach" in matters of trade, economic, technical and in some cases, financial cooperation, and in regard to manpower questions. This culminated in the adoption by Council of negotiation directives which were finalised at its meeting on 24-25 June 1973.

#### Negotiations with Israel open on 18 July 1973

In the meantime Israel and the EEC had signed an additional Protocol staying until after the end of 1973 the application of the trade clauses of the 1970 agreement to the trade between Israel and the three new members of the European Community. The duration of this Protocol was twice extended, so that existing links between Israel and the three new member States might be kept intact until a new agreement had been negotiated.

The negotiations in question were opened in July 1973. In the following October they were resumed and taken up afresh in October and December 1974. This led to the initialling of a draft agreement on 23 January 1975.

It had taken two years to bring these negotiations to their conclusion; but this is scarcely surprising when it is remembered that they were carried out against a background of international crisis, that each of the parties was fully occupied in dealing with its internal and external difficulties and that the negotiations in which they were engaged were marked by an ambitious character which, in the event, was fully realised.

The official signature of the agreement took place in Brussels on 11 May 1975  
On behalf of Israel the signatory was Mr. Vigal Allon, Deputy-Premier and Minister for Foreign Affairs; and on behalf of the European Community the signatories were Mr. François-Xavier Ortoli, President of the European Commission and Mr. Garret Fitzgerald, Irish Minister for Foreign Affairs and President in Office of the Council of Ministers. The agreement came into operation as from 1st July 1976.

This agreement of trade and cooperation between the European Community and Israel was the first specific embodiment of the Community's global mediterranean policy.

#### V. COOPERATION -- HISTORY TURNS TO A NEW PAGE

The novelty in this global agreement, and undoubtedly its most important feature, is the cooperation between the EEC and Israel to be developed in virtue of the additional Protocol.

Article 2 of the Protocol in question describes the aim of this cooperation as being "to contribute to the development of Israel and to the smooth development of economic relations between the parties".

This additional protocol is like clay in the hands of the potter. The extent of the cooperation, coupled with the fact that the agreement is of unlimited duration, opens up fields which are entirely new and which may transform the whole system of traditional relationship between the two parties.

This is easily appreciated from a quick scrutiny of the action covered by the additional Protocol. In article 4 it provides that, taking due account of "the aims and priorities of the Israeli development plans and progress" and of the "desirability of carrying out integrated operations by means of different interventions converging on the same general purpose" the cooperation shall be aimed "more particularly" to promote :

- "the development of Israeli production and economic infrastructure, especially with a view to making the economies of the parties complementary to one another and to promoting the industrialisation of Israel";
- trade promotion for Israeli export goods;
- industrial cooperation, largely envisaged as being susceptible to encouragement through the organisation of contacts and meetings between those responsible for industrial policies and those concerned with operating them; through easier access to technological knowledge and knowhow and facilities for acquisition of patent rights and other forms of industrial property; through the elimination of non-tariff obstacles to trade in industrial goods;
- action to make the agriculture and fisheries industries mutually complementary;
- steps to encourage private investment;
- joint action in regard to science, technology and environmental protection.

The cooperation thus envisaged looks flexible enough to make room for many initiatives. Even this, however, does not seem to have been regarded as sufficient by the parties, and they put in an evolution clause of their own. This is in Article 4 (2) which enables them "to determine other fields in which cooperation can be applied."

In addition, two important dates have already been fixed. These are, respectively, at the beginning of 1978 and at the beginning of 1983; and they are to be the occasion for a general examination by the EEC and Israel of the results secured through the agreement in all its aspects, including cooperation. After these examinations it will be for them to decide on any improvements they regard as desirable; and these will be brought into effect on, respectively, 1st January 1979 and 1984.

There have already been two exchanges of letters in which specific avenues of cooperation have been defined. The first of these was annexed to the agreement in May 1975, and provides that the Community shall examine case by case the "possibility of Israeli participation in specific programmes of scientific and technical cooperation which it contemplates carrying out with other non-member countries, or in the results of some of these programmes";

The second exchange of letters was annexed to the additional Protocol. It states Israel's intention to put forward a number of specific requests for scientific and technological cooperation which will include the carrying out of joint programmes, or the inclusion of Israeli scientific bodies as contracting parties in scientific research programmes carried out indirectly by the Community.

The additional Protocol thus opens a blank page on which it will be for the Council of Cooperation to write the story. This council replaces the joint Committee set up originally under the 1975 agreement. Its mandate is to "seek ways and means by which cooperation, as defined in Article 4, may be brought into effect".

This Council of Cooperation consists of representatives of the EEC and its member countries and representatives of Israel. It is vested with a power to make decisions which shall be binding on the two contracting parties and to issue resolutions, recommendations and advices "which it may consider opportune for the purpose of securing the common objectives or the right functioning of the agreement".

Finally, the task of the Council of Cooperation includes facilitating cooperation and contact between the European Parliamentary Assembly and representatives of the Knesset.



## VI. THE FIRST FINANCIAL SUPPORT FOR ISRAEL'S DEVELOPMENT

Compared with the earlier agreements, the other big novelty in the global one is the finance Protocol, under which the EEC will participate "in the financing of projects calculated to contribute to Israel's economic development".

Under this document the European Investment Bank is to put at the disposal of Israel credits up to 30 million european units of account (EUR), which may be brought into commitment at any time during the operation of the finance Protocol. The funds will be provided in the form of loans on the normal terms, procedures and methods practised by the EIB.

The extent of the funds covered by the finance Protocol was determined by the EEC by reference to the state of Israel's development. It may be regarded as on the small side for providing the support needed for the country's industrialisation, which is its primary purpose; but it is expected to have an inducement effect for other external financing. It is in fact provided in Article 4 of the Protocol, that "the support granted by the Bank for the execution of any project may, if Israel agrees, be on a co-financing basis".

This protocol is intended as a supporting instrument for the cooperation between the two partners. Another of its provisions is that for "interventions for which finance is provided by the Bank, participation in the awards, tenders and contracts shall be opened on the same terms to all individuals and bodies corporate in the EEC countries and in Israel.

## VII. INDUSTRIAL FREE TRADE BY 1985

The commercial aspect is undoubtedly more substantial, for it is provided that, between the EEC and Israel, there shall be gradually brought into being an industrial free trade area.

Israeli exports of industrial goods are in fact to enjoy complete customs franchise at the Community frontiers as from 1st July 1977. For the first time this includes :

- products covered by the European Coal & Steel Community (ECSC) in virtue of a separate agreement signed on 11 May 1975;
- and processed agricultural products.

The elimination of customs duties is to be carried out in three stages. A first reduction of 60% took place when the agreement came into force. The second instalment of 20% came into operation on 1st January 1976; and the final 20% instalment is scheduled for 1st July 1977.

Duties of customs and taxes of equivalent effect, both on imports and on exports, are scheduled for total elimination by 1st July 1977; but the quantitative restrictions on imports into the EEC were cancelled in their entirety as from 1st July 1975.

The acceptance by the EEC of such brief delays in setting up the industrial free trade area necessitated precautionary measures for certain industrial products from Israel regarded in the Community as "sensitive". These include refined petroleum products, textiles and chemical goods under a list given in Article 5 of Protocol No. 1 annexed to the agreement. The precautions in question are designed to avoid any unduly sudden growth in the imports of the sensitive products into the Common Market. They took the form of a system of import ceilings -- which are to be raised each year by 5% -- or a strict system of supervision which is to be brought to an end on 31 December 1979.

The same concern to avoid unduly abrupt fluctuations in imports led to even more pronounced precautions on the Israeli side. The country's industry was young and still vulnerable, so that its growth is still protected by high customs duties and the country's trade deficit with the EEC is still considerable.

The agreement accordingly provides for the removal of Israel's import duties to follow a slower timetable than that imposed upon the EEC; and there are special arrangements for protecting young Israeli industries.

The elimination of customs duties by Israel is scheduled to be carried out under two different timetables, depending on the products concerned. For the first list, covering about 60% of the imports from the EEC, the Israeli undertaking is to remove 30% of the duties as from 1st July 1975, raising the cut to 40% by 1st January 1976, 60% by 1st January 1977, 80% by 1st January 1978 and total (100%) customs franchise as from 1st January 1980. For the second list the tariff demobilisation is slower. The first step is a 5% cut across the board, but this is not scheduled until 1st July 1977. The timetable for the subsequent reductions will bring the total cut to 20% by 1st July 1978 and 30% a year later, 50% on 1st January 1981, 80% two years after this and total customs franchise as from 1st January 1985.

This is, in principle, the timetable for industrial free trade. There is, however, provision for deferment in the arrangements for a general review of the agreement mentioned above. If both parties agree, the scheduled tariff cuts to be made by Israel can be postponed twice by two years, on the occasions of the cuts to 30% and 80%. If this arrangement is fully used, the final removal of the tariffs will not be until 1st January 1989. There is no provision for any similar deferment of the tariff cuts to be made by the EEC.

Moreover, these are not the only precautions against possible disturbances in the Israeli economy. For a number of products in the second of the above lists, and currently representing about 8% of Israel's total imports, the government will have the right to raise the duties and to calculate the successive steps of their elimination from the level to which they have been raised.

Still more important of course is the provision known as the nascent industries clause. This entitles Israel to raise various import duties to a level of 20% to protect new industries and give them a chance of developing; but the trade so protected must not be more than 10% by value of the country's industrial imports. Up to the end of 1979, recourse to this clause requires only consultation of the joint management organ; but subsequently and until the end of 1983, its use is subject to authorisation by the same organ. Any duties thus introduced must be wholly withdrawn on or before 1st January 1989.

In addition to the liberalisation arrangements described above, Israel is required by the agreement to remove all quantitative restrictions on imports. The timetable for this is very satisfactory for EEC exporters. As of 1st July 1975 the date on which the agreement came into operation, Israel had removed the restrictions on 95% of its imports from the EEC; and those affecting the remaining 5% were scheduled for removal in five equal segments over the period 1980-85.

EEC TRADE WITH ISRAEL IN RAW MATERIALS AND  
INDUSTRIAL GOODS - 1975

	I M P O R T S		E X P O R T S	
	th. EUR	%	th. EUR	%
T O T A L	537 627	100	1 219 937	100
<u>Raw materials</u> (excl fuel)	45 662	8.5	199 276	16.3
of which :				
textile fibres	9 317	1.7	4 600	0.4
natural fertilizers	8 302	1.5	-	-
industrial diamonds	925	0.2	185 120	15.2
cut flowers and foliage	13 320	2.5	3	..
<u>Mineral fuel</u>				
of which :				
crude oil	-	-	-	-
petroleum products	3 887	0.7	2 411	0.2
<u>Organic oils and fats</u>	6 279	1.2	5 030	0.4
of which :				
soya oil	12	..	1 900	0.2
cottonseed oil	1 739	0.3	-	-
olive oil	4 452	0.8	-	-
<u>Chemicals</u>	57 052	10.6	99 244	8.1
of which :				
elements and inorganic compounds	26 958	5.0	36 555	3.0
dye-wares and colouring matter	32	..	6 280	0.5
medical and pharma. products	697	0.1	11 160	0.9
manufactured fertili- zers	23 454	4.4	856	0.1
plastic materials and cellulose	2 918	0.5	19 757	1.6
miscellaneous	2 250	0.4	16 638	1.4

	I M P O R T S		E X P O R T S	
	th. EUR	%	th. EUR	%
<u>Manufactured goods</u>	112 178	20.9	295 339	24.2
of which :				
yarns, piecegoods, made-up textiles	15 257	2.8	33 686	2.8
goods of non-metallic minerals	79 387	14.8	82 424	6.8
iron and steel	3 886	0.7	87 514	7.2
non-ferrous metals	979	0.2	34 355	2.8
metal manufactures	1 614	0.3	36 933	3.0
<u>Machinery and transport material</u>	22 202	4.1	440 706	36.1
of which :				
machinery (excl. electrical)	10 113	1.9	195 368	16.0
electrical machinery and apparatus	9 021	1.7	107 661	8.8
transport material	3 068	0.6	137 677	11.3
<u>Miscellaneous manufactures</u>	54 250	10.1	63 107	5.2
of which :				
clothing	39 303	7.3	2 784	0.2
scientific apparatus				
optical and photographic goods	1 291	0.2	20 179	1.7
miscellaneous	7 069	1.3	20 660	1.7

VIII. PREFERENCE ARRANGEMENTS FOR 85% OF ISRAEL'S AGRICULTURAL EXPORTS

The present arrangements do not provide for total free trade in agricultural products, but they are designed to secure a considerable expansion in this trade. The EEC has given substantial concessions for Israel's chief export products, the importance of which can be estimated from the fact that 85% of Israeli agricultural exports to the EEC now enjoy concessions, and over 70% of the products covered by the new agreement enter the EEC at duties cut by 50% or more. Preferential treatment on these lines is a matter for special emphasis, because of the big part played by agricultural goods in Israel's external trade, and the high proportion of these exports which are consigned to EEC countries.

The following are the concessions made by the EEC for Israel's chief agricultural export products, the figures in brackets showing the season during which the concession is applicable :

07.01	Gex II	Carrots (1/1-31/3) : 40 %
07.01	ex H	Onions (15/2-15/5) : 60 %
07.01	S	Pimento or sweet peppers : 40 %
07.01	ex T	Aubergines (15/1-30/4) : 60 %
		Stalk celery (1/1-30/4) : 50 %
		Courgettes (1/12-end Feb) : 60 %
08.01	D	Avocado pears : 80 %
08.02	ex A	Fresh oranges : 60 %
08.02	ex B	Mandarins, satsumas, tangerines, etc : 60 %
08.02	ex C	Lemons : 40 %
08.02	D	Grapefruit and shaddock : 80 %
08.08	A	Strawberries (1/11 - 31/3): 60 %
08.09	ex	Melons (1/11 - 31/5) : 50 %
08.09	ex	Water melon (1/4 - 15/6) : 50 %
20.02	ex C	Peeled tomatoes : 30 %
20.06		Non-alcoholic preparations: of grapefruit, shaddock (including segments), mandarins, oranges, lemons (crushed fine) : 80 %
		Non-alcoholic preparations : - apricots 20 % pulp of citrus fruit : 40 %
20.07		Juice of grapefruit, shaddock and orange : 70 % of other citrus fruit : 60 % of tomatoes : 60 %

A point to be emphasised is the preferential arrangement for Israel's exports of citrus fruit (oranges, mandarins etc.). This is the biggest item in Israel's agricultural exports to the EEC, accounting for about 36% of the total; and it is an item for which there is a very considerable outlet in the markets of the United Kingdom and the other new members of the Common Market. The tariff cut of 40% conceded for citrus fruit under the 1970 agreement, is raised under the new arrangements to 60% for all citrus fruit, except lemons. For the new members of the EEC, indeed, there is authority to charge duties corresponding to a cut of 80% until the first of the "appointment" discussions scheduled in the agreement to be held at the beginning of 1978. For oranges and mandarins, too, it is provided that an improvement on the 60% cut may be made at the time of the first general review in 1978. For this purpose the two parties are to make an examination of the effects of the agreement and the general course of trade between the EEC and the mediterranean countries as a whole.

Another point worth mentioning is that the agreement lays down arrangements for protecting the interior market of the EEC against any disturbance occasioned by this more liberal opening of the Community frontiers to agricultural produce exported from Israel. In the first place, of course, these exports are subject to the basic regulations laid down in the joint agriculture policy which means, in the case of fruit and vegetables, conformity to the reference prices specified. Secondly, both the parties have agreed to set up special machinery for certain types of agricultural produce regarded by the EEC as "sensitive". This consists essentially of seasonal arrangements for fruit and vegetables, minimum prices (lemons), tariff quotas (e.g. apricot pulp and purée) and in some cases the voluntary

limitation of exports (e.g. for tomato concentrates and preserved fruit salad).

The liberalisation of trade in agricultural produce will not be entirely in one direction. Israel is to give counterpart concessions in respect of a limited list of products which will enjoy duty reductions of between 15 and 25%.

Processed agricultural products will have the benefit of the industrial tariff cuts in Israel. Only for a few products will the duty reduction be limited to part of the rate normally charged in respect of these products.

As regards the rules of origin, the agreement reenacts the provisions of the 1970 agreement, subject to a few adjustments bringing them into line with the rules of origin laid down in other free trade agreements into which the EEC has entered, especially those with the non-member EFTA countries.

AGRICULTURAL TRADE OF EEC WITH ISRAEL

- 1975 -

	I M P O R T S		E X P O R T S	
	th. EUR	%	th. EUR	%
T O T A L	537 627	100	1 219 937	100
<u>Food products</u> of which :	207 429	38.6	38 292	3.1
fresh fruit and nuts	137 293	25.5	171	..
preserved fruit	42 333	7.9	213	..
vegetables, plants etc.	10 377	1.9	2 742	0.2
sugar and sugar preparations	527	0.1	7 106	0.6
coffee, tea, cocoa and spices	185	..	4 533	0.4
miscellaneous food preparations	2 815	0.5	1 008	0.1
meat and meat preparations	5 038	0.9	10 306	0.8
dairy products and eggs	1 342	0.2	4 364	0.4
fish and fish preparations	1 357	0.2	2 093	0.2
cereals and cereal products	490	0.1	4 769	0.4
<u>Drink and tobacco</u> of which :				
Alcoholic beverages	476	0.1	3 117	0.2
tobacco	-	-	985	0.1

STRUCTURE AND GROWTH OF EEC TRADE WITH ISRAEL 1970/75

	1970		1971		1972		1973		1974		1975	
	1,000 Eur	Ind.	1000 Eur	Ind.	1,000 Eur	Ind.	1,000 Eur	Ind.	1,000 Eur	Ind.	1,000 Eur	
<u>IMPORTS</u>												
TOTAL	300,566	100	378,710	126	414,726	138	423,717	144	519,271	173	537,627	
- Industr.	150,300	100	178,970	119	212,666	141	247,793	164	319,094		330,109	
- Agric.	150,266	100	199,740	133	202,060	134	194,934	129	200,187	133	207,429	
<u>EXPORTS</u>	656,969	100	789,578	120	898,494	137	1,108,091	169	1,363,847	208	1,219,937	182
TRADE BALANCE	+356,403		+410,868		+483,768		+675,364		+844,576		+692,310	

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