

COMMISSION OF THE EUROPEAN COMMUNITIES

COM (79) 288 final

Brussels, 31 May 1979

RECOMMENDATION FOR A COUNCIL DECISION SUPPLEMENTING THE DIRECTIVES FOR NEGOTIATIONS WITH ISRAEL

(presented by the Commission to the Council)

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MEMO FROM THE COMMISSION TO THE COUNCIL CONCERNING THE NEGOTIATIONS WITH ISRAEL
UNDER ARTICLE 22 OF THE AGREEMENT.

1. In implementation of Article 22 of the Agreement, negotiations were held on 21 March in Brussels between a Community Delegation and an Israeli Delegation with a view to concluding an agreement amending certain provisions of the 1975 Agreement.

Prior to the negotiations, the results of the Agreement, which has already been the subject of an initial exchange of views at the exploratory talks on 21 September and at the meeting of the Cooperation Council on 22 December, were examined in detail with particular reference to the growth of trade and the results of cooperation.

However, the two delegations failed to reach agreement during these negotiations, which were conducted on the basis of the directives adopted by the Council on 6 February last, and it was consequently impossible to complete the review provided for in Article 22. There will therefore have to be a second round of negotiations.

The negotiations.

2. The Israeli Delegation expressed its great disappointment at the Community's negative attitude in failing to respond favourably to the requests made by the Israeli Delegation at the exploratory talks for concessions in the agricultural sector.

Given the important share of agricultural products in Israel's exports to the Community, the Israeli Delegation felt that the main objective of the review provided for in Article 22 should be to improve the conditions of access to the Community market for these products. It considered the Community's failure to take account of the Agreement's objective of promoting the expansion of trade quite indefensible, and pointed out the trade imbalance, which was due to Israel's £ 1.000 million deficit with the Community and existed in spite of the fact that Israel was the only southern Mediterranean country to grant preferential treatment (ranging up to duty-free admission) for 95% of Community exports.

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The Israeli Delegation pointed out that under the circumstances, the fact that there had been a slight increase in its country's agricultural exports could not be taken as an argument for ignoring any opportunity of improving the conditions of access for these products to the Community market, given the significance of the agricultural sector for improving Israel's trade balance with the Community.

3. To make allowances for the Community's difficulties, the Israeli Delegation presented at the negotiations a shortened list of requests for improvements which, with the exception of citrus fruit and tomato concentrates, now related only to products not covered by the present Agreement (see list given in Annex I). Exports of these products (24 tariff headings) totalled 36 million U.A. (excluding citrus fruit and tomato concentrates) and accounted for approximately 11% of all Israeli agricultural exports to the Community. Other Mediterranean countries were already granted concessions on 11 of the products, which represented exports worth approximately 32 million U.A.

As regards citrus fruit, the Israeli Delegation was very insistent on the need for the Community to honour the commitment made in the 1975 Agreement to increase the concession on these products to 80% and announced that it was extremely disappointed that the Community had not yet been able to respond favourably on this matter.

The Israeli Delegation indicated that, under the circumstances, it was impossible for it to agree to the Article 22 review being brought to a close as far as the agricultural sector was concerned and urged the Community to adopt a more positive attitude in keeping with the conclusions of the cooperation Council meeting held on 22 December last.

4. Before tackling the Israeli demands regarding the industrial sector, the Community Delegation reminded Israel that it should cease to apply discriminatory tariff treatment to its imports from the three new Member States and stated that there could be no doubt as to how the Agreement's provisions in this connection should be interpreted.

The Israeli Delegation challenged the legal basis of the Community's interpretation. It stated that Israel too felt there was no doubt as to the interpretation of the provisions in the Agreement concerning improved concessions for citrus fruit. The Israeli Delegation announced that it was nevertheless willing to join with the

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Community, in seeking appropriate solutions to all the problems raised.

Comments by the Commission.

5. In its communication about the exploratory talks with Israel, the Commission expressed the opinion that the evolution of Israel's agricultural exports to the Community, as much for products covered by the Agreement as for those not covered by it, did not appear to justify in the present situation the granting of improvements in the agricultural sector beyond the proposals which had already been made in respect of citrus fruits.

The Israeli Delegation considered that the extension to Israel of certain concessions already decided upon in the framework of the global approach towards other Mediterranean countries would be likely to contribute further to the reduction of her trade deficit, in line with the intentions of the Cooperation Council of 22 December "to examine measures which could be undertaken with a view to responding even better to the objectives of the Agreement" as well as "to examine, in a positive spirit the results of the exploratory discussions".

6. Nevertheless, the Commission can only confirm its point of view which is that it does not seem appropriate, in the present situation, and on the eve of negotiations for the adaptation of the Agreement to take into account the enlargement of the Community, to present to the Council proposals for new agricultural concessions.

The Commission notes, however, that it was not possible to give full effect to the 1975 Agreement in the case of two agricultural products for which concessions have already been made. These are tomato concentrates and oranges. Conditions of access to the Community market for oranges have deteriorated to a certain extent since 1 January 1978 as a result of the raising of import duties in the three new Member States. As regards tomato concentrates, the concession envisaged has not yet come into play on account of the very low level of voluntary restraint, which was fixed on the basis of the trade flows existing prior to the conclusion of the Agreement.

7. In the case of citrus fruit, the Commission has already stated in its communication to the Council of October 1977 that, in its opinion, all the circumstances warranted raising the tariff concession from 60% to 80% in all nine Member States. The Council has not yet adopted a position on this proposal. Compromise solutions submitted by both delegations have failed to obtain the unanimous agreement of the Council.

The present round of negotiations has made clear that it would be impossible for Israel to agree to the Article 22 negotiations being concluded unless a solution was found to this problem, which has an even greater economic significance for Israel since the prospect of the enlargement of the Community is making the country extremely anxious about the future of its agricultural exports.

8. Under these circumstances, and in the light of the results of the Cooperation Council of 22 December, the Commission recommends that the Council adopt a compromise solution which it considers would both be acceptable to Israel and would take account of the difficulties of the Member States most affected. The solution would involve increasing the present preference from 60% to only 70% for oranges, which are Israel's biggest citrus export. Mandarins and clementines, which are becoming an increasingly important export for other Mediterranean countries, particularly Morocco, would be excluded.

This tariff cut would be accompanied, at the internal level, by the declaration originally proposed by the French Delegation and supplemented in respect of Cyprus.

With respect to tomato concentrates, the Commission considers that it would be advisable to review the level of voluntary restraint set in 1975 and reassess it by reference to the pattern of Israeli exports in recent years¹ as such as of the availability of this product within the Community.

In the industrial sector no amendment to the negotiating directives already adopted by the Council is called for. Responsibility for examining Israel's request for certain provisions of the Origin Protocol concerning the 5% rule for products of headings Nos 84.55, 85.19 and 85.21 to be amended and also its request for the abolition of drawback to be put back beyond 1984 lies with the Cooperation Council, which is empowered by the Agreement to amend these provisions, where necessary.

¹ For example, the average of the Community's imports from Israel in the years 1976, 1977, 1978, amounted to about 5.000 tonnes.

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9. During this round of the negotiations the Israeli Delegation put forward proposals for a number of cooperation projects in the industrial and agricultural sectors.

Although this question does not fall within the scope of the present negotiations and would be more appropriately dealt with by the Cooperation Council in the context of the normal administration of the provisions of the Agreement, the Commission considers it must inform the Council of the Israeli proposals (see Annex II) since there are financial obstacles to the implementation of some of them.

The Commission notes that the fact that there is no credit line in the Financial Protocol with Israel or the Community budget which could be used for this purpose makes it very difficult, if not impossible, to assume responsibility for the material costs of organizing these cooperation projects (at least in the case of those initiated by the Community).

The existence of a fund, even a fairly small one (400.000 to 500.000 EUA), would clearly make it easier to implement cooperation projects in accordance with the Agreement's provisions in this respect and the conclusions reached by the Cooperation Council on 22 December.

Conclusions

In view of the preceding considerations, the Commission recommends that the Council adopt the supplementary negotiating directives set out in Annex III. It considers that these directives would make it possible to complete the Article 22 negotiations with Israel and give full effect to the 1975 Agreement in accordance with its prime objective. Nevertheless, the Commission considers that the Community should not accept any improvements which benefit Israel being made to the Agreement under Article 22 unless that country solves the problem of tariff discrimination in respect of the three new Member States first.

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ISRAELI REQUESTS TO THE EEC FOR
CONCESSIONS IN THE AGRICULTURAL SECTOR

The requests pertain to Article 22 of the Agreement between the EEC and Israel.

March, 1979

CCT	Description of Commodity	CCT Rate	Israel's Request (Concessions)	Israel's Export to EEC - \$ 1000 -		Remarks
				1976	1977	
06.02	Other live plants, including trees, shrubs, bushes, roots, cuttings, and slips A. Unrooted cuttings and slips: II. Other D. Other	12% 13%	80% 80%	982	1285	
06.03	Cut flowers and flower buds of a kind suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached impregnated, or otherwise prepared: A. Fresh II. From 1 Nov. to 31 May	17%	80%	19,287.	26,955	

CCT	Description of Commodity	CCT Rate	Israel's Request (Concessions)	Israel's Export to EEC - \$ 1000 -		Remarks
				1976	1977	
07.01	Vegetables, fresh or chilled: A. Potatoes II. New Potatoes ex a) From 1. Jan. to 15 May	15%	40% from 1. Jan. to 31 Mar.	2513	1367	
	B. Cabbages, cauliflowers and brussel sprouts ex III. Other - Chinese leaves	15%	60% from 10 Dec to 30 Apr.	200*	600*	
	D. Salad vegetables, including endive or chicory: ex II. Other - Iceberg Lettuce	13%	80%	88	225	
	G. Carrots, turnips, salad, beet- root, salisfy, celeriac, radishes and similar edible roots: ex IV. Other - Radishes	17%	100% From 1 Dec to 31 Mar.	100*	300*	
	M. Tomatoes: ex I. From 1. Nov. to 14 May	11% with a min. of 2 u.s. per 100 kg. net	60% from 15 Nov. to 31 March	1605	2866	subject to reference price

Brussels

CCT	Description of Commodity	CCT Rate	Israel's Request (Concessions)	Israel's Export to EEC \$. 1000		Remarks
				1976	1977	
07.02	Vegetables (whether or not cooked) preserved by freezing ex. B. Other - Broccoli - Finger Carrots - Onions	18%	100%	...	131	
07.04	Dried, dehydrated or evaporated vegetables, whole, cut, sliced, broken or in powder, but not further prepared: A. Onions ex. B. Other - Carrots - Capsicum - Potatoes - Turnip - Red Beet	18% 16%	100% 100%	75 1980	450 1998	
08.02	ex. A. - Oranges ex. B. - Mandarines	4-20%	80%	71000	81000	Declaration by the EEC on Art. 22 of the Agreement and Art. 8 of Protocol 1
08.04	Grapes, fresh or dried: A. Fresh i. Table grapes ex. a) from 1. Nov. to 14 July ex. b) from 15. July to 31 Oct.	18% 22%	60% from 1. May to 14 July 60% from 15 July to 30 July	867	411	subject to reference price

CCT	Description of Commodity	CCT Rate	Israel's Request (Concessions)	Israel's Export to EEC \$, 1000		Remarks
				1976	1977	
20.05	Jams, fruit, jellies, marmalades, fruit puree and fruit pastes, being cooked preparations whether or not containing added sugar ex. B. Jams and marmalades of citrus fruit.	27%	100%	63	70	Israel requests the adjustment of the tariff to the other citrus fruit. Products for which concessions have been granted.

CCT	Description of Commodity	CCT Rate	Israel's Request (Concessions)	Israel's Export to EEC		Remarks
				1976	1977	
20.06	<p>Fruit otherwise prepared or preserved whether or not containing added sugar or spirit:</p> <p>B. Other:</p> <p>II. Not containing added spirit:</p> <p>a) containing added sugar in immediate packings of a net capacity of more than 1 kg:</p> <p>ex 7. Peaches and apricots:</p> <p>aa) with sugar content exceeding 13% by weight: Apricots</p> <p>bb) Other: Apricots</p> <p>ex 8. Other fruits:</p> <p>- Orange segments</p> <p>- Melon</p> <p>B. II b) Containing added sugar, in immediate packings of a net capacity of 1 kg or less:</p> <p>ex 7. Apricots:</p> <p>aa) with a sugar content exceeding 15% by weight</p> <p>bb) Other</p> <p>ex. 8. Other fruits:</p> <p>- Orange segments</p> <p>- Melon</p>	<p>22%</p> <p>22%</p> <p>22%</p> <p>22%</p> <p>24%</p> <p>24%</p> <p>24%</p> <p>24%</p>	<p>100%</p> <p>100%</p> <p>100%</p> <p>100%</p> <p>80%</p> <p>80%</p> <p>100%</p> <p>100%</p>	<p>801</p> <p>372</p> <p>977</p> <p>416</p>	<p>1976</p> <p>1977</p>	

CCT	Description of Commodity	CCT Rate	Israel's Request (Concessions)	Israel's Export to EEC		Remarks
				1976	1977	
Cont. 20.06	<p>B II c) not containing added sugar, in immediate packings of a net capacity:</p> <p>2. Of less than 4.5 kg: ex bb) Other fruits</p> <p>- Apricots, in packings of 4.0 kg. or more, for use in industry.</p>	23%	80%			Request to apply concession to packings of net capacity of between 1 kg and 4.5 kg. The capacity of packings usually supplied to industry is 4.2 kg.
20.07	<p>Fruit juices (including grape must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit</p> <p>B. Of a specific gravity of 1.33 or less at 15° C:- II Other: a) of a value exceeding 30 u.s. per 100 kg. net weight:</p> <p>ex. 3. Lemon juice: as) containing added sugar</p>	18%	100%	292	402	



21. 3. 1979

AGRICULTURAL COOPERATION EEC-ISRAEL

Since the Council of Cooperation has approved the Agricultural Cooperation between Israel and the EEC, we have been looking for ways as how to start materializing it. A task not made easier by the fact that no specific funds were allocated for the Cooperation activities, and by the fact that such cooperation within the Community exists on a bilateral basis and not through common channels.

Following the decision of the Cooperation Council of 22nd December 1978, the Israeli delegation proposes to act according to the following:

To conduct symposia or study days on the following subjects:

- Modern methods of irrigation (according to climate and other cultural conditions)
- Techniques of re-forestation (with special reference to regions affected by erosion or other special factors relating to soil)
- Organisation of extension services and application of extension methods.

Prior to the symposia experts will meet with the aim of defining the details as precisely as possible of the exact subjects to be covered later at the symposia, the duration of the study days, the order of meetings, the number of participants, its location and responsibility for the expenses.

These meetings of experts could take place in 1979, with the perspective of having one symposium this year and the other two at a later date.

The aim of the symposia, which are to be attended by specialists in the field from potentially interested countries or regions, is to explore and define mutual interests, which could lead to drawing up recommended plans for future common activities based on achievements in one region and deficiency in another.

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Also the possibility of finding the way to use FEDGA funds or regional fund that deal with similar prospects should be investigated.



INDUSTRIAL COOPERATION

Following the successful organization of the last Brussels symposium, we should deem beneficial, for both the Community and Israël, the deepening of our Industrial Cooperation in the following fields;

a) A symposium, on specific industrial sectors.

Details regarding the specific sectors suggested will be soon forwarded.

b) Trade missions to Israël

Following the successful mission in the field of irrigation, it is suggested to organize;

1) In September 79, a similar mission in the field of applications of Solar Energy.

2) Two supplementary missions in the field of:

a) Agricultural inputs & Equipment

b) Fine Chemistry

proposed dates will be determined in a later stage.

c) Mission of Israeli Exporters to the Community, who will meet, inter alia, with various European Federations, as well as with experts of the Commission and other European organs.

RECOMMENDATION FOR A COUNCIL DECISION SUPPLEMENTING THE DIRECTIVES FOR
NEGOTIATIONS WITH ISRAEL.

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the recommendation from the Commission,

Having regard to Article 22 of the Agreement between the European Economic
Community and Israel,

Whereas on 6 February 1979 the Council adopted directives for the negotiation
of an agreement amending certain provisions of the EEC-ISRAEL Agreement of
1975 ;

Whereas it is necessary to supplement those directives in order to continue
and complete the negotiations,

HAS DECIDED AS FOLLOWS :

Sole Article

The directives for the negotiation of an agreement amending certain provisions
of the 1975 Agreement are supplemented by the directives annexed hereto.

NEGOTIATING DIRECTIVES

AGRICULTURAL SECTOR.

1. CITRUS FRUIT.

The tariff reduction provided for in Article 8 of Protocol n° 1 of the Agreement would be increased to 70% only for fresh oranges of heading No 08.02 ex A.

The following declaration would be written into the minutes of the Council of the European Communities :

" In deciding to increase to 70% the tariff concession currently granted
" to the countries concerned, the Council and the Commission undertake to make
" no further adjustment to the Mediterranean equilibrium thus achieved as
" regards the arrangements for oranges until the outcome of the accession
" negotiations is known ¹."

2. TOMATO CONCENTRATES.

The voluntary restraint volume resulting from the conditions for the implementation of Article 9 of Protocol No 1 would be revalued on the basis of the evolution of Israeli exports in the course of recent years, as ~~such~~ as on the basis of the availability of this product within the Community. *well*

¹ It shall be understood that this declaration does not rule out the possibility of increasing to 70% the tariff concession accorded for the same products originating in Cyprus when the transition to the ~~second stage of the Association Agreement with that country~~

