

CONSCIOUS of the need to associate their efforts to strengthen political stability and economic development through the encouragement of regional cooperation;

DESIROUS of establishing and developing regular political dialogue on bilateral and international issues of mutual interest;

DESIROUS of maintaining and intensifying a dialogue on economic, scientific, technological, cultural, audiovisual and social matters to the benefit of the Parties;

CONSIDERING the respective commitments of the Community and Israel to free trade, and in particular to compliance with the rights and obligations arising out of the General Agreement on Tariffs and Trade (GATT) as it results from the negotiations of the Uruguay Round;

CONVINCED that the Association Agreement will create a new climate for their economic relations and in particular for the development of trade, investment and economic and technological cooperation,

HAVE AGREED AS FOLLOWS:

Article 1

1. An association is hereby established between the Community and its Member States, of the one part, and Israel, of the other part.

2. The aims of this Agreement are:

- to provide an appropriate framework for political dialogue, allowing the development of close political relations between the Parties,
- through the expansion, *inter alia*, of trade in goods and services, the reciprocal liberalisation of the right of establishment, the further progressive liberalisation of public procurement, the free movement of capital and the intensification of cooperation in science and technology to promote the harmonious development of economic relations between the Community and Israel and thus to foster in the Community and in Israel the advance of

economic activity, the improvement of living and employment conditions, and increased productivity and financial stability,

- to encourage regional cooperation with a view to the consolidation of peaceful coexistence and economic and political stability,
- to promote cooperation in other areas which are of reciprocal interest.

Article 2

Relations between the Parties, as well as all the provisions of the Agreement itself, shall be based on respect for human rights and democratic principles, which guides their internal and international policy and constitutes an essential element of this Agreement.

TITLE I

POLITICAL DIALOGUE

Article 3

particular on those issues likely to have substantial effects on one or the other Party,

1. A regular political dialogue shall be established between the Parties. It shall strengthen their relations, contribute to the development of a lasting partnership and increase mutual understanding and solidarity.

- enable each Party to consider the position and interests of the other,

- enhance regional security and stability.

2. The political dialogue and cooperation shall in particular:

Article 4

- develop better mutual understanding and an increasing convergence of positions on international issues, and in

The political dialogue shall cover all subjects of common interest, and shall aim to open the way to new forms of

cooperation with a view to common goals, in particular peace, security and democracy.

Article 5

1. The political dialogue shall facilitate the pursuit of joint initiatives and shall take place in particular:

- (a) at ministerial level;
- (b) at senior official level (political directors) between representatives of Israel, of the one part, and of the Council Presidency and the Commission, of the other;

(c) by taking full advantage of all diplomatic channels including regular briefings by officials, consultations on the occasion of international meetings and contacts between diplomatic representatives in third countries;

(d) by providing regular information to Israel on issues relating to the common foreign and security policy, which shall be reciprocated;

(e) by any other means which would make a useful contribution to consolidating, developing and stepping up this dialogue.

2. There shall be a political dialogue between the European Parliament and the Israeli Knesset.

TITLE II

FREE MOVEMENT OF GOODS

CHAPTER 1

BASIC PRINCIPLES

Article 6

1. The free trade area between the Community and Israel shall be reinforced according to the modalities set out in this Agreement and in conformity with the provisions of the General Agreement on Tariffs and Trade of 1994 and of other multilateral agreements on trade in goods annexed to the Agreement establishing the World Trade Organisation (WTO), hereinafter referred to as the 'GATT'.

2. The Combined Nomenclature and the Israeli customs tariff shall be used for the classification of goods in trade between the Parties.

CHAPTER 2

INDUSTRIAL PRODUCTS

Article 7

The provisions of this Chapter shall apply to products originating in the Community and in Israel other than those listed in Annex II to the Treaty establishing the European Community and, as far as products originating in Israel are concerned, other than those listed in Annex I to this Agreement.

Article 8

Customs duties on imports and exports, and any charges having equivalent effect, shall be prohibited between the Community and Israel. This shall also apply to customs duties of a fiscal nature.

Article 9

1. (a) The provisions of this chapter shall not preclude the retention by the Community of an agricultural component in respect of goods originating in Israel and listed in Annex II to this Agreement, with the exception of those listed in Annex III.

(b) This agricultural component shall be calculated on the basis of the difference between the prices on the Community market of the agricultural products considered to have been used in the production of the goods and the prices of imports from third countries, where the total cost of the basic products in question is higher in the Community. The agricultural component may take the form of a flat-rate amount or an *ad valorem* duty. In cases where this agricultural component has been subject to tariffication it will be replaced by the respective specific duty.

2. (a) The provisions of this chapter shall not preclude the retention by Israel of an agricultural component in respect of goods originating in the Community and listed in Annex IV, with the exception of those listed in Annex V.

(b) This agricultural component shall be calculated *mutatis mutandis* on the basis of the criteria referred to in paragraph 1(b). It may take the form of a flat-rate amount or an *ad valorem* duty.