

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 *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.

(c) Israel may enlarge the list of goods to which this agricultural component applies, provided the goods are other than those listed in Annex V and are included in Annex II to this Agreement. Before its adoption, this agricultural component shall be notified for examination to the Association Committee which may take any decision needed.

3. By way of derogation from Article 8, the Community and Israel may apply to the goods listed respectively in Annexes III and V the duties indicated in respect of each of the goods.

4. Where, in trade between the Community and Israel, the charge applicable to a basic agricultural product is reduced, or as a result of mutual concessions for processed agricultural products, the agricultural components applied in accordance with paragraphs 1 and 2 may be reduced.

5. The reduction referred to in paragraph 4, the list of goods concerned and, where applicable, the tariff quotas to which the reduction refers, shall be established by the Association Council.

6. The list of goods which are subject to a concession in form of a reduced agricultural component in trade between the Community and Israel as well as the extent of these concessions are set out in Annex VI.

CHAPTER 3

AGRICULTURAL PRODUCTS

Article 10

The provisions of this Chapter shall apply to products originating in the Community and Israel and listed in Annex II to the Treaty establishing the European Community.

Article 11

The Community and Israel shall progressively establish a greater liberalisation of their trade in agricultural products of interest to both Parties. From 1 January 2000 the Community and Israel shall examine the situation in order to determine the measures to be applied by the Community and Israel from 1 January 2001 in accordance with this objective.

Article 12

Agricultural products originating in Israel listed in Protocols 1 and 3 on importation into the Community shall be subject to the arrangements set out in those Protocols.

Article 13

Agricultural products originating in the Community listed in Protocols 2 and 3 on importation into Israel shall be subject to the arrangements set out in those Protocols.

Article 14

Without prejudice to Article 11 and taking account of the volume of trade in agricultural products between them and of their particular sensitivity, the Community and Israel shall examine in the Association Council, product by product and on an orderly and reciprocal basis, the possibility of granting each other further concessions.

Article 15

The Community and Israel agree to examine, at the latest three years after entry into force of the Agreement, the possibility of granting each other, on the basis of reciprocity and mutual interest, concessions in trade in fisheries products.

CHAPTER 4

COMMON PROVISIONS

Article 16

Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between the Community and Israel.

Article 17

Quantitative restrictions on exports and all measures having equivalent effect shall be prohibited between the Community and Israel.

Article 18

1. Products originating in Israel shall not on importation into the Community be accorded a treatment more favourable than that which the Member States apply among themselves.

2. Application of the provisions of this Agreement shall be without prejudice to Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands.

Article 19

1. The Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.

2. Products exported to the territory of one of the Parties may not benefit from repayment of indirect internal taxation in excess of the amount of indirect taxation imposed on them directly or indirectly.

Article 20

1. In the event of specific rules being established as a result of the implementation of its agricultural policy or of any alteration of the current rules or in the event of any alteration or extension of the provisions relating to the implementation of the agricultural policy, the Party in question may amend the arrangements resulting from the Agreement in respect of the products which are the subject of those rules or alterations.

2. In such cases the Party in question shall take due account of the interests of the other Party. To this end the Parties may consult each other within the Association Council.

Article 21

1. The Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade, except in so far as they alter the trade arrangements provided for in the Agreement.

2. Consultation between the Community and Israel shall take place within the Association Council concerning agreements establishing customs unions or free trade areas and, where required, on other major issues related to their respective trade policy with third countries. In particular, in the event of a third country acceding to the European Union, such consultation shall take place so as to ensure that account can be taken of the mutual interests of the Community and Israel.

Article 22

If one of the Parties finds that dumping is taking place in trade with the other Party within the meaning of Article VI of the GATT, it may take appropriate measures against this practice in accordance with the Agreement on implementation of Article VI of the GATT and with its relevant internal legislation, under the conditions and in accordance with the procedures laid down in Article 25.

Article 23

Where any product is being imported in such increased quantities and under such conditions as to cause or threaten to cause:

- serious injury to domestic producers of like or directly competitive products in the territory of one of the Parties, or
- serious disturbances in any sector of the economy, or
- difficulties which could bring about serious deterioration in the economic situation of a region,

the Community or Israel may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 25.

Article 24

Where compliance with the provisions of Article 17 leads to:

- (i) re-export towards a third country against which the exporting Party maintains, for the product concerned, quantitative export restrictions, export duties, or measures having equivalent effect, or
- (ii) a serious shortage, or threat thereof, of a product essential to the exporting Party,

and where the situations referred to above give rise, or are likely to give rise, to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 25. The measures shall be non-discriminatory and be eliminated when conditions no longer justify their maintenance.

Article 25

1. In the event of the Community or Israel subjecting imports of products liable to give rise to the difficulties referred to in Article 23, to an administrative procedure, the purpose of which is to provide rapid information on the trend of trade flows, it shall inform the other Party.

2. In the cases specified in Articles 22, 23 and 24, before taking the measures provided for therein or, as soon as possible in cases to which paragraph 3(d) applies, the Party in question shall supply the Association Committee with all relevant information required for a thorough examination of

the situation with a view to seeking a solution acceptable to the Parties.

In the selection of appropriate measures, priority shall be given to those which least disturb the functioning of the Agreement.

The safeguard measures shall be notified immediately to the Association Committee and shall be the subject of periodical consultations within the Committee, particularly with a view to their abolition as soon as circumstances permit.

3. For the implementation of paragraph 2, the following provisions shall apply:

- (a) as regards Article 22, the Association Committee shall be informed of the dumping case as soon as the authorities of the importing Party have initiated an investigation. If no end has been put to the dumping or no other satisfactory solution has been reached within 30 days of the notification being made, the importing Party may adopt the appropriate measures;
- (b) as regards Article 23, the difficulties arising from the situation referred to in that Article shall be referred for examination to the Association Committee, which may take any decision needed to put an end to such difficulties.

If the Association Committee or the exporting Party has not taken a decision putting an end to the difficulties or no other satisfactory solution has been reached within 30 days of the matter being referred, the importing Party may adopt the appropriate measures to remedy the problem. These measures must not exceed the scope of what is necessary to remedy the difficulties which have arisen;

- (c) as regards Article 24, the difficulties arising from the situations referred to in that Article shall be referred for examination to the Association Committee.

The Association Committee may take any decision needed to put an end to the difficulties. If it has not taken such a

decision within 30 days of the matter being referred to it, the exporting Party may apply appropriate measures on the exportation of the product concerned;

- (d) where exceptional circumstances requiring immediate action make prior information or examination, as the case may be, impossible, the Party concerned may, in the situations specified in Articles 22, 23 and 24 apply forthwith such precautionary measures as are strictly necessary to remedy the situation, and shall inform the other Party immediately.

Article 26

When one or more Member States of the Community or Israel is in serious balance of payments difficulties or under threat thereof, the Community or Israel, as the case may be, may, in accordance with the conditions laid down within the framework of the GATT and with Articles VIII and XIV of the Articles of Agreement of the International Monetary Fund, adopt restrictive measures which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The Community or Israel, as the case may be, shall inform the other Party forthwith and present to the other Party, as soon as possible, a time schedule for their removal.

Article 27

Nothing in this Agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; the protection of intellectual, industrial and commercial property or rules concerning gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 28

The concept of 'originating products' for the application of this title and the methods of administrative cooperation relating to them are set out in Protocol 4.

TITLE III

RIGHT OF ESTABLISHMENT AND SUPPLY OF SERVICES

Article 29

1. The Parties agree to widen the scope of the Agreement to cover the right of establishment of firms of one Party in the territory of another Party and the liberalisation of the

provision of services by one Party's firms to consumers of services in the other.

2. The Association Council shall make the necessary recommendations for the implementation of the objective described in paragraph 1.