



THE EEC - ISRAEL COOPERATION AGREEMENTS

INFORMATION NOTE

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THE EEC-ISRAEL COOPERATION AGREEMENTS

1. History of the Agreements

1.1. Special features

The development of cooperation between the EEC and Israel has been influenced by the special ties between them. There is a cultural affinity between the Community countries and Israel which arises from the make-up of the Israeli population and the history of the country. This explains why the Israeli government began a dialogue with the EEC at the end of the summer of 1957, that is some months before the Treaty of Rome came into force. In April 1958, Israel became the third country to request the accreditation of a diplomatic representation to the Community.

Another special feature is Israel's level of development and its human and technological potential. The cooperation agreements have taken these factors into account by providing for a higher degree of reciprocity in trade and tariff concessions than that contained in the agreements signed between the EEC and other, less developed, Mediterranean countries. The economic cooperation agreements also offer wider scope for collaboration, especially in growth industries.

1.2. The stages of cooperation

The 1964 trade Agreement

The establishment of contractual links between the Community of the Six and Israel dates from 4 June 1964. It took the form of three-year trade Agreement with the possibility of extension. The Agreement provided for the temporary and partial suspension of the common external tariff duties on about twenty industrial and commercial products and the removal, in whole or in part, of the quantitative restrictions still applied by Member States in their trade with Israel. In return, Israel made a declaration of intent undertaking to facilitate the importation of Community products. A joint Committee was set up to promote the implementation of the Agreement and the development of trade.

The 1970 preferential Agreement

Both parties regarded the 1964 Agreement as a modest beginning, laying the foundations for the further growth of trade between the Community and Israel. Nine months before that Agreement expired, the Israeli Government proposed the conclusion of an Association Agreement. The ensuing negotiations were long and difficult. Although exploratory talks between Commission representatives and an Israeli delegation began in January 1967, it was not until 17 October 1969 that the Council of the Community authorized the opening of official negotiations. The new preferential Agreement was officially signed in Luxembourg on 29 June 1970 and came into force on 1 October of that year.

The length and difficulty of this process were due to the fact that the two contracting parties were striving to establish links that would be closer than in the past and much more binding, especially on the Community. Having only just completed its customs union and introduced a common agricultural policy, the EEC was now being asked to make considerable concessions on the entry of industrial and agricultural products from Israel.

So as to avoid a break in contractual relations, the 1964 Agreement, which was due to expire on 30 June 1967, was renewed on a number of occasions until the preferential Agreement came into force.

The 1970 Agreement, which was based on Article 113 of the Treaty of Rome and valid for five years, was a significant step forward in the strengthening of the contractual links between the Community and Israel. The advantages granted to Israel were considerably larger than in the past and, for its part, Israel undertook to offer some reciprocity on imports from the Community.

Between 1 October 1970 and 31 December 1973, the Community progressively reduced its customs duties on Israeli industrial goods to 50% of the full duty, with some exceptions in the case of sensitive products. Tariff dismantling was accompanied by the removal of many of the quantitative restrictions on Community imports from Israel.

Preferential treatment was granted covering about 80% of the Community's imports of agricultural produce from Israel, in the form of reductions in the Common Customs Tariff duties ranging between 30% and 70%. In the case of citrus fruit, the tariff reduction was made conditional on observance of price discipline, which also applied to the other large-scale citrus-fruit producer countries in the Mediterranean area.

This Agreement, which was regarded as the beginning of a free-trade zone and registered as such with the GATT Secretariat, provided for Israel tariff concessions vis-à-vis the Community. About 60% of Community exports benefited from staged tariff cuts which, depending on the type of product concerned, took the reduction from 10% to 25% or 30%. At the same time, Israel gradually liberalized the importation of these products.

The Joint Committee set up under the 1964 Agreement was made responsible for the smooth working of the preferential Agreement.

The 1970 Agreement had only just come into force when relations between the EEC and Israel were placed in a new context by the forthcoming enlargement of the Community of Six and the adoption by the Community institutions of an overall approach to the Mediterranean.

The Israeli Government very quickly drew the Community's attention to the threat which enlargement posed to the balance of the preferential Agreement and the changes which it would cause in the trade relations between Israel and the four applicant states.

On 9 February 1971 the European Parliament adopted a Resolution inviting the Foreign Ministers of the Member States to draw up a common policy towards the Mediterranean countries. During the debate, the Commission representative highlighted the principles on which such a policy should be based, in particular the definition of a common conception of the Community's relations with the Mediterranean countries which would take account of the special characteristics of each country and the prime importance of going beyond the purely commercial level in their mutual relations so as to contribute to the overall economic development of the region.

On 27 and 28 June 1972, the Council decided to consider the problems of the Mediterranean area as a whole, possibly renegotiating the agreements then in force before their expiry. This overall approach was endorsed by the Heads of State and Government meeting at the Paris Summit on 19 October 1972.

After the official accession of the United Kingdom, Ireland and Denmark to the Community on 1 January 1973, the Commission drew up proposals seeking to define the content of the EEC's overall Mediterranean approach in the fields of trade, economic, technical- and even financial- cooperation and labour. This preparatory work led to the adoption of negotiating directives by the Council at its meeting of 24 and 25 June 1973. Negotiations with Israel began on 18 July 1973. In the meantime, the two parties had signed a Supplementary Protocol postponing the application of the trade provisions of the 1970 Agreement in trade between Israel and the new Member States. This was twice extended, for 1973 in the first instance and then until the conclusion of negotiations. These lasted for two years and the new Agreement between Israel and the Community of Nine was officially signed in Brussels on 11 May 1975, coming into force on 1 July the same year.

This trade and cooperation Agreement was the first concrete result of the Community's overall Mediterranean policy.

2. The 1975 Agreement

2.1. Objectives

The preamble to the Agreement emphasizes the wish of both Parties to consolidate and extend the economic relations established by the Agreements of 4 June 1964 and 29 June 1970 and their determination to ensure, with due regard for fair conditions of competition, the harmonious development of trade between them. It refers to the Community's concern to develop economic and trade relations with the countries of the Mediterranean while taking account of Israel's desire to strengthen its economic links with the Community.

The signatories declared their readiness to examine the possibility of developing and deepening their relations and, where it appeared to be useful in the interests of their economies, to extend them to fields not covered by the Agreement. The dynamic nature of the Agreement was demonstrated by the signing on 8 February 1977 of an Additional Protocol and a Financial Protocol laying the framework and providing the means for closer economic cooperation between the Community and the State of Israel.

Article 1 of the Agreement set out more precisely the aims mentioned in the preamble:

to promote through the expansion of reciprocal trade the harmonious development of economic relations between the EEC, and Israel and thus to foster in them the advance of economic activity, the improvement of living and employment conditions, and increased productivity and financial stability;

to promote cooperation in areas which are of reciprocal interest to the two Parties;

to provide fair conditions of competition for trade between the Parties;

to contribute, by the removal of barriers to trade, to the harmonious development and expansion of world trade.

The Agreement then sets out a number of conditions which the Parties are to respect in order to ensure normal competition. It provides for safeguard procedures and measures where serious disturbances are affecting the economy of one of the Parties, especially as a result of the implementation of the Agreement. As a general rule, the Joint Committee has to be informed or consulted on any protective measures that are contemplated. Since the signing of the Additional Protocol on 8 February 1977, the Cooperation Council has been the competent authority in this matter.

2.2. Trade measures

Industrial products

The goal of the 1975 Agreement was an ambitious one since it provided for the gradual establishment of industrial free trade zone between the Community and Israel.

In the case of Community imports of industrial goods from Israel, duty-free entry was to be provided either from 1 July 1977 (for most goods) or from 31 December 1979 (for sensitive products). The provisions of the Agreement also applied to products covered by the ECSC Treaty and to processed agricultural products as far as the protective component of duties was concerned.

General arrangements Customs duties were to be abolished in three stages:

- a first reduction of 60% on the entry into force of the Agreement (1 July 1975),
- a second reduction of 20% on 1 January 1976,
- a final reduction of 20% on 1 July 1977.

Quantitative restrictions on imports into the Community and measures having an equivalent effect were to be abolished by 1 January 1976 at the latest. The tariff dismantling laid down in Article 1 of Protocol 1 to the Agreement was indeed completed on 1 July 1977.

Sensitive products Special provisions were made in respect of the products listed in Article 5 of Protocol 1 (refined petroleum products, textiles, chemical products).

To prevent imports of these products into the EEC from increasing too sharply, protective measures were laid down for a transitional period expiring on 31 December 1979. These took the form of import ceilings which were to rise by 5% per year and surveillance arrangements. The latter, which included provision for the suspension of the annual increases in the import ceilings, were designed to avoid excessive market disruption, especially in the case of short-term economic difficulties in the Member States.

In Accordance with the Agreement, these transitional provisions expired on 31 December 1979.

The arrangements for Israeli imports of industrial goods originating in the Community were governed by Protocol 2 to the Agreement. Except for certain products listed in Annex A to the Protocol, the dismantling of tariffs was to be completed by 1 January 1980 in five stages, the first coinciding with the entry into force of the Agreement. These provisions have been adhered to by Israel. In the case of products listed in Annex A (see Official Journal of the European Communities No L 136 of 28 May 1975, pages 29 to 83), customs duties and charges having an equivalent effect were to be abolished according to the following timetable: 5% reduction on 1 July 1977, 20% on 1 July 1978, 30% on 1 July 1979, 50% on 1 January 1981, 80% on 1 January 1983, 100% on 1 January 1985.

In Article 22 of the Agreement, the Contracting Parties agreed to review the results of the Agreement at the beginning of 1978 and the beginning of 1983 and consider any improvements which could be made on the basis of experience gained during its functioning.

The Parties may prolong the agreed timetable for the dismantling of Israeli tariffs on sensitive industrial products by delaying for a maximum of two years the passage from the second to the third and the passage from the fourth to the final phase of tariff reduction if this delay is needed by Israel. (See the paragraph on the review of the Agreement below).

It should also be noted that Israel was given the possibility of increasing customs duties on a number of goods listed in Annex A representing about 8% of its total imports. Duties were then to be progressively removed starting from this new higher level.

The Community allowed Israel to take protective measures to encourage the development of new industries. Israel was allowed to increase customs duties up to 20% on goods whose total value did not exceed 10% of Israel's industrial imports. Up to 31 December 1979, this clause could be applied simply after consultation of the Joint Committee. From 1 January 1980 to 31 December 1983, the Committee's agreement is necessary. The Agreement provides that any duties introduced in this way will be completely abolished by 1 January 1989 at the latest.

As far as the removal of quantitative restrictions on imports is concerned, the timetable laid down in the Agreement is very favourable to Community exporters since on 1 July 1975, the date on which the Agreement came into force, Israel liberalized 95% of its imports from the Community with restrictions on the remaining 5% being removed at a rate of 20% per year from 1980 to 1985.

Agricultural products

Within the limits imposed by the Community's common agricultural policy, the 1975 Agreement gave a new stimulus to trade in agricultural products between the two Parties. It is important to note that Israeli agricultural exports to the Community have increased steadily in recent years although their share in Israel's total exports to the EEC has fallen because of the greater growth in industrial exports.

The concessions granted by the Community are certainly considerable both as regards the rate of tariff reduction (see annexed Table 1) and their range, since they cover about 80% by value of Israel's agricultural exports to the Community. The importance of these preferential arrangements should be stressed given the fact that agricultural exports constitute a large proportion of Israel's foreign trade (just over one third) and that a substantial part of this is with the Community.

The table below shows the arrangements which apply to most of the products covered by the Agreement. As can be seen, the rates of reduction granted by the Community are substantial since they range from 20% to 80%, and more than 70% of the products covered enjoy a rate of reduction of 50% or more. For citrus fruit, which represents the largest item in Israel's agricultural exports to the Community (about 40% of the total), these rates are 80% for grapefruit, 60% for oranges and 40% for lemons. These rates may be increased when the Agreement is reviewed (see below).

The 1975 Agreement does, however, contain a provision designed to protect the Community's internal market from any disturbance arising from its greater openness to Israeli agricultural exports.

In the first place, these exports have to conform to the basic rules of the common agricultural policy, especially with regard to the imposition of a reference price for certain fruit and vegetables. Secondly, the two parties agreed to establish special arrangements for certain sensitive products. These involve:

- i. The establishment of import calendars for fruit and vegetables also produced in the Community so as to avoid competition damaging to producers in Member States (e.g. strawberries, melons);
- ii. the fixing of minimum prices (lemons);
- iii. tariff quotas laid down in Article 10 of Protocol 1 (e.g. apricot pulp). Israeli exports in excess of the quantity specified are liable to the full duty;
- iv. voluntary restraint arrangements set out in Article 9 of the same Protocol (mainly affecting tomato concentrates and fruit salads), the Parties agreeing by exchange of letters on the rates of reduction to be applied. Israel gave a formal undertaking not to exceed this level of exports for the period in question. In the case of tomato concentrates, these arrangements were only applied during the last three months of 1975. Since then, Israel has chosen not to use this provision.

It should be pointed out that Israel has been able to increase its exports to the Community in areas not covered by the Agreement by taking advantage of the opportunities offered by certain rapidly expanding markets. This is particularly true of flowers, exports of which trebled in value between 1974 and 1978, while their share in the total value of Israeli agricultural exports to the Community increased from 5% to 10%. Trade liberalization in agricultural products has not been one-sided as Israel has reciprocated with tariff reductions of 15% to 25% on a limited range of products. These however only represent a very small proportion of EEC agricultural exports to Israel (about 1%).

Processed agricultural products

The arrangements applying to trade in goods resulting from the processing of agricultural products are contained in Article 7 of Protocol 1.

In general and subject to the rules of the common agricultural policy, these goods benefit from the tariff dismantling provided for industrial products. This means that tariff reductions apply to the fixed component of the import charge. It does not apply to the variable component, i.e. the "levy" which the processor has to pay when importing foods subject to the common agricultural policy.

For a limited number of products listed in Annex D, the tariff reduction is restricted to a part of the duties normally applicable to imports of such products.

2.3. Review of the Agreement

In Article 22 of the Agreement, the Parties undertook that at the beginning of 1978 and then at the beginning of 1983 they would review the results of the Agreement and consider any improvements which could be introduced as from 1 January 1979 and 1 January 1984. The review would be based on experience gained during the functioning of the Agreement and on its objectives.

As far as the tariff dismantling timetable accepted by Israel for sensitive industrial products (Annex A of Protocol 2) was concerned, the Parties could postpone for a maximum of two years the passage from the second to the third phase (20% to 30%) and the passage from the fourth to the final phase (80% to 100%) if Israel so required.

The review procedure provided for in Article 22 was begun in March 1979. At the beginning of the negotiations, Israel asked to be allowed to make use of the provisions authorizing it to postpone for up to two years the passage from the second to the third phase of the tariff dismantling timetable for sensitive industrial products. The Community stated its readiness to accede to this request and also agreed to extend for two years the clause giving protection to new industries. However, Israel also asked for other improvements, especially concerning Community tariff concessions on imports of Israeli citrus fruit and a number of processed agricultural products.

Since no agreement has been reached on this point, it has not yet been possible to reach a formal decision on the extension of the tariff dismantling timetable for industrial goods imported by Israel. While these discussions are continuing, a "gentleman's agreement" has been reached whereby the Community has accepted the "freezing" of the rate of reduction for sensitive industrial products at 20% for a given period. That period has been successively extended and is currently due to expire in June 1980.

3. Economic and financial cooperation

The Additional Protocol and the Financial Protocol signed by the European Community and Israel on 8 February 1977 were anticipated in the Agreement signed on 11 May 1975 and form an indispensable complement to it. The Agreement was limited to trade relations and strictly commercial cooperation. The addition of the two Protocols puts relations between the Community and Israel on a comprehensive basis in accordance with the aims and guidelines of the Community's overall Mediterranean policy.

The strengthening and widening of the 1975 Agreement brought it into alignment with the trade and cooperation agreements concluded with various other Mediterranean countries. These are a direct reflection of the concern expressed by the Heads of State and Government at the Paris Summit in October 1972: "The Community puts great value on honouring its commitments towards the Mediterranean countries with whom agreements have been or are to be made, agreements which require an overall and balanced handling."

3.1. The framework of cooperation

Objectives

The objective of the Additional Protocol is set out in Article 2 in very broad terms, namely to contribute to the development of Israel and the harmonious development of economic relations between the Community and Israel.

To achieve that aim, particular account is to be taken of the objectives and priorities of Israel's plans and programmes and the importance of schemes into which different operations are integrated.

The scope of the cooperation is laid down in Article 4, which specifies a number of objectives:

- the development of Israel's production and economic infrastructure in order inter alia to foster the complementarity of the Parties' economies and, in particular, to promote the industrialization of Israel,
- the sales promotion of products exported by Israel,
- the strengthening of industrial cooperation via the organization of contacts, easier access to technological know-how and the acquisition of patents and other industrial property and by the elimination of non-tariff barriers to industrial trade, etc.,
- the search for complementarity between the agriculture and fishery sectors of the Parties' economies,
- the encouragement of private investments which are in the mutual interest of the Parties,
- cooperation in the field of science, technology and the protection of the environment.

The same Article emphasizes the dynamic nature of the Agreement by providing that the two Parties may decide on further areas of cooperation.

Institutions

To promote the attainment of the cooperation objectives, the Protocols provide for the establishment of an institution, the Cooperation Council, and the provision by the Community of financial assistance to Israel.

The Cooperation Council has a broader mandate than the Joint Committee set up by the 1975 Agreement, which it replaces. It takes over the responsibilities for trade which the Joint Committee exercised and is also required to seek ways and means of establishing cooperation in the areas specified in Article 4 of the Additional Protocol.

The Council, which consists of representatives of the Community and its Member States and representatives of Israel, has power to take decisions which are binding on the Contracting Parties and to draw up resolutions, recommendations and opinions which it considers necessary for the attainment of the common objectives and the smooth running of the Agreement. The Council is also responsible for facilitating cooperation and contacts between the European Parliament and representatives of the Knesset. It may decide to set up any committee that can assist it in carrying out its duties and has in fact established a Cooperation Committee. The Council met for the first time in December 1978.

The Cooperation Committee met for the first time on 26 September 1979.

The financial assistance takes the form of credits of up to 30 million EUA which may be granted by the European Investment Bank on its normal terms to finance projects which will contribute to the development of Israel.

This sum of 30 million EUA represents the maximum that may be made available up to 31 October 1981. It may seem small if compared with the larger and more varied financing facilities offered by the Community to other Mediterranean countries. In this case, however, the higher level of development of the Israeli economy was taken into account.

Financing can be provided for capital projects that help to increase productivity and achieve complementarity between the Contracting Parties' economies and promote Israeli industrialization which have been submitted to the Bank by the State of Israel or, with the latter's agreement, by public or private undertakings having their seat or a place of business in Israel.

The use of these funds is to be the subject of discussions between the Bank and the Israeli authorities. The Protocol lists a number of conditions and guarantees designed in particular to secure for the Bank arrangements at least as favourable as those applied in respect of other international institutions.

It also provides that where financing is provided by the Bank, participation in tendering procedures and other procedures for the award of contracts is open to all natural or legal persons of the Member States and Israel.

3.2. Cooperation in practice

When the 1975 Agreement and the Financial Protocol were signed, the general guidelines for cooperation were set out in exchanges of letters. The first, annexed to the 1975 Agreement, stipulated that the Community would consider on a case-by-case basis the possibility of Israel sharing in certain ventures of scientific and technological cooperation which it was planning to undertake with third countries, or in the results of such ventures.

The second, annexed to the Financial Protocol, expressed Israel's

intention of submitting a series of specific requests for scientific and technological cooperation, including the implementation of joint programmes or the inclusion of Israeli scientific institutions among those contracting to undertake Community indirect scientific research projects.

Industrial cooperation

In June 1976 the EEC-Israel Joint Committee decided to set up a group of experts to establish the main guidelines for industrial cooperation between the partners.

In June 1977, this group of experts undertook a preliminary study of the scope and possibilities for industrial cooperation in the broad sense of the term, that is, including research and development, access to technology, commercial regulations and the elimination of barriers to trade. During that meeting, the Israeli delegation spelt out what it hoped to gain from industrial cooperation with the Community. That position may be summarized as follows:

Israel's objective is to persuade European firms to make use of the advantages offered by Israel (cheap skilled labour force, technical and technological resources, formation of research and development, etc.) to develop industrial goods, often of a sophisticated nature, which would complement existing production.

Israel wished to concentrate on two methods: "meetings between firms" and "contacts between experts". The main obstacle to more profitable cooperation between the partners seemed to be that European firms lacked information on the opportunities for investment in Israel and collaboration with companies there. The Israeli experts suggested the organization of symposia, visits by industrialists and promotion weeks on certain themes as ways of giving rise to practical cooperation.

In conclusion, the Israeli delegation emphasized that Israel regarded the stimulation of private investment as an important part of cooperation with the Community. In addition to the promotion schemes already in use, the Israeli authorities were ready to examine any instruments which they might need to adopt or adapt to encourage and develop such investment.

The Israeli requests were met to a large extent by Recommendation No 1/77 on industrial cooperation which was adopted by the Joint Committee on 7 December 1977.

The Recommendation set out the priority areas for cooperation, namely the metal industries, electrical engineering and electronics, desalination of sea water, alternative sources of energy, chemical products, etc.

One concrete result of this Recommendation was the "Symposium on industrial opportunities in Israel", which was organized by the Commission on 23 November 1978 in Brussels. This provided an opportunity for useful exchanges of views between European and Israeli firms. It also demonstrated that in the case of Israel the main objective of the institutional procedures for bilateral cooperation is to establish a favourable framework for trade, while the companies themselves are better placed to produce concrete results.

The following industrial and commercial cooperation activities were subsequently carried out:

- an industrial symposium was organized;
- trade missions were sent to Israel to study the industries producing irrigation and solar energy equipment;
- a course of training was organized in the Commission for an official from the Israeli Foreign Trade Centre.

One question which has still to be settled concerns standardisation procedures and the mutual recognition of type approval conformity checks. In 1976, the Israeli Government suggested that the Israeli Standards Institute should be authorized to check that industrial goods exported to the Community complied with European standards. The aim was to facilitate trade by speeding up the completion of formalities required for the importation of these products. This request is now being studied. It will however be difficult to reach a decision before both Parties have adopted the new GATT code on standards.

Scientific and technical cooperation

The cooperation agreements signed by the Community with the various Mediterranean countries regard scientific and technical cooperation as an important way of contributing to these countries' economic and social development. Given the scientific and technological potential available in Israel, this field may be regarded as an obvious area for economic cooperation.

To allow cooperation programmes adapted to the resources and needs of each partner country to be established, three preliminary tasks must be carried out. These are:

- i. the definition of the R&D needs and potential of each country,
- ii. the evaluation of the existing scientific and technical infrastructures and,
- iii. the establishment of a list of programmes and projects in which the Community would be able to cooperate.

An ad hoc group would then be set up within each Cooperation Council with the task of preparing in detail the research programmes regarded as having priority. The Cooperation Councils could then take appropriate decisions on the basis of this information.

In the context of relations between the Community and Israel, the work carried out by the group of experts has allowed three areas of cooperation to be selected for priority attention:

- i. Solar energy. Israel agreed to the Commission's proposal to organize a seminar on solar energy at Ispra¹. This seminar, which brought together research workers from Israel and the Member States of the Community, took place from 3 to 7 September 1979. Israeli experts considered it very useful and to ensure a practical follow-up, drew up a number of proposals for collaboration.
- ii. Radiology. Israel has prepared detailed reports to serve as a basis for discussions with the Community and has proposed holding a meeting of experts in Israel after these studies have been completed.
- iii. Toxicology and the environment. The Israeli National Research and Development Council sent preliminary reports to the Community in August 1978. A meeting of experts was held in Paris in January 1980.

Agricultural cooperation

The framework for cooperation between the partners in this area was laid down by Recommendation No 1/78 on cooperation in agriculture and fisheries, which was adopted by the Joint Committee on 13 July 1978.

This document sets out two general goals of cooperation:

- i. The development of agricultural and fisheries production by improving productive capacity and techniques. The following activities are proposed to achieve this: the development of storage methods and techniques adapted to the various types of climate in Israel, control of water resources and use of modern methods of irrigation, recycling of agricultural waste, reafforestation techniques.
- ii. Rural development and the improvement of agricultural structures and of methods for the marketing and sale of the agricultural produce of the sectors under consideration. Activities in the following areas are to be taken to achieve this: the organization of advisory services in liaison with the departments of agricultural research and training, methods of integrating agricultural development into programmes of rural development, standardization methods, ways of establishing producer organizations.

The Recommendation also sets out the most appropriate means for achieving these aims: exchanges of information, particularly through exchanges of experts and the sending of fact-finding missions, the organization of round tables, symposia, seminars, etc. on matters of common interest, contacts between users of techniques scheduled for priority development, administrative cooperation.

¹ One of the establishments of the Community's Joint Research Centre.

As a result of this Recommendation, a group of experts representing Israel, the Commission and the Member States met on 7 November 1979 to prepare for a symposium on agricultural advisory services. The work of this seminar would be grouped around two main themes, the relations between the advisory services, agricultural research and education departments and the operation of the advisory services in relation to the various levels of development of agricultural units.

CCT heading No	Description	Rate of reduction
08.11	Fruit provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption: ex B. Oranges: — Comminuted ex E. Other: — Comminuted citrus fruit	80 % 80 %
09.04	Pepper of the genus 'Piper'; pimento of the genus 'Capsicum' or the genus 'Pimenta': A. Neither crushed nor ground: II. Pimento: ex c) Other: — From 15 November to 30 April B. Crushed or ground	30 % 30 %
13.03	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, derived from vegetable products: ex B. Pectic substances, pectinates and pectates: — Pectic substances and pectinates	25 %
20.02	Vegetables prepared or preserved otherwise than by vinegar or acetic acid: ex C. Tomatoes: — Peeled tomatoes ex H. Other, including mixtures: — Celeriac, other than in mixtures — Cabbages (excluding cauliflowers) other than in mixtures — Okras, other than in mixtures	30 % 30 % 30 % 30 %
20.03	Fruit preserved by freezing, containing added sugar: ex A. With a sugar content exceeding 13 % by weight: — Grapefruit segments ex B. Other: — Grapefruit segments	80 % 80 %
20.06	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit: B. Other: II. Not containing added spirit: a) Containing added sugar, in immediate packings of a net capacity of more than 1 kg:	

CCT heading No	Description	Rate of reduction
20.06 <i>(continued)</i>	2. Grapefruit segments	80 %
	ex 3. Mandarins (including tangerines and satsumas); clementines, wilkings and other similar citrus hybrids:	
	— Comminuted	80 %
	7. Peaches and apricots:	
	ex aa) With a sugar content exceeding 13 % by weight:	
	— Apricots	20 %
	ex bb) Other:	
	— Apricots	20 %
	ex 8. Other fruits:	
	— Grapefruit	80 %
	— Comminuted oranges and lemons	80 %
	b) Containing added sugar, in immediate packings of a net capacity of 1 kg or less:	
	2. Grapefruit segments	80 %
	ex 3. Mandarins (including tangerines and satsumas); clementines, wilkings and other similar citrus hybrids:	
	— Comminuted	80 %
	ex 8. Other fruits:	
	— Grapefruit	80 %
	— Comminuted oranges and lemons	80 %
	c) Not containing added sugar, in immediate packings of a net capacity:	
	1. Of 4.5 kg or more:	
	ex aa) Apricots:	
	— Apricot halves	20 %
	ex dd) Other fruits:	
	— Grapefruit segments	80 %
	— Grapefruit	80 %
	— Citrus pulp	40 %
	— Comminuted citrus fruit	80 %
	2. Of less than 4.5 kg:	
	ex bb) Other fruits and mixtures of fruit:	
	— Grapefruit segments	80 %
	— Grapefruit	80 %
	— Comminuted citrus fruit	80 %

CCT heading No	Description	Rate of reduction
ex 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>A. Of a specific gravity exceeding 1.33 at 15° C:</p> <p>III. Other:</p> <p>ex a) Of a value exceeding 30 u.a. per 100 kg net weight:</p> <p>— Orange juice</p> <p>— Grapefruit juice</p> <p>— Other citrus fruit juices</p> <p>ex b) Of a value not exceeding 30 u.a. per 100 kg net weight:</p> <p>— Orange juice</p> <p>— Grapefruit juice</p> <p>— Other citrus fruit juices</p> <p>B. Of a specific gravity of 1.33 or less at 15° C:</p> <p>II. Other:</p> <p>a) Of a value exceeding 30 u.a. per 100 kg net weight:</p> <p>1. Orange juice</p> <p>2. Grapefruit juice</p> <p>ex 3. Lemon juice and other citrus fruit juices:</p> <p>— Other citrus fruit juices (excluding lemon juice)</p> <p>5. Tomato juice</p> <p>b) Of a value of 30 u.a. or less per 100 kg net weight:</p> <p>1. Orange juice</p> <p>2. Grapefruit juice</p> <p>6. Tomato juice</p>	<p>70 %</p> <p>70 %</p> <p>60 %</p> <p>70 %</p> <p>70 %</p> <p>60 %</p> <p>70 %</p> <p>70 %</p> <p>60 %</p> <p>60 %</p> <p>70 %</p> <p>70 %</p> <p>60 %</p>

2. By way of derogation from paragraph 1, Denmark, Ireland and the United Kingdom shall be authorized to apply, until 1 January 1978, to imports of fresh oranges of subheading 08.02 ex A of the Common Customs Tariff and of fresh mandarins (including tangerines and satsumas), clementines, wilkings and other similar citrus hybrids of subheading 08.02 ex B of the Common Customs Tariff, duties which may not be lower than those set out in Annex E.

3. Paragraph 1 shall apply to fresh lemons of subheading 08.02 ex C of the Common Customs Tariff on condition that on the internal Community market the prices of lemons imported from Israel are, after customs clearance and deduction of import charges other than customs duties, not less than the reference price plus the incidence on that reference price of the customs duties actually applied

in respect of third countries and a fixed amount of 1.20 units of account per 100 kilogrammes.

4. The import charges other than customs duties referred to in paragraph 3 shall be those laid down for calculating the entry prices referred to in Regulation (EEC) No 1035/72 on the common organization of the market in fruit and vegetables.

However, the Community shall be entitled to calculate the amount to be deducted in respect of the import charges other than customs duties referred to in paragraph 3 according to origin in such a way as to avoid difficulties which may arise from the incidence of those charges on entry prices.

Articles 23 to 28 of Regulation (EEC) No 1035/72 shall continue to apply.

PROTOCOL 3

concerning the application of Article 2 (3) of the Agreement

TITLE I

Definition of the concept of 'originating products'

Article 1

For the purpose of implementing the Agreement, the following products, on condition that they were transported directly within the meaning of Article 5, shall be considered as:

1. products originating in the Community:
 - (a) products wholly obtained in the Community,
 - (b) products obtained in the Community in the manufacture of which products other than those referred to in (a) are used, provided that the said products have undergone sufficient working or processing within the meaning of Article 3. This condition shall not apply, however, to products which, within the meaning of this Protocol, originate in Israel;
2. products originating in Israel:
 - (a) products wholly obtained in Israel,
 - (b) products obtained in Israel in the manufacture of which products other than those referred to in (a) are used, provided that the said products have undergone sufficient working or processing within the meaning of Article 3. This condition shall not apply, however, to products which, within the meaning of this Protocol, originate in the Community.

The products in List C shall be temporarily excluded from the scope of this Protocol.

Article 2

The following shall be considered as 'wholly obtained' either in the Community or in Israel within the meaning of Article 1 (1) (a) and (2) (a).

- (a) mineral products extracted from their soil or from their seabed;
- (b) vegetable products harvested there;

- (c) live animals born and raised there;
- (d) products from live animals raised there;
- (e) products obtained by hunting or fishing conducted there;
- (f) products of sea fishing and other products taken from the sea by their vessels;
- (g) products made aboard their factory ships exclusively from products referred to in subparagraph (f);
- (h) used articles collected there fit only for the recovery of raw materials;
- (i) waste and scrap resulting from manufacturing operations conducted there;
- (j) goods produced there exclusively from products specified in subparagraphs (a) to (i).

Article 3

1. For the purpose of implementing Article 1 (1) (b) and (2) (b), the following shall be considered as sufficient working or processing:

- (a) working or processing as a result of which the goods obtained receive a classification under a tariff heading other than that covering each of the products worked or processed, except, however, working or processing specified in List A, where the special provisions of that list apply;
- (b) working or processing specified in List B.

'Sections', 'Chapters' and 'tariff headings' shall mean the Sections, Chapters and headings in the Brussels Nomenclature for the Classification of Goods in Customs Tariffs.

2. When, for a given product obtained, a percentage rule limits in List A and in List B the value of the materials and parts which can be used, the total value of these materials and parts, whether or not they have changed tariff heading in the course of the working, processing or assembly within the limits and under the conditions laid down in each

of those two lists, may not exceed, in relation to the value of the product obtained, the value corresponding either to the common rate, if the rates are identical in both lists, or to the higher of the two if they are different.

3. For the purpose of implementing Article 1 (1) (b) and (2) (b), the following shall always be considered as insufficient working or processing to confer the status of originating products, whether or not there is a change of tariff heading:

- (a) operations to ensure the preservation of merchandise in good condition during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, sulphur dioxide or other aqueous solutions, removal of damaged parts, and like operations);
- (b) simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making up of sets of articles), washing, painting, cutting up;
- (c) (i) changes of packing and breaking up and assembly of consignments;
(ii) simple placing in bottles, flasks, bags, cases, boxes, fixing on cards or boards, etc., and all other simple packaging operations;
- (d) affixing marks, labels or other like distinguishing signs on products or their packaging;
- (e) simple mixing of products, whether or not of different kinds, where one or more components of the mixtures do not meet the conditions laid down in this Protocol to enable them to be considered as originating either in the Community or in Israel;
- (f) simple assembly of parts of articles to constitute a complete article;
- (g) a combination of two or more operations specified in subparagraphs (a) to (f);
- (h) slaughter of animals.

Article 4

Where the Lists A and B referred to in Article 3 provide that goods obtained in the Community or in Israel shall be considered as originating therein only if the value of the products worked or processed does not exceed a given percentage of the value of

the goods obtained, the values to be taken into consideration for determining such percentage shall be:

— on the one hand,

as regards products whose importation can be proved, their customs value at the time of importation;

as regards products of undetermined origin, the earliest ascertainable price paid for such products in the territory of the Contracting Party where manufacture takes place;

— and on the other hand,

the ex-works price of the goods obtained, less internal taxes refunded or refundable on exportation.

Article 5

Originating products whose transport is effected without entering into a territory other than that of the Contracting Parties are considered as transported directly from the Community to Israel or from Israel to the Community. However, goods originating in Israel or in the Community and constituting one single shipment which is not split up may be transported through territory other than that of the Contracting Parties with, should the occasion arise, transshipment or temporary warehousing in such territory, provided that the crossing of the latter territory is justified for geographical reasons, that the goods have remained under the surveillance of the customs authorities in the country of transit or of warehousing, that they have not entered into the commerce of such countries nor been delivered for home use there and have not undergone operations other than unloading, reloading or any operation designed to preserve them in good condition.

TITLE II

Arrangements for administrative cooperation

Article 6

1. Originating products within the meaning of this Protocol shall, on import into the Community or into Israel, benefit from the Agreement upon submission of a movement certificate EUR. 1, a specimen of which is given in Annex V to this Protocol, issued by the customs authorities of Israel or of the Member States of the Community.

However, originating products within the meaning of this Protocol which are sent by post (including

parcel post) shall, provided that the consignments contain only originating products and the value does not exceed 1 000 units of account per consignment, benefit from the Agreement on import into the Community or Israel on presentation of form EUR. 2 a specimen of which is given in Annex VI to this Protocol.

The unit of account (u.a.) has a value of 0.88867088 g of fine gold. Should the unit of account be changed, the Contracting Parties shall make contact with each other at Joint Committee level to redefine the value in terms of gold.

2. Without prejudice to Article 3 (3), where, at the request of the person declaring the goods at the customs, a dismantled or non-assembled article falling within Chapter 84 or 85 of the Brussels Nomenclature is imported by instalments on the conditions laid down by the competent authorities, it shall be considered to be a single article and a movement certificate may be submitted for the whole article upon importation of the first instalment.

3. Accessories, spare parts and tools dispatched with a piece of equipment, machine, apparatus or vehicle which are part of the normal equipment and included in the price thereof or are not separately invoiced are regarded as one with the piece of equipment, machine, apparatus or vehicle in question.

Article 7

A movement certificate EUR. 1 shall be issued only on written application by the exporter. Such application shall be made on the form, of which a specimen is given in Annex V to this Protocol, which shall be completed in accordance with this Protocol.

Article 8

1. A movement certificate EUR. 1 shall be issued by the customs authorities of the exporting State when the goods to which it relates are exported. It shall be made available to the exporter as soon as actual exportation has been effected or ensured.

In exceptional circumstances a movement certificate EUR. 1 may also be issued after the goods to which it relates have been exported if it was not issued at exportation because of errors or involuntary omissions or special circumstances. In this case, the certificate shall bear a special reference to the conditions under which it was issued.

A movement certificate EUR. 1 may be issued only where it can serve as the documentary evidence required for the purpose of implementing the preferential treatment provided for in the Agreement.

2. Applications for a movement certificate EUR. 1 must be preserved for at least two years by the customs authorities of the exporting country.

Article 9

1. A movement certificate EUR. 1 must be submitted, within four months of the date of issue by the customs authorities of the exporting State, to the customs authorities of the importing State where the goods are entered.

2. A movement certificate EUR. 1 which is submitted to the customs authorities of the importing State after the final date for presentation specified in paragraph 1 may be accepted for the purpose of applying preferential treatment, where the failure to submit the certificate by the final date set is due to reasons of *force majeure* or exceptional circumstances.

In other cases of belated presentation, the customs authorities of the importing State may accept the certificates where the goods have been submitted to them before the said final date.

Article 10

Movement certificates EUR. 1 shall be made out on the form of which a specimen is given in Annex V to this Protocol. This form shall be printed in one or more of the languages in which the Agreement is drawn up. Certificates shall be made out in one of these languages and in accordance with the provisions of the domestic law of the exporting State. If they are handwritten, they shall be completed in ink and in capital letters.

Each certificate shall measure 210 × 297 mm. A tolerance of up to plus 8 mm or minus 5 mm in the length may be allowed. The paper used must be sized white writing paper not containing mechanical pulp and weighing not less than 25 g/m². It shall have a printed green guilloche pattern background making any falsification by mechanical or chemical means apparent to the eye.

The Member States of the Community and Israel may reserve the right to print the certificates themselves or may have them printed by approved printers. In the latter case, each certificate must

include a reference to such approval. Each certificate must bear the name and address of the printer or a mark by which the printer can be identified. It shall also bear a serial number, either printed or not, by which it can be identified.

Article 11

Movement certificates EUR. 1 shall be submitted to customs authorities in the importing State, in accordance with the procedures laid down by that State. The said authorities may require a translation of a certificate. They may also require the import declaration to be accompanied by a statement from the importer to the effect that the goods meet the conditions required for the implementation of the Agreement.

Article 12

Form EUR. 2, a specimen of which is given in Annex VI, shall be completed by the exporter. It shall be made out in one of the languages in which the Agreement is drawn up and in accordance with the provisions of the domestic law of the exporting State. If it is handwritten, it must be completed in ink and in capital letters.

Form EUR. 2 shall be composed of two parts, each part being 210 × 148 mm. The paper used shall be sized white writing paper not containing mechanical pulp and weighing not less than 64 g/m². The two parts of form EUR. 2 may be detachable.

The Member States of the Community and Israel may reserve the right to print the forms themselves or may have them printed by approved printers. In the latter case each form must include a reference to such approval. In addition, each part must bear the distinctive sign attributed to the approved printer and a serial number, either printed or not, by which it can be identified.

Article 13

A form EUR. 2 shall be completed for each postal consignment. After completing and signing the two parts of the form, the exporter shall, in the case of consignments by parcel post, attach the two parts to the dispatch note. In the case of consignments by letter post, the exporter shall attach Part 1 firmly to the consignment and insert Part 2 inside it.

These provisions do not exempt the exporters from complying with any other formalities required by customs or postal regulations.

Article 14

1. The Community and Israel shall admit goods sent as small packages to private persons or forming part of travellers' personal luggage as originating products benefiting from the Agreement without requiring the production of a movement certificate EUR. 1, or the completion of a form EUR. 2, provided that such goods are not imported by way of trade and have been declared as meeting the conditions required for the application of these provisions and where there is no doubt as to the veracity of such declaration.

2. Importations which are occasional and consist solely of goods for the personal use of the recipients or travellers or their families shall not be considered as importations by way of trade if it is evident from the nature and quantity of the goods that no commercial purpose is in view. Furthermore, the total value of these goods must not exceed 60 units of account in the case of small packages or 200 units of account in the case of the contents of travellers' personal luggage.

Article 15

1. Goods sent from the Community or from Israel for exhibition in another country and sold after the exhibition for importation into Israel or into the Community shall benefit on importation from the provisions of the Agreement on condition that the goods meet the requirements of this Protocol entitling them to be recognized as originating in the Community or in Israel and provided that it is shown to the satisfaction of the customs authorities that:

- (a) an exporter has consigned the goods from the Community or from Israel to the country in which the exhibition is held and has exhibited them there;
- (b) the goods have been sold or otherwise disposed of by that exporter to someone in Israel or in the Community;
- (c) the goods have been consigned during the exhibition or immediately thereafter to Israel or to the Community in the state in which they were sent for exhibition;
- (d) the goods have not, since they were consigned for exhibition, been used for any purpose other than demonstration at the exhibition.

2. A movement certificate EUR. 1 must be produced to the customs authorities in the normal manner. The name and address of the exhibition must be

indicated thereon. Where necessary, additional documentary evidence of the nature of the goods and the conditions under which they have been exhibited may be required.

3. Paragraph 1 shall apply to any trade, industrial, agricultural or crafts exhibition, fair or similar public show or display which is not organized for private purposes in shops or business premises with a view to the sale of foreign goods, and during which the goods remain under customs control.

Article 16

In order to ensure the proper application of the provisions of this Title, the Member States of the Community and Israel shall assist each other, through their respective customs administrations, in checking the authenticity and accuracy of movement certificates EUR. 1 and of the declarations by the exporters on forms EUR. 2.

The Joint Committee shall be authorized to take any decision necessary for the methods of administrative cooperation to be applied at the due time in the Community and in Israel.

Article 17

Penalties shall be imposed on any person who, in order to enable goods to be accepted as eligible for preferential treatment, draws up, or causes to be drawn up, either a document which contains incorrect particulars for the purpose of obtaining a movement certificate EUR. 1 or a form EUR. 2, containing incorrect particulars.

TITLE III

Final provisions

Article 18

1. The Community and Israel shall take any measures necessary to enable movement certificates EUR. 1 as well as forms EUR. 2 to be submitted, in accordance with Articles 11 and 12 of this Protocol, from the day on which the Agreement enters into force.

2. Certificates of type A. IL. 1 and forms A. IL. 2 may be used under the conditions laid down in this Protocol until stocks are exhausted.

Article 19

The Community and Israel shall each take the necessary steps to implement this Protocol.

Article 20

The Explanatory Notes, Lists A, B and C, the specimen movement certificate EUR. 1 and the specimen form EUR. 2 shall form an integral part of this Protocol.

Article 21

Goods which comply with the provisions of Title I and which, on the date of entry into force of the Agreement, are either being transported or being held in the Community or in Israel in temporary storage, in bonded warehouses or in free zones, may be allowed to benefit from the provisions of the Agreement, subject to the submission — within four months of that date — to the customs authorities of the importing State of a movement certificate, drawn up retrospectively by the competent authorities of the exporting State, and of any documents that provide supporting evidence of the conditions of transport.

Article 22

1. Unless the Joint Committee decides otherwise, no drawback or remission of any kind may be granted from customs duties in the Community or in Israel in respect of products referred to in Article 1 of Protocols 1 and 2 and used in manufacture which do not originate in the Community or Israel as from 1 January 1984.

2. In this and the following Articles, the term 'customs duties' also means charges having an equivalent effect to customs duties.

Article 23

1. The provisions of the last sentence of Article 1 (2) (b) shall not apply until 1 July 1977 to products originating in Denmark, Ireland and the United Kingdom which have been insufficiently worked or processed in Israel, within the meaning of Article 3 (3), when the products obtained are

imported into the Community as originally constituted.

2. Products originating in the Community obtained in the Community as originally constituted from products originating in Denmark, Ireland and the United Kingdom as a result of insufficient working or processing, within the meaning of Article 3 (3), shall be subject, when imported into Israel, to the

duties laid down in the Agreement for those three countries.

Article 24

The Joint Committee may decide to amend the provisions of this Protocol.

ANNEX 3

BASIC INFORMATION ABOUT ISRAEL

1. Area: 20 700 sq. km.
2. Population (1978): 3 720 000
Annual growth rate 1970-1977: 2.8%
3. Type of government: Parliamentary
4. GNP (1978): US \$ 15 300 million
Per capita GNP: US \$ 4 120.
Rate of growth of GNP:
1970-75 : 7.3%
1976 : 0.4%
1977 : 0.5%

5. <u>Sector</u> (1976)	<u>Net Domestic Product</u>		<u>Employment</u>	
	%		%	
Agriculture	7.3		6.4	
Industry	36.0		32.1	
Services	56.7		57.5	

6. Balance of payments (US \$ million)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Exports (fob)	2.005	2.180	2.671	3.403	4.072
Imports (fob)	- 5.088	- 5.650	- 5.320	- 5.559	- 6.908
Trade balance	- 3.083	- 3.470	- 2.649	- 2.156	- 2.837
Exports of services	1.627	1.587	1.758	2.257	2.573
Imports of services	- 1.943	- 2.168	- 2.422	- 2.673	- 3.139
Private transfers	2.046	1.128	1.103	1.153	1.275
Public transfers	672	642	1.122	930	1.253
Current balance	- 1.681	- 2.281	- 1.088	- 489	- 975
Capital flows	867	2.134	1.129	728	1.854
Change in reserves	- 815	- 147	41	239	379

Composition of exports (%)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Industrial goods	57	55	55	53
Diamonds	32	30	31	34
Agricultural products	11	15	14	13

7. Relations with the Community

Free trade and cooperation Agreements signed on 11 May 1975 and 8 February 1977.

Aid promised (1977-81) EIB 30 million EUA

./...

8. Trade with the EEC of Nine (in million EUA)

Exports from the EEC of Nine to Israel

<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
1 429.5	1 297.9	1 250.9	1 483.6	1 635.1

EEC Imports from Israel

<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
544.2	572.1	782.6	973.8	1 134.1

EEC share of Israeli exports (%)

<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
37.6	37.4	35.9	35.7	34.2

EEC share of Israeli imports (%)

<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
36.7	29.1	30.7	34.0	34.2

9. Official foreign debt

US \$ 11 765 million (1978). Debt service 38% of the added value of exports.

10. Currency: Israeli pound (1₪)

31 January 1980: US \$ 1 = 1₪ 37.06 = 1 shekel = 1₪ 10

ANNEX 4 The Israeli economy: additional information

EMPLOYMENT

In 1976, the working population was 1 200 000, four times the number in 1949. This represents an annual growth rate of 7%, compared with an annual growth rate of 5.5% in the population as a whole during this period.

In order of size, the main areas of activity are: the public service (370 000 persons employed), industry (280 000), trade and tourism (150 000), building (120 000), transport and communications (80 000) and agriculture (70 000). Women workers (375 000) constitute just over one third of the total labour force.

INDUSTRY

Taking 1950 as 100, the index of the value of industrial production reached 900 in 1972. Growth in exports of industrial goods was twice as great over the same period. Industrial employment trebled between 1950 and 1974, an annual growth rate of 4.7%. Over the same period, the annual rate of increase in industrial productivity was 5.8%. The food industry, representing about 20% of total production, was the most important sector, followed by textiles, leather and clothing (15% of the total). Gem-stone diamonds are the principal export (\$ 550 million in 1975).

There were considerable changes in the industrial sector at the end of the sixties and the beginning of the seventies. New capital investment was directed less towards consumer industries and more towards those areas where markets were experiencing more rapid growth: the chemical industry, metal working, plastics, machinery, electrical and electronic equipment, calculators.

AGRICULTURE

Only about 6.5% of the working population is now engaged in agriculture. The increase in the value of agricultural production has been less spectacular than that of the industrial sector but remarkable nevertheless. Taking 1967/68 as 100, the index of agricultural production reached 149 in 1974/75, compared with only 32 in 1954/55.

Citrus fruit are still the most important component. Other products, especially avocados and flowers, have expanded rapidly in recent years, encouraged by the development of foreign markets. Most production of fruit and vegetables is now carried out on irrigated land.

TOURISM

This sector is making an increasingly important contribution to the Israeli economy and to foreign exchange earnings. In 1974, 620 000 tourists visited Israel; in 1977 the total was 1 006 500 and foreign exchange earnings reached the record sum of \$ 500 million.

CAPITAL INVESTMENT AND FOREIGN CAPITAL

To construct its basic infrastructure (housing, communications, irrigation, etc.) and develop its industry, Israel has had to utilize considerable amounts of capital. Domestic investment, amounting to about 25% of GNP, has been encouraged by suitable legislation. Foreign investment has also played an important part in the economic development of the country. It contributed \$ 17 000 million during the period from 1948 to 1973 and \$ 6 000 million during the years 1973 to 1976. A considerable part of this capital inflow was provided by Jews living elsewhere through solidarity transfers (Alyah). Despite this, Israel's foreign debt has reached worrying levels, \$ 9 000 million in 1976, \$ 11 700 million in 1978 and \$ 15 000 million in 1979.

RECENT ECONOMIC DEVELOPMENTS

Since the foundation of the State of Israel, external security needs have imposed a very heavy burden on its economy. This became even greater after the Yom Kippur war in 1973. The needs of defence, coupled with the dramatic rise in the price of imported oil, has caused a considerable reduction in the economy's growth rate in recent years. GNP grew by only 0.4% in 1976 and 0.5% in 1977, compared with an average annual rate of 7.3% during the period 1970-75. The increase in foreign debt and the accelerating rate of inflation¹ are other indications of a deteriorating economic situation.

The Israeli authorities have reacted with budgetary reforms, exchange rate adjustments, wage and salary restraint and increased taxes, the principal aims being to reduce foreign debt, encourage export production by restraining home demand, encourage foreign investment and, more generally, create inside the country as well as outside a climate of confidence in the solidity and vitality of the Israeli economy.

1

40% in the first half of the seventies, 150% in 1979.

ANNEX 5 - USEFUL ADDRESSES

EMBASSIES OF THE EEC COUNTRIES IN ISRAEL

(in Tel Aviv unless otherwise stated)

Belgium : 266 Hayarkon
Denmark : 23 Benemoshe
Federal Republic of Germany : 16 Soutine
France : 112 Herbert Samuel
Ireland : (as for United Kingdom)
Italy : 24 Hubermann
Luxembourg : (as for Belgium)
United Kingdom : 192 Hayarkon
Pays Bas : Yoel House, Jaffa Road 33, Jerusalem 94221

FINANCE

Banks

Bank Leumi Le Israel, 24-32 Yehuda Halevi, Tel Aviv
Bank Hapoalim, 50 Rotschild Boulevard, Tel Aviv
Israel Discount Bank Ltd., 27/29 Yehuda Halevi, Tel Aviv
United Mizrahi Bank Ltd., 48 Lilienblum, Tel Aviv
The First International Bank of Israel, 9 Achad Haam, Tel Aviv
Union Bank of Israel, 6/8 Ahuzat Bayit, Tel Aviv
American Israel Bank Ltd., 11 Rotschild Boulevard, Tel Aviv
Tefahot Israel Mortgage Bank Ltd., 123 Hahashmonaim, Tel Aviv
Industrial Development Bank of Israel Ltd. POB. 33580, 2 Dafna, Cor.
Weizmann Street, Tel Aviv
Barclays Discount Bank Ltd., 103 Allenby, Tel Aviv

Stock Exchange

113 Allenby, Tel Aviv

Diamond exchange

Ramat Gan

Insurance

Eliahu Insurance Co. Ltd., 113 Allenby, Tel Aviv
Shiloah Ltd., 2 Pinsker, Tel Aviv
Migdal-Binyan Insurance Co. Ltd., 26 Seadya Gaon, Tel Aviv

TRADE AND INDUSTRY

Chamber of Commerce

Tel Aviv Chamber of Commerce: 84 Haha Shmonaim, Tel Aviv

Trade Unions

Histadrout, Arlozorov, Tel Aviv

Trade fair

Tel Aviv Fair Ground

Main State Companies

Annex 5 (continued)

Water company

Mekorot Water Co., 9 Loncoln, Tel Aviv

Electricity company

Hevrat Hahaashmal Electricity Co. of Israel, 16 Hahashmal, Tel Aviv

TRANSPORT

Ministry of Transport and Communications, 39 Shaul Hamelech, Tel Aviv

Sea transport

ZIM, Israel Navigation Company Ltd., 9 Pal Yam, Haifa

National airline

El Al Israel Airlines, Ben Gourion Airport, Israel

TOURISM

Ministry of Tourism, 30 Agron, Jerusalem

Cultural organisations

Ministry of Education and Culture, 34 Shivtei Israel, Jerusalem

RESEARCH CENTRE

Weizmann Institute, Rehovot

Technion Institute, Haifa

USEFUL ADDRESSES IN THE EEC

1. Directorate-General for Development
Commission of the European Communities
200, rue de la Loi
B - 1049 Brussels Tel.: 735 80 30
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1000 Brussels

2. DENMARK Danish National Committee of the International
Chamber of Commerce
- Børsen - 1217 Copenhagen K

3. FRANCE Chambre de Commerce de Paris
27, avenue Friedland
75008 Paris

4. GERMANY Deutsche Industrie und Handelstag
Adenauerallee 148
53 Bonn

5. IRELAND Association of Chambers of Commerce of Ireland
7 Clare Street
Dublin 2

6. ITALY Unione Italiana delle Camere di Commercio
Industria Artigianato e Agricoltura
Piazza Sallustio 21
00187 Rome

7. LUXEMBOURG Chambre de Commerce
8, avenue de l'Arsenal
Luxembourg

8. NETHERLANDS Nederlandse Organisatie voor de Internationale
Kamer van Koophandel
Prinses Beatrixlaan 5
The Hague

9. UNITED KINGDOM Association of British Chambers of Commerce
68 Queen Street
London EC4

OTHER PUBLICATIONS RELATED TO "DEVELOPMENT"

Other EEC publications about the Community's relations with the Third World can be obtained from the following address:

Spokesman's Group and Directorate-General for Information
Publications distribution service, Room 2/84
Commission of the European Communities
Rue de la Loi, 200
B - 1049 Brussels (Belgium)

1. Dossier

- The European Community and the Third World
Brussels, September 1977 (French and German)
- Europe and the Third World
A study on interdependence (by M. Noelke)
Development series - 1978 No 2 (all Community languages)
- Lomé II Dossier - European Community - Africa-Caribbean-Pacific
Reprint from "The Courier", special issue (English, French)

2. "Information Series" and "Europe Information": (generally all Community languages)

- Food aid No 165/77
- The European Community and the textile agreements, special edition (June 1978)
- The European Community and the Arab World, no 169/79
- Europe - Third World, Rural Development, 1979
- Solar Energy: A New Area of ACP-EEC Cooperation, 1979
- EEC - Egypt
- EEC - Jordan
- EEC - Syria
- EEC - Lebanon (in preparation)
- EEC - Tunisia
- EEC - Algeria (in preparation)