

WORLD TRADE ORGANIZATION

RESTRICTED

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Committee on Regional Trade Agreements Thirty-Fourth Session

EXAMINATION OF THE FREE TRADE AGREEMENT BETWEEN ISRAEL AND MEXICO

Note on the Meeting of 3 April 2003

Chairman: Mr. S. Dalela (India)

1. The meeting was convened in document WTO/AIR/2056/Rev.1.
2. Under Agenda Item C.XVII of its Thirty-Fourth Session, the Committee on Regional Trade Agreements (hereinafter CRTA or the Committee) took up the first round of examination of the Free Trade Agreement between Israel and Mexico. The following topics were discussed:
 - A. General Remarks
 - B. Section I – Background Information on the Agreement
 - C. Section II – Trade Provisions
3. The Chairman noted that it was the first round of examination of the Free Trade Agreement between Israel and Mexico. The Agreement had been signed on 10 April 2000 and had entered into force on 1 July 2000. It had been notified to the WTO on 8 March 2001 as document WT/REG124/N/1, with the text of the Agreement appearing in document WT/REG124/1 and the Standard Format in WT/REG124/3. With respect to the latter document, the Chairman noted that the date of entry into force of the Agreement under Section I.1 should read 1 July 2000 rather than 1 July 2001. He proposed to organize the examination by first asking the Parties and other Members for general comments and then turn to the specifics of the Agreement, using the Standard Format to guide the debate. He recalled the terms of reference for the examination, adopted on 14 March 2001 by the Council for Trade in Goods, as contained in document WT/REG124/2.
 - A. GENERAL REMARKS
4. The representative of Israel, speaking also on behalf of the representative of Mexico, informed the Committee that the Agreement, which had entered into force on 1 July 2000, clearly reflected the mutual desire of the Parties to deepen and strengthen existing trade relations and economic cooperation between the two countries. It was the view of Israel and Mexico that, by establishing a legal framework for eliminating trade barriers, the Agreement also reflected the consistent trade policy of their respective governments at the bilateral, regional and multilateral levels in furtherance of trade liberalization. He said that the Parties saw the removal of obstacles to trade as an important step to expanding world trade. In negotiating the Agreement, the need to ensure the full compliance with WTO obligations had always been taken into account, and particularly with Article XXIV of the GATT 1994. In many articles of the Free Trade Agreement, specific agreements of the WTO had been incorporated into the text. The Agreement had been duly notified to the WTO after completion of the internal approval procedures by the Parties, on 22 February 2001. In accordance with Article XXIV of GATT 1994, the Agreement covered substantially all trade between the Parties.

Most of the tariffs on industrial products had been removed immediately upon entry into force of the Agreement and for the rest in a gradual process, with a final phase-out by 1 January 2005. For agricultural and processed agricultural products, which represented a small share of imports, the Agreement covered a substantial part of existing and potential trade between the Parties. Moreover, the Agreement provided for the possibility of granting further concessions in trade in agricultural products. As for the industrial sector, 100 per cent coverage was assured by the Agreement and full duty-free treatment for all products would be achieved within two years. The Agreement used clear rules of origin that were in compliance with Annex II of the Agreement on Rules of Origin of the WTO. The Agreement did not create any new barriers to trade from third countries, nor did it make duties or other regulations of commerce any higher than before the formation of the free-trade area. It was the view of the Parties that the Agreement enhanced and complemented the multilateral system and added to the liberalization achieved under the GATT and the WTO. He concluded by saying that the Agreement under examination was a simple, straightforward trade agreement within the terms of Article XXIV. He assured the Committee that the State of Israel and the United Mexican States, had been, and remained, dedicated to being as forthcoming as possible in supplying Members of the Committee with detailed and timely information regarding the Agreement as it deemed necessary. He looked forward to proceeding expeditiously with the examination process.

B. SECTION I - BACKGROUND INFORMATION ON THE AGREEMENT

5. The representative of the United States remarked that the Agreement had been notified to the WTO with a substantial delay. She asked the Parties whether they could comment on the reasons for such delay since that might shed some light on the discussions being held in the Negotiating Group on Rules on the reasons preventing the timely notification of RTAs by Members. The representative of Israel was of the opinion that the CRTA was not the appropriate forum to discuss issues pertinent to the Negotiating Group on Rules. With respect to the Agreement, he was not aware of the reasons for its late notification, but he assumed that an oral announcement of the Agreement had been made before the written notification.

6. Referring to scope, the representative of Australia expressed concerns over the very limited coverage of agriculture under the Agreement as provided by the concessions contained in Annexes 2-03.4(a) and 2-03.4(b). She questioned whether an agreement that excluded a significant tradable sector to such an extent could meet the test of GATT Article XXIV for coverage of substantially all trade. She added that her delegation was interested in knowing from the Parties whether any further liberalization of the agricultural sector had been negotiated pursuant to Article 2-03(5) of the Agreement. The representative of the United States shared the concerns expressed by the representative of Australia. She reiterated a comment made earlier in the Session as to the basis in GATT Article XXIV for having preferential duties apply as opposed to MFN rate or elimination. She commended the Parties for the information provided in the annexes to the Agreement; however, she wondered whether they could also provide information on the percentage of tariff lines covered by the Agreement. The representative of Israel considered some of the questions as being of a systemic nature; especially on the issue of tariff lines, his delegation was of the view that the information required from the Parties was the percentage of trade covered and not the percentage of tariff lines. He indicated that the Agreement covered over 97 per cent of the Parties' mutual trade, of which a very high percentage concerned agricultural trade. Furthermore, he pointed out the existence of a clause in the Agreement allowing for the further opening up of the Parties' agricultural sectors. He added that the questions posed would be passed on to the Parties' respective authorities for further answers and trade data. He stressed, however, that systemic issues ought not to be brought up in the framework of that discussion.

C. SECTION II - TRADE PROVISIONS

7. The representative of Japan noted that the quotas on tariff concessions contained in Annexes 2-03.4(a) and 2-03.4(b) to the Agreement were described at either the four-six-or eight-digit level of the Harmonized System. He said that his delegation was interested in receiving further details on the tariff lines on which the quotas were set. Furthermore, he asked whether more information on those issues was available on either the Israeli or Mexican government web sites. The representative of Israel asked that the question be submitted in writing. He reiterated, however, that further data on coverage of the agricultural sector would be submitted to Members, which would clarify the concessions being given in that sector. As for on-line information, he was sceptical that further information on those issues would be found on the Israeli's government web site, but said he would check. The representative of Mexico added that her delegation would provide joint answers with Israel to the questions by Japan and other Members.

8. The representative of Korea sought clarification on the nature of the quantitative restrictions referred to in Section II:2.2 of the Standard Format and contained in Annex 2-02 to the Agreement. The representative of Israel was of the opinion that Annex 2-02 was self-explanatory; however, he would pass on the question to his authorities for further explanation.

9. With respect to rules of origin, the representative of the United States noted that the Agreement referred to both regional content and bilateral cumulation between the producers from Mexico and Israel. She was interested in knowing whether content from any country other than Mexico and Israel would be cumulated into the origin of a product in considering whether it was eligible. The representative of Israel asked that the question be submitted in writing.

10. The Chairman said that the first round of examination of the Free Trade Agreement between Israel and Mexico had allowed the Committee to clarify a number of issues, but some remained pending. He asked delegations to submit questions to the Secretariat by the end of July 2003 and for the Parties to submit replies no later than the end of October 2003.

11. The Committee took note of the comments made.
