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Proposal for a

COUNCIL DECISION

on the conclusion of an Agreement in the form of an Exchange of Letters between the European Union, of the one part, and the Palestinian Authority of the West Bank and the Gaza Strip, of the other part, providing further liberalisation of agricultural products, processed agricultural products and fish and fishery products and amending the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The relationship between the European Union (EU) and the Palestinian Authority of the West Bank and the Gaza Strip (hereinafter referred to as "Palestinian Authority") builds on the Euro-Mediterranean Interim Association Agreement that was signed in February 1997 and whose trade provisions came into force on 1 July 1997. Its main objective is to promote trade and investment and harmonious economic relations between the Parties and so to foster their sustainable economic development.

The Interim Association Agreement provides for duty-free access to EU markets for Palestinian industrial goods, and a phase-out of tariffs on EU exports to the occupied Palestinian territory (oPt) over five years. Article 12 of the Agreement establishes that the Community and the Palestinian Authority shall progressively establish a greater liberalisation of their trade in agricultural and fishery products of interest to both Parties. It also indicates in Article 14(2) that the Community and the Palestinian Authority shall examine the possibility of granting each other further concessions. Furthermore, Article 7 specifies trading conditions for processed agricultural products. No concessions are provided for fish and fishery products.

On 14 November 2005, the Council authorised the Commission to conduct negotiations in order to achieve greater liberalisation of trade in agricultural, processed agricultural products and fish and fishery products, including with the Palestinian Authority. These negotiations were conducted by DG AGRI, TRADE and ENTR in close cooperation with different Commission services, in particular DG RELEX, MARE, TAXUD, SANCO, BUDG and OLAF.

The results achieved are in line with the spirit of the Barcelona Process; in accordance with the Euro-Mediterranean Roadmap for agriculture (Rabat Roadmap) adopted by the Euro-Mediterranean Ministers of Foreign Affairs on 28 November 2005 for the acceleration of liberalisation of trade in agricultural products, processed agricultural products and fish and fishery products; with the principles of the European Neighbourhood Policy and the conclusions of the Euro-Mediterranean Conference of Ministers of Trade on 8-9 December 2009 aiming, inter alia, at facilitating the trade of Palestinian products with other Euro-Mediterranean partners on a bilateral and regional basis by 2010.

The European Commission and the Palestinian Authority officially opened the negotiations at high political level on 10 of June 2010 in Brussels, which were concluded on 17 December 2010 in Brussels and the Agreed Minutes on the deal reached were initialled on the same day. In order to implement the results of the negotiations concluded with the Palestinian Authority, the Commission proposes to the Council to adopt the attached Exchange of Letters.

The intention of both sides is that this Agreement enters into force early in 2011.

In consequence, the Commission proposes to the Council to adopt the annexed Decision.

2. BUDGETARY IMPLICATION

It is estimated that the financial impact is negligible.

On the basis of the above mentioned, the Commission proposes the Council to designate the person(s) empowered to conclude the Agreement on behalf of the European Union.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207(4) first subparagraph, in conjunction with Article 218(6)(a) thereof,

Having regard to the proposal from the European Commission,

Having regard to the consent of the European Parliament¹,

Whereas:

- (1) The relationship between the European Union (EU) and the Palestinian Authority of the West Bank and the Gaza Strip (hereinafter referred to as "Palestinian Authority") builds on the Euro-Mediterranean Interim Association Agreement² that was signed in February 1997 and whose trade provisions entered into force on 1 July 1997. Its main objective is to promote trade and investment and harmonious economic relations between the Parties and so to foster their sustainable economic development.
- (2) The Interim Association Agreement provides for duty-free access to EU markets for Palestinian industrial goods, and a phasing-out of duties on EU exports to the occupied Palestinian territory over five years. The possibility of granting the Palestinian Authority additional trade preferences is envisaged in the Interim Association Agreement. Article 12 provides that the Community and the Palestinian Authority shall progressively establish a greater liberalisation of their trade in agricultural and fishery products of interest to both Parties. Article 14(2) indicates that the Community and the Palestinian Authority shall examine, in the Joint Committee, the possibility of granting each other further concessions.
- (3) The European Neighbourhood Policy Action Plan (ENP Action Plan) for the Palestinian Authority, which was approved in May 2005 and further extended, also

¹ OJ C [...], [...], p. [...].

² OJ L 187, 16.07.1997 p. 3

contains provisions to proceed with the gradual liberalisation of trade in agriculture and fishery products.

- (4) *The Euro-Mediterranean Roadmap for agriculture (Rabat Roadmap)* adopted by the Euro-Mediterranean Ministers of Foreign Affairs on 28 November 2005 provides that a high degree of trade liberalisation for agricultural products, processed agricultural products and fish and fishery products is desirable; the objective is full liberalisation of such trade by 2010, possibly excluding a very limited number of sensitive products.
- (5) At the last Trade Euro-Mediterranean Ministerial meeting in December 2009, Ministers of trade of the Euro-Mediterranean region committed themselves to facilitate the trade of Palestinian products, as stated in the document *The Euromed Trade Roadmap beyond 2010*. In addition, a comprehensive package of measures to facilitate trade of Palestinian products with other Euro-Mediterranean partners on a bilateral and regional basis has been agreed by Trade Ministers in 2010.
- (6) The occupied Palestinian territory governed by the Palestinian Authority is a state in the making. It is therefore not listed under any United Nations classification and therefore cannot benefit from EU's Generalised System of Preferences³.
- (7) The Palestinian Authority is the smallest trading partner for the EU in the Euro-Mediterranean region and almost worldwide, with total trade amounting to € 56.6 million in 2009 where the vast majority of it is accounted for by EU exports (€ 50.5 million). EU imports from the Palestinian Authority amount to just € 6.1 million in 2009 and consist mainly of agricultural products and processed agricultural products, (approximately 70.1 % of total EU imports). In 2009, the EU exported € 1.7 million of agricultural goods, € 3.3 million of processed agricultural products and € 0.1 million of fish and fishery products. Further market opening is expected to support the development of the economy of the West Bank and the Gaza Strip through increased export performance while not creating negative effects for the European Union. It is therefore appropriate to grant additional trade preferences to the Palestinian Authority of the West Bank and the Gaza Strip by improving access to the European Union market for agricultural products.
- (8) In accordance with the ENP Action Plan, the level of ambition of the EU-Palestinian Authority relationship will depend on the degree of Palestinian Authority's commitment to common values as well as its capacity to implement jointly agreed priorities. The EU is planning to complement the granting of additional trade preferences with a package of trade related technical assistance which will further help the Palestinian Authority to prepare for a future Palestinian State.
- (9) In addition, entitlement to benefit from the additional trade preferences granted by the EU is conditional upon the Palestinian Authority's compliance with the relevant rules of origin and the procedures related thereto as well as the provision of effective administrative cooperation and assistance to the European Union. Any serious and systematic violations of these conditions, or other findings of fraud or irregularity, may lead to the adoption of measures by the EU following the relevant procedures in Article 23 bis of this Agreement in the form of an Exchange of Letters.

³ OJ L 169, 30.6.2005, p. 1. Regulation as amended by Commission Regulation (EC) No 606/2007 (OJ L 141, 2.6.2007, p. 4)

- (10) For the purposes of defining the concept of originating products, certification of origin and administrative cooperation procedures, Protocol 3 to the Euro-Mediterranean Interim Association Agreement, concerning the definition of the concept of 'originating products' and methods of administrative cooperation as amended by Decision No 1/2009 of the EC-PLO Joint Committee of 24 June 2009, shall apply.
- (11) If the imports of agricultural products, processed agricultural products and fish and fishery products originating in the territory of the Palestinian Authority will significantly increase and thus will cause serious distortion at the EU internal market, the European Union may adopt, if appropriate, safeguard measures in accordance with Article 2 of this Council Decision.
- (12) The import arrangements adopted by this Decision should be renewed on the basis of the conditions established by the Council and in the light of the experience gained in granting them. It is therefore appropriate to limit their duration to ten years. However, taking into account the economic situation of the West Bank and Gaza Strip, the Parties shall prolong the application of duty-free quota-free treatment should they consider that the Palestinian economy needs an additional transitional period in order to be ready to enter into negotiations leading to further reciprocal concessions.
- (13) The European Union and the Palestinian Authority shall meet five years from the date of entry into force of the Agreement to consider the possibility of granting each other further permanent concessions of trade in agricultural products, processed agricultural products, fish and fishery products with the objective laid down in Article 12 of the Interim Agreement. If this will be considered as not appropriate due to the limited future economic developments of the occupied Palestinian territory, such discussions shall take place at later stage.
- (14) The Agreement should be concluded.

HAS ADOPTED THIS DECISION:

Article 1

The Agreement in the form of an Exchange of Letters between the European Union, of the one part, and the Palestinian Authority of the West Bank and the Gaza Strip, of the other part, providing further liberalisation of agricultural products, processed agricultural products and fish and fishery products and amending the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part, is hereby approved on behalf of the European Union.

The text of the Agreement in the form of an Exchange of Letters is attached to this Decision.

Article 2

Where the European Union needs to take a safeguard measure concerning agricultural products and fish and fishery products, as provided for in the Article 23 of the Interim Association Agreement, that measure shall be adopted in accordance with the procedures

provided for in Article 159(2) of Council Regulation (EC) 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products, or by Article 30 of Regulation (EC) No 104/2000 for fish and fishery products. For processed agricultural products, such safeguard measures shall be adopted in accordance with the procedures provided for, as appropriate, in Article 7(2) of Council Regulation (EC) 614/2009 of 7 July 2009 on the common system of trade for ovalbumin and lactalbumin⁴, or in Article 11(4) of Council Regulation (EC) No 1216/2009 of 30 November 2009 laying down the trade arrangements, applicable to certain goods resulting from the processing of agricultural products⁵.

Article 3

The President of the Council shall designate the person empowered to proceed, on behalf of the European Union with the deposit of the instrument of approval provided in the Agreement, in order to express the consent of the European Union to be bound by the Agreement.

Article 4

This Decision shall enter into force on the day of its adoption. It shall be published in the *Official Journal of the European Union*.

The date of entry into force of the Agreement shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the Council
The President

⁴ OJ L 181, 14.07.2009, p. 10
⁵ OJ L 328, 15.12.2009, p. 15

ANNEX

AGREEMENT

IN THE FORM OF AN EXCHANGE OF LETTERS

between the European Union, of the one part, and the Palestinian Authority of the West Bank and the Gaza Strip, of the other part, providing further liberalisation of agricultural products, processed agricultural products and fish and fishery products and amending the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other

A. Letter from the European Union

Sir/Madam,

I have the honour of referring to the negotiations which took place in accordance with the spirit of the Euro-Mediterranean Roadmap for agriculture (Rabat Roadmap), adopted by the Euro-Mediterranean Ministers of Foreign Affairs on 28 November 2005, for the acceleration of liberalisation of trade in agricultural products, processed agricultural products and fish and fishery products, and under Articles 7, 12 and 14 (2) of the Euro-Mediterranean Interim Agreement establishing an association between the European Community and their Member States, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip (hereinafter "Palestinian Authority"), of the other part (hereinafter the Interim Association Agreement), in force since 1 July 1997, which states that the Community and the Palestinian Authority shall progressively establish greater liberalisation, *inter alia*, of their trade in agricultural products of interest to both Parties.

A: The Parties have agreed on the following temporary amendments to the Interim Association Agreement:

1. Protocol 1 shall be replaced by that appearing in Annex I to this Agreement in the form of an Exchange of Letters, subject to the provisions of point A.

B: The Parties have also agreed on the following permanent amendments to the Interim Association Agreement:

1. Article 4 shall be replaced by the following:

"The provisions of this Chapter shall apply to products originating in the European Union and in the West Bank and the Gaza Strip other than those listed in chapters 1 to 24 of the Combined Nomenclature (CN) and of the customs tariff of the Palestinian Authority, and those listed in Annex 1(1)(ii) of the Agreement on Agriculture of the GATT. However, this Chapter shall continue to apply to chemically pure lactose of CN code 1702 11 00 and glucose and glucose syrup, containing in the dry state 99% or more by weight of glucose of CN codes ex 1702 30 50 and ex 1702 30 90."

2. The title of Chapter 2 shall be replaced by the following:

"AGRICULTURAL PRODUCTS, PROCESSED AGRICULTURAL PRODUCTS AND FISH AND FISHERY PRODUCTS"

3. Article 11 shall be replaced by the following:

"The provisions of this Chapter shall apply to products originating in the European Union and in the West Bank and the Gaza Strip listed in chapters 1 to 24 of the Combined Nomenclature (CN) and of the customs tariff of the Palestinian Authority, and those listed in Annex 1(1)(ii) of the Agreement on Agriculture of the GATT, with exception of chemically pure lactose of CN code 1702 11 00 and of glucose and glucose syrup, containing in the dry state, 99% or more by weight of glucose of CN codes ex 1702 30 50 and ex 1702 30 90, for which duty free market access was already granted within Chapter 1."

4. Article 12 shall be replaced by the following:

"The European Union and the Palestinian Authority shall progressively establish greater liberalisation of their trade in agriculture, processed agricultural products and fish and fishery products of interest to both Parties."

5. Article 13 shall be replaced by the following:

"1. Agricultural products, processed agricultural products and fish and fishery products originating in the West Bank and the Gaza Strip listed in Protocol 1, on importation into the European Union shall be subject to the arrangements set out in that Protocol.

2. Agricultural products, processed agricultural products and fish and fishery products originating in the European Union listed in Protocol 2, on importation into the West Bank and the Gaza Strip shall be subject to the arrangements set out in that Protocol. "

6. Article 23bis shall be added:

"Temporary Withdrawal of Preferences

1. The Parties agree that administrative co-operation and assistance are essential for the implementation and the control of the preferential treatment granted under this Agreement and underline their commitment to combat irregularities and fraud in customs and related matters.
2. Where a Party has made a finding, on the basis of objective information, of a failure to provide administrative co-operation/assistance and/or of irregularities or fraud under this Agreement, the Party concerned may temporarily suspend the relevant preferential treatment of the product(s) concerned in accordance with this Article.
3. For the purpose of this Article a failure to provide administrative co-operation/assistance shall mean, inter alia:

- a) a repeated failure to respect the obligations to verify the originating status of the product(s) concerned;
 - b) a repeated refusal or undue delay in carrying out and/or communicating the results of subsequent verification of the proof of origin;
 - c) a repeated refusal or undue delay in obtaining authorisation to conduct enquiry visits to determine the authenticity of documents or accuracy of information relevant to the granting of the preferential treatment in question.
4. For the purpose of this Article a finding of irregularities or fraud may be made, inter alia, where there is a rapid increase, without satisfactory explanation, in imports of goods exceeding the usual level of production and export capacity of the other Party that is linked to objective information concerning irregularities or fraud.
 5. The application of a temporary suspension shall be subject to the following conditions:
 - a) The Party which has made a finding, on the basis of objective information, of a failure to provide administrative co-operation/assistance and/or of irregularities or fraud shall without undue delay notify the Joint Committee of its finding together with the objective information and enter into consultations within the Joint Committee, on the basis of all relevant information and objective findings, with a view to reaching a solution acceptable to both Parties.
 - b) Where the Parties have entered into consultations within the aforementioned Committee and have failed to agree on an acceptable solution within 3 months following the notification, the Party concerned may temporarily suspend the relevant preferential treatment of the product(s) concerned. A temporary suspension shall be notified to the Committee without undue delay.
 - c) Temporary suspensions under this article shall be limited to that necessary to protect the financial interests of the Party concerned. They shall not exceed a period of six months, which may be renewed if at the date of expiry nothing has changed with respect to the conditions that gave rise to the initial suspension. They shall be subject to periodic consultations within the Joint Committee, in particular with a view to their termination as soon as the conditions for their application no longer apply.

Each Party shall publish according to its internal procedures, in the case of the European Union in the Official Journal of the European Union, notices to importers concerning any: notification referred to in paragraph 5 a); decision referred to in paragraph 5b); and extension or termination referred to in paragraph 5 c)."

7. Protocol 2 and its Annexes shall be replaced by those appearing in Annex 2 to this Agreement in the form of an Exchange of Letters.

8. A Common Declaration on sanitary and phytosanitary or technical barriers to trade issues, appearing in Annex III to this Agreement in the form of an Exchange of Letters, shall be added to the Interim Association Agreement.
- C. The Parties have agreed on the following additional provisions:
1.
 - a) The temporary amendments provided for under point A shall apply for a period of 10 years from the entry into force of this Agreement. However, depending on the future economic development of the West Bank and Gaza Strip, a possible extension for an additional period of those amendments could be considered by the Joint Committee. Such a decision shall be taken by the Joint Committee at the latest one year before the expiration of the 10 years period as provided by this Agreement in the form of Exchange of Letters.
 - b) The European Union and the Palestinian Authority shall meet five years from the date of entry into force of this Agreement, to consider the possibility of granting each other further permanent concessions of trade in agricultural products, processed agricultural products, fish and fishery products with the objective laid down in Article 12 of the Interim Agreement.
 - c) The starting point for future reciprocal negotiations will be the consolidated concessions of the Euro-Mediterranean Interim Association, which are listed in Annex IV and Protocol 2 of this Agreement in the form of Exchange of Letters.
 - d) It is understood that the trade conditions to be granted by the European Union as a result of these future negotiations may be less favourable than those granted under the present Agreement
 2. Article 7(1) of the Interim Association Agreement shall not apply pending the application of the temporary amendments provided for under point A.

This Agreement in the form of an Exchange of Letters shall enter into force on the first day of the third month following the date of the deposit of the last instrument of approval.

I have the honour to confirm that the European Union is in agreement with the content of this letter.

I would be grateful if you could confirm the agreement of your Government to the above.

Please accept, Sir/Madam, the assurance of my highest consideration.

Done at Brussels,

*For the European Union,
On behalf of the Council of the EU*

ANNEX I TO THE AGREEMENT

PROTOCOL 1

CONCERNING THE PROVISIONAL ARRANGEMENTS APPLICABLE TO IMPORTS INTO THE EUROPEAN UNION OF AGRICULTURAL PRODUCTS, PROCESSED AGRICULTURAL PRODUCTS AND FISH AND FISHERY PRODUCTS ORIGINATING IN THE WEST BANK AND THE GAZA STRIP

1. Customs duties and charges having equivalent effect (including their agricultural component), which are applicable on the import into the European Union of products originating in the West Bank and the Gaza Strip and listed in chapters 1 to 24 of the Combined Nomenclature (CN) and of the customs tariff of the Palestinian Authority, and those listed in Annex 1(1)(ii) of the Agreement on Agriculture of the GATT, with exception of chemically pure lactose of CN code 1702 11 00 and of glucose and glucose syrup, containing in the dry state, 99% or more by weight of glucose of CN codes ex 1702 30 50 and ex 1702 30 90 covered by Chapter 1, shall be temporarily eliminated in accordance with the provisions of point B.5(a) of the Agreement in the form of Exchange of Letters.
2. Notwithstanding the conditions under point 1 of this Protocol, for the products to which an entry price applies in accordance with Article 140a of Council Regulation (EC) No 1234/2007⁶, and for which the Common Customs Tariff provides for the application of *ad valorem* customs duties and a specific customs duty, the elimination applies only to the *ad valorem* part of the duty.

⁶ OJ L 299, 16.11.2007, p. 1.

ANNEX II TO THE AGREEMENT

PROTOCOL 2

ON THE ARRANGEMENTS APPLYING TO IMPORTS INTO THE WEST BANK AND THE GAZA STRIP OF AGRICULTURAL PRODUCTS, PROCESSED AGRICULTURAL PRODUCTS AND FISH AND FISHERY PRODUCTS ORIGINATING IN THE EUROPEAN UNION

1. The products listed in the Annexes originating in the European Union shall be admitted for importation into the West Bank and the Gaza Strip according to the conditions contained herein and in the Annexes.
2. Import duties on imports are either eliminated or reduced to the level indicated in column 'a', within the limit of the annual tariff quota listed in column 'b', and subject to the specific provisions indicated in column 'c'.
3. For the quantities imported in excess of the tariff quotas, the general customs duties applied to third countries shall apply, subject to the specific provisions indicated in column 'c'.
4. For the first year of application, the volumes of the tariff quotas and the reference quantities shall be calculated as a pro rata of the basic volumes, taking into account the period elapsed before the date of entry into force of this Protocol.

ANNEX 1 TO PROTOCOL 2

CN Code	Description	Duty (%)	Tariff quota (t, unless otherwise indicated)	Specific provisions
		a	b	c
0102 90 71	Live bovine animals, of a weight exceeding 300kg, for slaughter, other than heifers and cows	0	300	
0202 30 90	Meat of bovine animals, boneless excluding fore-quarters, 'compensated' quarters, crop, chuck and blade and brisket cuts, frozen	0	200	
0206 22 00	Edible livers of bovine animals frozen	0	100	
0406	Cheese and curd	0	200	
0407 00 19	Poultry eggs for hatching, other than those of turkeys or geese	0	120 000 pieces	
1101 00 15	Flour of common wheat and spelt	0	13 000	
2309 90 99	Other preparations of a kind used in animal feeding	2	100	

ANNEX 2 TO PROTOCOL 2

PRODUCTS REFERRED TO IN ARTICLE 7 (2) OF THE EURO-MEDITERRANEAN INTERIM ASSOCIATION AGREEMENT

CN code	Description
1902	Pasta and couscous:
A	— of durum wheat
B	— other
1905 10	Crisp bread
1905 20 90	Gingerbread and the like, not especially for diabetics:
A	— containing over 15% by weight of flour from cereals other than wheat in relation to the total flour content
B	— other
ex 1905 32 A	Waffles and wafers
A1	— not filled, whether or not coated
Ala	— containing over 15% by weight of flour from cereals other than wheat in relation to the total flour content
Alb	— other
A2	— other
A2a	— containing not less than 1,5% milk fats or not less than 2,5% of milk proteins
A2b	— other
1905 40 10	Rusk, containing added sugar, honey, other sweetening matter, eggs, fat, cheese, fruit, cocoa or similar:
A	— containing over 15% by weight of flour from cereals other than wheat in relation to the total flour content
B	— other
1905 ex 31) B + ex 90)	Other bakers' wares, containing added sugar, honey, other sweetening matter, eggs, fat, cheese, fruit, cocoa or similar:
B1	— containing added eggs, not less than 2,5 % by weight
B2	— containing added dried fruits or nuts:
B2a	— containing not less than 1,5% milk fats and not less than 2,5% milk proteins; see Annex V
B2b	— other
B3	— containing less than 10% by weight of added sugar and not containing added eggs, dried fruits or nuts

ANNEX III TO THE AGREEMENT

COMMON DECLARATION COOPERATION ON SANITARY AND PHYTOSANITARY OR TECHNICAL BARRIERS TO TRADE ISSUES

The Parties shall solve any problems, in particular sanitary, phytosanitary or technical barriers to trade, hindering the implementation of this Agreement, by means of existing administrative arrangements. The results shall then be reported to the relevant Sub-committees and to the Joint Committee. The Parties commit to examine and solve such cases with the shortest possible delay in a friendly manner, in line with their respective applicable laws and with WTO, OIE, IPPC and Codex Alimentarius standards.

ANNEX IV TO THE AGREEMENT

A: CONSOLIDATED LIST OF CONCESSIONS APPLIED TO IMPORTS INTO THE EUROPEAN UNION OF AGRICULTURAL PRODUCTS AND FISHERY PRODUCTS ORIGINATING IN THE WEST BANK AND THE GAZA STRIP BEFORE THE ENTRY INTO FORCE OF THIS AGREEMENT IN THE FORM OF AN EXCHANGE OF LETTERS

1. The products listed in the Annex, originating in the West Bank and the Gaza Strip shall be admitted for importation into the European Union, according to the conditions contained hereafter and in the Annex.
 - (a) Customs duties are eliminated or reduced as indicated in column 'a'.
 - (b) For certain products, for which the Common Customs Tariff provides the application of an ad valorem duty and a specific duty, the rates of reduction, indicated in columns 'a' and 'c', only apply to the ad valorem duty. However, for the product corresponding to the subheading 1509 10, the duty reduction applies to the specific duty.
 - (c) For certain products, customs duties are eliminated within the limit of the tariff quotas listed in column 'b' for each of them; the tariff quotas shall apply on an annual basis from 1 January to 31 December, unless otherwise specified.
 - (d) For the quantities imported in excess of the quotas, the common customs duties are, according to the product concerned, applied in full or reduced, as indicated in column 'c'.
2. For certain products, the exemption of customs duties is granted in the framework of reference quantities as indicated in column 'd'.

Should the volume of imports of one of these products exceed the reference quantity, the European Union, having regard to an annual review of trade flows which it shall carry out, may make the product in question subject to a tariff quota of the Union, the volume of which shall be equal to the reference quantity. In that case, for quantities imported in excess of the quota, the common customs duty is, according to the product concerned, applied in full or reduced as indicated in column 'c'.
3. For the first year of application, the volumes of the tariff quotas and the reference quantities shall be calculated as a pro rata of the basic volumes, taking into account the period elapsed before the date of entry into force of this Protocol.
4. For some products listed in the Annex, the volume of the tariff quota is increased twice, on the basis of the volume indicated in column 'e'. The first increase takes place on the date when each tariff quota is opened for the second time.

CN Code ⁽¹⁾	Description ⁽²⁾	Reduction of the MFN customs duty (%) ⁽³⁾	Tariff quota (t, unless otherwise indicated)	Reduction of the MFN customs duty beyond current or possible tariff quota (%) ⁽³⁾	Reference quantity (t, unless otherwise indicated)	Specific provisions
		a	b	c	d	e
0409 00 00	Natural honey	100	500	0		point 4 — yearly increase of 250 t
0603 11 00 0603 12 00 0603 13 00 0603 14 00 0603 19 10 0603 19 90	Cut flowers and flower buds, fresh, of a kind suitable for bouquets or for ornamental purposes	100	2 000	0		point 4 — yearly increase of 250 t
0702 00 00	Tomatoes, fresh or chilled, from 1 December to 31 March	100		60	2 000	
0703 10 11 0703 10 19	Onions, fresh or chilled, from 15 February to 15 May	100		60		
0709 30 00	Aubergines (eggplants), fresh or chilled, from 15 January to 30 April	100		60	3 000	
ex 0709 60	Fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i> , fresh or chilled:	100		40	1 000	
0709 60 10	Sweet peppers	100		80		
0709 60 99	Other					
0709 90 70	Courgettes, fresh or chilled, from 1 December to end of February	100		60	300	
ex 0709 90 90	Wild onions of the species <i>Muscari comosum</i> , fresh or chilled, from 15 February to 15 May	100		60		
0710 80 59	Fruits of the genus <i>Capsicum</i> or <i>Pimenta</i> , other than sweet peppers, uncooked or cooked by steaming or boiling in water, frozen	100		80		
0711 90 10	Fruits of the genus <i>Capsicum</i> or <i>Pimenta</i> , other than sweet peppers, provisionally preserved but unsuitable in that state for immediate consumption	100		80		
0712 31 00 0712 32 00 0712 33 00 0712 39 00	Mushrooms, wood ears (<i>Auri-cularia</i> spp.), jelly fungi (<i>Tremella</i> spp.) and truffles, dried	100	500	0		
ex 0805 10	Oranges, fresh	100		60	25 000	
ex 0805 20	Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids, fresh	100		60	500	
0805 40 00	Grapefruit	100		80		
ex 0805 50 10	Lemons (<i>Citrus limon</i> , <i>Citrus limonum</i>), fresh	100		40	800	
0806 10 10	Fresh table grapes, from 1 February to 14 July	100	1 000	0		point 4 — yearly increase of 500 t
0807 19 00	Melons (excluding watermelons), fresh, from 1 November to 31 May	100		50	10 000	
0810 10 00	Fresh strawberries, from 1 November to 31 March	100	2 000	0		point 4 — yearly increase of 500 t
0812 90 20	Oranges, provisionally preserved, but unsuitable in that state for immediate consumption	100		80		
0904 20 30	Fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i> , other than sweet peppers, dried, neither crushed or ground	100		80		
1509 10	Virgin olive oil	100	2 000	0		point 4 — yearly increase of 500 t
2001 90 20	Fruits of the genus <i>Capsicum</i> , other than sweet peppers or pimentos, prepared or preserved by vinegar or acetic acid	100		80		
2005 99 10	Fruits of the genus <i>Capsicum</i> , other than sweet peppers or pimentos, prepared or preserved otherwise than by vinegar or acetic acid, not frozen	100		80		

⁽¹⁾ CN codes corresponding to Regulation (EC) No 948/2009 (OJ L 287, 31.10.2009, p. 1).

⁽²⁾ Without prejudice to the rules for the interpretation of the combined nomenclature, the description of the products is deemed to be indicative only, the preferential scheme being determined, for the purposes of this Annex, by the coverage of the CN codes. Where ex CN codes are indicated, the preferential scheme is to be determined by application of the CN code and corresponding description taken together.

⁽³⁾ Duty reduction applies only to *ad valorem* customs duties. However, for the product corresponding to the subheading 1509 10, the duty reduction applies to the specific duty.

B: CONSOLIDATED LIST OF CONCESSIONS APPLYING TO IMPORTS INTO THE EUROPEAN UNION OF PROCESSED AGRICULTURAL PRODUCTS ORIGINATING IN THE WEST BANK AND THE GAZA STRIP REFERRED TO IN ARTICLE 7 (1) OF THE EURO-MEDITERRANEAN INTERIM ASSOCIATION AGREEMENT BEFORE THE ENTRY INTO FORCE OF THIS AGREEMENT IN THE FORM OF AN EXCHANGE OF LETTERS

CN code	Description
0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa:
0403 10 51 to 0403 10 99	Yoghurt, flavoured or containing added fruit, nuts or cocoa
0403 90 71 to 0403 90 99	Buttermilk, curdled milk and cream, kephir and other fermented or acidified milk and cream, flavoured or containing added fruit, nuts or cocoa
0710 40 00	Sweetcorn (uncooked or cooked by steaming or boiling in water), frozen
0711 90 30	Sweetcorn 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 1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of No 1516:
1517 10 10	Margarine, excluding liquid margarine, containing more than 10% but not more than 15% by weight of milk fats
1517 90 10	Other, containing more than 10% but not more than 15% by weight of milk fats
ex 1704	Sugar confectionery (including white chocolate), not containing cocoa; excluding liquorice extract containing more than 10% by weight of sucrose but not containing other added substances, falling within CN code 1704 90 10
1806	Chocolate and other food preparations containing cocoa
ex 1901	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 0401 to 0404, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included, excluding preparations falling within CN code 1901 90 91
ex 1902	Pasta, excluding stuffed pasta falling within CN codes 1902 20 10 and 1902 20 30; couscous, whether or not prepared
1903	Tapioca and substitutes thereof prepared from starch, in the form of flakes, grains, pearls, siftings or similar forms
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example cornflakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked or otherwise prepared, not elsewhere specified or included

1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products
2001 90 30	Sweetcorn (<i>Zea mays</i> var. <i>saccharata</i>), prepared or preserved by vinegar or acetic acid
2001 90 40	Yams, sweet potatoes and similar edible parts of plants containing 5 % or more by weight of starch, prepared or preserved by vinegar or acetic acid
2004 10 91	Potatoes in the form of flour, meal or flakes, prepared or preserved otherwise than by vinegar or acetic acid, frozen
2004 90 10	Sweetcorn (<i>Zea mays</i> var. <i>saccharata</i>), prepared or preserved otherwise than by vinegar or acetic acid, frozen
2005 20 10	Potatoes in the form of flour, meal or flakes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen
2005 80 00	Sweetcorn (<i>Zea mays</i> var. <i>saccharata</i>), prepared or preserved otherwise than by vinegar or acetic acid, not frozen
1904 20 10	Preparation of the Müsli type based on unroasted cereal flakes
2008 99 85	Maize (corn), other than sweetcorn (<i>Zea mays</i> var. <i>saccharata</i>) otherwise prepared or preserved, not containing added spirit or added sugar
2008 99 91	Yams, sweet potatoes and similar edible parts of plants, containing 5 % or more by weight of starch, otherwise prepared or preserved, not containing added spirit or added sugar
2101 12 98	Preparations with a basis of coffee
2101 20 98	Preparations with a basis of tea or mate
2101 30 19	Roasted coffee substitutes excluding roasted chicory
2101 30 99	Extracts, essences and concentrates of roasted coffee substitutes excluding those of roasted chicory
2102 10 31 2102 10 39	Bakers' yeasts
ex 2103 90 90	Sauces and preparations therefor: — Mayonnaise
2105 00	Ice cream and other edible ice, whether or not containing cocoa
ex 2106	Food preparations not elsewhere specified or included other than those falling within CN codes 2106 10 20 and 2106 90 92 and other than flavoured or coloured sugar syrups of CN codes 2106 90 30 to 2106 90 59
2202 90 91 2202 90 95 2202 90 99	Non-alcoholic beverages, not including fruit or vegetable juices of heading 2009, containing products of headings 0401 to 0404 or fat obtained from products of headings 0401 to 0404
2905 43 00	Mannitol
2905 44	D-Glucitol (sorbitol)
ex 3505 10	Dextrins and other modified starches, excluding esterified and etherified starches of CN code 3505 10 50
3505 20	Glues based on starches or on dextrins or other modified starches
3809 10	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included, with a basis of amylaceous substances

3824 60	Sorbitol other than that of subheading 2905 44
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B. Letter from the Palestinian Authority

Sir/Madam,

I have the honour to acknowledge receipt of your letter of [...] which reads as follows:

"I have the honour of referring to the negotiations which took place in accordance with the spirit of the Euro-Mediterranean Roadmap for agriculture (Rabat Roadmap), adopted by the Euro-Mediterranean Ministers of Foreign Affairs on 28 November 2005, for the acceleration of liberalisation of trade in agricultural products, processed agricultural products and fish and fishery products, and under Articles 7, 12 and 14 (2) of the Euro-Mediterranean Interim Agreement establishing an association between the European Community and their Member States, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip (hereinafter "Palestinian Authority"), of the other part (hereinafter the Interim Association Agreement), in force since 1 July 1997, which states that the Community and the Palestinian Authority shall progressively establish greater liberalisation, *inter alia*, of their trade in agricultural products of interest to both Parties.

A: The Parties have agreed on the following temporary amendments to the Interim Association Agreement:

1. Protocol 1 shall be replaced by that appearing in Annex I to this Agreement in the form of an Exchange of Letters, subject to the provisions of point A.

B: The Parties have also agreed on the following permanent amendments to the Interim Association Agreement:

1. Article 4 shall be replaced by the following:

"The provisions of this Chapter shall apply to products originating in the European Union and in the West Bank and the Gaza Strip other than those listed in chapters 1 to 24 of the Combined Nomenclature (CN) and of the customs tariff of the Palestinian Authority, and those listed in Annex 1(1)(ii) of the Agreement on Agriculture of the GATT. However, this Chapter shall continue to apply to chemically pure lactose of CN code 1702 11 00 and glucose and glucose syrup, containing in the dry state 99% or more by weight of glucose of CN codes ex 1702 30 50 and ex 1702 30 90."

2. The title of Chapter 2 shall be replaced by the following:

"AGRICULTURAL PRODUCTS, PROCESSED AGRICULTURAL PRODUCTS AND FISH AND FISHERY PRODUCTS"

3. Article 11 shall be replaced by the following:

"The provisions of this Chapter shall apply to products originating in the European Union and in the West Bank and the Gaza Strip listed in chapters 1 to 24 of the Combined Nomenclature (CN) and of the customs tariff of the Palestinian Authority, and those listed in Annex 1(1)(ii) of the Agreement on Agriculture of the GATT, with exception of chemically pure lactose of CN code 1702 11 00 and of glucose and glucose syrup, containing in the dry state, 99% or more by weight of glucose of CN

codes ex 1702 30 50 and ex 1702 30 90, for which duty free market access was already granted within Chapter 1."

4. Article 12 shall be replaced by the following:

"The European Union and the Palestinian Authority shall progressively establish greater liberalisation of their trade in agriculture, processed agricultural products and fish and fishery products of interest to both Parties."

5. Article 13 shall be replaced by the following:

"1. Agricultural products, processed agricultural products and fish and fishery products originating in the West Bank and the Gaza Strip listed in Protocol 1, on importation into the European Union shall be subject to the arrangements set out in that Protocol.

2. Agricultural products, processed agricultural products and fish and fishery products originating in the European Union listed in Protocol 2, on importation into the West Bank and the Gaza Strip shall be subject to the arrangements set out in that Protocol. "

6. Article 23bis shall be added:

"Temporary Withdrawal of Preferences

1. The Parties agree that administrative co-operation and assistance are essential for the implementation and the control of the preferential treatment granted under this Agreement and underline their commitment to combat irregularities and fraud in customs and related matters.
2. Where a Party has made a finding, on the basis of objective information, of a failure to provide administrative co-operation/assistance and/or of irregularities or fraud under this Agreement, the Party concerned may temporarily suspend the relevant preferential treatment of the product(s) concerned in accordance with this Article.
3. For the purpose of this Article a failure to provide administrative co-operation/assistance shall mean, inter alia:
 - a) a repeated failure to respect the obligations to verify the originating status of the product(s) concerned;
 - b) a repeated refusal or undue delay in carrying out and/or communicating the results of subsequent verification of the proof of origin;
 - c) a repeated refusal or undue delay in obtaining authorisation to conduct enquiry visits to determine the authenticity of documents or accuracy of information relevant to the granting of the preferential treatment in question.
4. For the purpose of this Article a finding of irregularities or fraud may be made, inter alia, where there is a rapid increase, without satisfactory explanation, in

imports of goods exceeding the usual level of production and export capacity of the other Party that is linked to objective information concerning irregularities or fraud.

5. The application of a temporary suspension shall be subject to the following conditions:
 - a) The Party which has made a finding, on the basis of objective information, of a failure to provide administrative co-operation/assistance and/or of irregularities or fraud shall without undue delay notify the Joint Committee of its finding together with the objective information and enter into consultations within the Joint Committee, on the basis of all relevant information and objective findings, with a view to reaching a solution acceptable to both Parties.
 - b) Where the Parties have entered into consultations within the aforementioned Committee and have failed to agree on an acceptable solution within 3 months following the notification, the Party concerned may temporarily suspend the relevant preferential treatment of the product(s) concerned. A temporary suspension shall be notified to the Committee without undue delay.
 - c) Temporary suspensions under this article shall be limited to that necessary to protect the financial interests of the Party concerned. They shall not exceed a period of six months, which may be renewed if at the date of expiry nothing has changed with respect to the conditions that gave rise to the initial suspension. They shall be subject to periodic consultations within the Joint Committee, in particular with a view to their termination as soon as the conditions for their application no longer apply.

Each Party shall publish according to its internal procedures, in the case of the European Union in the Official Journal of the European Union, notices to importers concerning any: notification referred to in paragraph 5 a); decision referred to in paragraph 5b); and extension or termination referred to in paragraph 5 c)."

7. Protocol 2 and its Annexes shall be replaced by those appearing in Annex 2 to this Agreement in the form of an Exchange of Letters.
 8. A Common Declaration on sanitary and phytosanitary or technical barriers to trade issues, appearing in Annex III to this Agreement in the form of an Exchange of Letters, shall be added to the Interim Association Agreement.
- C. The Parties have agreed on the following additional provisions:
1. a) The temporary amendments provided for under point A shall apply for a period of 10 years from the entry into force of this Agreement. However, depending on the future economic development of the West Bank and Gaza Strip, a possible extension for an additional period of those amendments could be considered by the Joint Committee. Such a decision shall be taken by the Joint Committee at the latest one year before the expiration of the 10 years period as provided by this Agreement in the form of Exchange of Letters.

- b) The European Union and the Palestinian Authority shall meet five years from the date of entry into force of this Agreement, to consider the possibility of granting each other further permanent concessions of trade in agricultural products, processed agricultural products, fish and fishery products with the objective laid down in Article 12 of the Interim Agreement.
 - c) The starting point for future reciprocal negotiations will be the consolidated concessions of the Euro-Mediterranean Interim Association, which are listed in Annex IV and Protocol 2 of this Agreement in the form of Exchange of Letters.
 - d) It is understood that the trade conditions to be granted by the European Union as a result of these future negotiations may be less favourable than those granted under the present Agreement
2. Article 7(1) of the Interim Association Agreement shall not apply pending the application of the temporary amendments provided for under point A.

This Agreement in the form of an Exchange of Letters shall enter into force on the first day of the third month following the date of the deposit of the last instrument of approval."

I have the honour to confirm that the Palestinian Authority is in agreement with the content of your letter.

Please accept, Sir/Madam, the assurance of my highest consideration.

Done at Ramallah / Brussels,

For the Palestinian Authority

FINANCIAL STATEMENT

Fichefin/10/653978REV
2
DDG/dz
6.0.2005.1-2010
DATE: 07/12/2010

1.	BUDGET HEADING: Chapter 12 – Custom duties and other duties	APPROPRIATIONS: PB2011: 16 653.7 M€		
2.	TITLE: Proposal for a Council Decision on the conclusion of an Agreement in the form of an Exchange of Letters between the European Union, of the one part, and the Palestinian Authority of the West Bank and the Gaza Strip, of the other part, providing further liberalisation of agricultural products, processed agricultural products and fish and fishery products and amending the Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part.			
3.	LEGAL BASIS: Treaty and in particular art. 207(4) first subparagraph, in conjunction with Article 218(6)(a).			
4.	AIMS: To conclude an Agreement in view to provide the further liberalisation on bilateral trade of agricultural products, processed agricultural products and fish and fishery products.			
5.	FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2010 (EUR million)	FOLLOWING FINANCIAL YEAR 2011 (EUR million)
5.0	EXPENDITURE - CHARGED TO THE EU BUDGET (REFUNDS/INTERVENTIONS) - NATIONAL AUTHORITIES - OTHER	-	-	-
5.1	REVENUE - OWN RESOURCES OF THE EU (LEVIES/CUSTOMS DUTIES) - NATIONAL	-	-	-
		2012	2013	2014
5.0.1	ESTIMATED EXPENDITURE			
5.1.1	ESTIMATED REVENUE	-	-	-
5.2	METHOD OF CALCULATION: -			
6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?			YES NO
6.1	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?			YES NO
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?			YES NO
6.3	WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?			YES NO
	OBSERVATIONS: The proposal concerns the conclusion of an Agreement between the European Union and the Palestinian Authority of the West Bank and the Gaza Strip, in order to provide further liberalisation of trade in agricultural products, processed agricultural products and fish and fishery products and amending the Euro-Mediterranean Interim Association Agreement. The measure mainly concerns imports of products subject to entry price (fruits and vegetables) i.e.: the currently applicable system of determining the corresponding agricultural duties, for which no revenue estimates can be made. Furthermore, the volume of imports into the EU of the agricultural products concerned is extremely low. Therefore it can be estimated that the financial impact of the measure is negligible.			

