

Brussels, 17-18.XI.2003

14796/03 (Presse 328)

**FOURTH MEETING OF  
THE ASSOCIATION COUNCIL EU - ISRAEL <sup>1</sup>  
(Brussels, 17 – 18 November 2003)**

**Declaration of the European Union**

1. The EU welcomes this fourth meeting of the Association Council with Israel. The Association Agreement offers the framework for strengthening bilateral ties and the EU is committed to continuously deploying efforts to this effect. This session follows the last meeting of the Association Committee on 9 July 2003 in Brussels, which enabled us to make good progress in several areas of co-operation.

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<sup>1</sup> The meeting was chaired by Mr Franco FRATTINI, Minister for Foreign Affairs of the Italian Republic and President of the Council.  
Mr Silvan SHALOM, Minister for Foreign Affairs of Israel, led the Israeli Delegation.  
Mr Javier SOLANA, Secretary General and High Representative for the CFSP,  
The European Commission was represented by Mr Christopher PATTEN, Member.

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2. The Association Agreement provides us also with an institutionalised framework to conduct a regular political dialogue at various levels on all issues of common interest, the aim of which is to develop better mutual understanding, increasing convergence of positions on international issues, opening the way to new forms of co-operation with a view to achieving common goals, in particular peace, security and democracy. The EU attaches great importance to conducting and maintaining a regular political dialogue with Israel at all levels. Consequently, the Association Committee at its last meeting devoted time to discussing a number of political issues, among which were the Middle East Peace Process, Iran, Iraq, terrorism, non-proliferation, the Wider Europe initiative and the Euro-Mediterranean Partnership.

The EU is ready to consider proposals submitted by Israel in the margins of the last Association Committee to deepen and strengthen the dialogue; in this context the ban imposed by Israel on official contacts with EU representatives who meet with the President of the Palestinian Authority is not in line with the spirit of these proposals. The EU stresses the importance of open and unhindered channels of communication for all EU interlocutors, including EU Special Representative, Ambassador Marc Otte. The EU urges the Israeli side to reconsider its position in view of the negative impact it might have for the future dialogue.

3. Our bilateral relations are based on shared respect for human rights and democratic principles, an essential element of our association agreement as set out in Article 2. The EU seeks to uphold the universality, interdependence and indivisibility of all human rights. The promotion and protection of human rights including rights of persons belonging to minorities as well as fundamental freedoms constitute a major objective of the EU's external relations. In this context, the EU recalls that the Commission has presented to the Council and the European Parliament a Communication on "Reinvigorating EU actions on Human Rights and democratisation with Mediterranean partners" which makes a certain number of concrete recommendations. The Communication, which has also been presented to the Mediterranean partners at the Mid-term Ministerial Conference in Crete in May, is currently being examined by the Council bodies.

4. The EU is firmly committed to the clear objective of two States, Israel and a viable and democratic Palestinian State, living side by side in peace and security, in the framework of a comprehensive peace in the **Middle East**, as laid out in the Road Map.

The EU is deeply concerned by the situation in the region and has noted that, despite support given by the international community to the quest for a just and lasting solution, insufficient effort has been made by the concerned parties to seize the opportunity for peace set out in the Road Map, underscored by the recent Quartet Ministerial Statement issued September 26 last. On the contrary, rising violence is bringing added suffering and death to both the Israeli and the Palestinian peoples and putting at risk security in the region and beyond.

The EU therefore calls on both parties – Israel and the Palestinian Authority – to live up to the commitments they undertook at the Aqaba summit on 4 June 2003. A settlement can be achieved through negotiation, and only through negotiation. The objective is an end to the occupation and the early establishment of a democratic, viable, peaceful and sovereign State of Palestine, on the basis of the 1967 borders, if necessary with minor adjustments agreed by the parties. The end result should be two states living side by side within secure and recognised borders enjoying normal relations with their neighbours.

The EU urges all sides in the region to immediately implement policies conducive to dialogue and negotiations. The EU relationship with those who will take steps to the contrary will be inevitably affected by such behaviour.

The EU strongly condemns the intensification of suicide attacks and other acts of violence that have occurred over the last few weeks and calls upon all sides to refrain from any provocative action which can further escalate the tension.

Terrorist attacks against Israel have no justification whatsoever. The EU reiterates that the fight against terrorism in all its forms remains one of the priorities of the European Union as well as of the entire international Community and that it is the duty of all countries, in particular of those in the region, to actively co-operate in the fight against terrorism and to abstain from all support, direct or indirect, to terrorist organisations.

The EU emphasises once again that the Palestinian Authority must concretely demonstrate its determination in the fight against extremist violence and urges the PA and its President to take immediate, decisive steps to consolidate all Palestinian security services under the clear control of a duly empowered Prime Minister and Interior Minister, and confront individuals and groups conducting and planning terrorist attacks.

The EU recognises Israel's right to protect its citizens from terrorist attacks. It urges the Government of Israel, in exercising this right, to exert maximum effort to avoid civilian casualties and take no action that aggravates the humanitarian and economic plight of the Palestinian people. It also calls on Israel to abstain from any punitive measures which are not in accordance with international law, including extra-judicial killings and destruction of houses.

The EU reiterates that actions to remove the elected President of the Palestinian Authority would be contrary to international law and counterproductive to the efforts at reaching a peaceful solution to the conflict.

Decisive steps must be taken to reverse the sharply deteriorating humanitarian situation in the West Bank and Gaza which is making life increasingly intolerable for ordinary Palestinians and fuelling extremism and support to fundamentalist groups to the detriment of popular support to the Palestinian Government. The EU, which is one of the largest donors to the Palestinian Authority, is providing assistance to alleviate the suffering of the Palestinian people, as well as to support structural reforms in view of a future Palestinian State. This assistance is becoming increasingly difficult and costly for the EU to provide. The EU calls on the Government of Israel to facilitate the reform of the Palestinian Authority and increase efforts to ease the plight of the Palestinian people by taking on more responsibility from the international community to provide humanitarian assistance to the Palestinian population. In the meantime, it is necessary that humanitarian access and security of humanitarian personnel and their installations be guaranteed. Full safe and unfettered access of humanitarian personnel to the Palestinian territories is crucial. We attach importance to the work carried out by UNRWA, other agencies and NGOs in order to improve living conditions and alleviate human suffering.

The EU is particularly concerned by the route marked out for the so-called security fence in the Occupied West Bank and East Jerusalem. The envisaged departure of the route from the "green line" could prejudge future negotiations and make the two-State solution physically impossible to implement. It would cause further humanitarian and economic hardship to the Palestinians. Thousands of Palestinians west of the fence are being cut off from essential services in the West Bank, Palestinians east of the fence will lose access to land and water resources. In this context the EU is alarmed by the designation of land between the fence and the "green line" as a closed military zone. This is a de-facto change in the legal status of Palestinians living in this area which makes life for them even harder. Hence, the EU calls on Israel to stop and reverse the construction of the so-called security fence inside the occupied Palestinian territories, including in and around East Jerusalem, which is in departure of the armistice line of 1949 and is in contradiction to the relevant provisions of international law.

Also, the continued expansion of settlements and related construction, such as the tenders for several hundred new units issued in October, inflames an already volatile situation and is inconsistent with the Road Map. It is an obstacle to peace. The EU urges the Government of Israel to reverse its settlement policy and activity and end land confiscations. As a first step the EU calls on the Government of Israel to apply immediately a full and effective freeze on all settlement activities and to dismantle all settlement outposts established since March 2001.

The EU reaffirms once again that there is no alternative to a swift and full implementation, in good faith by the two sides, of the Road Map. The EU reiterates the determination of the European Union to contribute to all aspects of the implementation of the Road Map, including to a credible and effective third-party monitoring mechanism as laid out in the Road Map, which should be urgently set up.

The EU welcomes initiatives from civil society on both sides and is ready to further assist in the effort to promote rapprochement, confidence building and the search for a lasting peace.

The EU recalls that a comprehensive peace in the Middle East will also have to include Syria and Lebanon.

5. The European Council on 16 October reviewed developments in relations with **Iran**.

The European Union welcomed the commitment made by Iran in the 21 October “Agreed Statement” on Iran’s nuclear programme between the Iranian Government and the Foreign Ministers from the United Kingdom, Germany and France. It is now looking forward to its prompt and full implementation.

It reiterated its grave concern on Iran's nuclear programme and gave its full support to the IAEA Board of Governors Resolution of 12 of September. The Union expects Iran to co-operate fully with the IAEA in its implementation. The European Council renewed its call on Iran promptly and unconditionally to sign, to ratify and to implement the IAEA Additional Protocol on Safeguards and to act immediately in accordance with it. It also calls on Iran to suspend all uranium enrichment-related and reprocessing activities. The European Council rejected the perspective of nuclear proliferation in the region, which is already far from stable.

The European Union remains ready to explore ways to develop a wider cooperation with Iran. This can only be achieved through increased international confidence on the peaceful nature of Iran's nuclear programme and improvements in the areas of human rights, fight against terrorism and Iran's position on the Middle East Peace Process.

6. The European Council in Brussels on 16 October welcomed the unanimous adoption of UNSC Resolution 1511. It confirmed the EU determination and commitment to play a significant role in the political and economic reconstruction of **Iraq**, within the framework of the relevant UNSC resolutions. The following will be essential for success:

- an adequate security environment,
- a strong and vital UN role,
- a realistic schedule for the handing over of political responsibility to the Iraqi people,
- the setting up of a transparent multilateral donor fund to channel support from the international community.

The EU has actively contributed to the positive outcome of the Donors Conference for Iraq, which took place on 23-24 October in Madrid. On that occasion the EU announced a pledge of € 200 million for 2003-2004 from the Community budget. The total EU pledge consisting of contributions from the Community budget and from the EU Member States came to around € 700 million for 2004 and € 1.3 billion for the period 2004-2007.

The European Council urged all countries in the region to contribute actively to the stability of Iraq and to support its political and economic reconstruction process. A prosperous, stable and sovereign Iraq, whose territorial integrity is preserved, will be essential for the stability in the region and beyond.

7. The **Euro-Mediterranean Partnership** offers the only permanent multilateral forum outside the United Nations where Israel and its neighbours regularly meet. It has shown its resilience and has allowed its participants to engage into an open dialogue on all the issues of common interest. It is not intended to substitute for peace initiatives but should be seen as a facilitator to peace. The European Union has stressed from the beginning and constantly insisted that the Barcelona activities should be open to all partners in the process.

The Euro-Mediterranean Foreign Ministers' Conference held in Valencia on 22 and 23 April 2002 renewed a mutual commitment which has given greater depth to the Euro-Mediterranean Partnership. The Conference unanimously adopted an Action Plan to give political impetus to the Process and to make it advance substantially, by increasing the sense of joint belonging to the partnership. At the Euro-Mediterranean Mid-term Ministerial Conference which was held in Crete on 26 and 27 May 2003, Foreign Ministers took stock of progress and gave fresh impetus to the Partnership's work in the run-up to Barcelona VI, to be held in Naples in December 2003. At that occasion, Foreign Ministers also expressed readiness to use fully the potential of the Barcelona Process to make a positive contribution to the stabilisation of the Mediterranean region. They felt that a reinvigorated co-operation within the region and with the Mediterranean partners should be sought at the present juncture.

Of particular significance is also the agreement reached at the Crete meeting on Guiding principles for the dialogue between cultures and civilisations and on the objectives, activities and modalities of establishment of the Euro-Mediterranean Foundation for the Dialogue between cultures and civilisations, foreseen at Valencia. We renew our commitment to ensure the setting up of the Foundation at the Naples Conference. It will serve as a fundamental instrument to bring people together and create mutual understanding. The Conference in Naples should also welcome the setting up of the Euro-Mediterranean Parliamentary Assembly. At Crete, Foreign Ministers also recalled that a decision should be taken later this year to determine the future course of action on the FEMIP.

The sectoral Euro-Mediterranean Ministerial Conferences on Industry, Trade, the Environment and Energy that were held since our last meeting have also helped to revitalise the Partnership. We particularly welcome the important initiative taken by Israel and the Palestinian Authority at the 3<sup>rd</sup> Ministerial Conference on Energy to co-operate in the framework of a Technical Working Group with a view to identifying and promoting interconnection projects of common interest to be integrated into the framework of the Euro-Mediterranean Partnership. The EU looks forward to the coming sectoral Conferences on Agriculture and on Investment, Infrastructure and Energy, as opportunities to further pursue Euro-Mediterranean dialogue and cooperation in these fields.

Following the agreement in principle reached at the second Trade Ministerial Conference in Toledo for the participation of the Mediterranean partners in the Pan-Euro-Mediterranean cumulation of origin system, the new Protocol on rules of origin extending the Pan-European system of cumulation to the Mediterranean countries was endorsed at the third Trade Ministerial Conference held in July 2003 in Palermo. Steps should now be taken to insert the new protocol in the Association Agreements. The harmonisation of rules of origin in the Euro-Mediterranean area represents a major step forward. It will significantly facilitate trade in the Euromed region and contribute to the creation of a Free Trade Area.

The EU welcomes the launching of dialogue and co-operation on the European Security and Defence Policy. The dialogue with the EU Political and Security Committee, and at expert level, can usefully add to the range of instruments available under the Barcelona Process.

Major changes are taking place with the forthcoming **enlargement of the European Union** and the accession of ten new Member States on 1 May 2004. Following the signature of the Accession Treaty on 16 April 2003, the European Union has provided the future Member States with an observer status, giving them the right to fully participate in the work of the EU institutions and to prepare themselves thus to their future membership. The enlargement of the European Union offers new opportunities and creates challenges including for the Mediterranean partner countries.

In this respect, the **Wider Europe initiative** is of particular relevance. Foreign Ministers had already the opportunity, at the Mid-term Ministerial Conference in Crete, on 26-27 May, to discuss the application of the policy guidelines proposed in the Commission Communication on Wider Europe to the Mediterranean partners. They acknowledged that the new policies do provide a means to reinforce the Barcelona Process and to develop co-operation based on the mutual recognition of common interests.

The EU Council laid down the EU approach towards Wider Europe, the general principles and the overall goals as well as the next steps for its implementation. The Council urged to take forward work in implementing this initiative, with a view to ensuring a comprehensive, balanced and proportionate approach, including a financial instrument, responding to the needs to promote cross-border and regional/transnational cooperation on the external borders of the enlarged Union.

The EU welcomes Israel's interest to participate in the Wider Europe initiative and to proceed to technical consultations aiming at the drawing up of an Action Plan. The EU is ready to examine the conditions for implementing this initiative with Israel.

8. The EU notes that prospects for the Israeli economy have improved in 2003 after a two-year long recession. Economic growth for 2003 has somewhat recovered, but with less than 1% it remains well below average growth rates of 5% during the 1990s and a further deterioration of per capita incomes is expected. The political and security tensions and slower-than-expected global economic recovery continues to constrain a more significant recovery.

The EU takes note of the recent stabilisation of inflation and of the structural reforms aimed at promoting the flexibility of the labour market and raising business competitiveness. Despite some measures to contain the fiscal deficit, the prospect of a budget slippage this year remains. The large stock of public debt (over 100% of GDP) and increasing unemployment (10.8%) are additional areas of vulnerability.

The EU is confident that the authorities will continue to address these issues in order to maintain an appropriate macroeconomic framework. The EU also encourages Israel to continue its efforts in the area of structural reforms.

In line with the economic chapter of the Association Agreement the third Economic Dialogue between the EU and Israel is under preparation. It is expected to take place during late 2003 or early 2004.

9. Total trade between the EU and Israel has constantly increased from 1997 to 2000, to reach a record of € 26 billion in 2000. Then a downward trend has developed, total trade between the EU and Israel decreased by 7% in 2001 and by 8.7% in 2002. Nevertheless in 2002 it reached a level of € 22 billion. The EU is Israel's major trading partner. It occupies rank number 1 in Israel's imports and rank number 2 in its exports. Israel is the EU's 21st largest export market, and occupies rank number 28 in the EU's imports.

In 2002, there was however negative growth in bilateral trade, with Israel's exports to the EU going down 9.8% and EU exports to Israel decreasing by 7.2%. This is in sharp contrast to earlier years, when trade flows increased considerably, in both directions. For Israel exports to the EU, those figures were +19.3% in 1997; +10.3% in 1998; +10.5% in 1999 and + 30.2% in 2000. This is due in a large part to a restructuring in diamond trade which represents around 20% of EU-Israel trade and to a dramatic reduction in trade in high-tech products especially machinery for line telephony and automatic data processing. These downward trends have continued during the first semester 2003.

10. EU FDI inflows from Israel in 2001 amounted to € 200 million (0.1% of EU total) and the outflow amounted to € 200 million (0.11% of EU total). Inward stocks amounted to € 1900 million and outward stocks to € 1800 million.

11. Agricultural products account for a significant proportion (8.4%) of the Community's total imports from Israel, and 2.4% of its total exports there. In 2002, the Community imported agricultural products from Israel for a value of over € 753 million and exported € 326 million worth of agricultural goods.

Under the Euro-Mediterranean Agreement, which entered into force in 2000, the two sides granted each other significant trade concessions for certain agricultural products, consisting of tariff reductions or elimination, either within quotas (and/or subject to calendars), or for unlimited quantities.

In accordance with Article 14 of the Agreement, which provides for the further reciprocal liberalisation of agricultural trade, negotiations for a package of new concessions have been concluded.

As regard the smooth operation of agricultural trade under the current arrangements, Community operators have encountered difficulties as a result of certain phytosanitary measures taken by Israel. During consultations held under Protocol 3 of the Agreement the Israeli side presented a new draft phytosanitary import legislation in conformity with international rules, expected to enter into force during the first quarter of 2004.

12. As to the trade chapter of the Euro-Med Association Agreement a limited number of specific issues, matters of interest both for the EU and for Israel such as market access questions raised by the respective industries are currently being dealt with, pragmatically and on a case by case basis, either directly between the respective officials or within the institutional framework foreseen by the Euro-Med Agreement.
13. The EU's policy towards the Mediterranean region including Israel is governed by the Euro-Mediterranean Partnership launched at the 1995 Barcelona Conference. The EU welcomes Israel's attachment to this Partnership. The bilateral relations with each Mediterranean partner including Israel are indeed seen in the context of the objective, in the common interest, to foster mutual trade and the increasing network of Euro-Mediterranean Association Agreements, allowing for a free trade area across the Mediterranean.

14. In this regional context, the EU is convinced that co-operation and economic integration in the region will bring great benefit to all concerned. This was indeed a reason for the launch of the Barcelona process, the aim of which is to create, by 2010, a free trade area covering the entire region, thereby contributing to creating progress towards peace, stability and economic prosperity. Within the Euro-Mediterranean framework, the EU is seeking to actively promote co-operation not only bilaterally between the EU and the partner countries concerned, but also amongst the partners in the region.
15. In July 2003, at the third-Euro-Med Trade Ministerial meeting, Ministers endorsed the new Protocol on rules of origin which allows the extension of the pan-European system of cumulation of origin to the Mediterranean countries. The next stage will be the amendment of the origin protocols in the current bilateral association agreements in order to insert the changes necessary for the application of diagonal cumulation. The EU notes Israel's support for this project. The EU stresses the importance of solving the bilateral issue of rules of origin before the origin protocol is amended.

The EU regrets that no progress has been made towards a solution of the bilateral question of rules of origin. The EU continues to attach great importance to the correct application of the provisions of the association agreement, in particular concerning the territorial scope of the agreement. The EU recalls the readiness declared by Israel at the Association Council of October 2002 to resume technical talks in order to identify a concrete basis for a mutually acceptable technical solution and urges Israel to engage in substantive talks on that basis as soon as possible.

16. The EU recalls the importance of the Trade and Investment Facilitation Action Plan adopted by the Trade Ministers in Toledo (March 2002) and welcomes the endorsement of the work undertaken over the year by the Euro-Med Working Group on Trade Facilitation, during the Trade Ministerial meeting in Palermo. The EU underlines the important role of customs in facilitating legitimate trade. Customs legislation and procedures, based upon modern techniques, such as risk assessment and the use of simplified procedures are of benefit to legitimate economic operators, as well as to customs administrations and overall stimulation of trade and in order to encourage trade and to promote economic co-operation throughout the Mediterranean region.

17. The EU welcomes the progress achieved in the field of services and in particular the approach adopted at the Trade Ministerial meeting in Palermo in July 2003, where Ministers agreed on establishing a Framework Protocol common to all Mediterranean countries for the liberalisation of trade in services. To that end, the Euro-Med Working Group on services will draw up the Framework Protocol and report on the progress achieved at the next Euro-Med Trade Ministerial Meeting.
18. As for the implementation of the energy co-operation agreements between Israel and the Palestinian Authority, the EU stresses the importance of the agreements on energy and electricity to be concluded by the two parties, in particular those on common interest projects such as: the construction of a joint combined cycle power station, electricity interconnection between Gaza and Netivot and the setting up of a joint office to monitor Israeli-Palestinian co-operation in the field of energy. The EU notes the willingness of both parties to co-operate on bringing natural gas to their markets as soon as possible, while giving priority to their own off-shore gas resources and calls for co-operation on securing energy supplies to be extended to other parties in the Barcelona Process, where conditions permit.
19. As a follow-up of the Association Committee, discussions on the Galileo programme (ensuring the interoperability of a civil Global Satellite Navigation System) are going on.
20. In the field of Scientific Co-operation, Israel research entities were fully associated to the 5th Framework Programme of the EC, enjoying a status equivalent to that of the Member States of the Community. 612 co-operative R&D projects have been registered by November 2002 covering the whole spectrum of FP5 Specific Programmes. 147 projects are co-ordinated by Israeli entities. More than 1.700 European Union entities collaborate with Israeli entities within FP5. Israeli partners in FP5 cover the whole spectrum of the Israeli society: 47% universities, 37% industries, 16% other entities (hospitals, public regional bodies, etc.). Most successes in FP5 so far are in the Information Society Technologies (IST), Quality of Life and the Growth Specific Programmes.

Israel has officially requested to the Commission its association to the 6th Framework Programme for RTD activities (2002-2006) in March 2002. The negotiations were held in Brussels and the agreement was initialled in December 2002. Finally the Agreement was signed in Brussels on June 10th 2003, by the Greek Presidency, the research Commissioner and the Israeli Minister for Science and Technology. The Agreement is now being submitted to the European Parliament for approval before final ratification.

The Agreement entered into force retroactively on December 16th, 2002. Israel will allocate an estimated contribution of € 192 million to the FP6 budget. Israeli partners have already been active in submitting applications for FP6 first calls in 2003. Some 905 Israeli entities participated in 631 proposals, mainly under the thematic priorities 2 "Information society technologies", 3 "Nano-technologies and nano-sciences", and 1 "Life sciences, genomics and biotechnology for health". Israeli scientists have also participated in the specific call for international scientific co-operation with Mediterranean partner countries (INCO-Med) in partnership with Arab countries.

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