EC/Israel agreement: government and telecommunications operators procurement

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OBJECTIVE: the proposal for Council decision concerns the conclusion of two agreements between the European Community and the State of Israel on procurement by government and telecommunication operators. SUBSTANCE: as the two draft agreements were negotiated in parallel, they form one package and the Commission therefore proposes that the two be concluded together. - the first draft agreement covers government procurement. For the most part, it complements and broadens the scope of commitments entered into under the WTO's Government Procurement Agreement (GPA). The parties agree to notify such additional commitments to the WTO and incorporate them into the GPA coverage: as such, these commitments would be backed up by the WTO's dispute settlement mechanism. In spite of the fact that at the time of completing the negotiations, the new GPA had not entered into force, as a result of the draft agreement, Israel will be committed to further market opening in urban transport, services, medical equipment and sub-central government procurement. For its parts, the EC will open those same sectors to Israel on a reciprocal basis. The draft agreement also safeguards EC interests should the Israel market open further. Negotiations did not lead to any change in offset provisions permitted under the GPA. The latter permits Israel to require the limited incorporation of domestic content or offset procurement of up to 35% of the contract. This limit is reduced to 20% over a period of 9 years while thereafter Israel will review its offset policy in consultation with other GPA members. - The second draft agreement, on telecommunications procurement, is purely bilateral and does not therefore have any impact on coverage under the GPA. It provides for a mutual opening of procurement by granting an exchange of national treatment. Provision is made to enhance transparency and guarantee suppliers' rights by setting out minimum procurement and national challenge procedures. While this does not imply any procedural change for European operators, the main Israeli operator, Bezeq, is obliged to follow procedures based on those set out in the GPA. The implementation of the agreement is guaranteed through the bilateral dispute settlement procedure provided for in the interim association agreement (and subsequently the association agreement when it enters into force). The two draft agreements build on the closer political and economic relationship established between Israel and the Community under the draft association agreement, contributing to the stabilization of the region. They offer the Community more favourable treatment than Israel has been prepared to offer any other third country whilst protecting Community suppliers from discrimination which could arise out of future agreements with third countries. They provide for a joint review of progress made and for areas where further improvement can be achieved in the future.