1. The working party examined, in the light of the discussions at the meeting of the CONTRACTING PARTIES on 14 May 1959, the request submitted by the Government of Israel (L/968) to accede to the General Agreement under the provisions of Article XXXIII. The working party consulted with the representatives of Israel as to the holding of tariff negotiations between Israel and contracting parties, as a preliminary to accession, and examined the description of Israel’s foreign trade and exchange régime contained in document L/968/Add.1. The representatives of Israel assisted the working party by providing information as to the basis for the negotiations and further details on Israel’s commercial policy and economic system.

2. The working party recommends that arrangements be made by the CONTRACTING PARTIES to meet Israel’s request. It appears to the working party that the most convenient time to hold the tariff negotiations will be during the tariff conference commencing in 1960. However, since the Government of Israel is now prepared to accept the provisions of the General Agreement as a basis for its commercial relations with contracting parties and since a number of contracting parties are also prepared to apply the provisions of the General Agreement to Israel without waiting for the completion of the negotiations, the working party recommends that Israel be invited without delay to participate in the work of the CONTRACTING PARTIES and that a declaration be opened for acceptance whereby commercial relations between Israel and those governments which accept the declaration will be based upon the General Agreement pending Israel’s full accession. The draft decision and declaration, annexed to this report, are recommended for approval by the CONTRACTING PARTIES.

3. The representatives of Israel expressed a preference for a multilateral transitional arrangement. The working party noted that there is nothing in Article XXXIII which would prevent the CONTRACTING PARTIES from drawing up terms for the accession of Israel in the near future while arranging for tariff negotiations to be held at a later date; if such a course were agreed upon the terms of the decision could provide that if the negotiations should prove unsatisfactory the decision would cease to have effect. Members considered, however, that it was desirable to follow the precedent set by the CONTRACTING PARTIES in dealing with previous requests for accession and to await the results of the tariff negotiations before drawing up terms for full accession.
4. The Government of Israel is not prepared, prior to the negotiations, to establish a provisional schedule of bound rates of duty, as it may be necessary for reasons of economic and fiscal policy to increase some duties during the transition period. Israel is prepared, however, to undertake that the customs tariff at present in force shall provide the basis for the negotiations. The working party also examined the special surcharges which are levied on imports of many products and welcomed the statement by the representatives of Israel that these surcharges, at the rates now in force, will be treated as part of the customs tariff for purposes of the negotiations. Further, Israel is prepared to undertake that any lower rates of duty or surcharge that may be in force at the time of the opening of the negotiations will provide the basis for negotiation on the products concerned. Although many members of the working party would have preferred that Israel should at this time accept a binding of its customs tariff and surcharges, at least on items of special interest to contracting parties, the working party considers that the undertakings by Israel as to the basis for the negotiations provide an acceptable alternative.

5. In view of the fact that Israel will accede provisionally to the General Agreement (if the recommendations of the working party are approved) without a schedule of bound duties, contracting parties which accept the declaration should be relieved of all direct obligations towards Israel where modification or withdrawal of concessions in their schedules is concerned. Therefore, it has been necessary to provide, in paragraph 1 of the declaration, that Israel, while enjoying the full benefits of most-favoured-nation treatment under Article I, will not enjoy in its own right the concessions provided for under Article II and that Israel's trade interest in those concessions need not be taken into account in any action by contracting parties in suspending, modifying or withdrawing concessions under other articles of the Agreement, in particular under Articles XVIII, XIX, XXVII and XXVIII.