

# Canada-Israel

## Modernized Free Trade Agreement



Bringing the Canada-Israel  
economic partnership into the 21<sup>st</sup> century

Creating jobs and opportunities



Government  
of Canada

Gouvernement  
du Canada

Canada

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## Canada and Israel: Creating jobs and opportunities together



The Government of Canada is committed to providing Canadian businesses with the tools they need to succeed and compete in international markets. The government has therefore launched the most ambitious trade plan in Canadian history, creating jobs and economic prosperity for Canadian workers and their families. In today's modern, knowledge-based economy, free trade agreements (FTAs) need to go beyond reducing tariffs on goods. A 21st-century agreement takes into account new trade challenges.

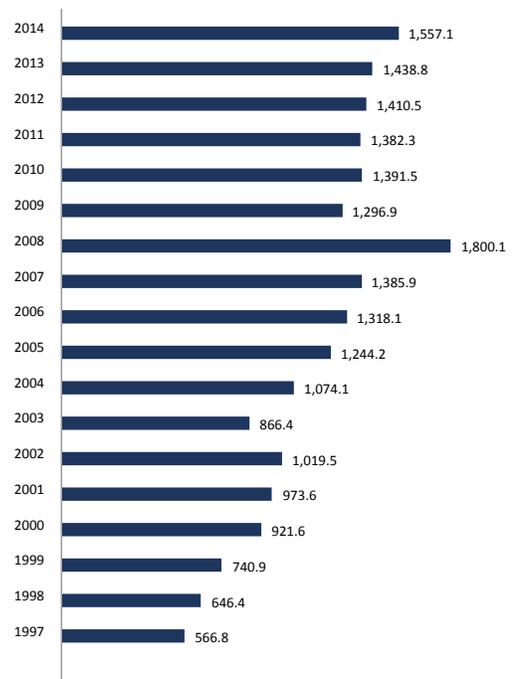
This is why Prime Minister Stephen Harper announced on his official visit to Israel in January 2014, that Canada and Israel would work to expand and modernize the Canada-Israel Free Trade Agreement (CIFTA) to truly make it the cornerstone of Canada's commercial relationship with Israel. The modernization of this agreement will benefit Canadian companies through further eliminations and reductions of tariffs on agricultural and fisheries products. The modernized CIFTA also breaks down old barriers, creating new export opportunities for Canadian agriculture and agri-food, and fish and seafood companies in the Israeli market. Since the original Agreement came into force, Canada's two-way merchandise trade with Israel tripled to \$1.6 billion in 2014.

On July 21, 2015, Canada and Israel announced the conclusion of an expanded and modernized CIFTA, making it a 21st-century agreement by reducing technical barriers, enhancing cooperation, increasing transparency in regulatory matters, and reducing transaction costs for businesses.

As a priority market under Canada's Global Markets Action Plan, Israel provides a wide range of opportunities in the areas of merchandise exports, investment, science and technology, and innovation. A modernized CIFTA will enable Canadian companies to take greater advantage of these opportunities to create jobs, growth, and long-term prosperity for Canadians in every region of the country.

Canada and Israel will now complete their respective domestic processes, with the goal of having the modernized agreement in force as soon as possible, to the benefit of a stronger Canada-Israel economic partnership.

Two-way merchandise trade between Canada and Israel (value in millions of Canadian dollars)



### CIFTA expansion and modernization

Four existing chapters of CIFTA in the areas of market access for goods, rules of origin, institutional provisions and dispute settlement have been modernized. In addition, seven new chapters were added in the areas of trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, intellectual property, electronic commerce, labour, and the environment.

The modernized agreement will support Canadian businesses and investors, deepen trade and investment linkages, and further strengthen Canada's bilateral relationship with Israel.

## Creating new market access opportunities for agricultural, agri-food, and fish and seafood products

While the original agreement eliminated tariffs on some agricultural and fisheries products, the modernized CIFTA goes much further by agreeing to tariff elimination or reductions on a large number of additional agricultural, agri-food, and fish and seafood products. This will allow Canadian producers, processors and exporters to capitalize on enhanced market access opportunities, thereby solidifying and expanding Canada's presence in the Israeli market.

### Agricultural and agri-food products, and fish and seafood products

Canadians have access to an abundance of world-class products, including British Columbia cherries, Prince Edward Island potatoes, Niagara peaches, Prairie grains, Annapolis Valley apples, and maple syrup from Quebec, to name just a few. Canada's agricultural (crops and livestock) and agri-food (food and beverages) sector is one of the most dynamic in the world.

The sector employed close to 533,500 people in 2014, accounting for close to 3 percent of Canada's GDP. In the same year, Canada was the world's fifth-largest exporter of agricultural and agri-food products. More than 40 percent of Canadians employed in the sector work in the processing segment of the industry, turning raw ingredients into processed foods, ready-to-eat meals, beverages, nutritional supplements, and a wide range of other products.

In addition to agricultural and agri-food products, Canada is also known for its world-class fish and seafood exports. Surrounded by the Arctic, Atlantic and Pacific oceans and home to the Great Lakes, Canada has one of the world's most valuable commercial fishing industries. The sector contributed more than \$2.3 billion to Canada's GDP in 2014, and provided some 36,500 jobs to Canadians in everything from fishing to aquaculture. The industry is the economic mainstay of approximately 1,500 communities in rural and coastal Canada. Canada is the world's seventh-largest exporter of fish and seafood, exporting some 60 percent, by value, of its fish and seafood production.



### Trade snapshot by region

Canada's agricultural and agri-food exports to Israel averaged \$45.5 million annually between 2012 and 2014. During this period, the top exports were wheat, lentils, ethyl alcohol, corn, soya beans, dried peas and beans, maple syrup, flaxseed, sugar confections, and sauces and condiments.

**Western Canada** accounted, on average, for \$23.9 million in annual agricultural exports to Israel between 2012 and 2014 with top exports being wheat, lentils, corn, chickpeas, dried peas, flaxseed, and canary seed.

Agricultural exports to Israel from **Central Canada** averaged \$21.3 million annually between 2012 and 2014 with top exports being ethyl alcohol, soybeans, dog and cat food, corn, maple syrup, and various food preparations.

**Atlantic Canada's** annual agricultural exports to Israel averaged \$279,000 between 2012 and 2014. Top exports from this region were various baked goods, dog and cat food, and frozen french fries.

Canada's fish and seafood exports to Israel totaled an annual average of \$1.1 million between 2012 and 2014, with top exports being fish fats and oils, mussels, lobsters, scallops, and frozen fish fillets.

Nova Scotia was the main supplier of Canadian fish and seafood to Israel, with an annual average of \$741,000 of exports between 2012 and 2014. Other exporting provinces were Manitoba, Prince Edward Island, and Newfoundland and Labrador.

## Tariff elimination

The modernized CIFTA will improve market access for Canada's high-quality agricultural, agri-food, and fish and seafood products, and will address specific Canadian export interests in the Israeli market.

Under the modernized CIFTA, close to 100 percent of Canadian agricultural, agri-food, and fish and seafood exports will benefit from some form of preferential market access in Israel, up from 90 percent. Moreover for many products where market access has so far been hindered by tariffs, Canadian exporters will be able to compete on a level playing field in the Israeli market with competitors from other countries.

The preferential tariff treatment gained under the modernized CIFTA will benefit Canadian producers, processors, and exporters across Canada.

### *New opportunities for Canada's world-class fruit*

Fruit consumption in Israel is among the world's highest per capita. This presents Canadian farmers with a great opportunity to share Canada's world-class fruit, including Quebec cranberries and fresh British Columbia apples.

Last year, Canada's worldwide exports of cranberries totalled \$158 million. With the elimination of Israeli tariffs of up to 20 percent on Canadian cranberries, producers and exporters have new opportunities in the Israeli market.

Furthermore, under the modernized agreement, 900 metric tonnes of fresh Canadian apples can also enter Israel tariff free, allowing for delicious Canadian apples to be competitive in the Israeli market.

### *Reaping the benefits*

The original agreement eliminated tariffs on all industrial goods, and on some agricultural and fisheries products. Under the modernized CIFTA, Canada and Israel are going notably further by agreeing to tariff elimination and reduction on a large number of additional agricultural and fisheries products.

In the agricultural and agri-food sector, there will be new market access opportunities for producers from every region in Canada. For example, tariffs of 12 percent on sweetened and dried cranberries, up to 8 percent on various baked goods, 4 percent on dog and cat food, and 4 percent on animal feed, will be eliminated. In the area of fish and seafood, tariffs of 12 percent for processed crab, lobster, shrimp, scallops and mussels products will be eliminated.

In addition, duty-free access under tariff rate quotas (TRQ) has been either expanded or newly created for important Canadian export interests to Israel, including wine, chickpeas, frozen vegetables, apples, and frozen french fries. These expanded quotas will benefit producers and exporters in every region of Canada as they establish or expand their presence in the Israeli market.

Finally, the modernized CIFTA will result in significant tariff reductions on a number of products (such as turkey hatching eggs, shelled beans, canola oil, and soybean oil) that will improve Canadian exporters' competitive position in the Israeli market.

### *Benefits from coast to coast*

For export interests specific to **Western Canada**, new tariff preferences for the following products will result in expanded market access opportunities for:

- Chickpeas (increase of the current duty-free TRQ volume from 100 metric tonnes to 400 metric tonnes – Israeli tariff of C\$0.36/kg<sup>1</sup>. All exports in excess of 400 metric tonnes will benefit from a 20-percent reduction of the Israeli tariff);
- Animal feed (tariff of 4 percent will be eliminated);
- Canola oil and soybean oil (reduction of 40 percent of Israeli tariffs of up to 8 percent);
- Yeasts (tariff of 8 percent will be eliminated);
- Baked goods, including bread, pastry, cakes, biscuits, and other baking wares (tariffs of up to 8 percent will be eliminated);
- Live cattle, other than pure-bred breeding animals (duty-free TRQ volume of 600 metric tonnes – Israeli tariff of C\$0.36/kg);
- Fresh cranberries (tariff of 20 percent will be eliminated);

<sup>1</sup> All specific Israeli tariffs are expressed in Canadian dollars per kg for indicative purposes only. The actual tariff is applied on the basis of Israel's official currency (Israeli new shekel).

- Fresh halibut (tariff of C\$0.95/kg will be eliminated); and
- Caviar and caviar substitutes (tariff of 6 percent will be eliminated).

For **Central Canada**, the modernized CIFTA will result in benefits for the following export interests:

- Fresh apples (duty-free TRQ volume of 900 metric tonnes – Israeli tariff of C\$0.63/kg);
- Dog and cat food (tariff of 4 percent will be eliminated);
- Sweetened and dried cranberries (tariff of 12 percent will be eliminated);
- Popcorn (increase of the current duty-free TRQ volume from 50 metric tonnes to 100 metric tonnes – Israeli tariff of C\$0.73/kg);
- Soybean meal (62 percent reduction of Israeli tariff of 7.5 percent);
- Wine, including ice wine (duty-free TRQ volume of 60,000 litres – Israeli tariff of 12 percent plus C\$ 0.46/litre);
- Various non-alcoholic beverages, including soy beverages (tariff of 6 percent will be eliminated);
- Tomato ketchup (tariff of 12 percent will be eliminated);
- Shelled beans (50 percent reduction of Israeli tariff of 12 percent); and
- Prepared frozen vegetables (40 percent reduction of Israeli tariff of 12 percent).

For **Atlantic Canada**, new tariff preferences for the following products will result in expanded market access opportunities for:

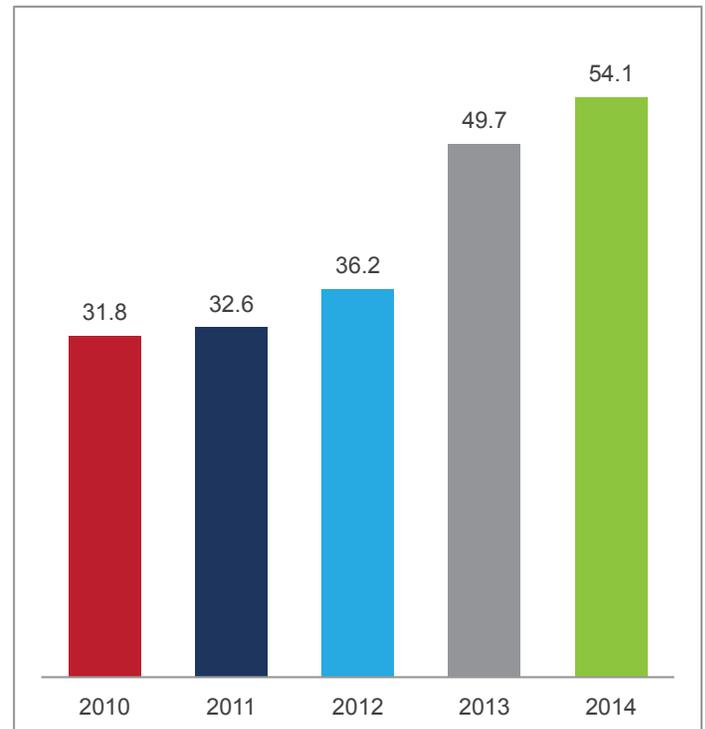
- Processed potato products, including frozen french fries (increase of the current duty-free TRQ volume from 50 metric tonnes to 100 metric tonnes – Israeli tariff of 50 percent);
- Fresh apples (duty-free TRQ volume of 900 metric tonnes – Israeli tariff of C\$0.63/kg);
- Frozen vegetables, including potatoes, peas and beans (new TRQ of 550 metric tonnes – current Israeli tariffs of up to 20 percent)
- Processed seafood, including crab, lobster, scallops

and mussels products (tariff of 12 percent will be eliminated);

- Shrimp (duty-free TRQ volume of 150 metric tonnes – Israeli tariff of 26 percent); and
- Fresh haddock and cod (elimination of Israeli tariff of C\$0.32/kg).

Canada’s agricultural, agri-food, and fish and seafood exports to Israel increased consistently and by a significant amount between 2010 and 2014.

Canada’s agricultural, agri-food, and fish and seafood exports to Israel (2010 to 2014)



### *New opportunities for Canada’s world-class potatoes*

Previous high tariff rates on Canadian potato exports to Israel made it difficult for Canadian producers to access the Israeli market.

The modernized agreement will allow 1,400 metric tonnes of Canadian potatoes to enter Israel duty free.

With this tariff reduction, Canadian producers and exporters will be competitive in the Israeli market, and potato lovers in Israel will now get to enjoy affordable, world-class Canadian potatoes.

## Bringing CIFTA into the 21st century



The modernized CIFTA is more comprehensive and ambitious than the original agreement. It increases market access by further eliminating or reducing tariffs on Canadian exports to the Israeli market, and creates new opportunities to further expand on the Canada-Israel economic partnership.

The Agreement now includes seven brand new chapters on disciplines found in Canada's more recently concluded FTAs. These chapters address new and existing issues and trade challenges, such as technical barriers to trade, sanitary and phytosanitary measures, electronic commerce, intellectual property, labour, and the environment. This means that Canada and Israel are creating the right conditions for trade in our modern and knowledge-based economies. This modernized CIFTA is truly a 21st-century agreement.

Accordingly, the modernized CIFTA includes provisions to address non-tariff barriers in Israel, including those related to labelling, animal and plant health, and food safety. Building on the strength of the existing Canada-Israel commercial relationship, the modernized CIFTA establishes new mechanisms under which Canada and Israel can cooperate to discuss, prevent, and resolve unjustified non-tariff barriers that may arise in the context of agricultural, agri-food, and fish and seafood exports. These include a new Committee on Trade in Goods, and a new Sub-committee on Trade in Agricultural Products. The modernized CIFTA will also provide opportunities and tools for Canadian and Israeli regulators to exchange information in order to better understand each other's requirements, which stands to benefit both importers and exporters.

### Rules of origin

Under the CIFTA, only goods that originate from Canada or Israel may benefit from preferential tariffs. The CIFTA rules of origin have been modernized and otherwise improved to be more consistent with Canada's recent FTAs, and will enable Canadian exporters from

across the country to better take advantage of CIFTA tariff preferences.

For example, the Annex on product-specific rules of origin (PSROs) has been simplified significantly and brought up to date with the current version of the Harmonized System Nomenclature (HS2012). This streamlined Annex reduces the number of PSROs by over half, and will reduce the administrative burden associated with claims for tariff preferences.

### Trade facilitation

Canada and Israel share a desire to keep border procedures simple, effective, clear, and predictable in order to facilitate trade. CIFTA includes a new chapter on trade facilitation, which stands to make it easier, faster and less costly for Canadians to do business in the Israeli market. This chapter includes new transparency provisions, the promotion of automated border procedures, and provisions to ensure that administrative penalties are non-discriminatory and do not result in unwarranted delays in the movement of goods to and from the Israeli market.

### Intellectual property

Collaboration on innovation and research and development has long been an important aspect of the Canada-Israel relationship. A new chapter on intellectual property (IP) will help ensure robust IP rights, and adds new commitments to facilitate cooperation between Canada and Israel to combat rights infringement and to explore ways to expedite the examination of patent applications. An effective regime to support IP rights is important for Canada's growing knowledge-based economy, and will help to foster competitiveness, innovation, creativity, as well as attract investment and stimulate jobs and growth.

### Sanitary and phytosanitary measures

The new chapter on sanitary and phytosanitary (SPS) measures reaffirms Canada and Israel's World Trade Organization commitments in this area, and includes provisions to promote bilateral cooperation and transparency on SPS-related issues. Ensuring early and effective cooperation on issues related to food safety, animal, or plant health will help strengthen the protection of Canada's environment and food supply, while avoiding unjustified barriers to trade.

## Technical barriers to trade

As tariffs are reduced, the elimination of technical barriers to trade (TBT) and other types of non-tariff measures takes on greater importance. The new TBT chapter will help ensure that technical regulations, conformity assessment procedures, and other standards-related measures cannot be used as unjustified barriers to trade. It will also help Canadian exporters by creating mechanisms to minimize, and where possible, eliminate the negative impacts of discriminatory or overly burdensome regulatory requirements.

This chapter also includes an annex for the protection of icewine that defines icewine as being produced from grapes naturally frozen on the vine. This complements Canada's global effort to protect Canadian icewine from imitation products made from industrially frozen grapes and will help to ensure that icewine continues to be recognized world-wide as a high-quality product. This will benefit Canada's wine producers.

## Electronic commerce

Today, e-commerce is a part of daily Canadian life. To facilitate trade in the digital economy, the modernized CIFTA improves on the original agreement by including a new chapter on e-commerce that includes a commitment from both Canada and Israel to not levy customs duties, fees, or other charges on digital products that are transmitted electronically. In the context of imports from Israel, Canadian businesses and consumers will benefit from being able to sell, download or stream to their digital devices online software, music, and other digital products without import or export charges. The chapter also includes commitments to protect e-commerce users from fraudulent and deceptive commercial practices, such as online scams, as well as to protect their personal information.

## Labour

CIFTA includes a new labour chapter that is comprehensive, transparent, and enforceable.

The chapter commits Canada and Israel to ensuring that their laws not only respect the International Labour Organization Declaration on Fundamental Principles and Rights at Work (1998), but also provide acceptable protections for occupational health and safety, hours of work, wages, and migrant workers. The labour chapter also includes a dispute settlement mechanism that can result in monetary penalties in cases of non-compliance. This will help to ensure that all labour obligations are respected.

## Environment

As is the case with the labour chapter, the new chapter on the environment is the first such chapter ever negotiated by Israel, and is commensurate with other agreements that Canada has negotiated. It includes ambitious obligations that reinforce Canada and Israel's mutual commitment to maintaining high levels of environmental protection. Commitments to not lower levels of environmental protection to attract trade or investment will help ensure a level playing field for both Canadian and Israeli companies.



