



UNITED ARAB EMIRATES
MINISTRY OF ECONOMY

UAE – Israel

Comprehensive Economic Partnership Agreement



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STRATEGIC CASE



INTRODUCTION

A Comprehensive Economic Partnership Agreement with Israel reflects the UAE's belief that the future of regional security relies on strong multilateral partnerships and a shared commitment to achieving stability and prosperity through peaceful political means. Our CEPA with Israel will build on the Abraham Accords, which are already paving the way for greater opportunity in the Middle East, and will open doors to vital economic development across the region. The deal also promises to shorten trade routes, increase the ease of doing business throughout the region and in other markets such as Europe and Asia. It will make it simpler and faster than ever to do business with one another.

International trade will play an integral role in the UAE's efforts to double the size of our economy in the coming decade. Today, the UAE's non-oil economy represents more than 70 percent of our GDP, and our logistics network extends to more than 400 global cities. Our near-term aim is to boost exports by 50 percent in the next few years. Our CEPA model is central to our efforts to stimulate long-term, sustainable economic growth and cement the UAE's position as a global center for business.

Israel is already an important partner for the UAE. Our CEPA will forge a stronger new partnership for the future, a partnership built on transparency, cooperation and a shared vision for peace and prosperity. The UAE and Israel both understand that the only way of responding to increasingly complex global challenges is by working towards a deeper, more meaningful partnership. As desert nations, we are united in the challenge to find sustainable solutions for water, food and energy security – and offset the impact of climate change, accelerate the rise of green technology and harness the power of innovation.

The UAE-Israel CEPA represents a turning point in our nation's economic trajectory. It will benefit consumers,



producers and companies alike by opening new markets for business, bringing better jobs and higher wages for people, and lowering prices when consumers need it most. The UAE is committed to creating new economic opportunities for the future and ensuring our CEPA with Israel works for everyone.



ECONOMIC RECOVERY

Trade has always been vital to our nation. Not just the movement of goods such as spices, pearls or barrels of oil, but the movement of people, capital, services and ideas. As we emerge from the pandemic, we must remain open to that continuous exchange.

Today, the COVID-19 pandemic has pushed countries to become more self-reliant, but the unprecedented challenges have also made nations realize the power of economic and strategic cooperation. At the peak of the pandemic, the UAE and Israel worked together to enable rapid COVID-19 testing through cooperation on research and development. The UAE and Israel's early success in rapid response and testing has helped both nations achieve high vaccination rates, ranking among the top countries globally.



The UAE-Israel CEPA will ensure further cooperation in critical areas such as healthcare, energy, agriculture and advanced technology. Our CEPA will also ensure access to global markets through safe, secure and reliable supply chains as well as enhance the efficiency and sustainability of those supply chains – both to accelerate the free flow of trade but also to secure a stronger, more resilient global economic future.





UAE AND ISRAEL

BUILDING A PARTNERSHIP FOR THE FUTURE

The UAE-Israel CEPA is the latest chapter in the rapidly developing relationship between our two countries – and another important element of the UAE's economic development agenda. This deal builds on the unprecedented progress of the Abraham Accords, which were signed in September 2020, and it promises to accelerate the economic benefits enjoyed by both countries since that historic event.

Since the beginning of negotiations, it has been clear that our nations have much in common. We are both young, outward-looking and cosmopolitan nations who are committed to economic and social development. We are both desert nations committed to finding sustainable solutions for water, food and energy security – and offset the impact of climate change. Our coastal positions have placed trade front and center of our economic and cultural identity, and we welcome the free exchange of goods, services and ideas. And we both recognize the importance of harnessing technology and innovation to foster the industries of the future.

We have already seen this in action across the full spectrum of industry sectors. There have been important vital collaborations in priority sectors. These have included joint ventures to mainstream the use of artificial intelligence, research partnerships in stem cell technology to combat disease, investment deals that will accelerate the fight against food and water insecurity, the development of new energy sources including hydroelectricity and a joint space mission to the Moon. The UAE-Israel CEPA will only accelerate these partnerships.



“We are both young, outward-looking and cosmopolitan nations who are committed to economic and social development.”



OPPORTUNITIES FOR ENTREPRENEURS, BUSINESSES & INVESTORS

The UAE-Israel CEPA is a milestone for both the UAE and Israel – one that builds on the UAE and Israel's dynamic economies to establish a new era of progress and prosperity for people in both countries.

Key benefits of our CEPA

- **Providing certainty and market access for UAE services providers** by securing commitments from Israel on access to its market and fair competition in key UAE services sectors, such as finance and distribution services, as well as tourism and travel-related services. The CEPA also sets clear and transparent rules to trade, improving the ease of doing business for UAE service sector companies looking to expand to Israel and export services abroad.
- **Reduced barriers to trade in goods** through simpler customs procedures, lower or zero tariffs, and modern rules to trade. The CEPA will enable the UAE's new or existing exporters to Israel to trade more easily and at lower costs, while also benefitting UAE consumers.
- **Shaping the rules for digital trade** to ensure online consumer protection, allow for the free flow of data, and enable the use of digital technologies in business while still protecting intellectual property rights. The UAE is prioritizing a digital-first economy and this CEPA will reduce obstacles for UAE companies operating in the digital economy, helping to stimulate investment in new technologies and accelerate digital transformation in the UAE.
- **Promoting collaboration on shared global challenges** through stronger economic ties. Our CEPA with Israel encourages greater partnership and cooperation on global issue areas such as new technology development, security, environmental policies and practices, food security, and climate change and fisheries.
- **Enabling SMEs to export goods and services to Israel.** SMEs are fundamental to our modern, knowledge-based economy. The sector accounts for 95 percent of the companies operating in the UAE and contributes more than 50 percent of the UAE's GDP. This CEPA will provide a platform for SMEs based in the UAE to expand and grow into new exciting markets, with enhanced access to new customers, networks, avenues of collaboration and mechanisms to scale at speed.



"SMEs account for 95% of UAE companies, contributing more than 50% of the UAE's GDP."

Unlocking new opportunities for UAE businesses

- For the first time, in many sectors, UAE firms are now able to compete for some of Israel's government purchases on a nondiscriminatory basis.
- UAE exports now benefit from zero or reduced custom duties, including machinery, copper, plastics, paper, and aluminum, among others.
- Our CEPA also secures better market access to Israel's services market in sectors including business, communications, distribution, environmental, financial, and transport services, as well as tourism and travel-related services.



OVERALL OBJECTIVES





For the UAE, the primary goal of our CEPA with Israel is to champion the private sector by reducing barriers to UAE exports, protecting UAE interests competing abroad, and ensuring fair and transparent rules of trade. Through our CEPA, UAE businesses can now enter and compete more easily in Israel's market and export their products and services to Israel at lower costs.

Our CEPA also aims to open a new chapter in regional trade, investment and exchange. Through our CEPA with Israel, we can build on the gains for both nations since the signing of the Abraham Accords and unlock even greater benefits for our businesses, entrepreneurs, innovators and industries. And we will be doing so at an important time.

Recent global and regional economic downturns have propelled the UAE to improve supply chain efficiencies for global trade through new technologies and best-in-class logistics value chain capabilities. Our ambition for our CEPA with Israel is to increase the resilience of our supply chain, securing our future economy from supply chain disruptions and economic shocks.

While our CEPA with Israel governs the rules of trade between our two nations, it takes into consideration the UAE's constitutional arrangements and obligations and builds on the UAE's existing international commitments. Most importantly, the goal of this CEPA is to achieve our trade and investment objectives without compromising on our high level of standards and protections for UAE consumers.





OVERVIEW OF CHAPTERS

Trade in Goods

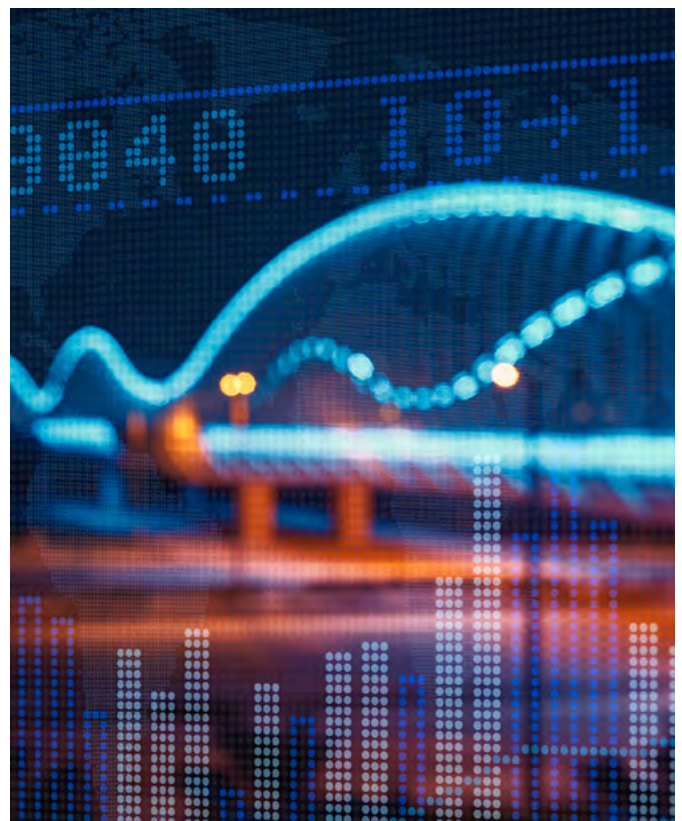
Improving market access for goods

- Provides UAE exporters greater access to the Israeli market through tariff elimination or reduction on more than 96 percent of tariff lines, which cover 99 percent of the total value of trade with Israel.
 - Establishes fair and transparent rules on import licensing procedures.
 - Prevents the use of export subsidies on Israeli products destined to the UAE to ensure fair competition with UAE products.
 - Regulates import and export restrictions in accordance with the GATT 1994.
 - Establishes a base for broadening the scope of tariff elimination on traded goods.
 - Creates a mechanism for consultations on non-tariff measures that may create barriers to trade.
 - Establishes a Sub Committee on trade in goods to monitor implementation of the chapter, consult on broadening and accelerating reduction or elimination of tariffs, and address barriers to trade in goods.
1. The final product has to attain a minimum value add of 40 percent. There are limited cases where the value add is 50 percent.
 2. The non-originating materials have undergone a change in tariff classification (CTC), meaning the tariff code for the non-originating materials differs from that of the final product incorporating these non-originating materials. This change in the tariff code implies that a “substantial transformation” has occurred, and that the product is “originating” in the UAE or in Israel.
- The UAE and Israel require proof of origin on imported products from each other’s country to benefit from preferential tariff treatment.
 - o Proof of origin is obtained by presenting a certificate of origin (CO) with the goods to the customs authority of the importing Party.
 - o The certificate of origin is issued by the Ministry of Economy in the case of the UAE, and the Customs Directorate of the Israel Tax Authority of the Ministry of Finance in the case of Israel.

Rules of Origin

Establishing the criteria for products to benefit from lower tariffs

- Sets rules of origin criteria to determine how much of a product must be sourced from the UAE or Israel to qualify for lower tariffs under this CEPA.
- Ensures that the products manufactured in the UAE or in Israel that incorporate materials imported from non-Parties are “substantially transformed” prior to being traded between the two countries.
- Under the UAE-Israel CEPA, a product that has been made with non-originating materials will be considered to have fulfilled the “substantially transformed” condition if it satisfies either one of two major conditions:



Customs and Trade Facilitation

Creating greater efficiency and better border procedures

- Closely aligns with the WTO Trade Facilitation Agreement (TFA) and the World Customs Organization (WCO) recommendations on customs management techniques.
- Contains specific provisions to increase efficiency in customs procedures affecting the movement of cross-border trade, such as issuing customs rulings prior to import, facilitating cross-border clearance for economic operators, and adopting international best practices of customs management techniques.
- Includes specific provisions to support transparency, the use of risk management techniques, electronic paperless communications, advance rulings, and non-discrimination, reducing the administrative burdens on business and ensuring greater predictability.
- Enables specific forms of cooperation and trade facilitation through agreements on mutual administrative assistance on customs matters and mutual recognition of Authorized Economic Operators (AEO) schemes, ensuring that 'trusted traders' face fewer controls relating to safety and security when moving cross-border goods.

Technical Barriers to Trade

Reducing non-tariff barriers to trade

- Establishes a comprehensive legal framework on technical regulations, standards and conformity assessment procedures to ensure UAE and Israeli products can access each other's market without unjustified technical barriers to trade.
- Promotes mutual understanding of each the UAE and Israel's standards, technical regulations, and conformity assessment procedures to enhance transparency.
- Facilitates information exchange and cooperation between the UAE and Israel on matters regarding standards, technical regulations and conformity

assessment procedures, including in the work of relevant international bodies

- Ensures that the UAE and Israel do not develop, adopt or apply national standards with a view to, or with the effect of, creating unnecessary obstacles to international trade.
- Creates a mechanism to discuss and exchange information on any matter arising under the Technical Barriers to Trade chapter.



Sanitary and Phytosanitary Standards

Protecting human, animal and plant life

- Establishes a detailed mechanism on sanitary and phytosanitary measures that protects human, animal and plant health while ensuring such measures do not create unjustified barriers to trade.
- Strengthens communication, consultation, and cooperation between the UAE and Israel, and particularly between the countries' competent authorities.
- Ensures that sanitary or phytosanitary measures implemented by the UAE or Israel do not create unjustified barriers to trade.
- Enhances transparency and understanding of the application of the UAE and Israel's sanitary and phytosanitary measures.
- Strengthens cooperation on equivalence and risk analysis based on the WTO Agreement on Sanitary and Phytosanitary Measures.

Trade in Services

Facilitating market access for the services sectors

- Sets clear and transparent rules and regulations to facilitate the cross-border supply of services.
- Includes commitments in cross-border supply of services, consumption abroad, commercial presence, and movement of persons.
- Provides UAE services suppliers with access to Israel's domestic services market in a range of sectors, including:
 - o Business Services
 - o Communications Services
 - o Distribution Services
 - o Environmental Services
 - o Financial Services
 - o Tourism and Travel Related Services
 - o Transport Services
- Maintains the UAE's same level of commitments as agreed to in the WTO for trade in financial services.
- Allows for 100 percent foreign equity participation for UAE companies and investors operating in Israel across several sectors.
- Excludes the automaticity of the Most Favoured Nation treatment as well as the automaticity of licensing authorization and certification of services suppliers.
- Allows the movement of service providers in the categories of business visitors and intra-corporate transferees. Such categories incentivize business establishment and investments.

Digital Trade

Empowering modern technology and the digital economy

- Promotes future cooperation in all areas related to the digital economy and e-commerce, such as electronic authentication and electronic signatures, online consumer protection, personal data protection, paperless trading, unsolicited commercial electronic messages, cross border flow of information and use of the internet for digital trade.
- Ensures Israel will not impose any customs duties on electronic transmissions, in compliance with WTO decisions.
- Excludes the digital trade chapter from dispute settlement.

Investment

Promoting and facilitating investment

- Promotes an attractive investment environment and acknowledges the relationship between investment and the expansion of trade in goods and services under this CEPA.
- Reaffirms the UAE-Israel Bilateral Investment Agreement (BIT), signed by both Governments on October 20, 2020.
- Encourages constructive dialogue by ensuring the Joint Committee on Investment, established pursuant the UAE-Israel BIT, periodically reports to the Joint Committee on CEPA regarding matters related to the facilitation of bilateral investments.



Intellectual Property

Protecting innovation and creativity

- Strengthens the protection and enforcement of intellectual property rights to promote technological innovation and to transfer and disseminate technology.
- Ensures intellectual property provisions are balanced with the UAE's existing laws, regulation and international commitments.
- Aligns intellectual property commitments with the WTO Doha Declaration on The Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health, affirming the rights of countries to take measures to promote public health.
- Promotes greater transparency, endorsing the online publication of intellectual property laws, regulations and application/registration practices.

“The goal of this CEPA is to achieve our trade and investment objectives without compromising on our high level of standards and protections for UAE consumers.”



Government Procurement

Opening the doors to public-private sector contracts

- Enables UAE companies to bid on certain Israeli government procurement contracts.
- Supports UAE SMEs, national companies and green companies by providing a 10 percent price preference in UAE government procurement tenders.
- Strengthens partnership and cooperation frameworks to enable both countries to benefit from the experiences and expertise of the other in managing government procurement.
- Enables the UAE to benefit from products and services currently not available in its local market.

Trade Remedies

Ensuring domestic industries remain strong

- Establishes a mechanism for bilateral safeguard measures if imported products from Israel under tariff elimination increase to such quantities as to cause or threaten injury to the UAE's domestic industry.
- Enables consultations before the initiation of a trade remedy investigation.
- Promotes transparency and strengthens the due process rights in trade remedy investigations in the best interest of UAE exporters by ensuring proper and timely notifications.

"The deal enables UAE companies to bid on certain Israeli government procurement contracts."

Dispute Settlement

Creating mechanisms to resolve disputes

- Provides a thorough mechanism to settle disputes should the UAE or Israel fail to comply with its obligations under the CEPA, including compensation and trade retaliation.
- Enables an effective and efficient mechanism for avoiding and settling disputes between the UAE and Israel concerning the interpretation and application of this Agreement with a view to reaching, where possible, a mutually agreed solution.
- Establishes a timely and effective dispute settlement mechanism through the set up of a panel, which shall deliver its final report to the UAE and Israel within one hundred and twenty (120) days of the date of composition of the panel.
 - o Regulates the process to implement the final report of the panel.
 - o Provides rules on the temporary remedies in case of non-compliance with the panel report.
 - o Institutes the right to suspend benefits or other obligations in the case the responding Party did not comply with the panel report.
 - o Establishes a very comprehensive code of conduct for panelists and others engaged in dispute settlement proceedings.

Small and Medium-sized Enterprises

Championing the bedrock of the private sector

- Provides a mechanism for information sharing in relation to all trade-related aspects, including laws, regulations, procedures, business registration, technical regulations, standards and SME financing and trade promotion programs.
- Strengthens cooperation to enhance commercial opportunities for SMEs by:
 - Encouraging collaboration on activities to promote women-owned SMEs and their participation in international trade
 - Promoting the participation of SMEs in digital trade
 - Encouraging greater dialogue on experiences and best practices to support SMEs as well as current issues relating to SMEs
- Excludes the SME Chapter from the CEPA's dispute settlement mechanism.



Economic Cooperation

Encouraging future collaboration in new areas

- Promotes economic cooperation on areas agreed by the UAE and Israel in efforts to facilitate greater communication and effective implementation on cooperation activities.
- Encourages technical, technological, and scientific economic cooperation by:
 - Promoting joint business initiatives, conferences, training sessions and educational programs
 - Encouraging greater dialogue on sectors of the UAE's and Israel's private sector and agencies involved in trade promotion
- Enables the exchange of non-confidential information relating to the development of competition policy.

General Provisions

Enabling a flexible CEPA framework

- Excludes the Energy Sector from all aspects and provisions of the agreement, including dispute settlement obligations and related procedures.
- Allows the Joint Committee to assess, revise and propose amendments to the agreement, including improving market access, in the light of the experiences gained during the application of this Agreement and its objectives.

CONSULTATIONS ON TRADE NEGOTIATIONS



OVERVIEW

The UAE implemented a whole-of-government approach in our CEPA negotiations with Israel. Our trade negotiation team is led by the Ministry of Economy and includes members from numerous UAE government and private sector entities who have a stake in the UAE's future. Our trade negotiation process involves an economic feasibility analysis of a potential CEPA with a partner country, consultations with private sector stakeholders, an agreed upon scope and terms of reference with the partner country, and rounds of negotiation working group sessions across every CEPA chapter.

Our CEPA with Israel covers 18 chapters, 11 annexes and four side letters, all of which are available on our Ministry of Economy website at <https://www.moec.gov.ae/en/cepa>. Throughout the negotiation process with Israel, we consulted with our private sector and various stakeholders and received feedback on chapter provisions and market access offers/requests from companies across a range of industries. These consultations helped us to safeguard our economic interests in Israel and secure an outstanding deal for UAE businesses.

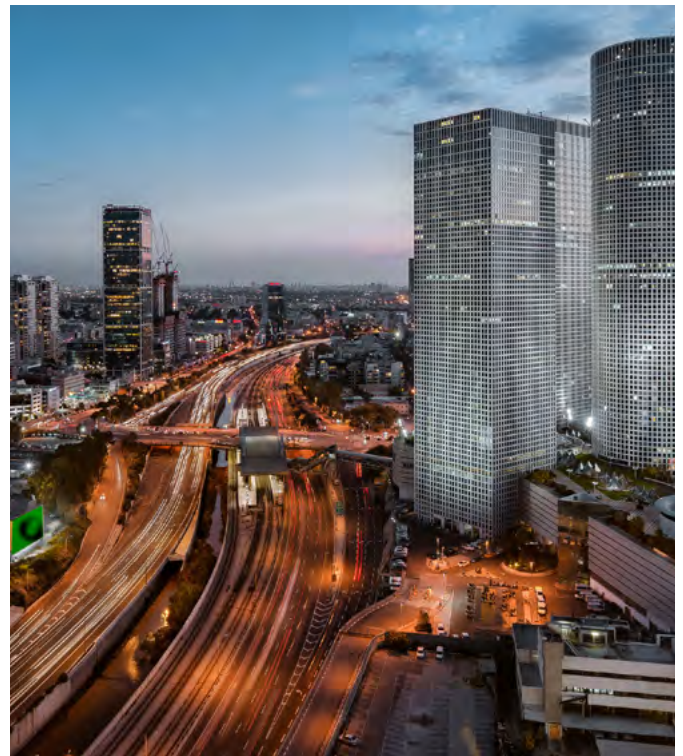
CEPA Governance

The UAE Cabinet approves the mandate and members of the UAE Trade Negotiation Higher Committee and ratifies all final CEPAs.

The UAE Trade Negotiation Higher Committee reviews final terms of the CEPA and manages strategic matters and sensitive issues.

The UAE Trade Negotiation National Committee reviews and approves final CEPAs, manages partner country relations, develops CEPA strategy for each partner country, and supervises the CEPA process and strategic communications.

The UAE trade negotiation team is comprised of experienced economists, trade analysts, legal and public relations experts from various government and private sector entities.



A low-angle, upward-looking photograph of several modern skyscrapers. The buildings feature a distinctive facade of a light-colored grid or lattice pattern, with blue-tinted glass windows visible through the openings. The sky is a solid, clear blue. The perspective creates a sense of height and architectural scale.

ECONOMIC IMPACT



OVERVIEW

The UAE-Israel CEPA has the potential to increase the UAE's GDP by 0.4 percent or \$1.9 billion by 2030. For UAE industries and manufacturers doing business with Israel, the CEPA will create a predictable and transparent trading environment and result in more economic opportunities by:

- Eliminating or reducing customs duties
- Removing non-tariff barriers to trade
- Strengthening the use of international standards
- Granting preferential access to the Israeli market
- Reinforcing the competitiveness of the UAE industry
- Clarifying the rules of trade with Israel
- Creating tools to offset any harmful effects to UAE industry from a sudden surge of imports
- Establishing an effective and efficient dispute settlement system
- Enabling access to Israel's government procurement market

Examples of Services Sectors Positively Impacted

The CEPA will bring new opportunities for UAE and Israeli companies in the services sectors. The agreement improves market access for services such as:

- Business
- Communications
- Distribution
- Environmental
- Financial
- Tourism and travel
- Transport

Benefits for Consumers

Consumers in the UAE and Israel will benefit in many ways. Most notably, consumers will gain improved access to a wider range of competitively priced goods and services as the CEPA will lead to:

- Lower prices
- More product varieties
- Higher quality products

Benefits for Small Businesses

International trade enables small businesses to compete in the world economy. Our CEPA will help UAE small businesses expand to the Israeli market and diversify their consumer base by:

- Ensuring access to information on export rules and requirements
- Establishing simple customs procedures
- Creating opportunities to network with commercial partners in Israel

Next Steps

- The UAE will continue to consult with stakeholders through formal and informal mechanisms as we develop our independent trade policy further and work to expand our network of CEPAs.
- Upon entry into force of the UAE-Israel CEPA, we encourage our private sector to reach out to our team at CEPA@economy.ae with any questions or trade-related issues pertaining to this agreement.



www.moec.gov.ae/cepa
cepa@economy.ae