

ISRAEL

TRADE SUMMARY

The U.S. goods trade deficit with Israel was \$9.4 billion in 2017, a 4.4 percent increase (\$396 million) over 2016. U.S. goods exports to Israel were \$12.5 billion, down 4.9 percent (\$653 million) from the previous year. Corresponding U.S. imports from Israel were \$21.9 billion, down 1.2 percent. Israel was the United States' 24th largest goods export market in 2017.

U.S. exports of services to Israel were an estimated \$5.1 billion in 2016 (latest data available) and U.S. imports were \$6.6 billion. Sales of services in Israel by majority U.S.-owned affiliates were \$4.2 billion in 2015 (latest data available), while sales of services in the United States by majority Israel-owned firms were \$2.3 billion.

U.S. foreign direct investment (FDI) in Israel (stock) was \$9.7 billion in 2016 (latest data available), a 6.0 percent increase from 2015. U.S. direct investment in Israel is led by manufacturing, prof., scientific, and tech. services, and information.

FREE TRADE AGREEMENTS

The United States-Israel Free Trade Agreement

Under the United States-Israel Free Trade Agreement (FTA), signed in 1985, the United States and Israel agreed to implement phased tariff reductions culminating in the complete elimination of duties on all products by January 1, 1995. While tariffs on non-agricultural goods traded between the United States and Israel have been eliminated as agreed, tariff and nontariff barriers continue to affect a significant number of key U.S. agricultural product exports.

To address the differing views between the two countries over how the FTA applies to trade in agricultural products, in 1996 the United States and Israel signed an Agreement on Trade in Agricultural Products (ATAP), which established a program of gradual and steady market access liberalization for food and agricultural products effective through December 31, 2001. Negotiation and implementation of a successor ATAP was successfully completed in 2004. Originally scheduled to last through December 31, 2008, the 2004 ATAP granted improved access for select U.S. agricultural products. The second ATAP has been extended ten times, most recently through December 31, 2018, to allow time for the negotiation of a successor agreement. The current ATAP provides U.S. food and agricultural products access to the Israeli market under one of three different categories: unlimited duty-free access, duty-free tariff-rate quotas (TRQs), or preferential tariffs, which are set at least 10 percent below Israel's most-favored nation rates.

TECHNICAL BARRIERS TO TRADE

Israeli regulatory bodies, such as the Ministry of Economy (Standards Institute of Israel), Ministry of Health (Food Control Services), and the Ministry of Agriculture (Veterinary Services and the Plant Protection Service), often adopt standards developed by Israeli regulators or European standards organizations rather than international standards, which results in the exclusion of certain U.S. products from the Israeli market and adds costs to certain U.S. exports to Israel. A current example is Israel's new cosmetics regulation (known as the Pharmacists Ordinance), which does not align with International Standards Organization or U.S. technical regulations on issues including the roles of the Responsible Person; safety assessment for nanotechnology; and, use of confidential business information.