

No. 53600. Canada and Israel

FREE TRADE AGREEMENT BETWEEN
THE GOVERNMENT OF CANADA AND
THE GOVERNMENT OF THE STATE OF
ISRAEL. OTTAWA, 31 JULY 1996

EXCHANGE OF NOTES CONSTITUTING AN
AGREEMENT BETWEEN THE GOVERNMENT
OF CANADA AND THE GOVERNMENT OF THE
STATE OF ISRAEL AMENDING CHAPTERS
THREE AND FIVE OF THE FREE TRADE
AGREEMENT BETWEEN THE GOVERNMENT
OF CANADA AND THE GOVERNMENT OF THE
STATE OF ISRAEL. OTTAWA, 4 APRIL 2002,
AND JERUSALEM, 22 APRIL 2002*

Entry into force: 5 July 2002 by the exchange
of the said notes, in accordance with their
provisions

Authentic texts: English, French and Hebrew

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Nº 53600. Canada et Israël

ACCORD DE LIBRE-ÉCHANGE ENTRE LE
GOUVERNEMENT DU CANADA ET LE
GOUVERNEMENT DE L'ÉTAT D'ISRAËL.
OTTAWA, 31 JUILLET 1996

ÉCHANGE DE NOTES CONSTITUANT UN
ACCORD ENTRE LE GOUVERNEMENT DU
CANADA ET LE GOUVERNEMENT DE L'ÉTAT
D'ISRAËL MODIFIANT LES CHAPITRES TROIS
ET CINQ DE L'ACCORD DE LIBRE-ÉCHANGE
ENTRE LE GOUVERNEMENT DU CANADA ET
LE GOUVERNEMENT DE L'ÉTAT D'ISRAËL.
OTTAWA, 4 AVRIL 2002, ET JÉRUSALEM,
22 AVRIL 2002*

Entrée en vigueur : 5 juillet 2002 par
l'échange desdites notes, conformément à
leurs dispositions

Textes authentiques : anglais, français et
hébreu

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[ENGLISH TEXT – TEXTE ANGLAIS]

I

Minister of Foreign Affairs

Ministre des Affaires étrangères

Ottawa, Canada K1A 0G2

The Honourable L'honorable
Bill Graham P.C., Q.C., M.P., c.p., c.r., député

His Excellency Shimon Peres
Minister of Foreign Affairs
Israel

APR 4 2002

Excellency:

I have the honour to confirm the understanding, as set forth in the Annex to this letter, reached by the delegations of Canada and Israel in the Working Group on Rules of Origin and Other Customs-Related Market Access Issues, established pursuant to Article 5.12 of the Canada-Israel Free Trade Agreement done at Toronto July 31, 1996 (hereinafter referred to as the "CIFTA"), to make amendments to Chapters Three and Five of the CIFTA. These amendments are liberalizing in nature and, *inter alia*, will enable implementation of Article 3.5(1)(c), which will allow most originating goods from either Canada or Israel to undergo some minor processing in the United States without losing their originating status while in transit to the other Party.

I confirm that this letter and its Annex, which is equally authentic in English and French and your letter in reply, shall constitute an agreement between our two governments. I further confirm that this agreement shall enter into force upon receipt of the second Diplomatic Note certifying the completion of the necessary internal legal procedures by each Party.

Sincerely,



Bill Graham

Enclosure

ANNEX

CANADA-ISRAEL FREE TRADE AGREEMENT

AMENDMENTS TO CHAPTERS THREE AND FIVE

Article 3.5: Direct Shipment and Transshipment

Paragraph 1 - Delete subparagraph (c) and replace with the following:

- (c) subject to Article 5.12(4) and except for a good listed in Chapter 50 through 63, the good is transhipped through the territory of a non-Party with which each Party has entered separately into a free trade agreement under Article XXIV of the GATT 1994 before this Agreement enters into force and:
 - (i) does not undergo further production other than minor processing in the territory of that non-Party, or
 - (ii) any processing that occurs in the territory of that non-Party with respect to that good does not increase the transaction value of the good by greater than ten per cent.

Article 3.12: *De Minimis* Calculation and Application

Paragraph 6 - Delete subparagraph (c) and replace with the following:

- (c) where not included under subparagraph (a) or (b), include freight, insurance, packing and all other costs incurred in transporting the material to the point of importation.

Article 3.13: Definitions

Add, after the definition for **adjusted to an F.O.B. basis**, the following definition:

alteration means a modification, other than a repair, that does not include an operation or process that either destroys the essential characteristics of a good or creates a new or commercially different good;

In the definition of **minor processing**, delete subparagraph (f) and replace with the following:

- (f) packaging or repackaging of the good for retail sale or relabelling of the good in one or more official languages of a Party, or

In the definition of **minor processing**, delete subparagraphs (h) and (i).

Add, after the definition for **production**, the following definition:

repair means the adjustment of a machine, instrument, electrical device or other article, including replacing or refitting parts to restore the article to its original operating condition;

Article 5.12: Working Group on Rules of Origin and Other Customs-Related Market Access Issues

Paragraph 4 - Delete subparagraphs (a), (b) and (c) and replace with the following:

- (a) the agreement by the Parties on the method of verification by a customs administration that a good has undergone no further production other than minor processing in the territory of a non-Party referred to in Article 3.5(1)(c) or that any processing that occurs in the territory of that non-Party with respect to that good does not increase the transaction value of the good by greater than ten per cent, based on the principles of Article 5.6;
- (b) the establishment by the Parties of a Declaration of Minor Processing for the purpose of certifying that the good has undergone no further production other than minor processing in the territory of a non-Party referred to in Article 3.5(1)(c) or that any processing that occurs in the territory of that non-Party with respect to that good does not increase the transaction value of the good by greater than ten per cent; and
- (c) the establishment by the Parties of an obligation regarding the completion of the Declaration of Minor Processing and the obligations regarding importations, exportations and record-keeping with regard to a good that undergoes minor processing or any processing that does not increase the transaction value of the good by greater than ten per cent, as referred to in Article 3.5(1)(c), based on the principles set out in Articles 5.1 to 5.5.

Add, immediately after paragraph 8, the following:

9. The Parties will, no later than January 1, 2005, review the application of Article 3.5(1)(c) to take into account changed circumstances, such as technological advances or changes in market conditions with respect to international trade in textiles.

Deputy Prime Minister
and Minister of Foreign Affairs

II

סגן ראש הממשלה
ושר החוץ

Jerusalem, 22 April 2002

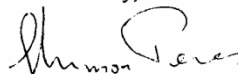
The Honourable Bill Graham P.C., Q.C., M.P.
Minister of Foreign Affairs
Ottawa, Canada

Dear Minister,

I have the honour to refer to your letter of 4 April 2002 and to confirm that my government accepts the understanding reached by the delegations of Israel and Canada in the Working Group on Rules of Origin and Other Customs-Related Market Access Issues, established pursuant to Article 5.12 of the Israel – Canada Free Trade Agreement done at Toronto on 31 July, 1996 containing Amendments to Chapters Three and Five to the said Agreement, which will allow most originating goods from either Israel or Canada to undergo some minor processing in the United States without losing their originating status.

I further confirm that this letter and its annex which is equally authentic in Hebrew, and English together with your letter shall constitute an amendment to the Agreement between our two governments in accordance with article 11.2 thereof. It shall enter into force upon receipt of the second Diplomatic Note certifying the completion of the necessary internal legal procedures by each Party.

Sincerely,



Shimon Peres

enclosure