

Debate Pack

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By

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UK Israel trade negotiations

Summary

There will be a Westminster Hall debate on UK Israel Trade Negotiations at 3:00pm on Thursday 21st January 2022. The debate will be led by Bob Blackman MP.

This briefing contains background information, parliamentary and press material, as well as suggested further reading which Members may find useful when preparing for this debate.

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Background

The UK has a [Trade and Partnership Agreement \(TPA\) with Israel](#).¹ The agreement has been fully in force since 1 January 2021.

This free trade agreement is one of the UK's trade continuity agreements – UK trade deals with countries, which had an agreement with the EU before 1 January 2021. With some modifications, these deals generally replicate the terms of EU trade agreements, which the UK enjoyed before leaving the EU.²

The UK-Israel TPA is based on a set of [EU-Israel trade agreements](#).³ The agreement covers areas such as trade in goods, customs tariffs and tariff rate quota, rules of origin, trade in services, intellectual property rights, government procurement, and conformity assessment of pharmaceuticals.⁴

The House of Lords European Union Committee 34th report, on the scrutiny of the UK's international agreements, outlines the main differences brought in by the UK-Israel TPA.⁵

1.1

Trade with the Occupied Palestinian Territories

The UK does not recognise the Occupied Palestinian Territories, including Israeli settlements, as part of Israel. Goods imported from the settlements are therefore not treated as goods from Israel and do not benefit from trade preferences under the UK-Israel TPA. The UK requires that settlement goods are labelled as such, so as not to mislead the consumer. The Government currently has no plans to ban the import of products from Israeli settlements⁶ or address UK business investment in the Occupied Palestinian Territories.⁷

¹ [Trade and Partnership Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the State of Israel](#), CP 59, 18 February 2019

² UK trade continuity agreements are sometimes referred to as roll-over agreements. For an overview see [GOV.UK](#) guidance on [UK trade agreements with non-EU countries](#).

³ The UK-Israel TPA integrates the provisions of the [EU-Israel Association Agreement](#), the [EU-Israel Agreement on Procurement](#) and the [EU-Israel Agreement on Conformity assessment of industrial products](#). See HM Government, [Explanatory memorandum: UK/Israel: Trade and Partnership Agreement](#), February 2019, p1

⁴ Department for International Trade, Guidance [Trade with Israel](#), accessed 18 January 2021

⁵ HL European Union Committee, [Scrutiny of international agreements. Treaties considered on 19 March 2019. 34th Report of Session 2017-19](#), HL Paper 321, 30 March 2019

⁶ [PQ HL4915 \[Israel: Defence and Trade Agreements\], 13 December 2021](#); The UK has a separate [political, trade and partnership agreement with the Palestinian Authority](#).

⁷ [PQ 901260 \[Occupied Territories: Overseas Trade\], 15 June 2021](#)

1.2 An enhanced trade agreement

The Government has announced that it will seek to upgrade the UK's trade and investment relationship with Israel. It will open a consultation on an enhanced free trade agreement with Israel in January 2022.⁸

The UK and Israel will host a joint innovation summit in March 2022.⁹

1.3 Wider partnership

On 29 November 2021, [the UK and Israel signed a new memorandum of understanding](#) to develop a roadmap for cooperation over the next decade in areas including cyber, technology, trade and defence.

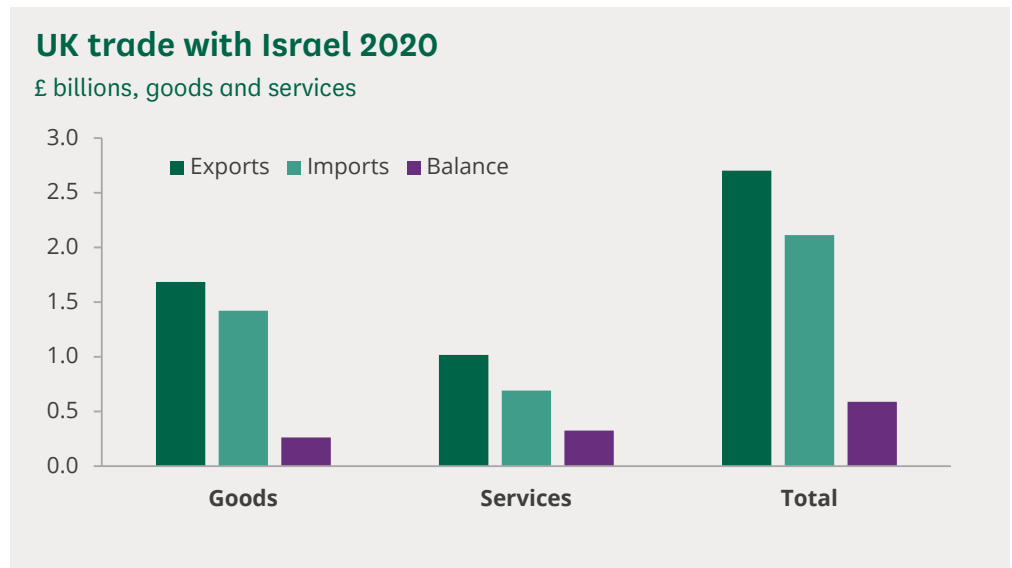
1.4 Trade statistics

In 2020:

- The UK exported £2.7 billion of goods and services to Israel and imported £2.1 billion, resulting in a trade surplus of £0.6 billion – this was made up of a surplus in goods of £0.3 billion and a surplus in services of £0.3 billion. This was the UK's 24th largest trade surplus.
- Israel was the UK's 35th largest export market, accounting for 0.4% of UK exports of goods and services and 41st largest source of imports, accounting for 0.4% of the UK's imported goods and services.
- The total value of UK trade with Israel (i.e., the combined value of exports and imports) was £4.8 billion, 0.4% of the UK's total trade.
- The UK was Israel's 3rd largest export market for goods, accounting for 7.5% of Israel's goods exports and 7th largest source of imported goods, accounting for 2.9% of Israel's goods imports.

⁸ [PQ 94308 \[Overseas Trade: Israel\]](#), 16 December 2021; [HC Deb 2 December 2021, c1029](#)

⁹ [HC Deb 2 December 2021, c1029](#)



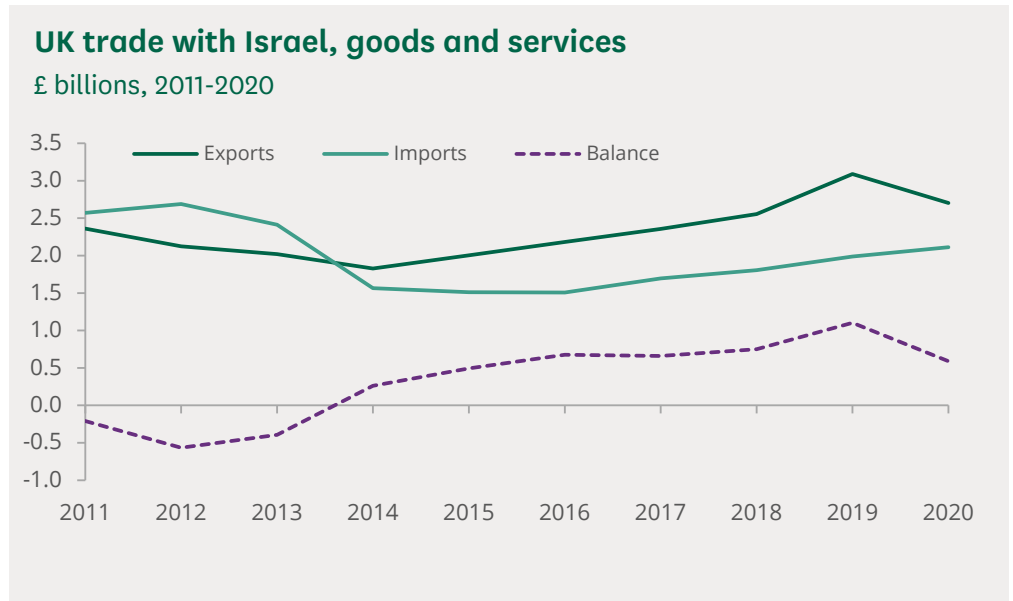
Source: ONS, [Pink Book 2021](#)

The overall value of UK exports to Israel fell in 2020, owing to the disruption in international trade caused by the coronavirus pandemic - in cash terms, the value of UK exports to Israel fell by 13% between 2019 and 2020.

The value of UK goods exports to Israel increased by 8% between 2019 and 2020, though the value of service exports fell by 33%. This fall was particularly pronounced in some sectors – the value of travel service exports fell by 78% between 2019 and 2020, owing to restrictions to international travel in 2020. Exports of other business services (which includes legal, accounting, advertising, research and development, architectural, engineering and other professional and technical services) fell by 43%.

Overall, the value of UK imports from Israel increased by 6% between 2019 and 2020 – the value of service imports fell by 6% while the value of goods imports increased by 14%. This was driven by increases in imports of a small number of high value goods – the value of imports of turbojets, turbopropellers and other gas turbines increased by 160%, from £137.6 million to £357.8 million.

The UK has now recorded a trade surplus with Israel every year since 2014, the largest being £1.1 billion in 2019. UK exports to Israel peaked at £3.1 billion in 2019, while imports from Israel peaked at £2.7 billion in 2012.



Source: ONS, [Pink Book 2021](#)

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Press articles

[As allies, UK and Israel can be trade and tech superpowers](#)

Liz Truss; Yair Lapid

Daily Telegraph, 29 November 2021

[Truss warns Vienna talks are 'last opportunity' for Iran to revive nuclear deal: The Foreign Secretary said the UK will work 'flat out' to prevent Tehran from gaining nuclear weapons](#)

Patrick Daly

The Independent, 29 November 2021

[Britain and Israel to sign trade and defence deal: Pact covers Iran as well as cybersecurity, despite controversy over use of Israeli firm NSO Group's Pegasus spyware in UK](#)

Dan Sabbagh

The Guardian, 28 November 2021

[British backing for Israel helps to sustain the unbearable status quo](#)

Rafeef Ziadah

The Observer, 13 June 2021

3

Press releases

[UK and Israel sign trade continuity agreement: The International Trade Secretary has today signed a new continuity agreement with Israel.](#)

Department for International Trade, 18 February 2019

A trade continuity agreement will see British businesses and consumers benefitting from continued trade with Israel after we leave the European Union.

International Trade Secretary and President of the Board of Trade, the Rt Hon Dr Liam Fox MP, signed the UK-Israel agreement in Tel Aviv today (Monday 18 February) with Minister of Economy and Industry, Eli Cohen.

The news has been welcomed by business groups including the Israel Britain Chamber of Commerce, who say it will help to support jobs and ensure continuity for both British consumers and businesses who will be able to continue trading without disruption.

The agreement simplifies trade and allows businesses to trade as freely as they do now, without any additional barriers or tariffs.

Trading on these preferential terms rather than on World Trade Organization terms will deliver significant savings and help to safeguard British jobs.

This will help to further strengthen the trading relationship between the UK and Israel, which was worth £4 billion in the year ending 2018 Q3.

The British vehicles sector could avoid up to £9 million a year in tariff charges on their exports that would apply if the agreement wasn't in place, while machinery and mechanical appliance exporters could avoid up to £5 million a year.

The agreement also protects existing preferential market access for important products. Consumers in the UK will continue to benefit from more choice and lower prices on goods imported from Israel, such as pharmaceutical products, with Israeli companies acting as major suppliers to the NHS. The deal will ensure crucial protection for intellectual property rights and maintain high trading standards across industry.

International Trade Secretary, Dr Liam Fox said:

Britain's relationship with Israel is stronger than it has ever been with record levels of bilateral cooperation in trade and investment between our 2 nations. Today's agreement will further help ensure UK and Israeli businesses, exporters and consumers have the certainty they need to continue trading freely and in confidence as the UK prepares to leave the EU.

We look forward to further strengthening an ambitious trade and investment relationship with Israel as we work closer together in the future.

Anita Leviant, President of the Israel Britain Chamber of Commerce (IBCC) said:

The IBCC community, both in Israel and in the UK is very pleased and encouraged by the signing of the continuity trade agreement between both countries. Bilateral Trade between the UK and Israel has been booming during the last several years and the UK is Israel's second largest trade partner, with over 300 Israeli companies choosing to set up their businesses in the UK.

Tech, science and innovation cooperation between companies and organisations of both countries keeps growing each year and the sky is the limit. Ensuring continuity for our important mutual businesses, is therefore a must and this agreement, at this time, provides the required immediate certainty, and at the same time, serves as a solid foundation, for growth and enhancement of the already existing 2-way UK-Israel trade and investment relationship.

The government's priority remains minimal disruption to our global trading relationship as we prepare to leave the European Union. We will continue to work with our trading partners as we seek continuity for existing trade agreements.

Like all of these agreements, the new UK-Israel deal replicates the existing trading arrangements as far as possible. It will come into effect as soon as the implementation period ends in January 2021, or on 29 March 2019 if the UK leaves the EU without a deal.

Ministerial declaration

The UK International Trade Secretary, Dr Liam Fox, and Israeli Minister for Economy and Industry, Eli Cohen, have agreed the text of the UK-Israel Trade and Partnership Agreement.

The Agreement replicates the existing EU-Israel trading relationship, as reflected by the EU-Israel Association Agreement, to ensure continuity in the trading relationship between Israel and the UK, when the UK ceases to be a member of the EU.

In signing the Trade and Partnership Agreement, both parties have ensured certainty for businesses, consumers and investors following the UK's withdrawal from the EU.

Considering that the EU-Israel Association Agreement was signed in 1995 and the world of trade has evolved since, both Ministers re-affirm their desire to see an ambitious free trade deal concluded between their countries.

The Trade and Partnership Agreement will pave the way for an ambitious relationship between the UK and Israel's complementary economies. With bilateral trade already worth £4 billion, the ministers agree that both countries should aim to develop the economic and trading relationship further, with the aim of deepening links in key sectors.

In this context both ministers are committed to undertaking a review of the Trade and Partnership Agreement with a view to upgrading it, including in areas not covered therein.

The parties will endeavour to undertake such a review within a reasonable time after the entry into force of the Trade and Partnership Agreement.

It has been jointly decided by the ministers that the UK-Israel Joint Committee, established under the Trade and Partnership Agreement, should work towards the ambition to strengthen the UK-Israel trading partnership.

4 Parliamentary material

4.1 Written questions

[Question for Department for International Trade: Overseas Trade: Israel: UIN 94308](#)

Asked by Stephen Crabb

Asked on 16 December 2021

To ask the Secretary of State for International Trade, what estimate she has made of the total value of bilateral trade with Israel in the last five years, and what steps she is taking to increase that value in the next five years.

Answered by Penny Mordaunt

Answered on 11 January 2022

Our bilateral trade relationship with Israel is already strong at almost £5 billion per year. Total trade between the UK and Israel has grown over the last five years from £3.5 billion in 2015 to £4.8 billion in 2020.

Officials and Ministers are in regular contact with their Israeli counterparts on our existing bilateral free trade agreement and ambitions for our future relationship. The Government will open a Call for Input on an enhanced bilateral free trade agreement with Israel early this year.

[Question for Department for International Trade: Trade Agreements: Israel: UIN 94307](#)

Asked by Stephen Crabb

Asked on 16 December 2021

To ask the Secretary of State for International Trade, what recent discussions she has had with the government of Israel on a free trade agreement.

Answered Penny Mordaunt

Answered on 11 January 2022

Officials and Ministers are in regular contact with their Israeli counterparts on our existing bilateral free trade agreement and ambitions for our future relationship. On Wednesday 24th November 2021, my Rt. Hon. Friend the Secretary of State for International Trade met the Israeli Ambassador and

discussed ways in which we can enhance our existing trade relationship over time.

The Government will open a Call for Input on an enhanced bilateral free trade agreement with Israel early this year.

[Question for Foreign, Commonwealth and Development Office: Israel: Defence and Trade Agreements: UIN HL4915](#)

Asked by Baroness Sheehan

Asked on 13 December 2021

To ask Her Majesty's Government what assessment they have made of how goods produced in the Israeli settlements should be treated in negotiations on trade and defence with the government of Israel.

Answered by Lord Ahmad of Wimbledon

Answered on 23 December 2021

The UK does not recognise the Occupied Palestinian Territories, including Israeli settlements, as part of Israel. Goods imported from the settlements are therefore not entitled to benefit from trade preferences under the UK-Israel Trade and Partnership Agreement. The UK also supports accurate labelling of settlement goods, so as not to mislead the consumer. There are currently no plans for legislation to ban the import of products from Israeli settlements.

[Question for Foreign, Commonwealth and Development Office: Trade Agreements: Israel: UIN 86659](#)

Asked by Nadia Whittome

Asked on 3 December 2021

To ask the Secretary of State for Foreign, Commonwealth and Development Affairs, what discussions she has had with her Israeli counterpart on ending the occupation of the occupied Palestinian territories in the course of negotiating the new Trade and Defence Pact.

Answered by James Cleverly

Answered on 8 December 2021

The UK's position on the Middle East Peace Process is clear and longstanding. The Foreign Secretary and Israeli Foreign Minister Lapid discussed the Middle East Peace Process, including how to improve the situation in Gaza, during

their meeting on 29 November. The memorandum of understanding, signed on 29 November and accessible here:

<https://www.gov.uk/government/publications/uk-israel-strategic-partnership-memorandum-of-understanding-2021>

commits to the development of a new, bespoke UK-Israel Bilateral Roadmap. This Roadmap will define UK-Israel cooperation for the next decade across the breadth of the bilateral relationship.

[Question for Foreign, Commonwealth and Development Office: Gaza: Israel: UIN HL4555](#)

Asked by Baroness Janke

Asked on 30 November 2021

To ask Her Majesty's Government what representations they plan to make to the government of Israel regarding Israeli forces firing on fishermen in Gaza while they fish in their designated area.

Answered by

Lord Ahmad of Wimbledon

Answered on 14 December 2021

We regularly raise the importance of the Israeli security force's adherence to the principles of necessity and proportionality when defending its legitimate security interest. We continue to stress to the Israeli authorities the damage that their restrictions on movement, access and trade are doing to the living standards of ordinary Palestinians.

[Question for Department for International Trade: Overseas Trade: Israel: UIN 151774](#)

Asked by Craig Tracey

Asked on 9 February 2021

To ask the Secretary of State for International Trade, pursuant to the Answer of 8 February 2021 to Question 146961 on Question for Department for International Trade, what sectors have been identified for further cooperation with Israel beyond the continuity trade agreement.

Asked by Graham Stuart

Answered on 16 February 2021

The United Kingdom-Israel Trade and Partnership Agreement entered into force on the 1 January 2021. The agreement provides an ambitious framework to continue to grow our future trading relationship, which totalled £4.9 billion in the four quarters to the end of Q3 2020. We have identified opportunities to deepen our bilateral trade relationship in sectors such as financial services, infrastructure, and technology. We will work with our Israeli counterparts to realise these including through reinstating plans to host a UK-Israel Trade and Investment conference in London.

4.2

Oral questions

[Israel: Trade Co-operation](#)

HC Deb 2 Dec 2021, c 1029-30

Volume 704: debated on Thursday 2 December 2021

Scott Benton: What progress she has made in discussions with her Israeli counterpart on an agreement for further trade co-operation beyond the trade continuity deal. (904513)

The Secretary of State for International Trade (Anne-Marie Trevelyan): I welcome the right hon. Member for Torfaen (Nick Thomas-Symonds) to his place. It is a pleasure to be working with him, and I look forward to discussing some of the many exciting things that will be going on in the Department for International Trade in the months ahead.

As my hon. Friend the Member for Blackpool South (Scott Benton) is aware, on Monday the Prime Minister announced plans to enhance our trade and investment relationship with Israel. Last week, I held productive talks with the Israeli ambassador on the matter, and I look forward to strengthening that important trading relationship.

Scott Benton: As the Prime Minister rightly said on Monday, our close co-operation with Israel on security, science and technology benefits not only our two respective nations, but the entire world. Does my right hon. Friend agree that the new strategic agreement signed between the UK and Israel will further enhance those ties over the next decade, and will she update the House on when we can expect the consultation period for the new bilateral free trade deal to begin?

Anne-Marie Trevelyan: The strategic agreement signed with Israel is the starting post for a series of activities that will deepen our trading relationship. We will be opening a public consultation on our enhanced bilateral free trade agreement in January, and we look forward to hearing the views of businesses and stakeholders across the UK on their priorities for that

deal. We will also be hosting a joint innovation summit with our Israeli friends in March next year, in order to support new technology ideas.

Mr Barry Sheerman: Is the Secretary of State aware of the huge dynamic in Israeli universities? Will she make every effort, including with resources, to encourage partnerships between UK and Israeli universities, in terms of research, development and innovation?

Anne-Marie Trevelyan: As I said, we will be hosting a joint innovation summit in March with our Israeli friends in those areas of research and development, as mentioned by the hon. Gentleman. How we can work together between our universities is very much on our list of priorities, and I am also working closely with the Secretary of State for Education to ensure that we link in the international relationships that we want to grow with Israel.

[UK-Israel Trade Deal](#)

HC Deb 15 July 2021, c 525-26

Michael Fabricant: What plans she has to enhance the UK's trade deal with Israel following her recent visit to that country; and if she will make a statement. (902798)

Scott Benton: What plans she has to enhance the UK's trade deal with Israel. (902819)

The Secretary of State for International Trade (Elizabeth Truss): We have a strong bilateral trade relationship with Israel worth £5 billion a year. On my recent visit to Israel, I discussed our ambitions for a new free trade agreement to create further opportunities for British business.

Michael Fabricant: My right hon. Friend will know from her visit to Israel that it has the highest number of high-tech start-ups in the world. Moreover, the latest Intel chips in all our computers were designed in Israel by Intel. Does my right hon. Friend have any plans to enhance the trading relationship in high-tech products with the state of Israel?

Elizabeth Truss: My hon. Friend is completely right. The UK and Israel are both leaders in technology, from agri-tech to gaming to med-tech, and there are huge opportunities for us to work together. What we will be seeking in the new trade deal with Israel is an advanced digital data and technology chapter that looks to the industries of the future to give both countries more opportunities.

Scott Benton: I welcome the Secretary of State's commitment to sign an advanced free trade agreement with our close ally Israel, and I hope she enjoyed her first ever visit to the country this month. Israel is a growing export market for UK companies, so what steps is she taking to champion UK-made

products being sold in Israel, and what more can be done to boost UK exports of things such as cars, machinery and clothing?

Elizabeth Truss: The current UK-Israel partnership is already worth £5 billion a year, but we want to turbo-charge that. We are providing practical assistance for UK firms through our trade adviser network, as well as strong support from UK Export Finance to help to finance those exports into Israel.

Emily Thornberry: We all welcome the prospect of an enhanced trade deal with Israel, and I congratulate the Secretary of State on her efforts to secure it. Among the many improvements that we hope the new deal delivers, will she guarantee to remove the clause mistakenly included in the 2019 UK-Israel agreement that prohibits manufacturers in UK freeports from sharing in the benefits of that deal? Can she tell us when we can expect Toggle showing location of Column 526 revised deals with the 20 other countries, including Switzerland and Singapore, where the same freeport blunder still applies?

Elizabeth Truss: The clauses that the right hon. Lady is referring to are absolutely standard in free trade agreements. Every agreement is the result of a negotiation with the relevant country, and of course we secure the best possible outcome in terms of tariff reductions and rules of origin, but I will be absolutely clear that firms locating in our freeports are free to take advantage of whichever is better for their company: a given free trade agreement or the additional reductions from being in that freeport.

4.3

Select Committee reports

[Scrutiny of international agreements. Treaties considered on 19 March 2019, 34th Report of Session 2017-19,](#)

HL European Union Committee

30 March 2019

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