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Implementation of the European Neighbourhood Policy in Israel Progress in 2013 and recommendations for action

Accompanying the document

JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Neighbourhood at the Crossroads: Implementation of the European Neighbourhood Policy in 2013

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1. OVERALL ASSESMENT AND RECOMMENDATIONS

This document reports on overall progress made on the implementation of the European Union (EU) — Israel European Neighbourhood Policy (ENP) Action Plan between 1 January and 31 December 2013, although developments outside this period are also taken into consideration when deemed relevant. It is not a general review of the political and economic situation in Israel. For information on regional and multilateral sector processes readers should also refer to the Partnership for Democracy and Shared Prosperity progress report.

The EU-Israel ENP Action Plan adopted in April 2005 provides the general political framework for bilateral relations. The current Action Plan was extended until the end of 2013. The EU continued to develop its bilateral relations with Israel, focusing on the 60 concrete activities identified by the EU-Israel Association Council of 24 July 2012 which have yet to be implemented.

Although no Association Committee or Council meetings were held in 2013, cooperation and bilateral dialogue continued to be active. At political level, it was marked by visits to Israel by the High Representative for Foreign Affairs and Security Policy/Vice President of the Commission Catherine Ashton and Vice Presidents of the Commission Antonio Tajani and Siim Kallas and a visit to Brussels by the President of Israel. At technical level, regular meetings of the bilateral sub-committees took place, complemented by visits by senior officials and technical discussions in the context of the Twinning and TAIEX instruments.

The year 2013 showed progress in several areas of the Action Plan, such as the signature of the Comprehensive Aviation Agreement, the entry into force of the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) and an agreement on Israel's participation in the Horizon 2020 research programme. However, significant challenges remain concerning the protection of minority rights and Israel's responsibilities in the Occupied Territories.

Regarding domestic human right issues, Israel reversed its 2012 decision and participated in the Universal Periodic Review under the UN Human Rights Council. While there was progress on the implementation of women's rights, additional efforts are needed to ensure the equality of all Israeli citizens, in particular as regard the rights of Arab minorities, including the Negev Bedouins.

In the area of foreign and security policy, the EU underlined its full backing for the resumption of Israeli-Palestinian peace talks in August 2013, commended the personal commitment of both President Mahmoud Abbas and Prime Minister Benjamin Netanyahu and reiterated its support for a two-state solution based on an agreement on all final status issues, offering a Special Privileged Partnership to both parties if such agreement is reached. In parallel, the EU warned against actions that undermine the negotiations. It deplored the continued expansion of settlements and expressed grave concern regarding incitement, incidents of violence, house demolitions and the deteriorating humanitarian situation in Gaza.

Israel agreed to the extension of the EU common security and defence policy (CSDP) missions EUBAM Rafah and EUPOL COPPS.

Concerning regional developments, dialogue on the Mavi Marmara incident resumed between Israel and Turkey, while political events in Egypt and Iran and continued hostilities in Syria had an impact on the security situation.

Economic growth slowed down slightly to 3.3 %, from 3.4% in 2012. On the fiscal front, Israel's position deteriorated further in 2013, despite the ongoing fiscal consolidation effort and the upward revision of GDP data in August. Cuts in social services expenditure may, however, further increase the risks of social exclusion. Israel has deep socio-economic and income disparities and has the highest poverty rate (20.9%) among OECD countries.

EU-Israel trade and economic relations are already well developed and are improving further. Israel signed the regional convention on pan-Euro-Mediterranean preferential rules of origin as recommended in last year's report. Industrial pharmaceutical products' access to the internal market was facilitated through the entry into force of the EU-Israel ACAA. Israel continued to improve its intellectual property rights legislation.

A significant development in 2013 was the signature of the comprehensive EU-Israel civil aviation agreement, in fulfillment of last year's recommendations.

In order to set an adequate foundation for Israel's participation in EU programmes, the European Commission adopted guidelines to ensure that, in line with the EU position regarding Israeli settlements in occupied territories, Israeli entities and activities based in settlements do not benefit from EU programmes. The future development of the already intense cooperation in science and technology was ensured through the agreement reached on Israel's participation in the 'Horizon 2020' research and innovation programme.

Irregular migration remained a serious challenge for Israel. The vigorous enforcement of the anti-infiltration law and the detention of migrants for criminal acts without trial provoked criticism from civil society, several strikes and demonstrations, and a ruling from the Supreme Court. Steps towards the regularisation of migrants and improvements to their health and welfare situation should be encouraged. Israel pursued efforts to curb human trafficking, money laundering and financial crimes, and showed interest in cooperation with the EU in the fight against drugs.

Tension surrounding Israeli responsibilities in the Occupied Territories increased in 2013, in light of worrying developments on the ground, including increased settlement activity and demolitions in East Jerusalem and the rest of the West Bank. A positive step was the temporary loosening of restrictions on movement and access in the West Bank and Gaza. After a first positive trend in the aftermath of the Israeli 'Pillar of defense' operation in Gaza, heavy restrictions were maintained throughout 2013 and continued to constitute a severe burden for the Gaza population. However, Palestinian economic and social rights remain hampered by many restrictions and, in Gaza, increased isolation as a result of this policy brought a deterioration of the economic and humanitarian situation. Exercise of freedom of religion remained problematic, despite some measures to improve Palestinian

access to religious sites. The Israeli authorities took some measures to counter violence committed by settlers. Limited progress was made on decreasing the administrative detention without trial of Palestinians, but its use and length are still excessive. Efforts to increase the transparency and public accountability of the security services should remain a priority, as recommended by the second part of the Turkel Commission report released in February and positively received by the Israeli government.

In 2013, Israel addressed some of the key recommendations from last year's report. The regional Convention on pan-European rules of origin was signed as well as the EU-Israel comprehensive civil aviation agreement, and the ACAA came in force. Other key recommendations contained in last year's ENP progress report have yet to be addressed, and remain valid. Cooperation between Israel and the EU should continue to focus on activities highlighted in 2012 from the 2005 ENP EU-Israel Action Plan which have not yet been implemented. On the basis of this year's report and with a view to sustained implementation of the ENP Action Plan in 2014, Israel is also invited to:

- keep up the momentum in bilateral EU-Israel cooperation including by focusing on activities from the 2005 Action Plan;
- continue the commendable efforts to take bold and concrete steps towards a just and lasting solution to the Israeli-Palestinian conflict in the ongoing negotiation process;
- bring internal procedures for stateless people in line with the 1958 Convention on the Status of Stateless Persons;
- continue and increase efforts to ensure the equality of all Israeli citizens as regard to the rights of people belonging to minorities, including the Negev Bedouins, and the rights of status-less children (children born in Israel without legal residency status);
- strengthen cooperation with the EU in UN bodies, including on human rights issues, for example related to gender and disability;
- ratify the Second and the Third Protocol to the 2003 UN Convention on Transnational Organised Crime on the illicit manufacturing of and trafficking in firearms, their parts, components and ammunition;
- ensure further progress takes place on amending intellectual property rights legislation to bring it into line with OECD commitments;
- implement the government's commitment to ensure the independence of the Equal Employment Opportunities Commission and provide it with adequate resources;
- take additional measures to lower carbon emissions, in line with international agreements;
- ensure respect for international law and human rights in the occupied territories, including intensifying efforts to curb settler violence and minimising the use of administrative detention without trial;
- ensure respect for international law and human rights in the treatment of irregular migrants and asylum-seekers;
- ratify the Regional Convention on pan-Euro-Mediterranean preferential rules of origin.

2. POLITICAL DIALOGUE AND REFORM

Deep and sustainable democracy

The **elections** to the 19th Knesset, held in January, were held in line with international standards. Voter turnout was 67.78%, up 2% compared to 2009. The Israeli party system remained volatile: newly created Yesh Atid became the second largest party in the Knesset (19 seats). Kadima, the largest party in the previous Knesset, lost all but two seats, barely passing the electoral threshold.

The resulting government, headed by Prime Minister Netanyahu, was composed of four parties, mustering 68 of 120 Knesset seats. For the first time since 2005, and for the third time in Israeli history, the ultra-orthodox parties were absent from the government.

A **bill on governance** passed a first Knesset reading in July. If passed in its current form, as an amendment to the ‘basic law on the Government’ (i.e. a law with *de facto* constitutional status), the bill would increase the electoral threshold from 2% to 4%, limit the number of ministerial posts to 19 and restrict opportunities for no-confidence motions in the Knesset to once a month. Domestic debate continued over whether the increase in the electoral threshold would unduly discriminate against parties representing persons belonging to minorities.

A bill on the **draft of ultra-orthodox men into military service or national service** passed the Knesset committee in February 2014. If passed in its current form, all ultra-orthodox men currently exempt from army service will have to register for service after a four-year transitional period in order to avoid criminal sanctions, except for 1800 students who would receive an exemption for Torah studies.

Another government-backed bill passed its first Knesset reading in August. It was intended to give *de facto* constitutional status to existing legislation requiring a **referendum** on any peace treaty or plan that would involve the withdrawal from or concession of territory considered sovereign under Israeli law.

Some private member bills were introduced that were criticised as infringing unduly upon **freedom of expression** and **freedom of association**, e.g. a bill preventing the registration of non-governmental organisations (NGOs) whose aims and purposes are contrary to the definition of Israel as a ‘Jewish and democratic state’ and imposing a 45% tax on their foreign public funding. Only the latter received government backing from a cabinet committee in 2013, but a subsequent appeal by the Justice Minister prevented the bill from advancing further, with discussions currently frozen.

According to Transparency International, perception of **corruption** in Israeli public sector was maintained at a relatively low level in 2013, where Israel was ranked 36th out of 177 countries.

Other human rights and governance-related issues

Israel is party to most international human rights instruments, but not to their optional protocols. Human rights issues were raised with the Israeli authorities in day-to-day contacts and at the seventh meeting of the Informal Working Group on Human Rights held in January. For much of the year Israel continued to disengage from the **Human Rights Council**, but eventually ended its disengagement, taking part in its Universal Periodic Review on 29 October.

The EU delegation maintains a strong relationship with **civil society organisations**, through regular consultations on cooperation and policy issues and training.

Thirty projects supported by the European Instrument for Democracy and Human Rights (EIDHR) and the Neighbourhood Civil Society Facility (CSF) were ongoing in 2013, including eight projects that started in this period. These projects contribute to the priorities identified in the ENP Action Plan, namely respect for and promotion of the rights of people belonging to minorities; respect for human rights and international humanitarian law, and the fight against racism, xenophobia and anti-Semitism. The EU Delegation's annual EIDHR/CSF call for proposals was concluded in October 2013 with eight projects selected. The projects will be implemented from January 2014.

The Israeli government promised to consider the recommendations of the second part of the Turkel Commission report, released in February, on how Israel's mechanisms for investigating alleged breaches of law by military and security personnel comply with Israel's obligations under international law. The Turkel Commission was established by Israel following the Mavi Marmara incident in May 2010. Its recommendations focused on increasing accountability and transparency of the security services, impartial and effective handling of complaints and the independence of the Military Advocate-General.

Reports of **torture and other ill-treatment** during arrests and interrogations continued to be made. According to these reports, fifty complaints were filed with the Attorney General in 2013, out of which two resulted in an investigation.

As regards the **rights of people belonging to minorities**, according to reports, cuts in the state budget for 2013-2014 will have a negative effect on the incomes of Arab-Israeli families, as national budgetary priorities focus on areas which do not include the Arab-Israeli population. According to data from the office of the Prime Minister, 82% of the 2010 inter-ministerial plan for the economic development of the Arab sector, worth EUR 160 million for the 2010-2014 period, has been implemented.

The **Praver-Begin plan on the Negev Bedouins**, adopted by the government in May, passed its first Knesset reading in June. The plan is part of the government's economic development plan for the Negev, and aims to settle the land claims of the Bedouin and 'regulate' their settlement in the Negev. The plan has been heavily criticised by opposition parties and NGOs, as it could lead to the relocation of 30 000-40 000 Bedouin within the next five years. The EU stressed the need for proper consultation of the communities concerned. Former minister Begin stepped down in December from his role

representing the government's position on the plan, recommending that it be revised. Currently the bill is not being deliberated in the relevant Knesset committee.

On the subject of **women's rights**, three new projects were funded by the EU and began activities in the areas of labour rights for Arab and Ethiopian Israeli women, gender budgeting in local authorities and on the gender pay gap. The Equal Employment Opportunities Commission is involved in the latter project. The 2013 Knesset includes a record number of women MKs, 27 in total, representing different parties. However, women continued to be underrepresented in key positions, including on prominent committees such as the Foreign Affairs and Defence Committee, where only one out of seventeen members was female. In October 2013, the Minister of Finance appointed a committee charged with examining the state budget from a gender perspective. The committee will formulate policy recommendations and guidelines for a gender analysis of the budgeting process, and will report to the Knesset Committee on the Status of Women by 1 March 2014, with recommendations expected to be submitted by 1 May 2014.

In the field of **children's rights**, in May the State Comptroller presented a report on status-less children to the Knesset. The report revealed that more than 90 000 children in Israel were undocumented, including children of foreign workers, refugees and illegal migrants. Some of these children were held in detention centres, did not receive appropriate welfare care and attended childcare facilities that fall short of national standards and may be dangerous. The report questions whether Israel meets the requirements of the Convention on the Rights of the Child, which requires that detention of children be used only as a last resort and for the shortest possible time.

A recent positive development with regard to children was the release of all Eritrean children, with their parents, from Saharonim detention centre. This comes in addition to government policy, according to criteria set by the Ministry of Interior, to place unaccompanied minors aged 13-17 in boarding schools rather than detention.

On the subject of **anti-Semitism**, the EEAS participated in the Fourth International Conference of the Global Forum for Combating Anti-Semitism held in Jerusalem in May. The conference, hosted by the Ministry of Foreign Affairs and the Ministry of Jerusalem and Diaspora Affairs, convened to discuss ways of combating the different manifestations of current anti-Semitism and to find viable models to face this global challenge. The seventh seminar on anti-semitism was held in Brussels on 16-17 December 2013. This was the sixth meeting of the Expert Group on the Framework Decision on racism and xenophobia. In this context, the EU Agency for Fundamental Rights (FRA) presented its recent survey on discrimination and hate crime against Jews in the EU Member States. The main discussion focused on online hate speech and anti-Semitism, where good practice on tackling issues relating to removal and countering were presented. Finally, human rights training and Holocaust remembrance events for 2014 were also discussed.

There is no legal discrimination in Israel based on **sexual orientation**, and lesbian, gays, bisexual, transsexual and intersex (LGBTI) rights are largely accepted and protected.

Israel ratified the UN Convention on Rights of Persons with Disabilities (UN CRPD) in September 2012. Ratification of the related optional Protocol ensuring an international

extra-judiciary right to an effective remedy should be encouraged. The EU's Disability strategy could serve as an example for an effective implementation of the UN CRPD.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

2013 saw effective efforts, led by US Secretary of State John Kerry, to relaunch direct peace negotiations between Palestinians and Israelis. Meetings between the parties took place from July onwards, with the aim of reaching an agreement on all final status issues within nine months. In its Council Conclusions of July and December 2013, the EU welcomed the resumption of negotiations, commended both Prime Minister Netanyahu and President Abbas for their leadership and expressed its full support for the efforts to achieve a just and lasting settlement of the Israeli-Palestinian conflict. The EU reiterated its readiness to contribute substantially to post-conflict arrangements for ensuring the sustainability of a peace agreement and offered to provide an unprecedented package of European political, economic and security support to both parties in the form of a Special Privileged Partnership that the EU would offer to both Israel and the future state of Palestine in the event of a final peace agreement.

The EU continued to engage with Israel in order to address the critical importance of Area C of the West Bank for the viability of a future Palestinian state. Concrete results, however, have been limited and increases in demolitions of Palestinian structures continued. In 2013, the number of structures demolished by the Israeli authorities in the Jordan Valley doubled, from 172 in 2012 to 390 in 2013. Also displacement of communities and increased restrictions to access in the Jordan Valley in Area C continued.^[1] Humanitarian access and delivery of assistance have been rendered more difficult and less predictable during the last year. Humanitarian agencies also reported an increase in demolitions and confiscations of humanitarian material (tents, water dispensers, etc.), substantially affecting their ability to provide assistance.

In 2013 the EU condemned the killing of Israeli citizens, including Israel Defence Forces (IDF) personnel. It also issued several statements deploring settlement activity in East Jerusalem and the rest of the West Bank in line with the EU's long-standing view that settlements are illegal under international law and threaten the viability of the two-state solution. In July, the European Commission published guidelines to ensure that Israeli settlement-based entities and activities will not benefit from financial support under EU programmes, in line with existing EU policy and practice.

On Gaza, the EU reaffirmed its support for consolidating the ceasefire of 21 November 2012, and reiterated its call for an immediate, sustained and unconditional opening of crossing points for goods and persons to and from Gaza Strip, while fully recognising Israel's legitimate security needs. The EU also emphasised its readiness to engage in projects targeting needs on the ground. Sporadic rocket-fire from Gaza into southern Israel continued in 2013 and was met by Israeli airstrikes and a temporary reduction of

^[1] UN OCHA figures

<http://reliefweb.int/report/occupied-palestinian-territory/local-eu-statement-demolitions-0>

<http://reliefweb.int/report/occupied-palestinian-territory/25-organizations-call-end-demolitions-palestinian-homes-and>

Gaza's fishing zone, subsequently lifted. In September 2013, Israel opened the Kerem Shalom crossing point for imports of construction materials for the private sector for the first time since 2007. However, in response to the discovery in October of a tunnel leading into Israel, this decision was reversed and a broader suspension of all transfers of construction materials was implemented. In December 2013, Israel enabled the transfer of additional water pumps, gas and fuel, including for Gaza's power station, at the request of UN agencies, whilst maintaining the restrictions on private sector imports. Following the ousting of former Egyptian President Mohamed Morsi, there was a clampdown on the Gaza tunnels and there were restrictions on the opening of the Rafah crossing.

In March, during US President Barack Obama's visit to Israel, Prime Minister Netanyahu phoned Prime Minister Recep Tayyip Erdoğan of **Turkey** to apologise for any Israeli mistakes that might have led to the loss of life or injury in the Mavi Marmara incident. The Israeli Prime Minister agreed to compensate the families of the victims in exchange for halting the court cases against Israeli military officials involved. However, no agreement has so far been reached. As a result, the envisaged exchange of ambassadors has not yet taken place.

Israel remained neutral in the internal conflict in **Syria**, but made it clear it would not allow the possible transfer of advanced weapons systems from the government to Hezbollah and other rogue groups, and would retaliate if attacked. Israel opposed Russian plans to deliver S-300 anti-aircraft systems to Syria. Israeli hospitals have admitted a number of wounded Syrians for treatment.

The Israeli government continued to warn of **Iran's** intentions to develop a military nuclear programme and called for a cessation of all uranium enrichment by Iran, the removal of stockpiles of enriched uranium, and the dismantlement of its enrichment facilities, including stopping work at the heavy-water reactor in Arak, as prerequisites for any easing of international sanctions against Iran. Prime Minister Netanyahu, in his UN General Assembly speech in September, did not rule out military action, if needed, by Israel alone to prevent Iran from obtaining nuclear weapons. However, he also stated his support for the pursuit of a meaningful diplomatic solution by the E3+3.

In the field of **civil protection**, Israel is participating in the EuroMed Prevention Preparedness and Response to Natural and Man-Made Disasters (PPRD) South Programme II. An initial meeting with the Home Front Command in the framework of this programme was held in Israel in October. Furthermore, a large-scale drill took place simulating international aid to Israel in case of an earthquake. It was attended by 13 aid delegations from various countries as well as delegations from NATO, the International Committee of the Red Cross and the UN.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework¹

In 2013, **economic growth** reached an average of 3.4% (same as in 2012), reflecting *inter alia* a one-off effect from the launch of a natural gas field (Tamar). GDP expansion was particularly strong in the second quarter (5%), as a result of higher public and private consumption, which preceded June's pre-announced VAT increase. Against this background and amid an accommodating monetary policy stance, consumer price inflation increased slightly to an average of 1.8% in 2013 from 1.6% in 2012, remaining within the official target range of 1%-3%. The central bank's main interest rate was reduced twice in 2013 (by 0.75 percentage points in total) to reach a record low of 1% in September 2013. House price pressures have been kept constant, despite the authorities' macro-prudential policy measures to address them, partly due to the low interest rate environment.

In light of the recent natural gas discoveries the **shekel** appreciated by almost 5.7% against the US dollar and by 0.3% against the euro, adding to the slowdown of exports, already affected by the still weak global environment. Exports recorded a negative growth of -2.3% compared to the previous year, while imports of goods and services declined by 1%, thereby contributing to a balanced trade account. The current account surplus improved slightly to 0.6% of GDP compared to 0.3% of GDP in 2012.

On the fiscal front, Israel's position improved slightly in 2013, reflecting the continuous fiscal tightening effort and the upward revision of GDP data in August. As a result, the general government **deficit**, estimated at 3.5% of GDP (3.9% of GDP in 2012), was lower than the ceiling of 4.33% of GDP budgeted for 2013. Despite its steady downward trend of the last years, the government debt remains at relatively high levels (67.5% of GDP at end-2013).

Employment and social policy

Unemployment in 2013 was estimated at 6.4%, compared to 6.9% in 2012. Deep socio-economic and income disparities (with a Gini coefficient of 0.38 for 2012-) remained and Israel had the highest poverty rate (20.9%) among OECD countries. The rapidly growing Arab-Israeli and ultra-Orthodox Jewish population continued to register the highest rates of unemployment and poverty. The EUR 560 million cut in child allowances, which was decided in August, may push more families below the poverty line. House prices in the country increased by 72% from 2007 to 2012. Housing became a social problem for an increasing number of Israeli citizens. Some government attempts to enlarge the supply of housing and reduce house prices did not bear fruit.

As regards **social policy**, most of the recommendations of the Trajtenberg Committee were not implemented or were only partially implemented. In July, the Knesset approved

¹ Figures are from the national statistical office, the central bank, the IMF or Commission Staff estimates, as indicated in the Statistical Annex. When other data sources are used these are then indicated.

a law substantially improving employment conditions for sub-contracted workers in the public administration.

On **social inclusion**, the National Insurance Institute noted in a research report that the period of payment of unemployment benefits was not sufficient for weaker groups in the labour market, mainly older workers and women.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU remained Israel's largest trading partner in 2012.² **Bilateral trade** flows increased slightly in 2012. Significant progress was made in tackling market access barriers in Israel by means of a more intensive dialogue with the EU. However, some issues remain unsolved, including sanitary and phyto-sanitary matters and technical barriers to trade.

In the area of **customs**, in October Israel signed the regional Convention on pan-Euro-Mediterranean preferential rules of origin. The number of companies with Authorised Economic Operator status increased to 40, while 20 other companies have begun the authorisation process. Israel started a pilot Sha'ar Olami (Global Gate) project, aiming to introduce a new generation of computerised systems, simplify the administrative burden of international movement of goods, and improve customs enforcement.

On the **free movement of goods and technical regulations**, the EU-Israel Agreement on Conformity Assessment and Acceptance of industrial products (ACAA) came into force in January. The Agreement contains an annex on good manufacturing practices for pharmaceutical products which will enable EU-certified pharmaceuticals to be placed on Israel's market and vice versa, without additional certification. Israel continued its adoption of international and EU standards. The Knesset passed the law on medical devices and regulations to implement the law were in the process of being approved. Israel adopted the principles of the EU directives on pressure equipment and simple pressure vessels as an 'umbrella' standard for pressure equipment.

The Government's Cost of Living Cabinet recommended that competition and cost of living considerations were to be taken into account when considering the imposition of **antidumping** duties.

Regarding **sanitary and phyto-sanitary** issues, in May, the World Organisation for Animal Health (OIE) recognised Israel as an OIE member with a negligible Bovine Spongiform Encephalopathy risk. A twinning project made a key contribution to this significant achievement.

The **business climate** in Israel benefited from a high level of investment protection and ease of trade across borders. Compared to the previous year, Israel dropped slightly to

² Data for 2013 was not available at the time of writing.

35th place³ (out of 189 economies) in the ranking for ease of doing business in the World Bank's 'Doing Business 2014' report. Improvements in handling construction permits and registration of property would improve Israel's ranking. Israel dropped slightly to 27th place (out of 148) in the World Economic Forum 'Global Competitiveness Report 2013-2014'. A developed financial market, an independent judiciary, and a high level of investor protection and innovation contributed to Israel's high ranking. According to the report, the most problematic factors for doing business were inefficient government bureaucracy, issues around access to finance, tax regulations and restrictive labour regulations.

There were no substantial regulatory changes in the areas of **establishment, company law, services and financial services**.

Other key areas

The agreement on avoidance of double **taxation** between Israel and Malta, signed in July 2011, entered into force. Cyprus remains the only EU Member State with which Israel has not negotiated a similar agreement.

Israel made progress in amending its **intellectual property rights** legislation with respect to patent term extension, although the legislative process has not yet been finalised. Data exclusivity on biological products and third-party intervention in the patent approval process remain areas of concern.

In the area of **statistics**, Israel was one of the first countries to introduce the SNA-2008 methodology for compiling the national accounts. The change of methodology required a comprehensive revision of statistical classifications and may result in a temporary lack of comparability of data in time and across countries.

As regards **enterprise policy**, Israel has a well-structured small and medium enterprises (SMEs) policy framework and it increased convergence with the EU Small Business Act framework. Israel was more advanced than the EU in areas such as support to innovative enterprises and access to finance for high-tech and high growth enterprises. Israel has not yet caught up on regulatory reform and administrative simplification.

An expert committee on the enhancement of competition in the banking sector submitted its recommendations on **consumer protection** in March. These addressed, among other issues, the ease of moving accounts from one bank to another, decreasing costs for SMEs, the possibility of opening a bank account online and enhanced transparency. The Bank of Israel started taking the necessary actions to implement these recommendations. In November, Israel's Consumer Council was granted partner status in the European Consumers' Organisation (BEUC). Israel participates actively in the Product Safety Working Party of the OECD which is led and co-financed by the European Union.

³ Comparison is made with the 'Doing Business 2013' ranking, which was adjusted for changes in methodology and any revision of data due to corrections. For more information, see <http://www.doingbusiness.org>.

There were no substantial regulatory changes in **public procurement, competition policy** or **state aid**.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

On **migration and asylum management**, Israel made little progress on improving its legislative and policy framework, which continued to be out of line with established international standards. In September, the Israeli Supreme Court of Justice ruled that the third amendment to the Anti-Infiltration Law was unconstitutional and contradicted the basic law of human dignity and liberty. The law allowed for automatic detention of illegal migrants and asylum seekers for up to three years. In its decision, the Court instructed that within a 90 day period those detained under the amendment must be released and individual refugee status determination carried out.

A new amendment to the Anti-Infiltration Law was adopted by the Knesset in December. The new law provides for a one year detention for newly arrived asylum seekers and the transfer of those currently in detention to an open detention centre for an indefinite period. Following the adoption of the new law and the transfer of the first asylum seekers from the closed centre of Saharonim to the open facility of Holot, a series of public demonstrations and strikes were organised by asylum seekers demanding that their rights be recognised. Concerns have been raised on the extent to which the new open centre meets international detention standards. There are also reports of increasing difficulties encountered by asylum seekers in renewing their visas.

A new petition against the new law was submitted by a number of NGOs to the Supreme Court in the beginning of 2014.

The Attorney General approved the voluntary repatriation of Eritrean and Sudanese migrants. According to figures from the Ministry of Interior, 2 600 migrants returned voluntarily to their home countries in 2013, including to Eritrea and Sudan. The UN High Commissioner for Refugees considered that if a migrant had to choose between indefinite detention and repatriation, such repatriation could not be deemed to be voluntary. The Attorney General also approved the principle of deporting such migrants to third countries.

Israel has shown more openness recently with regard to the treatment of foreign **torture victims**. Some were released from detention under the humanitarian release clause of the amendment to the Anti-Infiltration Law. However, there is still a lack of a sufficient official policy on foreign torture victims. Furthermore, concerns persisted regarding potential victims of foreign torture coming namely from the Sinai still in detention. NGOs estimate that Israel is currently holding approximately 150 victims of foreign torture in detention and there are estimations by NGOs of about 7 000 victims of foreign torture in Israel who do not have access to healthcare. Israel's provision of a community clinic in Tel Aviv is very basic and provides for very limited help for serious torture injuries and psychiatric help for foreign torture victims.

The Ministry of Health was exploring the possibility of providing some health care in the framework of the national health system for the 250 000 stateless people (including asylum-seekers) in Israel. Nevertheless, some 55 000 asylum-seekers present in Israel continued still to be denied access to Israel's advanced healthcare system.

With regard to **migrant** workers, the legislative and policy framework of Israel may lend itself to abuse and exploitation by employers. Very little action is taken by the Population, Immigration and Border Authority to enforce laws against private recruiting companies that breach contracts or exploit workers.

Caregivers may extend their visas indefinitely as long as they are hired by the same employer, but have no access to national health care or welfare services and are insured privately during their stay. Under no circumstances are they eligible to receive any type of permanent status. In March, the Supreme Court ruled that the law applying to working hours does not include foreign caregivers. The significance of this is that foreign caregivers can be employed around the clock, with no requirement for employers to provide their workers with overtime pay, hours of rest, or holidays.

With regard to **trafficking in human beings**, Israel continued to be a destination country for labour and sex exploitation. Israel pursued the implementation of its policy on addressing human trafficking and the government took strong preventive measures. Additional government-funded facilities were opened to care for a rising number of identified victims and identification efforts were stepped up. However, many trafficking victims remained in detention (mostly African asylum seekers) due to a lack of trained personnel and limited shelter capacity.

With regard to the fight against **financial crime** the government decided to focus on the issue of minimising tax evasion and money laundering by increasing the use of credit card transactions. A draft **Counter-Terrorism Bill** was introduced in June. The bill, if passed, would introduce a broad definition of 'terrorism' enshrining the right of the State to carry out administrative arrests without trial and, in certain cases, to take action on the basis of suspicion of terrorism (without trial or solid guarantees of due process). The bill has extended the scope of the concept of terrorism in a way that may, for the first time, include 'price tag' acts (i.e. acts of vandalism and violence, usually against Palestinians or Israeli security forces) carried out by Jewish perpetrators.

Israel is not a major narcotics producing or trafficking country, but has a significant domestic market for illegal drugs. Use of cannabis and synthetic cannabinoids, however, is on the rise. The Israeli Anti-Drug Authority (IADA) regularly adds new synthetic drugs to Israel's Dangerous Drugs Ordinance, which provides the legislative basis for drug definition, penalties, and related enforcement authorities.

In July, the 'Kiosk **Drug**' law passed its final reading, expanding the police's authority to confiscate materials suspected as hazardous to public health or safety. The law was introduced following increasing numbers of cases of young people using dangerous substances sold in kiosks. In April, a law on alcohol use was passed, authorising police to confiscate alcoholic drinks from people in public places. This law also prohibits the sale of alcohol at night.

A Memorandum of Understanding between the European Monitoring Centre for Drug and Drugs Addiction (EMCDDA) and IADA was signed on 4 February 2014 in Jerusalem. A representative from IADA attended the 2nd Reitox week in May. Among relevant sources of expertise of interest, one can mention the New Psychotropic Substances (NPS), for which an Israeli expert participated in the International Forum on NPS organised by the EMCDDA and by NIDA. Israel appointed a national correspondent to the EMCDDA.

With regard to the **judicial cooperation** in criminal matters, negotiations are still ongoing between Eurojust and Israel for an agreement, and more clarification is required on Israel's data protection rules. Israel has not signed the CoE Convention 108, nor the Additional Protocol to Convention No. 108 regarding supervisory authorities and transborder data flows (ETS No. 181).

Concerning judicial cooperation in civil matters, Israel has not yet ratified the Hague Convention of 1996 on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in respect of Parental Responsibility and Measures for the Protection of Children. Israel participated in the 1st training seminar (Component II Resolution of Cross-border Family Conflicts) “**Resolution of cross-border family conflicts: international, EU and national legislation**”) in the framework of the EuroMed Justice III Project, which took place in Rome in October.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

The EU-Israel Comprehensive **Aviation** Agreement was signed in June 2013. The EU-Israel air transport market will be opened gradually over the next five years, so that by 2018 there will be no restrictions on the number of flights between Israel and the EU. The first Joint Committee on this agreement took place on 12 December 2013 in Israel. At regional level, Israel takes an active part in the Euro-Mediterranean transport dialogue and technical assistance programmes. In October 2013, the EU and Israel signed an Administrative Agreement on a Global Navigation Satellite System (GNSS) which provides a framework for cooperation on matters of common interest in the area of global **satellite** navigation.

As regards **energy**, a public steering committee on reform of the electricity sector was established. There was some concern that the committee's recommendations on the structure of the Public Utilities Authority (Electricity) could limit the latter's independence. The EU will support the strengthening of the organisational, technical and administrative capacities of the oil and gas department of the Ministry of Energy and Water Resources, in order to update relevant oil and gas regulation and legislation including offshore safety.

The offshore liquefied natural gas buoy began operations at the end of January. In April, the new government approved the legislation necessary to establish a sovereign wealth fund for natural gas revenues. In March, natural gas began flowing from the Tamar field and by September, 50% of Israel's electricity was being produced from natural gas. In

June, the cabinet approved the revised membership of the inter-ministerial committee to examine and provide recommendations for Israel's natural gas economy. The government decided to reserve 540 bcm of natural gas for the domestic market for the next 29 years. In October the High Court rejected a petition which would also have required Knesset approval for the export of natural gas. This paves the way for the export of up to 360 bcm (about 40%) of Israel's natural gas reserves, in accordance with the June 23 cabinet decision.

The country's first two independent power producer stations were connected to the national grid. In June, the Ashelim tender for the thermosolar plant, which will produce 121 MW of electricity, was awarded to an Israeli-led consortium with a Spanish partner.

In July, the first meeting of the ad hoc EU-Israeli Energy Dialogue took place in Brussels. In August, Israel, Greece and Cyprus signed a Memorandum of Understanding on energy cooperation.

In the framework of the Memorandum of Understanding between the JRC and the Israel Ministry of Energy and Water Resources, signed on 9 July 2012, a high-level dialogue has been established, to be followed by interactions at technical level.

Regarding **climate change**, budget cuts resulted in a three-year suspension of the national greenhouse gas mitigation plan. Since the plan provided cross-sector financial incentives, this also affected programmes implemented by the Ministry of Energy and Water Resources. The newly launched regional technical assistance project for climate action, Clima South, deployed a fact-finding mission to Israel. To encourage Israel to engage further in international reductions of greenhouse gas emissions, regular EU meetings with Israel on climate change policy were planned. In July, Israeli experts participated in a study visit on national greenhouse gas inventory reports, and Clima South also looked at engaging with Israel through developing a Climate Change Information Centre.

As regards **environment**, Israel acceded to the Kiev Protocol on Pollutant Release and Transfer Registers (PRTRs) in January, and its PRTR data is now publicly available on the Ministry of Energy and Water Resources' website.

In May, the Ministry published for public discussion a draft guide to prevent the misleading of consumers about environmentally friendly products ('green-washing'). In July, the Knesset amended the 1984 law on the maintenance of cleanliness to significantly increase funding for basic waste treatment in disadvantaged communities. In June, Israel's national air monitoring system received accreditation for testing, in accordance with ISO requirements. Israel's air pollution data was made publicly available on the Ministry's website, and in August, the Knesset approved the adoption of Israel's national programme for the reduction and prevention of air pollution (whose budget for the next five years is EUR 20 million).

In December Israel, Jordan and Palestine signed a water-sharing agreement to build a pipeline to carry brine from a desalination plant at the Red Sea to the Dead Sea, while providing drinking water to the region.

Israel was one of the first countries to begin supplying data to the European Environment Agency under the EU's shared environmental information system regional project. Israel continued to be active in European Neighbourhood Partnership Instrument (ENPI) regional environment programmes, through participation in steering committee meetings, training events and study visits. Israeli authorities and civil society representatives met the team leaders of the new ENPI programmes — Clima South, 'Cleaner energy saving Mediterranean cities' and 'Switch Med' — to discuss implementation for Israel.

Israel continued to participate in the technical assistance EU-funded project on the Integrated Maritime Policy in the Mediterranean (IMP-MED). The number of Israeli applicants participating in the cross-border cooperation Mediterranean sea basin programme increased from 170 in the first call for proposals, to 341 in the third call. The number of Israeli organisations involved in projects financed by this programme stands at 18, managing about EUR 8.4 million, with 11 of these dealing with environmental risk management, innovation and local economic development.

On **information society**, the law on telecom network neutrality was adopted in 2013. According to the law, internet and fixed-line telecom providers are forbidden from taking any action to limit or block traffic on their networks, applications used by their customers, or any telecom equipment customers may connect to their networks (e.g., devices, modems, routers). The EU supported the setting-up of a computer system, enabling the Ministry of Communications to implement recommendations on data collection, and facilitate interactions between the telecommunications regulator and operators. Israel participated in an EU-South Mediterranean seminar on e-signatures, as well as in the Southern Mediterranean Dialogue on E-Communications and the Information Society.

Regarding **audio-visual policy**, a bill to establish a single regulation authority for all commercial TV and radio broadcasting passed its first reading at the Knesset. In September, reforms were announced to broaden competition in the multi-channel television broadcasting market. With technical assistance from the EU, training was provided for Arab film-makers, in order to expand their knowledge of European markets, financing of co-productions, and marketing of films in Europe. Training was also provided to the Israeli Producers' Association and major Israeli film funders on tax credits, tax shelters, banking rules and other tools to help the Israeli industry and increase audiovisual production in Israel.

Regarding **research and innovation**, an agreement on Israeli participation in the Horizon 2020 programme was reached in December and is expected to be signed in early April.

In November 2013, the EU delegation to Israel and 15 Member States organised the third annual EU-Israel Innovation Seminar. This focused on technological incubators and brought together incubator managers, graduates and specialists to exchange experience and best practice, and to lay the foundation for future cooperation.

As of 9 January 2014, Israel had signed 1536 Seventh Framework Programme agreements involving 1861 Israeli participations amounting to a total of EUR 782 million EU contribution. Israel's largest areas of participation were in cutting edge research,

where the European Research Council gave grants which represent 47% of funds received by Israel, and in information and communications technology which represents 15.6% of funds received.

Regarding **sustainable development**, an inter-ministerial multi-stakeholder steering committee was established to identify key issues for Israel's contribution to the RIO+20 process.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In the field of **vocational education and training (VET)**, Israel expressed interest in working on qualifications and quality assurance, building on an already strong relationship in these areas with the EU, in particular around the European Training Foundation (ETF). Israeli ministries and the key VET actors actively participated in the regional project 'Governance for Employability in the Mediterranean — GEMM'.

In the area of **higher education**, Israel showed increased interest in participating in **Tempus**, making this the most successful year for Israel since it joined Tempus in 2008. In 2013, seven projects involving Israeli higher education institutions were selected, among which three coordinated by Israel. Israel's interest in the **Erasmus Mundus** programme also grew. 112 student and university staff received scholarships to study at a European higher education institution under this programme. In addition, 11 masters students were awarded scholarships to take part in Erasmus Mundus joint programmes of excellence. Since 2007, 502 Israeli researchers have been funded by **Marie Curie Actions** and 498 Israeli organisations have benefited from this programme.

Young Israelis and Israeli youth organisations continued to benefit from the **Euromed Youth** programme. A decision was taken to extend the operational phase of this programme until 2016 and to top up Israel's Euromed Youth Programme with an extra EUR 1 million. 19 projects were funded and successfully implemented. Israeli youth organisations and young people also took part in the **Youth in Action** programme, which supported 88 projects, reaching 370 beneficiaries.

In the area of **culture**, Israel has not yet ratified the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, which remains a stumbling block for developing bilateral relations in this field. A consultation workshop was organised, involving stakeholders from the cultural sector, as part of the consultation process for the Preparatory Action on 'Culture in EU External Relations'.

Six new projects began under the EU **Partnership for Peace** programme. Of particular note are two projects dealing with Israeli-Palestinian health and medical cooperation, including training of medical personnel and providing medical care to Palestinian children. A call for proposals for the EU Partnership for Peace programme concluded in 2013, with 11 local, cross-border and regional projects selected, for a total of approximately EUR 5 million.

Israel continued to strengthen its cooperation with the EU on **public health** issues, including through an administrative arrangement between the European Centre for Disease Prevention and Control and its Israeli counterpart, and through Israel's participation in the EU-funded 'Episouth Plus' project which aims to enhance health security in the Mediterranean region and South-East Europe.

Policy-makers from Israel attended a multi-country workshop on the EU *acquis* on prevention and control of communicable diseases, as well as participating in the EU-supported Mediterranean programme for intervention epidemiology training project (MediPIET, which supports training infrastructure and a regional network of competent field epidemiologists in order to manage cross-border health threats).

8. ISRAEL'S RESPONSIBILITIES IN THE OCCUPIED TERRITORIES

While protecting the security of Israel and its citizens Israel has responsibilities as an occupying power in the occupied territories, notably, with regard to the proportionate use of force, human rights and international law. Settlements are illegal under international law, constitute an obstacle to peace and threaten to make the two-state solution impossible.

Thirty-nine Palestinians and six Israelis (including three civilians) were killed in conflict-related incidents in 2013.

The number of Palestinian fatalities in clashes with Israeli forces in the West Bank tripled from nine, in 2012, to twenty-seven in 2013. More than 3 700 Palestinians were injured by Israeli forces in the West Bank over the course of the year, compared to 3 000 in 2012. The number of Palestinian casualties by Israeli forces in Gaza saw a significant decrease in 2013 with 11 fatalities, compared to 263 in 2012 (including operation 'Pillar of Defence'), and a total of 81 injuries in 2013, compared to 1 485 in 2012, making 2013 the year with the lowest level of violence in Gaza and southern Israel since the beginning of the Second Intifada in September 2000 (all figures provided by the UN Office of the Coordinator for Humanitarian Affairs — OCHA). Two IDF soldiers, one off-duty, were killed in the West Bank in September, one IDF soldier was killed by a Palestinian in Israel in November, and one Israeli worker was killed by a Palestinian sniper while working on the Gaza fence in December. Israeli security services arrested 14 alleged members of an Islamic Jihad group from Bethlehem suspected of involvement in the bombing of an Israeli bus in Bat Yam in December. In 2013, 63 rockets and 11 mortar shells launchings from Gaza towards Israel (in 39 attacks) were reported.

Violence against settlers led to 50 incidents of Israeli casualties or property damage. For the first time since March 2011, a settler was killed by a Palestinian in April. Another settler was killed in October (figures provided by the OCHA).

Israeli authorities took some measures to step up their interventions against **settler violence and price-tag attacks**. In June 2013, the Israeli government expanded legal tools against 'price tag' attacks, qualifying them as carried out by 'illegal associations' but stopping short of designating them as terrorist organisations. The special police unit

tasked with foiling attacks by Jewish extremists carried out various arrests. An Israeli court gave a life sentence to a settler who had murdered two Palestinians in 1997. However settler violence leading to Palestinian casualties and damage to Palestinian property continued, with 386 incidents, compared to 359 in 2012. Most of the cases filed with the Israeli police relating to these issues continued to be closed without indictment.

As of November 2013, there were **4 785 Palestinian prisoners and detainees in Israeli jails**. While numbers have declined slightly since 2012, Israel continued to make extensive use of **administrative detention** without trial of Palestinians, with 143 reported in November alone. Several administrative detainees pursued individual hunger strikes. A civilian Inspector of Detainee Complaints was appointed, a position which was previously held by a member of the Israeli Security Agency.

Settlement construction and expansion continued, including deep into the West Bank. Construction started in the West Bank, totalling 2159 units between January and September 2013 (according to the Israeli Central Bureau of Statistics), increased by 132% compared to the same period in 2012. This does not include construction started in outposts. Although this is illegal under Israeli law, according to NGO reports there were 180 of these in the first half of 2013. After a period of restraint in the first half of 2013, particularly in East Jerusalem, the Israeli government advanced plans for more than 10000 units and published tenders for 3472 housing units in settlements in 2013, although 1129 of these were renewed publications of previous failed tenders. Some smaller outposts were demolished by the Israeli army in the reporting period, and the Israeli High Court of Justice ordered further demolitions. However, a document submitted to the High Court in May outlined the state's intention to retroactively 'legalise' four isolated West Bank outposts.

Concerning **freedom of religion**, Palestinians do not enjoy free access to Muslim and Christian Holy Sites in the Old City of Jerusalem. For example, access for Palestinian Christians remained restricted during Orthodox Easter, which coincided with the Jewish Passover holiday when Israel typically restricts movement and access, citing security concerns. Nevertheless, the Israeli authorities do take specific measures to facilitate such access, in particular during religious holidays, which can also extend to preventing access to the Temple Mount/Haram al Sharif for non-Muslims, to avoid tensions with worshippers. The Israeli authorities seek to ensure that, in line with understandings on the status quo, non-Muslim worship does not take place there, a policy contested by an increasing number of religious and nationalist Jewish Israelis. During Ramadan (July-August) a special entry regime, including various exemptions for certain groups from the requirement for entry permits and an overall increase in entry permits for others, allowed more than one million people to enter Israel and access Jerusalem, the highest number since the Second Intifada, according to the Israeli Civil Administration.

In August and September 2013, Israel eased some restrictions on **movement and access** in the West Bank and Gaza. Work and stay permits for Palestinians in Israel were increased and age limits reduced. Opening hours for the border crossing to Jordan were extended. For the first time since 2007, Israel allowed the entry of limited amounts of construction materials into Gaza, including for private projects, but suspended all such imports again in October after the discovery of a concrete tunnel running from the Gaza

into Israel. The import of construction material for UN projects was resumed in December. According to the World Health Organisation, the number of applications for permits to leave Gaza for medical treatment through the Erez crossing (to the West Bank, Israel or Jordan) was 47% higher in 2013 than in 2012. Over 90% of such applications were approved on average. Israeli and Palestinian Finance Ministries resumed talks on collecting Palestinian tax and clearance revenues.

As regards **children's rights**, at the end of August there were 180 Palestinian children in Israeli military detention, up by 9.7 % compared with 2012. Following an UNICEF report, which concluded that 'the ill-treatment of children who come in contact with the military detention system appears to be widespread, systematic and institutionalised', some positive steps have been taken in this respect. These include a pilot (reported by UNICEF in October) to issue summons for children instead of conducting night arrests, a military order (number 1 711) reducing the length of time that a Palestinian child can be detained before their first meeting with a military court judge, and the holding of remand hearings for children separately from adults.

Palestinian **economic and social rights** remain hampered by Israeli restrictions on freedom of movement. In the West Bank, the separation barrier continued to impact on livelihoods. Access to agricultural land across the barrier is channeled through 74 'agricultural gates', the majority of which (52) only open during the olive harvest. Israeli trade regulations continued to hinder imports into Israel of Palestinian products. The economic and physical isolation of the Gaza Strip remains a serious concern. While the average number of trucks entering Gaza was somewhat higher than in 2012, according to the OCHA, only five truckloads of goods per day (on average) left Gaza, and exports from Gaza to Israel and the West Bank remain prohibited. Gaza fishermen faced fishing restrictions of six nautical miles from the coast. The economic and humanitarian situation in Gaza deteriorated further, as a result of Israeli restrictions on imports and of the closure of tunnels linking Egypt and Gaza.

Palestinian **property rights** continued to be under particular strain. According to the OCHA, during 2013, 662 Palestinian residential and non-residential structures were demolished by the Israeli authorities in Area C and East Jerusalem, displacing 1 100 people, a 10% and 24% increase respectively compared to 2012 (when 604 structures were demolished and 886 people were displaced). A marked increase in demolitions and displacement also took place in East Jerusalem, with more than 300 people displaced, more than the combined total of the two previous years.

The Israeli Supreme Court held various hearings on the applicability to East Jerusalem of the 1950 law on absentee property, but did not issue its final ruling in 2013. A decision to retroactively annul the use of the law in these circumstances by the court could affect thousands of Palestinians residing in the West Bank with property claims in East Jerusalem, who had seen their property confiscated by the state's custodian of absentee property after 1967 on the basis of this law.