

Principles and Recommendations for Israel's Foreign Policy Towards the EU

Recommendations from a Mitvim Institute Task-Team

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Relations with the EU are a strategic asset and central element to Israel. Not only is Europe Israel's largest trading partner, but Europe also provides a pillar of norms and values with which Israel identifies, a source of diplomatic and security support, the primary partner in research and innovation as well as in shared cultural endeavors. Given the vital importance of these ties, Israel must devote attention and resources to preserving, expanding and deepening them. This document presents principles and recommendations in four key policy areas – Israel's attitude towards ties with the EU, as well as diplomatic, civil, and economic relations. These recommendations were put together by a Mitvim Institute task-team, comprised of Dr. Maya Sion-Tzidkiyahu, Dr. Nimrod Goren, Amb. (Ret.) Eviatar Manor, MK Nitzan Horowitz (while out of office), Dr. Eyal Ronen, Raanan Eliaz, Dr. Roei Kibrik and Merav Kahana-Dagan, in cooperation with the Friedrich-Ebert-Stiftung.

A. Israel's Attitude Towards Ties with the EU

1. The importance of Israel-EU relations

- **Recognizing the value of ties with the EU.** Israel associates itself with, and aspires to, the norms and values of European liberal democracies that adhere to the rule of law and protect human rights. Geography, too, plays a role in its affinity for Europe. Europe is the closest and most significant region for Israel in terms of the depth and variety of relations, despite the accelerated globalization process and warming relations between Israel and some Arab states. The EU is Israel's biggest trading partner; in 2019, the EU accounted for 34 percent of Israeli exports (16 billion USD in all); in 2018, 37 percent of exported Israeli services (totaling 12 billion USD) went to the EU, and 43 percent of Israel's imports that year came from

the EU. The volume of EU-Israel trade has increased significantly in recent decades. Additionally, Israel benefits greatly from its participation in the EU's research and innovation program, which has become Israel's main funding source for these issues, second only to government budgets. Israel's 2013 Open Skies agreement with the EU significantly benefitted its tourism sector, bringing down airfares to Western Europe by more than 30 percent within two years of its implementation.

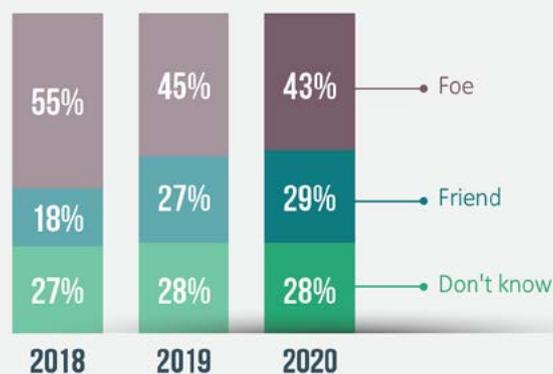
2. Changing the Israeli discourse regarding the EU

- Enhance familiarity of the EU and adopt positive discourse both about and towards it.** The EU is often used in Israel as a punching bag to mobilize political and often populist support. This dynamic must be acknowledged and reflected in public discourse to dismantle the Israeli demonization of Brussels. The confrontational Israeli discourse on the EU, which has gained traction in recent years, damages this vital relationship. Instead, it should be replaced by a positive discourse that makes room for relevant, mutual criticism. Israeli public figures need to increase their familiarity of Europe and the EU, as a unique entity in the international arena, and understand how this could help them in the political and public spheres. They should also publicly express and recognize the importance of ties with Europe, spotlighting the relationship's benefits for both sides, as well as the EU's strategic importance for Israel's economy, security, innovation and prosperity. For example, more Israelis should understand that the significant drop they enjoy in airfares to Europe stems from the partnership with the EU. Raising Israelis' awareness, understanding and knowledge of the EU, and its importance for Israel, could be accomplished by briefings for ministers and parliamentarians, periodic discussions in Knesset committees and caucuses, growing media focus on European issues, targeted activity by Israeli civil society organizations that focus on European issues or maintain ties with Europe, and marking the annual May 9 "Europe Day" with high-profile events.



Findings from the Israeli Foreign Policy
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The European Union is currently
more of a friend or a foe to Israel?



- **Understanding internal European political dynamics and confronting criticism in a level-headed manner.** Many EU member states prefer for the European External Action Service to play the role of "bad cop" vis-à-vis Israel, rather than doing so themselves. They therefore express their own criticism of Israeli policy through the EU framework, while maintaining a positive spirit in their bilateral dealings with Israel. However, the EU's foreign policy is derived directly from consensus decisions adopted by member states' foreign ministers. Israelis must understand this political dynamic and realize that the EU position represents the positions of many of its member states. Israel must learn to deal with European criticism without overreacting. There is room for criticism among friends and partners who share the same values. Israel should adhere to the diplomatic code and avoid a belligerent and disrespectful discourse in disagreements with the EU. Israel must not portray every European criticism as a position negating its existence or seeking to harm it. Not every expression of criticism reflects anti-Semitism or calls for a boycott.
- **Underscoring Israeli assets to promote a more beneficial European discourse towards Israel.** Israel must establish a warm, friendly and respectful dialogue with the EU based on shared values and interests. It must emphasize its value for the Europeans, using EU-appropriate terminology, highlighting its advantages as a source of knowledge and even a role model in various fields. Israel's European partners, similarly, must be urged to adopt a discourse on Israel, which goes beyond criticism. Even while voicing criticism, European leaders should continue to express their commitment to Israel as the only state that enables the self-determination of the Jewish people, as well as their commitment to the security of Israel (alongside a Palestinian state) and willingness to recognize (West) Jerusalem as the capital of Israel, pursuant to an agreement with the Palestinians.

3. Structural changes in Israel's official conduct toward the EU

- **Defining a vision for the future of Israel-EU relations, and improving governmental conduct towards its realization.** A well-coordinated and integrative government mechanism should be established to guide Israel's approach to Europe, preferably led by the Ministry of Foreign Affairs (MFA), which is cognizant of the big picture. This mechanism should formulate a strategic vision, reflecting the importance of ties with the EU, defining the desired framework of relations and guiding the way to develop them. The cabinet, the Knesset, and the National Security Council should be asked to hold regular discussions about relations with Europe and practical ways to advance them.
- **Intensifying government involvement in promoting relations with the EU.** Relevant government ministries should be instructed to brainstorm, conduct research and engage in policy planning on the goals they would like to achieve with Europe. This would allow them to present Israel's needs and desires for the future of the relationship to the 10 Israel-EU Association Council sub-committees (whose work should be accelerated). Government ministries must be encouraged to consistently engage on European issues and devote a significant part of their working plans to them. To that end, officials and ministers must gain a deeper understanding of the EU to ensure that each ministry tasks specific officials with responsibility for ties with Europe, relevant to their ministry's purview. This

should be done in coordination with the MFA and would involve boosting the resources and staff of the ministries' departments dealing with external relations and international affairs.

- **Maintaining close, continuous, high-profile political ties with the EU.** The Prime Minister and Foreign Minister should pay official visits to the EU institutions in Brussels. Ministers, Members of Knesset (MKs), and senior officials should also visit Brussels, as well as EU member states, frequently. Given that EU foreign policy is determined by consensus among all member states, even the smallest states (such as Luxembourg and Malta) are of importance. They hold the same veto power as the largest members (such as Germany and France), meaning that Israel must also invest in relations with them. In addition, a designated delegation of MKs should work together with its European Parliament (EP) counterpart. These delegations should meet twice a year, and a permanent core of MKs should take part in these meetings on a regular basis. This will create continuity, ensure ongoing dialogue, and deepen understanding of the EU and its operating methods based on accumulated knowledge, while also promoting European understanding of Israel. At the same time, political parties from coalition and opposition should be encouraged to open channels of communication and political dialogue with EU interlocutors, regardless of the incumbent government or the makeup of the official Knesset delegation.

B. Principles and Recommendations on Diplomatic Relations

1. Deepening Israel's affiliation with Europe

- **Renewing and upgrading high-level political dialogue with the EU.** Israel has successfully benefitted in the past from its ties with Europe. These relations have been an important supplement to the special relationship Israel has with the US, as well as ties it has developed with additional regions and states. A key platform for strengthening diplomatic ties with the EU is the official high-level political dialogue within the framework of the Israel-EU Association Council, but it has not convened since 2012.¹ Israel must strive for the reconvening of the Council and the upgrading of its deliberations with the EU to a ministerial-level strategic dialogue. Should this be rejected by certain European states, as is the case in recent years, alternative ways must be found to hold a senior-level political dialogue, for example by launching an informal dialogue channel or holding visits by Israel's foreign minister to Brussels for meetings with the EU's Foreign Affairs Council.
- **Designating the MFA as the lead agency in shaping relations with the EU.** The Israeli MFA is the agency charged with shaping relations with the EU and leading them. It must be strengthened by restoring purviews and functions that were farmed out to other ministries in recent years, thus bolstering the MFA's role in decision making. The MFA, for its part, must place the relationship with

¹ The Israel-EU Association Agreement (signed in 1995 and ratified in 2000) stipulates the convening of the Association Council once a year at foreign ministers' level, providing the senior formal framework for an orderly diplomatic dialogue between Israel and the EU to examine the state of relations and advance them. The Council convened regularly from 2002 to 2012, but not since then. In 2013, Israel refused to attend the meeting after the EU drew a distinction between Israel within the 1967 borders and the settlements. Since 2014, it is the EU that refuses to convene the Council, even as it convenes association councils with Jordan, Egypt and even Morocco (despite the EU-Morocco differences over Western Sahara).

the EU high on its agenda. Upon taking office in 2020, Foreign Minister Ashkenazi listed among his goals the strengthening of Israel-EU relations, after some senior MFA officials appeared to have given up on Brussels in recent years. The number of Israeli diplomats to the EU should be increased (including a greater Israeli diplomatic presence in Strasbourg, where the EP convenes once a month), and additional slots and budgets should also be allocated to advancing relations with the EU.

- **Improving the Knesset's relations with the EP.** MKs need to become more familiar with the EP (including an understanding that EP members do not represent their countries, rather the parties elected to Parliament). Ties between sister parties in the two legislatures should be strengthened, activity by parliamentary friendship groups should be encouraged, and joint actions by parliamentarians should be advanced. Mutual visits of delegations from both parliaments should be increased, based on regular and organized funding. It is important that meetings between lawmakers focus on bilateral Israel-EU relations, and not mostly on regional challenges (such as Iran and Hezbollah), which most meetings are devoted to these days. The Knesset International Affairs Division should prepare MKs well ahead of their visits to Europe, and include in its briefings extensive information about the EU (not just about its member states). Israel should avoid support for European parties dedicated to undermining the EU or tainted by racism and anti-Semitism.
- **Taking advantage of internal EU divisions in an intelligent and sensitive manner.** Israel occasionally has an interest in using internal European divisions to its advantage, but it must do so with sensitivity to avoid angering the EU and while keeping in mind that a stronger EU and the success of the European project are in Israel's best interests. Israeli boasting of its ability to exploit internal European divisions for its own benefit, whether explicit or implied, is harmful to Israel-EU relations. Israel must prioritize the development of ties with EU member states committed to liberal democracy and avoid forging close relations with populist and anti-liberal regimes. The EP is also more deeply divided than in the past, as reflected in the greater number of party groups represented. This creates opportunities to expand the circle of Israel's interlocutors in the parliament. In this regard, links between Israel and European entities, such as political parties, civil society organizations, think tanks, and lobbying groups should also be encouraged.
- **Realizing the full potential of security cooperation with the EU.** Along with continued cooperation with the EU on intelligence, security, policing, and space issues, Israel should also take advantage of the potential to boost access for its defense agencies, defense industries and related industries to Europe. Such cooperation has been facilitated by the 2017 establishment of the Permanent Structured Cooperation (PeSCo) framework for security cooperation among 25 of the EU's member states. The framework is designed to boost investment in Europe's defense capacities and could offer Israel new economic and security opportunities.

- **Consolidating the ongoing dialogue with Europe's Jewish communities.** Israel and Jewish communities in Europe should formalize their ongoing dialogue about the links between them, the issues these communities have vis-à-vis the EU and its member states, questions of identity, and the impact of Israeli policies on the communities. Israel must avoid links with anti-Semitic forces or entities in Europe, and take into account the needs and priorities of the Jewish communities there.

2. Israel's inclusion in the club of liberal democracies

- **Joining with the EU to advance democratic and liberal values.** Despite its location in a tough neighborhood, Israel must keep striving for membership in the club of liberal democracies and join hands with the EU in promoting this worldview. It must continue to bolster its membership in the UN group of "Western European and Others", which it has been a member of since 2000. In addition, Israel could join the EU in activities at international institutions and forums designed to promote democracy, human rights, and the rule of law.
- **Adopting a positive attitude towards the EU's contribution to Israeli civil society.** Israel must recognize the importance of the EU's funding for the operations of democratic, liberal civil society organizations around the world, including those in Israel, and view it as a legitimate and positive investment. At the same time, Israel must work to expand cooperation between Israeli and European civil society organizations and learn from the EU about the role that NGOs can play in decision making processes.
- **Working with European institutions to combat anti-Semitism and xenophobia.** Israelis should be better informed that in 2016 the EU appointed a coordinator to fight anti-Semitism, and adopted the definition of anti-Semitism formulated by the International Holocaust Remembrance Alliance (IHRA), which Israel supports. Furthermore, of the 29 signatories to the declaration, 18 are EU member states. Israel should ensure that comments by senior European officials that anti-Semitism is contradictory to the European way of life and its values, resonate loudly through Israeli society. As the President of the European Commission Von der Leyen said, an attack on Jews constitutes an attack on the way of life, values and tolerance of the EU and on its motto "United in Diversity." Thus, Israel must intensify its cooperation with the EU in fighting racism, intolerance and discrimination, and encourage the involvement of Israeli and European civil society organizations in this endeavor. Israel must also clearly oppose European leaders and parties tainted by anti-Semitism, including those who seek Israel's friendship to legitimize their rule.
- **Avoiding legitimization of anti-liberal regimes and activities.** Along with Israel's aspirations to forge ties with all European states, including those led by anti-liberal regimes, and its desire to generally avoid using the boycott weapon against ties with other countries, Israel must place moral boundaries, criticize, oppose, express anger, impose sanctions, and avoid providing legitimacy to anti-liberal regimes, bodies, and political parties. Priority must be given to ties with European liberal democracies, even when they are critical of Israeli policy on the Palestinian issue.

3. Enhancing the EU's role in Israeli-Palestinian peacemaking

- **Expressing a desire to advance Israeli-Palestinian peace and learn from the European experience.** Israel must frequently express its willingness and desire to advance the peace process with the Palestinians, even when the prospects of that happening are slim. It must learn from the EU model of successful and durable peace, seeking inspiration from the European process and adopting the tools relevant to the transition from conflict to peaceful life in the Middle East. Israel must identify and nurture ties with European actors that can be mobilized to help promote peace, and accept the European demand to include a territorial clause that exempts the settlements in its agreements with the EU.
- **Encouraging European involvement in the peace process and affirmatively responding to the EU incentive for peace.** Israel must adopt a positive attitude toward the involvement of the EU and of its leading member states in advancing ties with its neighbors, encouraging it even in the absence of EU consensus on the Israeli-Palestinian issue. Israel should additionally respond in the affirmative to the EU's 2013 proposal for a Special Privileged Partnership with Israel (and the Palestinians) in the wake of an Israeli-Palestinian peace agreement. It should promote negotiations with the EU on the substance of this proposal and the nature of future relations, and inform the Israeli public of the incentive and its advantages. Israel must also strive for European engagement in multilateral attempts to promote peace, in which the US plays a significant role. Such engagement could include establishing a supportive international mechanism (for example, an updated Quartet), devising and introducing an international incentive package for Israel and the Palestinians, and providing economic and security assistance (for example, deploying peacekeeping forces).
- **Informing Israelis on how the absence of peace with the Palestinians impacts relations with Europe.** Israelis must be made aware of the price endured by the continued conflict with the Palestinians and of the EU's perception of Israel as a peace rejectionist. This includes informing Israelis of the fact that without progress in the peace process, the EU is unwilling to upgrade relations with Israel, and that threats to annex territories increase European condemnation and further undermine cooperation. The Israeli public and decision-makers should realize the substantive gap between legitimate European criticism of Israel over its policies in the Palestinian territories and anti-Semitism and the BDS movement. There is often confusion in Israel between these things, stemming from ideological motivations and ignorance.
- **Seeking EU help to bolster Israeli-Palestinian civilian ties.** Israel must welcome the EU's support for Israeli and Palestinian peace organizations working to promote dialogue and create a societal basis for peace. It should encourage the EU to invest more in these groups. Israel can also seek the EU's help in building bridges and ties between the sides of the conflict, for example by hosting meetings of Israelis and Palestinians in Europe and including European civil society organizations in joint projects by Israeli and Palestinian organizations. Israel can also ask the EU to encourage programs for Jewish-Muslim co-existence in Europe.

4. Mobilizing EU assistance for regional cooperation

- **Intensifying engagement with the EU in joint regional frameworks.** Israel must continue to participate and even seek leadership roles in regional forums where the EU is a member, and which constitute an important meeting place with states in the Mediterranean and the Arab world. Israel must also strive for its representatives to assume key roles in these forums and to be willing to bear the budgetary costs entailed (for example, reappointing an Israeli representative as Deputy Secretary General of the Union for the Mediterranean). Israel could also seek the EU's help in advancing normalization and peace processes with Arab states, and should make an effort to join additional European programs that advance regional cooperation.
- **Conducting diplomatic and strategic dialogues with the EU on regional issues.** Israel should develop shared mechanisms with the EU for discussion, policy planning, and coordination regarding events in the Middle East, North Africa, and the Mediterranean. Within this framework, Israel and the EU could jointly discuss issues such as the Iranian challenge, the Syrian civil war, the fight against terrorism, the advancement of stability and conflict resolution, the rivalries in the Mediterranean, and the climate crisis. At the same time, however, it is important that these regional discussions not overshadow the Israel-EU dialogue on bilateral affairs.
- **Strengthening Israel's alliance with Greece and Cyprus in a European context.** The alliance forged in recent years between Israel, Cyprus and Greece is of importance also due to the democratic component shared by all three states, which they underscore in presenting their alliance to others. This relationship is in a stark contrast from the connections Israel developed in recent years with EU member states governed by populist and anti-liberal regimes that undermine democracy and weaken the EU. Therefore, the ties with the Hellenic states must be developed in conjunction with the EU (as has been the case with the East Med pipeline project), and not as an alternative to it.

C. Principles and Recommendations for Civil Relations

- **Increasing and formalizing cooperation on the civil society level.** Israeli civil society organizations should create a forum to advance cooperation and relationships with Europe, while concurrently intensifying their involvement in Israel's decision-making processes and ensuring their freedom of action. Israeli civil society umbrella organizations must also be mobilized to increase interaction with European partners, in conjunction with government bodies where relevant (for example, at the meetings of the EuroMed Summit of Economic and Social Councils and Similar Institutions). Additionally, ties should be encouraged between like-minded organizations in Israel and Europe, such as labor and trade unions, political bodies, youth organizations, and think tanks. Dormant twin city agreements should be revived. Israeli civil society organizations, among them peace organizations, must be encouraged to intensify their presence and activity in Brussels.

- **Encouraging cooperation on global issues and social change.** Civil ties between Israel and Europe must be two-directional so that Europeans come to Israel and grow to understand it. Israel needs to emphasize its value for Europe in terms of social change, including social and multi-cultural initiatives (for example in the fields of co-existence, mixed cities, interfaith relations, and youth volunteer service models). Cooperation with the EU should be encouraged on environmental and urbanization issues, desertification, sustainability, natural gas resources, climate change, energy sustainability, the circular economy, the Green Deal, transportation and more. Efforts should also be made for Israel to join the Creative Europe cultural program, a move that Israel undermined in the past due to the EU demand to exclude settlements.
- **Encouraging research cooperation.** Israel should maximize its participation in the Horizon Europe program launched in 2021. Information regarding the shared government-funded Israeli-European research programs and their benefits for the Israeli economy should be disseminated more widely. Furthermore, Israeli innovation should be spotlighted as a role model for the EU. Special emphasis should be placed on encouraging Israeli scientists to form consortiums with partners from Europe and neighboring states. At the same time, European companies should be encouraged to invest in and establish R&D centers in Israel, further stimulating the significant increase in European investment in Israel in recent years. These centers develop investments in Israel, create quality jobs (some of which result in production), and bolster Israel's reputation and equity.
- **Advancing relations between people and nations.** Encounters between individuals and organizations should be encouraged, as should Israeli voluntarism in Europe, professional volunteer exchanges, and shared continuing education programs. Programs that bring European volunteers to work on (urban) Kibbutzim and in various welfare activities could also be restored. Additionally, exchanges between Israeli and European students and researchers can be intensified by taking fuller advantage of the Erasmus+ program to encourage Israelis to study in Europe and allow European students to study in Israel. Additional student exchange programs should be signed. Investment in advertising student exchange and shared research programs could be increased, and additional funding should be allocated to reverse brain drain and draw foreign students and researchers to Israel, while also encouraging Israeli researchers to conduct studies and research in Europe.
- **Expanding European language studies in Israel.** Since the EU is Israel's largest trading partner, knowledge of European languages provides advantages in terms of business, culture, and society. Given Israel's melting pot society, a significant number of Israelis are well-versed in European languages. Understanding the European way of life and having ties with Europe have helped and continue to help Israelis in forging business, scientific, cultural and civilian ties with Europe. Knowledge of a European language is a clear advantage in establishing links and access to the continent, and should be encouraged in high schools, universities and colleges, as well as language schools.

- **Encouraging active European citizenship among dual-nationals.** Dual nationality is fairly unique among Israelis in terms of its prevalence. Holding a European nationality creates a potential for increased Israeli interest in and awareness of Europe and even for the development of a shared Israeli-European identity dimension. It creates a European interest in maintaining good ties with Israel and encouraging Israeli brain migration and investment in Europe. European citizens in Israel should be encouraged to vote in European Parliament elections (European law enabled this for the first time in 2019).
- **Encouraging collaborative action against racism and anti-Semitism.** Israelis should cooperate with Europeans in learning the lessons and background of the Holocaust and European anti-Semitism, while at the same time building programs relevant to today's challenges, including confronting Islamophobia. Israel and the Jewish communities could help Europe develop methods towards gracious acceptance of Muslims in Europe and assist their efficient absorption.

D. Principles and Recommendations for Economic Relations

1. General recommendations for increasing economic cooperation

- **Lifting trade barriers and realizing economic potential.** The Israeli-European relationship is asymmetric – while the EU is Israel's main trading partner, Israel is a relatively minor trading partner of the EU. Israeli government policy of diversifying trade partners did not change the pattern of Israeli trade with the EU, which remains the leading partner in imports and exports alike. On the other hand, Israel ranks in the third decile of the EU's trade partners.² Notwithstanding expanding globalization, Europe's proximity to Israel and the high-level of development on both sides make this partnership essential for Israel's export economy. Ties with the EU are of great economic potential, some of which have not been utilized for political reasons (including the linkage created by the EU between its relations with Israel and Israel's relations with the Palestinians). Israel and the EU have signed many agreements to advance a variety of cooperation initiatives, including on economics and trade. These should be updated, upgraded, expanded, and deepened, both by improving political relations with the EU and reconvening the Association Council. In addition, in-depth staff-level work is required to examine which European standards could benefit Israel and would be worth adopting.
- **Updating and upgrading the Israel-EU agreement framework.** Continued reliance on an outdated series of agreements and an inability to upgrade them to forge new ones is troubling in light of the changes that the global economy has undergone since the 1995 signing of the Israel-EU Association Agreement. The sides should return to the 1994 Essen Declaration in order for the EU to once again recognize Israel's advanced and developed economic status. This would allow it to treat Israel with a special status compared to its other neighboring states. Furthermore, as a member of the OECD since 2010, Israel is clearly highly developed and therefore the European attitude toward it should be commensurate with its stature. The most recent action plan agreed to by both

² In 2019, Israel ranked in 27th place among the EU's trading partners. In terms of imports from the EU, Israel ranked 30th, and 23rd in terms of EU exports to Israel. See the [2019 EU trade data](#).

Israel and Europe dates back to 2004 and the opportunities it offered are outdated and expired. Instead, a new agreement must be promoted, one that includes updated partnership priorities. Alternatively, new agreements or changes on specific issues should be examined in the area of services, finances, employment, investment, access to public tenders, standardization and more. Israel should also examine which additional European agencies and programs it can join (such as PeSCo or the European Chemicals Agency) and expand its business sector's share in the European Technical Assistance and Information Exchange (TAIEX) program, with the assistance of umbrella organizations such as the Israel Manufacturers Association, Israel Hotel Association, Israel's Builders Association and labor unions.

- **Upgrading and expanding the free trade zone.** Israel can seek to launch negotiations on a Deep and Comprehensive Free Trade Area (DCFTA) with the EU, which would upgrade the 1995 Association Agreement, help reduce non-tariff barriers and update options in the services sector and legal approximations. Given trade tensions between the US, the EU and China, Israel should formulate a strategy that would place it in an advantageous position vis-à-vis these economic powers. For example, it should preserve and update its free trade agreements with the US and the EU, especially if the EU and US renew negotiations on their free trade zone (TTIP). In addition, in light of the normalization process with Arab states, Israel should aim to establish a Middle Eastern or Mediterranean free trade zone. Improved relations with the Arab world would open new opportunities which could include the EU as an additional element of economic attraction for the regional states.
- **Mapping possibilities in the EU's new seven-year budget.** In 2021, the EU begins to operate according to a new seven-year budget that is significantly larger than before in total it reaches 1.89 trillion euro. The budget includes an ambitious plan to reduce greenhouse gas emissions (by adopting the Green Deal and circular economy initiatives) and other innovations, including digital transformation, providing potential for Israel in the business sector, and in learning best practices from processes carried out by European central governments and local authorities. Israel should systematically seek additional opportunities for cooperation, investment and trade with the EU and its member states. The MFA's Economic Affairs Division should lead these efforts in conjunction with various other ministries (Economy, Finance, Science, Tourism, Agriculture, and Health), but stakeholders from the private sector and research institutions should also be included. In carrying out this methodic search for opportunities, Israel could consider consulting one of the Brussels-based companies specializing in collaboration with the EU.

2. Specific and sectoral recommendations

- **Encouraging European vocational training and advancing reciprocal recognition of diplomas, degrees and licenses.** Reciprocal recognition of diplomas, academic degrees, and Israeli and European training programs would facilitate integration and the free movement of workers. This, in turn, would contribute to developing Israeli human capital and strengthening the interface between the European and Israeli labor markets. Europe, especially Germany and Austria, provides vocational training programs that Israel does not recognize,

and this should be changed. Some 150 countries have national qualification frameworks, which Israel could develop as well. Israel should also study the European model of vocational training and adopt several of its elements with the necessary adaptations, placing a particular emphasis on professions that will still be present in the future given the expected job loss to artificial intelligence.

- **Encouraging private European investment in Israel.** Israel should continue to bolster its financial and economic ties with the EU by attracting European investment. There has been a significant increase in European venture capital investment in Israel in recent years, a trend that should be encouraged along with marketing Israel's assets in Europe aside from its start up capabilities. Current Israeli branding mostly targets large companies and should instead be expanded to include medium- and small-size firms. Cultural gaps influencing European willingness to invest in Israel must be bridged, non-tariff barriers should be removed, regulations should be reduced, and shared legal frameworks should be advanced in order to enable Israeli companies to operate with greater ease and vis-à-vis the EU market.
- **Leveraging the EU's interest in confronting climate change.** As part of the EU's ambitious Green Deal agenda to cope with climate change, the EU has a clear interest in reducing gas emissions in the Mediterranean and developing coping strategies and adaptations to extreme weather conditions. The European interest in these issues should be leveraged for the development of solar energy facilities in Israel, and for the transfer of relevant Israeli technologies to Europe and other states throughout the region. The same concept should apply to water desalination technologies and the use of treated sewage water for agriculture.
- **Providing economic incentives for bilateral and regional cooperation and investment.** Bilateral foundations should be formed to provide incentives for cooperation, with specific foundations for different sectors. Israel should also offer incentives (for example in taxation) for European companies to invest in Israel. The regional rules of origin should be simplified and made more flexible.³ The EU has recognized rules of origin between Israel and its neighbors in the Eastern and Southern Mediterranean, despite the absence of free trade agreements with most of them. Simplifying these rules of origin and making them increasingly flexible would expand business cooperation in the region. Additionally, European involvement in fostering cooperation with countries in the region should be encouraged. For example, this can be accomplished by replicating the Qualified Industrial Zone (QIZ) model established in Jordan and Egypt, with Israeli and US cooperation, to serve Israel's relationship with Europe and the Palestinians.

³ Rules of origin designate the country in which a product was made. In a globalized world, it is sometimes difficult to determine which trade agreement applies to the product and what tariff should be imposed on it (which tariffs should apply – those relevant to the country that exported the final product or of the country where most of the processing and added value?). In this case, accumulated rules of origin make the countries of the region eligible for preferential EU tariffs even if they do not have a free trade agreement with the EU.