

ISRAEL-EU BUSINESS INFORMATION SHEET - Israel – EU Business and Political Relations

- **Plan being formulated to upgrade relations by the end of the year**

Israel is making efforts to formulate an operational plan to upgrade EU - Israel relations by the end of the year. The discussions between Israel and EU representatives in the sub-committees will commence in September and they will attempt to reach an overall agreement within 4 months. As soon as the plan is completed, inquiries with the EU institutions will commence.

The discussions will be conducted in the framework of the sectorial sub-committees. Ten such sub-committees will operate, several of them conducting discussions in Israel and others in Brussels. Over the course of the forthcoming months the Foreign Office hopes to promote these discussions, that will encompass social and welfare issues, health, immigration, quality of the environment, industry, trade, services and other issues. The Committee on the Internal Market will convene in November.

In the run up to these discussions, Israeli government ministries have been requested to formulate letters of opinion, based on a 3-5 year plan according to which the discussions with the EU will be conducted. The financial implications involved in joining the EU programs will also be taken into consideration. There are cases in which it will be worthwhile whilst in cases it will not be feasible.

The Foreign Ministry has come under attack from some of the government ministries for reaching an overall agreement for upgrading relations with the EU instead of addressing the issues on an individual basis. They argue that this creates obscurity in the discussions held with the EU commissioners, since a binding framework for conducting the negotiations has not been determined.

- **The EU will finance technological innovation**

Israel is one of the Mediterranean basin states that will benefit from a €7.3m investment program, the first sector being textiles. A regional information bureau will be established in Cairo in which the Manufacturers Association of Israel will be a full partner.

Israel, Turkey, Egypt, Jordan, Syria, Lebanon, Morocco, Tunisia, Algeria and the Palestinian Authority will be partners in the new project. In a convention held in Morocco it was concluded that the technological upgrade project will be performed in stages and the first sector will be textiles, followed by the food industry.

An Israeli delegation participated in a working group with their counterparts from Jordan, Egypt, Lebanon, Morocco and Tunisia. It was agreed that the Information Centre for Innovation in the Textile Industry will be established in Cairo, which will coordinate business proposals and suggestions for sharing technological knowledge.

- **Basis for negotiations on the "Open Skies" agreement agreed**

Israel and the EU commission signed a new agreement which paves the way for the establishment of a global "Open Skies" aviation agreement with the EU member states. The negotiations will be conducted over the course of the forthcoming months and will encompass an extensive range of issues, including authorising an increase in the number of flight destinations, the possibility of nationals of both parties purchasing airline companies, consolidating rules and regulations in various fields such as consumer protection, air control, maintenance, safety and security arrangements.

According to Gideon Siterman, the Director General of the Transport Ministry, the negotiations are intended to lead to a revolutionary agreement in air transport relations between Israel and the 27 EU member states. He adds that the agreement is anticipated to lead to a new era in civil aviation relations that will enable ticket prices to be reduced and new competitors to be integrated into the air transport industry. Furthermore, cross-tourism is anticipated to increase, to the benefit of both Israeli and European consumers.

The Transport Ministry estimates that due to the complexity of the issues, the global negotiations between the parties will last approximately 18 months. The aim is to reach an agreement that will serve the aviation and tourism sectors for decades to come.

- **The EU Council demands that Israel imposes money laundering reporting requirements on lawyers and accountants**

The EU Council called on Israel to impose reporting requirements on lawyers, accountants, real estate agents, metal commodity traders, diamond merchants and mutual fund managers, vis-à-vis the origin of their customers' funds. A report prepared by the financial intelligence agency Moneyval states that Israel is not fully compliant with the EU criteria in this regard.

This agency operates under the auspices of a special task force involved in financial investigations at the EU Council. The agency focuses, inter-alia, on examining the adequacy of member states' national policy, legislation and the scope of compliance with international standards and is authorised to recommend that measures be taken to improve efforts to combat money laundering and terrorism. Representatives of the organisation met with the Governor of the Bank of Israel, the Commissioner of Banks, the Attorney General and the Commissioner for Combating Money Laundering as well with as representatives of the private sector.

In the agency's report on Israel it was stressed that Israel's plan for combating money laundering and funding terrorism is essentially effective. However, experts at the agency found inconsistencies in the implementation of the rules for combating money laundering both in the banking system - which complies with the majority of the international standards - and the rest of the financial sector. The experts are of the opinion that these inconsistencies stem from the wide range of regulatory bodies, including the Bank of Israel, the Securities Authority, the Finance Ministry and the Communications Ministry.

The experts are also of the opinion that the "Know Your Customer" and supervision requirements that financial institutions are required to implement vis-à-vis their customers should be expanded in addition to which the economic activities of senior officials in the public sector should be monitored more closely. They praised the large number of money laundering investigations undertaken as well as the number of indictments, convictions and confiscations. However they recommend enacting legislation in order to more effectively facilitate the confiscation of criminal funds and the implementation of money laundering rules.