

A Quick Survey of EU-Israel Bilateral Relations 25 Years After the Barcelona Process

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The Significance of the Euro-Mediterranean Partnership for Israel: Being Associated to the EU

The real take-off in relations between Israel and the European Union (EU) from an institutional (hence not only economic but also political) viewpoint can be dated to the beginning of the Oslo Process (1993) and to the launch of the Euro-Mediterranean Partnership (EMP), now a quarter of a century old. The latter's objective was to provide a general framework for the reinforcement of political, economic and social relations between the two Mediterranean coasts. In this context, Israel was offered an Association Agreement with the EU for an unlimited time period. It is until today the only legal basis for EU-Israel relations since 2000, when it was entirely ratified by the European Parliament (EP), the 15 member states and Israel. Although the agreement properly speaking was signed in November 1995, it took five years to be ratified, basically for political reasons. It created an association council at the ministerial level that had to meet at least once a year. In practice it has not been meeting since 2012, following the actual freeze of political relations more than a decade ago. From the outset, Israel objected to the fact that the association was part of the so-called EMP that continued to treat Israel like other Mediterranean non-member countries, even when the distance between Israel and the rest of the group in terms of economic development had widened over the 1970s through the 1990s.

Israel objected that despite the growing distance in terms of economic development, the Euro-Mediterranean Partnership (EMP) continued to treat Israel like other Mediterranean non-member countries.

Bilateral Relations After 2004: The European Neighbourhood Policy and Sectoral Agreements

The European Neighbourhood Policy (ENP) was more attractive for Israel in that it was bilateral and differentiated, hence taking the specificities of Israel into account.

Relations between the EU and Israel did not take a new direction until the EU was extended by 10 new countries in 2004. It was not the EMP but rather the widening of the EU and the opening of negotiations with Turkey and Croatia with a view to their membership that led the European Commission (EC) to urgently review its relations with countries in proximity to the new EU-27 by launching the European Neighbourhood Policy (ENP). This policy was all the more attractive for Israel in that it was bilateral and differentiated, hence taking the specificities of Israel into account. This was entirely justified in Israel's perception. The economic gap with the other southern partners of the ENP had widened since the 1990s. And the economic asymmetry between Israel and all other Mediterranean countries (but for Turkey) has been increasing since December 2004 when a tailor-made Action Plan between Israel and the EC was concluded de facto in the context of the ENP. At the end of three years, it was evaluated in order for both parties to decide whether there was any reason to alter their mode of relations by signing a new agreement or through an amendment to the 1995 agreement. The Action Plan listed four priorities: reinforce political dialogue; increase economic integration; develop cooperation in justice, policing (legal cooperation, the fight against organised crime) and a whole field of domains (environment, energy, transport, science and technology); and increase "people to people" contacts (for example, participation in Erasmus-style educational programmes). What Israel liked most about it was that it was an approach that favoured "carrots" over "sticks": the EU would apply a so-called positive conditionality that valued shared values rather than a negative conditionality employed in the context of the 1995 Association Agreement (which contemplated its possible suspension by one of the parties if human rights were not respected by the other party). Even so, as a result of Operation Cast Lead in Gaza, the EU decided to freeze political relations (2009-2010).

Sectoral agreements on agricultural free trade and liberalising civil air transport are in the making with a positive outlook.

By then, however, two important separate sectoral agreements were in the making: one on agricultural free trade between the two parties (2009) and one open-sky agreement liberalising civil air transport traffic between the EU and Israel (entering into force in 2013 and finally ratified by all parties in 2020). According to Israeli official sources, both agreements are working well. Regarding agriculture, there are sometimes discussions about Israel conforming to EU standards, which is normal. In terms of civil air transport, Israel is extremely satisfied. It is now negotiating with the EU so-called "One-Stop security arrangements" to reach full recognition by Europe of Ben Gurion Airport security arrangements. More generally, Easyjet, Wizz Air and Ryanair, all of them European low-cost carriers, have become household names to the Israeli tourism industry, which has become a strong supporter of the Open Sky Agreement; not to mention the Israeli consumer of tourism services overseas, who reaps the huge benefits of low-cost travel to Europe. Any Israeli government understands now that it would be very difficult to backtrack and close the country for policy reasons to the winds of cheap overseas travelling.

A latecomer small contribution of the EMP, namely the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin (PEM Convention) of February 2013 did not lead to more regional cooperation in industrial activities between Israel and its Arab neighbours, which was one of its original intentions. Still, Israel is interested in it simply because it helps promote trade with other non-EU members of the Convention, such as Turkey and in the near future the United Kingdom (UK) and the Ukraine (the latter's free trade agreement with Israel entering into force on 1 January 2021). Quite a paradox.

Not all EMP-ENP linked initiatives have been a flop. A particular contribution of the ENP phase in relations between the EU and Israel is in the realm of education, particularly mobility and exchange of university students and academics, namely the different versions of the ERASMUS programme. The EU had financed by 2020 more than 7,000 Israeli students' stays in European universities. There were in 2018 more Israeli students studying in Europe than in the US.

Israel is of course a founding member of the Union for the Mediterranean (UfM), created in 2008 and a sui generis follow-up of the EMP (not of the ENP) and which de facto opened for business only in 2011 with active Israeli input. Still, for several years now it has not had more than symbolic attraction, reflecting a wish to keep a low-profile presence at high-level events. For instance, Minister Amir Peretz, the Minister of Economy, participated as Israel's representative at the 11th Trade Ministerial Conference of the UfM in November 2020, organised as a videoconference.

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Working under the Radar or the Story of EU-Israel Day-to-Day Relations in the Last Decade

There is a consensus in Jerusalem that the 1995 Association Agreement is old-fashioned, as illustrated by the fact that it does not deal either with trade in services or investment. But given the ongoing reluctance in the EP to upgrade formal relations with Israel for political reasons, the perspective of un-freezing the Action Plan attached to the ENP is unrealistic. Israel-EU relations have proceeded since 2012 in a piecemeal way.

This is the place to deal with what continues to be a central focus for Israel in the bilateral relationship since the 25 years of the Barcelona Process, namely the practical inclusion of Israel in the EU's R&D space (formally not part of the EMP). Initially, that materialised in the active participation of six out of seven R&D Framework Programmes, followed by Horizon 2020 (as from 2017), nowadays on the verge of being wound up. Negotiations between the EU and Israel to include it in "Horizon Europe", the newest programme, will only start in late 2021, as there have been delays in Brussels unconnected to Israel in drawing the new regulations of the Programme, mainly because of the corona crisis. This round funding will be based on the principle of "Pay As You Go", meaning that countries participating cannot earn money from the Programme. All the same, Israel continues to enthusiastically support participation because of the synergies created between European and Israeli academia and industry.

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Without much doubt, both EU educational and research activities and funding have helped the EU in developing among Israel’s civil society a strongly pro-European constituency, made up of Israeli universities and research centres, industrialists involved in R&D activities, academics and university students.

Another non-controversial development in bilateral relations is the activity of the European Investment Bank (EIB), which is very satisfied with Israel as far as innovation funding of activities via Bank Leumi linked to medical equipment and desalination plants. More recently, €50 million have been set aside to cope with corona-linked projects. Some of the EIB activities are directly linked to Horizon 2020.

Also under the radar, Twinning and TAIEX activities (introduced under the ENP) are proceeding smoothly, allocated €2 million per year. It leads to a discrete “Europeanization” of Israel’s regulations in the domains of education, communication, environment and in the near future welfare (something hoped for in Israel). Not coincidentally all are areas not connected to security and defence where the influence of the United States (US) is dominant. Twinning brings experts of the EU for 18 to 24 months to liaise with the Israeli public sector, while TAIEX allows for bilateral meetings between European and Israeli officials once in a while, nowadays via Zoom.

In terms of energy, the EU has been funding the feasibility studies, not yet completed, for the construction of the so-called East-Med Pipeline to convey gas from Israel all the way to Italy by 2027. The project is currently blocked because of internal disagreements in Italy about the sheer necessity of such a pipeline in view of the Green Transition Plan in the EU. But in any case the EU Commission seems eager to upgrade its dialogue with Israel’s Ministry of Energy.

In the day-to-day relations between the EU and Israel, a process of clarification of legislature regarding the Occupied Palestinian Territories (OPT) has taken place mostly in the last decade to the dismay of the Israeli government and of many Israelis.

However, the present Israeli government seems to focus much more on a series of developments that, admittedly, do not have great economic implications for Israel or obstruct its relations with Eastern Mediterranean member states such as Greece, Italy and Cyprus. Diplomatically, however, these developments are considered more than a simple annoyance. In the day-to-day relations between the EU and Israel, a process of clarification of legislature regarding the Occupied Palestinian Territories (OPT) has taken place mostly in the last decade to the dismay of the Israeli government and of many Israelis. This is now a fact accepted by the Israeli authorities, clearly unwilling to openly challenge the European side. For instance, in 2016-17 under Mrs. Miri Regev’s stewardship at the Ministry of Culture, it was decided locally to freeze a plan to incorporate Israel in an EU programme called “Creative Europe” as the EU insisted on including in the regulation a provision excluding its application to the OPT, following the precedent of Horizon 2020.

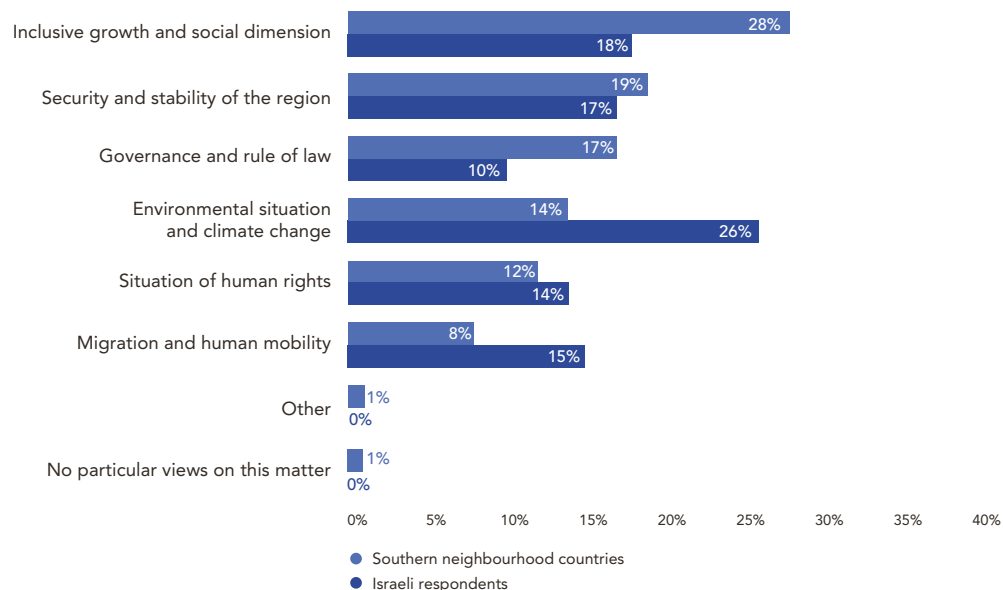
The New Mediterranean Agenda: What is in it for Israel?

The EMP (also known by the term “Barcelona Process”) and its successor frameworks until the “New Agenda for the Mediterranean” have not drawn much of Israeli public officials’ time and enthusiasm, as explained above. Will the “New Agenda for the Mediterranean” based on a decision of the EU Council of December 2020 change that pattern? A perusal of published documents on 9 February 2021 describing the EU’s new Neighbourhood, Development and International Cooperation Instrument (NDICI) shows that there are only marginal items of interest for Israel, such as the EU’s intention to partially fund the construction of a gas pipeline from Israel to Gaza or the upgrading of the Jordanian Hussein Bridge, linking the West Bank to Jordan and facilitating connectivity between the two sides of the Jordan river. These are two “flagship projects” mentioned in the Agenda. The EU also mentions as a “flagship project” its wish to step up the already extended cooperation with Israel in the areas of digital research and innovation, without specifying beyond that. Even so, there are some Israeli observers that see in the New Agenda some new opportunities for involving the EU in helping to promote intra-regional cooperation among Mediterranean partner states. This moderate optimism is based on the fact that the geopolitical environment has changed for the better in Israel’s views, such as the establishment of political and economic relations with Morocco and several Gulf States. There is a perceived need to continue the dialogue with other Mediterranean countries, as this is something that not only the EU but also the new US Biden administration will probably be keen on. Another aspect in the New Agenda will attract the attention of the Israeli private and public sectors, namely its insistence on involving Mediterranean partners in the EU’s Green Transition and on coping with climate change. Israel is already very closely following the development of green standards in the EU. And the fact that the US has now rejoined the Paris Agreement compels Israel to everything related to climate change in the Mediterranean very seriously. Suffice it to recall here that the EU and the US are by far Israel’s most important markets for its exports of goods and services.

This is confirmed by a quantitative analysis of answers given by the Israeli experts to the EuroMeSCo Euromed Survey, compared to those given by other Southern Mediterranean Countries (SMCs). For instance, climate change is considered a top challenge, while inclusive growth comes only in second place, the reverse happening for the rest of the Mediterranean countries.

The EMP, the ENP and the “New Agenda for the Mediterranean” have not drawn much of Israeli public officials’ time and enthusiasm.

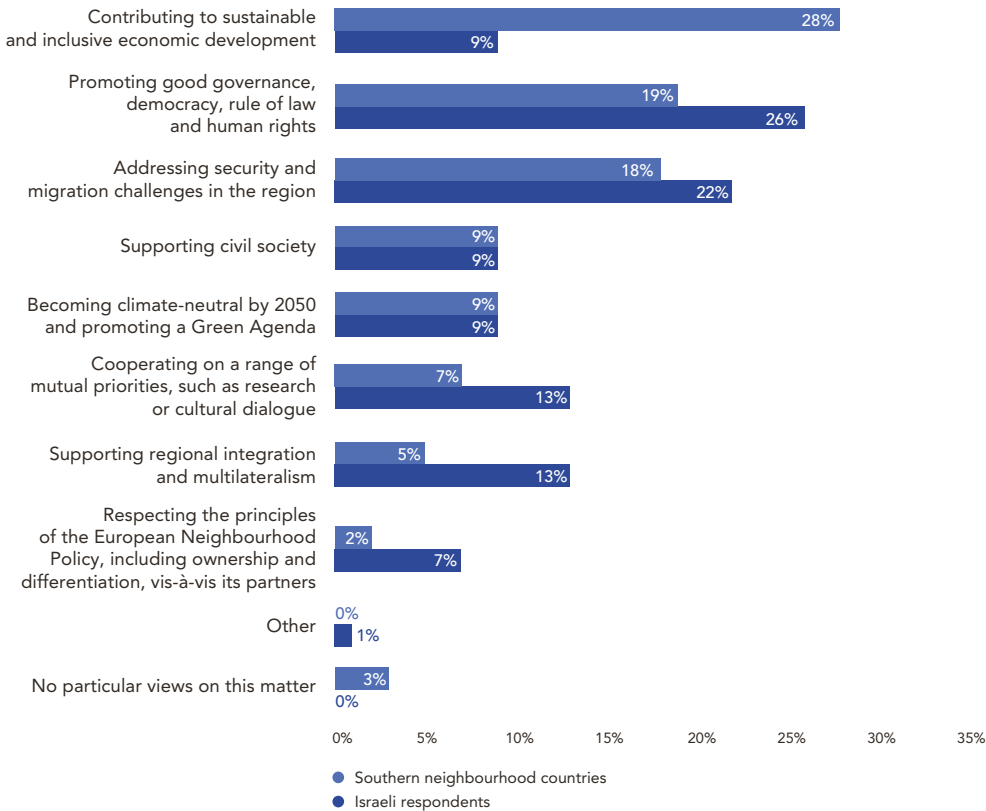
Graf 1: Q.1 For which of the following challenges are greater efforts needed?
(Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

This is not surprising given the impressive and lasting growth record of Israel since 2003 (more than 3% annually). However, climate change is not considered as an opportunity for intraregional cooperation, probably because as explained Israelis seem more focused on cooperating with the EU and the US on matters related to the Green Transition. Not surprisingly, the EU's added value for Mediterranean Arab countries is the EU's support of their own economic development, whereas Israel is considered by the EU as a developed country already. Hence, Israeli experts mention other possible EU contributions such as the promotion of security, human rights and good governance.

Graf 2: Q.5 What is the European Union's added value compared to other global players that are increasingly active in the region? (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

Compared to other SMCs, when asked about future constraints to cooperation, Israeli experts are much more worried than the rest by the meagre perspective of solving enduring conflicts in the Eastern Mediterranean (e.g. Israeli-Palestinian conflict, civil war in Syria, Cyprus conflict and new trends in Turkish foreign policy). Answers of Israeli experts related to the achievement of resilient and sustainable economies clearly relate to other Mediterranean partners, not to Israel proper, for the reasons previously mentioned. Finally, when asked about support for the Green Transition, Israeli respondents are far keener than the average to privilege conditionality to promote green reforms and involve the private sector in the endeavour. Educating future generations about climate change is particularly stressed by the Israeli respondents.

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A qualitative analysis of individual suggestions made by the latter suggests that some are really done with the future of EU-Israel bilateral rather than intra-Mediterranean relations in mind. Relating to the latter, the need is mentioned for more bottom-up dialogue and concrete projects bringing young people of both sides

of the conflicts in the region. There is a widespread consensus that the EU can help in this task now that the so-called Abraham Accords have opened normalisation perspectives with several Arab states (such as Morocco). Other suggestions include the EU's support (political and financial) of the East Med Gas Forum and becoming an observer. The EU, as is strongly suggested by Israeli experts, should also pursue programmes that are deemed a success, such as Erasmus+, Horizon 2020, the Open-Sky Agreement as well as support to pro-peace and pro-democracy non-governmental organizations (NGOs). More ambitious long-term objectives include sharing the agenda on climate change; the promotion of cross-border cultural exchange with all ENP partners; exploring the possibility of associate EU membership for Israel; above all the EU should promote political stability in the Eastern Mediterranean. One particular aspect of this endeavour as seen by Israeli observers is obtaining the help of the EU to ensure personal security and safety, including neutralising the current pandemic by mass vaccination and supporting joint efforts in cyber capacity. A special role is left for the EU as a key player in promoting awareness of issues of privacy, while at the same time fighting cyber-crime and promoting de-radicalisation programmes. Clearly, many Israeli experts consulted for the Survey also seem to expect much from the EU in the field of youth education.

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MR. ILAN FLUSS, Deputy Head, Economic Division, Ministry of Foreign Affairs

MR. DAN CATARIVAS, President of the EU-Israel Chamber of Commerce and Director General – Foreign Trade and International Relations at the Manufacturers' Association of Israel.