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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

ISRAEL

This report, prepared for the fifth Trade Policy Review of Israel, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Israel on its trade policies and practices.

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SUMMARY

1. Since the last Trade Policy Review of Israel in 2012, economic growth has averaged 3.3%, and GDP per capita increased to more than US$40,000 in 2017. Growth has been driven primarily by private consumption and domestic investment and, while trade is very important to the economy, the trade (goods and services) to GDP ratio declined from 72% in 2012 to 57% in 2017. However, despite a decline in the value of imports and exports of goods in 2012-16, the total value of trade (goods and services) in nominal terms increased due to strong growth in exports of services and a more modest growth in imports of services. Israel's external position remains strong with a current account surplus in every year of the review period and comfortable reserves, against the background of an appreciating currency. The unemployment rate declined to a historical low of 4.2% in 2017, but challenges remain to increase labour market participation rates among the Arab-Israeli and ultra-orthodox communities

2. After public protests in 2011 over the high cost of living, the Government appointed the Trajtenberg Committee to investigate socio-economic issues and make proposals for changes. Following the recommendations of this and other committees, tariff reductions were made, autonomous tariff quotas introduced, and measures taken to increase competition in several sectors, including finance, telecoms, and air and sea transport. Furthermore, reforms are continuing and include an ongoing programme to reduce administrative costs and regulatory requirements for imports (including for food products and spare parts).

3. Another major development during the review period was the start of natural gas production in 2013 from the Tamar field, while production from the large Leviathan gas reservoir is expected to start in 2019. Israel is in the process of establishing a sovereign wealth fund for the purposes of safeguarding the tax revenues from natural gas exploitation. The fund, which will be managed by the Bank of Israel, is expected to become operational in 2020.

4. The increase in domestic production of gas has contributed to a reduction in the quantity and value of imports of fuels in general, from 22% of the value of imports of goods in 2012 to 9% in 2016. Diamonds are important for both imports and exports: in 2016, about a tenth of all imports of goods and a quarter of exports were diamonds as Israel remains a major trading and processing centre. The principal trading partners are the United States and the European Union: in 2016, over half of all goods were exported to these two trading partners, and the European Union alone accounted for 42% of imports. The main services exports are computer services, and research and development services.

5. Inward and outward investments are important to Israel with inward investment averaging US$10 billion and outward investment US$7 billion per year for 2012-16. Investment into Israel has been mainly in the form of acquisitions, including from venture capital funds that invest in Israeli start-ups, and real estate. The main recipients of FDI were the manufacturing sector, telecoms, computer programming and information services, research and development, and financial services (except insurance and pension funds). There is no specific law for foreign investment and Israel maintains foreign-ownership restrictions in a few sectors, including air and maritime transport, telecommunications and broadcasting, and energy, mainly for public interest and energy security reasons.

6. In the WTO, Israel has implemented the revised Information Technology Agreement and the revised Government Procurement Agreement, accepted the Trade Facilitation Agreement and submitted a notification on its Category A commitments, accepted the TRIPS amendment, and, in line with the Nairobi Ministerial Decision, submitted a notification stating that it will stop using export subsidies for agricultural products from 1 January 2023. From 1995 to end-2017, Israel had been a third party in eight dispute settlement cases, four in the period 2012-2017.

7. Israel's average applied MFN tariff was reduced from 7.6% in 2012 to 5.2% in 2018. This was mainly the result of unilateral elimination of import duties on a range of products triggered by the 2011 protests. Some 67% of all tariff lines are now duty free, and only 3.7% are above 20%. Customs duties amount to 1% of total tax revenues. During the review period, Israel also transposed its Schedule XLII of concessions from the Harmonized System (HS) 1996 nomenclature to the HS2012 nomenclature. It is presently under waiver for the introduction of HS2017 changes.

8. The average applied MFN tariff on non-agricultural products is relatively low (3%, compared with 4.2% in 2012), while tariffs on agricultural goods (WTO definition) average 19.1% (down from 27.7% in 2012). Tariff protection is particularly high on dairy products (with an average of 65.6%). Moreover, many agricultural tariffs comprise specific, compound or mixed duties. Outside of agricultural products, the maximum tariff is generally 12%, except for fish and fishery products (up to 146.3%), textiles (up to 22%), and minerals and metals (up to 16.9%).

9. About three-quarters of Israel's tariff lines are bound. The average bound rate is 20.6%, 15.4 percentage points higher than the average applied MFN rate. Bound rates are high for agricultural products, averaging 78.1%, while for non-agricultural goods the average bound rate is 9.6%. MFN applied rates exceeded their bound levels for 18 tariff lines on products such as parts and accessories of machines; for some tariff lines the gap is 12 percentage points.

10. Israel has a network of FTAs that covers Canada, EFTA, the European Union, Jordan, MERCOSUR, Mexico, Turkey and the United States. Since the last Review, Israel has concluded FTAs with Colombia and Panama, which are not yet in force.

11. No major changes have been made to the legislative and institutional framework regarding Israel's customs regime since its last TPR. Nonetheless, Israel has ratified the Trade Facilitation Agreement, which entered into force on 8 December 2017. On the other hand, Israel maintains non-automatic import licensing procedures on a wide range of products for various reasons, such as health, safety, security, and tariff-quota administration. Up-to-date notifications would help improve the transparency of these import procedures.

12. A tax reform for alcoholic beverages was implemented in 2014 and the TAMA (a type of import surcharge which approximates domestic wholesale prices) was cancelled and replaced by a specific tax on imports and domestic products alike. VAT accounts for about 30% of Israel's tax revenues; VAT is applied on imported and domestic goods and services. The standard rate for VAT was increased from 16% to 17% in 2012 and to 18% in 2013. In October 2015, it was decreased to 17% (at a cost to government revenue equivalent to 0.4% of GDP). A number of items, including fruit and vegetables, are zero-rated. Alcoholic beverages, cigarettes and fuel are subject to excise tax.

13. The legal framework governing trade contingency measures has remained unchanged since Israel's last Review in 2012. During 2012-17, Israel initiated ten anti-dumping proceedings; one AD measure is currently in force. Israel has not taken any countervailing or safeguard actions during the period under review.

14. Israel maintains export licensing and approval (permit) schemes for selected products for reasons such as commitments under international agreements, quality control, and conservation, but there are no export taxes or levies. Israel provided export subsidies for agricultural products during the review period. One export state-trading enterprise is active in the groundnut sector.

15. During the review period, Israel eliminated six programmes that had been notified to the WTO Committee on Subsidies and Countervailing Measures: the Design Product Programme; the New Media Support Programme; the Marketing Tutorial Programme; the Consortia Programme; the "Two Hundred Times Two"; and the Greenhouse Gas Emissions Reduction Programme. Three of these programmes (Marketing Tutorial, Consortia, and Two Hundred Times Two) have been replaced by other programmes with similar expenditure amounts.

16. The Israeli economy specializes in the development and production of high-tech goods and services, supported by the highest level of civilian R&D in the world (about 4.3% of GDP in 2015). The Israel Innovation Authority, set up in 2015, encourages both local and foreign investment by offering a wide range of incentives and benefits to investors in industry, tourism and real estate. Most of these incentive programmes offer participation in the risks involved in the development process via conditional loans.

17. During 2012-17, Israel submitted 453 notifications to the TBT Committee, mostly on revisions of technical regulations or the adoption of international standards. Israel aims to align all of its standards to international standards by August 2019. Legislative amendments have recently been made requiring the adoption of international and regional standards in place of Israeli

standards, and also set out timetables for a revaluation of all technical regulations by August 2019. Regulatory impact analysis became mandatory in January 2016.

18. Different government agencies are responsible for different sanitary and phytosanitary measures but in general the National Food Service is responsible for fisheries and imported foods and domestically produced food after picking, slaughtering, or delivery for processing, while the Veterinary Services and Animal Health, and the Plant Protection and Inspection Service are responsible for unprocessed food, and live animals and their slaughter. Israel has not made a notification on SPS measures since 2011 although some of the TBT notifications submitted since then may include references to SPS-related issues. The Protection of Public Health (Food) Law of 2015 is intended to increase competition in marketing of food by reducing the regulatory burden on imports. Imports of "non-sensitive" foods (where "sensitive" foods are so classified based on risk assessment) no longer need prior authorization to be imported and only require a declaration of conformity with Israeli regulations rather than documentary evidence from the manufacturer. Except for meat products, there is no legal requirement for food products to have kosher certification, but it has been reported that it is often a practical market requirement as many hotels and shops do not stock non-kosher products.

19. Some major reforms have been introduced to the competition regime to enhance productivity at the firm level, foster GDP growth, and improve consumer welfare. Notably, the Israel Antitrust Authority (IAA) director may now impose monetary penalties for competition law infringements (including cartel violation, abuse of dominant position, or mergers carried out without IAA approval). In addition, the Antitrust Commissioner may now issue instructions to members of a concentration group to prevent harm to competition or to the public, or in order to improve the competitive situation; and a series of reforms have been launched to increase competition and efficiency in some sheltered sectors (e.g. financial services, telecoms). Furthermore, the Promotion of Competition and Reduction of Concentration Law was enacted in 2013 to reduce the risks posed by large, complex and leveraged business groups ("pyramids").

20. State-owned enterprises (SOEs) continue to play an important role in the economy, notably in the electricity, water, transport, ports and defence industries. At least two SOEs have been declared as monopolies under the Restrictive Trade Practices Law: the Israel Electricity Corporation; and Mekorot (the water corporation). In 2014, a new three-year privatization scheme, equivalent to 1.75% of GDP, was launched involving the divestment of some SOEs, including the ports and the postal service, and a series of partial privatizations (electricity, water and defence).

21. Israel is party to the Agreement on Government Procurement (GPA) and was among the first parties to accept the revised GPA. Israel has made a number of market-access commitments that enhance opportunities for foreign companies to compete in government procurement. It will progressively reduce the current 20% offset level and eliminate offsets entirely 15 years after the entry into force of the revised GPA for Israel (6 April 2014). After five years, Israel will also start reducing the number of entities that apply offsets. Israel's tendering regulations allow for price preference of up to 15% to local suppliers using at least 35% domestic content. Preferences do not apply to contracts subject to GPA provisions.

22. With its high-tech economy, Israel has a well-developed intellectual property system and, during the review period, undertook additional investment in the administrative functioning of the Israel Patent Office's (ILPO) examination procedures, and further modernization of intellectual property legislation, particularly in the areas of patents and designs. Reflecting a highly innovative and competitive industry where many start-ups depend on and enforce their intellectual property rights, Israeli courts frequently encounter IP litigation, including the Supreme Court which has issued a number of relevant rulings and opinions since 2012. The challenges posed by the digital environment in the area of intellectual property rights are reflected in a number of developments during the review period. These include Supreme Court judgements on the extent of copyright exceptions under the 2007 Copyright Act legislative changes to permit online distribution of TV broadcast signals. Israel is a member of WIPO and a party to most of its treaties but, while Israel is a signatory to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, these have not been ratified, and Israel has not signed the Patent Law Treaty.

23. Most of the land in Israel is publicly owned and managed by the Israel Land Authority with most agricultural production from kibbutzim and moshavim cooperatives on land leased from the

Authority. However, most members of the kibbutzim and moshavim now perform non-agricultural work as farms become larger and more specialized. With an arid climate, irrigation is essential for production in many areas although most water for irrigation is not fresh but treated waste water or saline water. Although agriculture in Israel is protected by relatively high tariffs and Israel continues to use export subsidies – which are expected to cease on 1 January 2023 – it is a net importer and has taken several measures to improve market access, including through tariff reductions and autonomous tariff quotas. Some sectors, particularly dairy products, and animals and products thereof, have high and often complex tariffs while the dairy and egg sectors are highly regulated with production quotas and minimum or target prices applied. As notified to the WTO, most domestic support is in the Amber Box and concentrated on milk and eggs (the only two products to exceed the *de minimis* limit of 10% of current value of production). For 2011 to 2014, the Current Total Aggregate Measurement of Support exceeded the total AMS commitment level of US$568.98 million, although the notification for 2015 and 2016 (the most recent) shows Current Total AMS below the commitment level for these years.

24. Services account for around 80% of GDP. Israel is a net-exporter of services, notably computer services and R&D services. The financial services regime underwent substantial reforms during the review period to enhance competition and efficiency of financial intermediation: the two largest banks have been required to sell their credit card subsidiaries by 2020/21; cross-holdings between major financial and non-financial companies have been made illegal; and new players have emerged, consumer credit has expanded, and classic bank intermediation has given way to greater use of non-bank credit, primarily in corporate business. Nonetheless, no new banks have been established in Israel in almost half a century. The Capital Markets, Insurance and Savings Authority is now an independent regulatory body for the insurance industry, pension funds and savings.

25. The Israeli telecommunications sector has been further liberalized. Reforms include: a policy on network and frequency sharing which enables operators to share their sites and Radio Access Networks; the granting of several fourth-generation mobile international services licences; in the fixed market, a new wholesale regulation which aims to facilitate competition in the telecommunication market; and improvement of competition in broadband internet through unbundling the local loop of the incumbent operators. The establishment of an independent regulatory authority for telecommunications is still under consideration by the Government.

26. Israel has three seaports, two of which are mainly operated by state-owned companies, while the Eilat Port Company was privatized in January 2013. Together, these ports handle 99% of the volume of Israel's imports and exports. Since its last Review, Israel has continued to implement its port-user fee scheme, introduced in October 2010, to put an end to imports effectively cross-subsidizing exports, and to base fees on costs. Foreign ownership remains limited to 49% of Israeli flag vessels, and majority control by Israeli nationals is required for the provision of port services open to international shipping. Israel has open skies agreements with Colombia, the European Union, New Zealand, Turkey, and the United States. During the review period, the Israel Antitrust Authority limited the sector-specific exemptions in maritime and air transport, the last remaining sectoral exclusions of the competition law.

27. Since the last Review in 2012, Israel has taken a range of measures to liberalize trade and increase competition. These measures followed popular protests about the high cost of living and the results have helped improve trading and investment opportunities. Although the value of imports of goods declined, this was mainly due to lower fuel prices and imports as domestic production of gas increased. However, challenges remain with some parts of the agriculture sector highly regulated and protected while other traditional sectors risk falling further behind the high-tech goods and services industries.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. Israel is a high-income country with a per-capita GDP of US$40,285 in 2017 (up from US$32,522 in 2012). The Israeli economy specializes in high-tech goods and services, notably in the area of computer components manufacturing, software engineering, medical technology, and pharmaceuticals. Services account for around 80% of GDP, while the industrial sector (including energy) contributed about 15.1% to GDP in 2016 (Table 1.1). Israeli enterprises also play an important role in the world's diamond industry, with diamonds accounting for around 26% of Israel's merchandise exports in 2016 (Table A1.1). The agriculture sector is small (about 1% of GDP) and the country is a net importer of agricultural products, despite significant agricultural exports (over US$2 billion per year) (Table A1.1).

1.2. The year 2013 marks a milestone for Israel's energy security, as major domestic supplies of natural gas came on-stream from the Tamar field in the Israeli EEZ. The natural gas is mainly used for electricity generation and has led to a significant decline in fuel imports. Also, the discovery of the Tamar reservoir and the far larger Leviathan gas field in the Mediterranean Sea (not yet in production) is transforming Israel from an importer into a (net) exporter of natural gas. The impact on economic growth has been limited so far but according to the authorities is expected to become more significant in the coming years as export opportunities begin to be realized.

1.3. One of the core strengths of the Israeli economy lies in its capacity for innovation. Expenditure on civilian R&D amounted to about 4.3% of GDP in 2015, the highest share in the world.[1] Israel's innovation policy encourages domestic R&D in generic and applied technologies through a range of incentive schemes for start-up companies, but the policy has evolved recently towards post start-up development (Section 3.3.1).[2]

1.4. Some of the main economic challenges lie in raising productivity growth, which is low by high-income country standards.[3] Israel also faces demographic challenges in the labour market (particularly in the hi-tech sector), which are related to low participation and productivity among Arab-Israeli and ultra-orthodox (Haredi) communities, although some progress has been made in raising employment rates by increasing the incentives to work (notably, cuts in income taxes and social benefits). However, income disparities and poverty levels remain high, despite some improvement in recent years.[4]

1.2 Recent Economic Developments

1.5. The Israeli economy has shown robust performance during the period under review. Economic growth averaged 3.3% in 2012-17, underpinned by a shift from exports towards private consumption and domestic investment as the main engine of growth.[5] Unemployment declined to a historical low of 4.2% in 2017; inflation remained low; the central government deficit and the public debt were reduced; and the external position was strong with a current account surplus and comfortable reserves, against the background of an appreciating currency. While the export performance for goods has been modest, exports of services grew strongly, which appear to have been more resilient to currency appreciation. The authorities expect the economy to grow by 3.2% in 2018 and 3.1% in 2019.

[1] OECD online information. Viewed at: http://www.oecd.org/innovation/inno/researchanddevelopmentstatisticsrds.htm.

[2] Domestic and foreign venture capital financing for start-ups reached US$5.24 billion in 2017 (up from US$1.83 billion in 2012).

[3] Bank of Israel (2016), *Annual Report 2016*.

[4] IMF (2017), *Israel – 2017 Article IV Consultation*. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2017/03/28/Israel-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44769; and OECD (2018), "Economic Survey of Israel 2018". Viewed at: http://www.oecd.org/israel/economic-survey-israel.htm.

[5] Private consumption and investment growth reached 4.1% and 3.7% respectively over the period 2012-17, while export growth (goods) averaged 1%.

Table 1.1 Selected macroeconomic indicators, 2012-17

	2012	2013	2014	2015	2016	2017
GDP at market prices (NIS billion)	992.1	1,056.1	1,103.5	1,162.5	1,220.3	1,262.9
GDP at market prices (US$ billion)	257.2	292.6	308.5	299.3	317.7	350.8
Real GDP (%age change at 2015 prices)	2.2	4.2	3.5	2.6	4.0	3.4
Per capita GDP at current price (NIS)	125,469	131,097	134,374	138,775	142,839	145,012
Per capita GDP at current price (US$)	32,522	36,321	37,562	35,730	37,192	40,285
Unemployment rate, annual average, %	6.9	6.2	5.9	5.3	4.8	4.2
GDP by economic activity (% of GDP at basic prices)						
Agriculture, forestry and fishing	1.4	1.3	1.3	1.3	1.3	..
Industry, including energy	16.5	16.2	16.1	15.3	15.1	..
Construction	5.8	5.9	5.9	5.7	5.8	..
Distributive trade, repairs; transport; accommodation, food services	14.9	14.7	14.7	14.8	14.8	..
Professional scientific, technical, administration and support services activities	10.1	10.7	10.5	10.7	10.6	..
Information and communications	8.9	8.7	9.3	10.3	10.8	..
Financial and insurance activities	5.2	5.6	5.0	4.7	4.6	..
Real estate activities	15.0	14.7	15.2	15.1	15.2	..
Public administration; social security; education; human health	19.2	19.2	19.0	18.9	18.8	..
Other service activities	3.1	3.0	3.0	3.1	3.0	..
General government finances (% of GDP)[a]						
Revenue	36.1	36.5	36.7	37.0	37.5	..
Expenditure	41.1	40.7	40.1	39.6	40.1	..
Overall fiscal balance	-5.0	-4.2	-3.4	-2.7	-2.5	..
Ratio of public debt to GDP (%)	68.5	67.1	66.1	63.9	62.4	..
Prices and exchange rates						
CPI (%age change)	1.7	1.5	0.5	-0.6	-0.5	0.2
NIS/US$ (period average)	3.9	3.6	3.6	3.9	3.8	3.6
Real Effective Exchange Rate Index (based on CPI)[b]	96.3	102.6	103.5	103.3	104.8	109.7
External sector (in current US$ million, unless otherwise indicated)						
Current account	1,566	8,665	11,942	15,454	12,031	10,540
% of GDP	0.6	3.0	3.9	5.2	3.8	3.0
Goods, net	-9,389	-7,873	-7,190	-3,298	-7,364	-9,509
Exports	61,014	62,358	63,527	56,683	56,171	58,010
Imports	70,403	70,231	70,717	59,981	63,535	67,519
Services, net	9,347	13,179	11,469	12,272	13,956	15,185
Exports	31,738	34,971	35,832	36,826	40,004	44,322
Imports	22,391	21,792	24,363	24,554	26,047	29,137
Primary income, net	-6,297	-5,649	-2,178	-2,576	-3,827	-2,901
Secondary income, net	7,904	9,007	9,840	9,055	9,267	7,765
Capital account	876	1,863	2,733	2,120	2,175	1,827
Financial account	4,501	8,405	17,819	15,124	8,219	5,735
Statistical discrepancies	2,059	-2,124	3,145	-2,450	-5,987	-6,632
Total reserves (includes gold, US$ billion)	75.91	81.79	86.10	90.58	95.45	..
in months of imports	8.6	9.3	9.7	11.1	11.1	..
Ratio of external debt to GDP (%)	37.8	32.9	33.2	28.8	27.6	..
FDI (US$ billion)						
Inward						
Flow	8.5	12.4	6.7	11.5	12.3	..
Stock	76.5	88.2	93.3	104.1	112.7	..
Outward						
Flow	3.3	5.5	3.7	9.9	12.5	..
Stock	71.2	76.7	79.7	89.4	102.1	..

.. Not available.

a Preliminary data for 2016.
b An increase indicates appreciation.

Source: Central Bureau of Statistics online information. Viewed at: http://www.cbs.gov.il/reader/cw_usr_view_Folder?ID=141; Bank of Israel online information. Viewed at: http://www.boi.org.il/en/Pages/Default.aspx; IMF Country Report (2017) No. 17/75, March; IMF online information. Viewed at: http://elibrary-data.imf.org/DataExplorer.aspx; UNCTAD Stat. Viewed at: http://unctadstat.unctad.org/EN/; and OECD. Viewed at: http://stats.oecd.org.

1.6. In 2012, economic growth slowed to 2.2% (compared to 5.2% in 2011) in line with a slow-down in global growth which adversely affected Israel's exports. Two events in 2011 marked

economic developments in 2012. First, dwindling domestic production of natural gas (from the Yam Tetis field) and the suspension of natural gas deliveries from Egypt to Israel which prompted a sudden shift to imported, more expensive fuels. The current account balance (traditionally in surplus) deteriorated in 2012 (+0.6% of GDP) as a result of the significantly higher energy import bill. Second, fiscal policy became more expansionary as a policy response to a wave of social unrest in 2011 against the high cost of living in Israel (see below). Planned reductions in corporate income taxes were cancelled; additional tax breaks for families were offered; and a new wage agreement in the public sector was signed; as a result, the fiscal deficit increased to 5% of GDP.[6]

1.7. Economic growth reached 4.2% in 2013, with approximately 1 percentage point due to the start of domestic natural gas production from the Tamar reservoir in April 2013.[7] The availability of domestically produced natural gas has triggered a substitution process in electricity generation away from imported feedstock fuels. Israel's fuel import bill fell from US$16.1 billion in 2012 to US$5.8 billion in 2016, also reflecting a sharp drop in world market prices for oil from mid-2014 onwards (Table A1.2). The current account surplus increased to 3% of GDP in 2013. The fiscal deficit remained relatively large at 4.2% of GDP, despite tax increases.[8]

1.8. In 2014, economic growth declined to 3.5%, mainly due to real appreciation of the shekel, which slowed down export growth and investment in the economy. The fiscal deficit was reduced to 3.4% of GDP, reflecting the tax increases that came into force in 2013 and a new fiscal rule limiting expenditure growth at 2.5% per year.

1.9. In 2015, GDP grew at a moderate rate of 2.6%, partly due to a decline in merchandise exports (down 4.3% in volume terms). According to the Bank of Israel, the Israeli economy has transitioned from export-led growth towards growth carried by domestic consumption and investment. With the weaker demand for exports, the transition is related in part to the sharp decline in energy and other commodity prices, as households enjoyed higher disposable incomes which has stimulated private consumption (up 2.6% in 2015). The current account surplus reached 5.2% of GDP, reflecting *inter alia* the drop in oil prices. The fiscal deficit declined to 2.7% of GDP, with government revenues turning out higher than expected. The standard VAT rate was reduced from 18% to 17% (the current rate).

1.10. In 2016, economic growth increased to 4.0%. The acceleration was underpinned by strong growth in private consumption (up 6.3%), due to higher employment rates and wages and as households received a boost in their purchasing power from tax reductions and improved terms of trade.[9] The current account posted a surplus of 3.8% of GDP in 2016. Israel's comparatively large current account surplus in recent years is linked to an increase of the savings rates (24.3% of GDP in 2016, higher than the OECD average), which is related to reforms of the pension system for public sector employees, the introduction of a mandatory pension system (in 2008), and cuts in social security benefits, amongst other factors.[10]

1.11. In 2017, the economy grew by 3.3%, accompanied by a further decline in the unemployment rate (4.2% in 2017) and evidence of a tight labour market that is close to full employment, according to the authorities. Exports of merchandise continued to stagnate despite an increase in world trade, reflecting a continued appreciation of the real effective exchange rate of the shekel (Table 1.1), despite intervention by the Bank of Israel. The public deficit (central government) declined to 2.0% of GDP in 2017. Funding for civil services and expenditures on welfare are comparatively low in Israel (32% of GDP in 2017), for fiscal reasons (deficit reduction) and to encourage higher labour market participation, amongst others. Military expenditures, on the other hand, are high at 6% of GDP. A deficit-reduction policy (Deficit Reduction Law) in conjunction with favourable economic conditions (better than expected tax revenues) have led to a steady decline of the public debt ratio (61.1% of GDP in 2017, down from 68.4% in 2012).

[6] Also, to shield the consumers from an electricity price shock, the state-owned Israel Electric Company partly absorbed the increased energy cost through higher debt.

[7] Bank of Israel (2013), *Annual Report 2013*.

[8] The standard VAT rate was increased from 17% to 18% in June 2013, and under the Budget Law for fiscal years 2013 and 2014 (biannual), the standard corporate income tax rate was raised from 25% to 26.5%, effective August 2013.

[9] The standard corporate tax rate was reduced from 26.5% to 25% (from 1 January 2016) and 24% (from 1 January 2017); it will be further reduced to 23% with effect from 1 January 2018.

[10] Bank of Israel (2016), *Annual Report 2016*.

1.12. Housing prices in Israel are considered to be very high.[11] Prices have doubled since 2007 due to demographic factors, attractiveness of real estate as an investment, and buyer subsidies for homes, amongst other factors. In 2017, the housing market showed the first signs of cooling-off, with the increase in prices moderating and the number of transactions declining.

1.13. Israel's financial system is sound, according to the IMF.[12] Monetary policy was accommodative during the period under review, as inflation moderated year after year, became negative in 2015-16, edged up in 2017, but remained below the Bank of Israel's target range of 1-3%. The low level of inflation reflects imported deflation, appreciation of the shekel, measures to reduce the cost of living and other factors. Interest rate reductions by the Bank of Israel started at the end of 2011, reaching 0.1% in February 2015 and remaining at 0.1% until present (March 2018). Additional monetary expansion came from foreign currency interventions by the Bank of Israel (starting in 2013) to offset the effect of natural gas production on the appreciation of the shekel. Nonetheless, the real exchange rate has continued to appreciate significantly. Israel's foreign currency reserves have increased substantially since 2013, reaching US$117.6 billion by end-January 2018 (34.5% of GDP).[13] The foreign currency purchases by the Bank of Israel are to continue until a sovereign wealth fund managed by the central bank becomes operational (expected for 2020), which is to invest the receipts of the natural gas royalties abroad to counteract a further strengthening of the shekel.

1.14. Many of Israel's trade policy reforms since the last TPR were triggered by a wave of popular discontent in 2011 over the high cost of living in general, and for dairy products in particular ("cottage cheese protests"). Thus, the Government appointed the Trajtenberg Committee in 2011 to examine the socio-economic issues and propose changes to improve the standard of living. The Committee recommended, amongst others, unilateral trade liberalization to stimulate import competition.[14] Following-up on the recommendations, tariffs for close to 400 tariff lines (HS 8-digit level) of non-food consumer goods were eliminated. Subsequently, several committees were set up by the government to examine certain sectors and activities where competition was considered to be weak and/or appeared to be sheltered from import competition. Based on the recommendations of the Kedmi Committee, Israel eliminated import duties on certain electrical appliances in 2012. Further unilateral initiatives include the elimination of import duties on textiles and clothing and the opening of autonomous tariff quotas for some agricultural products, including for fresh meat and cheese. The opening of the Israeli cosmetics market to parallel imports is pending, according to the authorities.

1.15. As regards the services sector, there have been long-standing concerns by the Government and the IMF about the high concentration and lack of competition in the financial sector.[15] Several committees have examined this matter (Bachar, Zaaken and Strum committees). Based on the recommendations of the Strum committee (set up in 2015 by the Minister of Finance and the Governor of the Bank of Israel), the Law for Increasing Competition and Reducing Concentration in the Israeli Banking Market (Legislation Amendments), 2017 was adopted, which imposes the divestiture of credit companies from the major banks and other changes in the lending market to stimulate competition. Other competition-enhancing reforms in the services sector include the conclusion of an Open Skies Agreement with the European Union; further telecoms liberalization; and the reform of Israel's ports.

1.16. Furthermore, Israel has launched a five-year initiative (2015-19) to reduce the regulatory burden and cut administrative costs.[16] Regulatory impact analysis (RIA) became mandatory in

[11] IMF (2017), "Israel – 2017 Article IV Consultation". Viewed at: https://www.imf.org/en/Publications/CR/Issues/2017/03/28/Israel-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44769.

[12] IMF (2017), "Israel – 2017 Article IV Consultation". Viewed at: https://www.imf.org/en/Publications/CR/Issues/2017/03/28/Israel-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44769.

[13] Bank of Israel online information. Viewed at: http://www.boi.org.il/en/NewsAndPublications/PressReleases/Pages/7-2-18.aspx.

[14] See TPR of Israel (2012), Box I.1.

[15] IMF (2017), "Israel – 2017 Article IV Consultation". Viewed at: https://www.imf.org/en/Publications/CR/Issues/2017/03/28/Israel-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44769.

[16] http://regulatoryreform.com/wp-content/uploads/2015/06/Israel-Reducing-the-Regulatory-Burden-Government-Resolution-No-2118-2014.pdf.

January 2016. Steps have also been taken to reduce the regulatory burden for imports of "non-sensitive" food items and spare car parts and to align all of Israel's technical standards to international standards by August 2019.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.17. Israel is an export-oriented economy specializing in high-tech products and services, supported by incentives for export-oriented enterprises (Law on Encouragement of Capital Investment). Approximately 22.5% of Israel's industrial exports in 2015 were high-tech products from the machinery, pharmaceutical and electronics industries.

1.18. Even so, Israel had a trade deficit in goods in the period under review (Chart 1.2), with merchandise exports in 2016 (in value terms) below the 2012 level (Chart 1.3). Also, Israel experienced a major shift from exports of goods to exports of services. The modest performance of Israel's merchandise exports is related mainly to currency appreciation, as well as factors specific to three large enterprises (Israel Chemicals Ltd., Intel, and Teva Pharmaceutical Industries).[17] Exports of chemicals, in particular, declined significantly (Table A1.1). Merchandise imports also declined between 2012 and 2016, largely owing to the lower import bill for fuels, which reflects a price effect (i.e. lower world market prices for fuel) and a volume effect (i.e. substitution of imported with domestically produced natural gas).

1.19. Israel's trade continues to be affected by the geopolitical situation that prevails in the Middle East, which seriously impedes trade between Israel and its neighbours. Approximately two-thirds of Israel's trade takes place with its preferential trading partners (Section 2.3.2). The European Union and the United States remain Israel's main trading partners, although Israel's trade with Asia continued to increase over the review period (Chart 1.4 and Tables A1.3 and A1.4). Merchandise exports to China, in particular, show a steady increase over the review period (US$3.3 billion in 2016). Also, imports from the European Union increased substantially between 2012 and 2016.

1.20. Israel is a net exporter of services. While Israel's share in world trade is small, its share in world services exports is twice as high (0.8% in 2016) as its share in world merchandise exports (0.38% of world exports and 0.42% of world imports in 2016).[18] Israel's services exports have increased strongly, reaching US$44.3 billion in 2017, up from US$31.7 billion in 2012 (Table 1.1). The large majority of Israel’s services exports are business services, notably computer services and R&D services (Chart 1.5). The United States and the European Union are the main destinations and constitute about 59% of Israel's total business services exports. Services imports are mainly transport and travel services.

1.3.2 Trends and patterns in FDI

1.21. In the period under review, Israel recorded annual net inflows of foreign direct investment (except in 2016, when FDI inflows and outflows were roughly equal).[19] The stock of inward FDI increased to US$112.7 billion in 2016 (up from US$76.5 billion in 2012), as Israel received net inflows of FDI exceeding US$10 billion per year in 2013, 2015 and 2016 (Table 1.1). Foreign investment has been mainly in the form of acquisitions, including from venture capital funds that invest in Israeli start-ups, and real estate. The main recipients of FDI were the manufacturing sector, telecoms, computer programming and information services, R&D, and financial services (except insurance and pension funds). Foreign investment abroad increased from US$3.3 billion in 2012 to US$12.5 billion in 2016.[20]

[17] IMF (2017), "Israel – 2017 Article IV Consultation". Viewed at: https://www.imf.org/en/Publications/CR/Issues/2017/03/28/Israel-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44769.

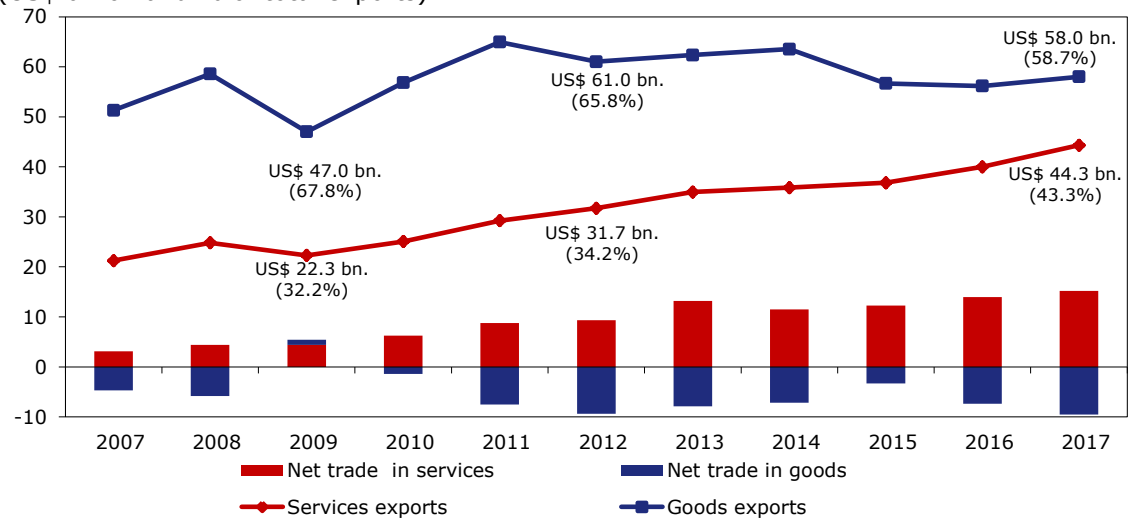
[18] http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=IL&Language=E.

[19] Overall, Israel is a net lender of capital (as shown by net outflows of capital in the financial account of the balance of payments, see Table 1.1).

[20] The 2016 FDI outflow also reflects a large investment in the US (Allergan) by Teva Pharmaceutical Industries of Israel.

Chart 1.1 Israel's trade in goods and services, 2007-17

(US$ billion and % of total exports)

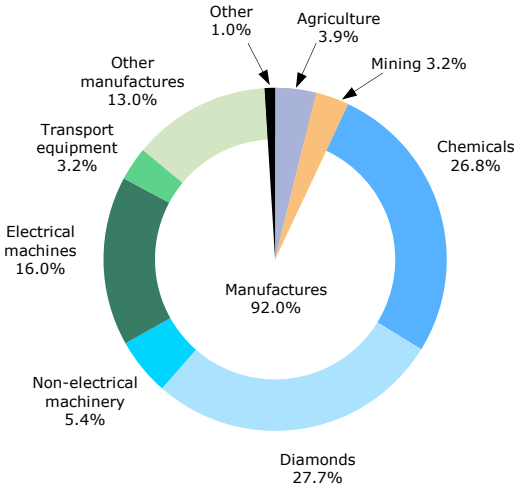


Source: Central Bureau of Statistics online information. Viewed at: http://www.cbs.gov.il/reader/cw_usr_view_Folder?ID=141.

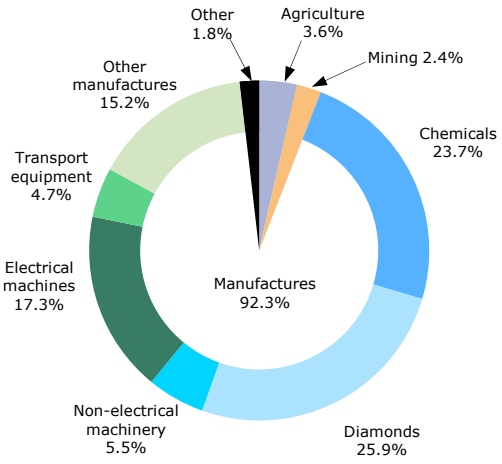
Chart 1.2 Composition of merchandise trade, 2012 and 2016

2012 **2016**

(a) Exports (f.o.b.)

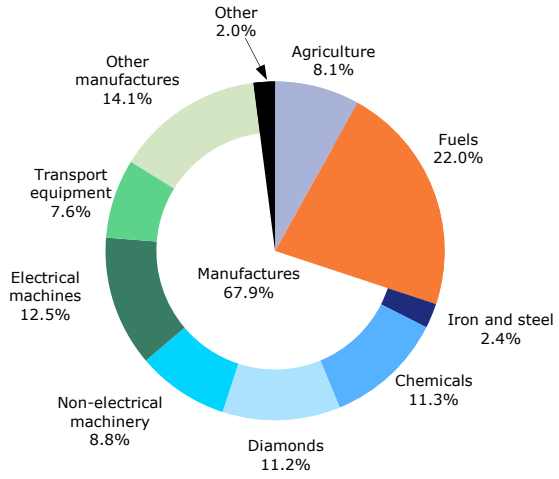


Total: US$63.1 billion

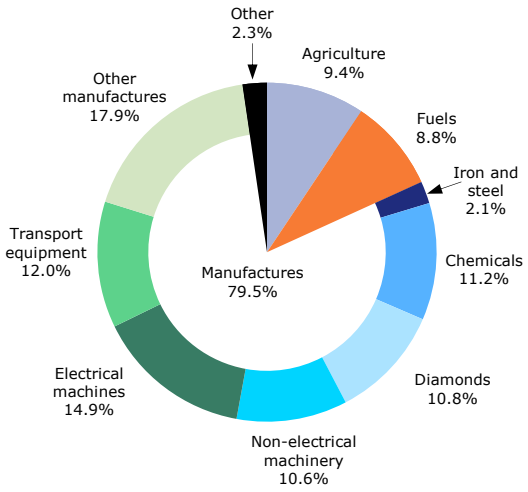


Total: US$60.6 billion

(b) Imports (c.i.f.)



Total: US$73.1 billion



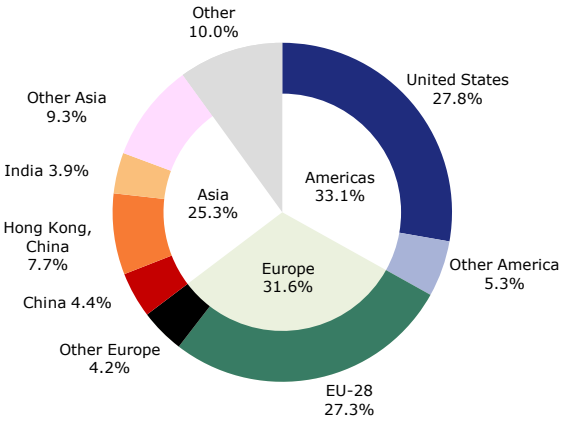
Total: US$65.8 billion

Source: UNSD, Comtrade database (SITC Rev.3).

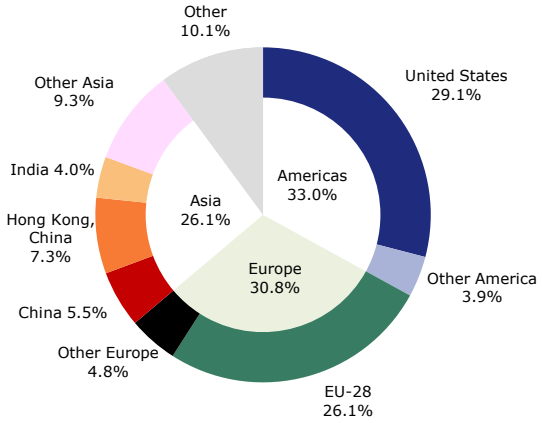
Chart 1.3 Direction of merchandise trade, 2012 and 2016

2012 **2016**

(a) Exports (f.o.b.)

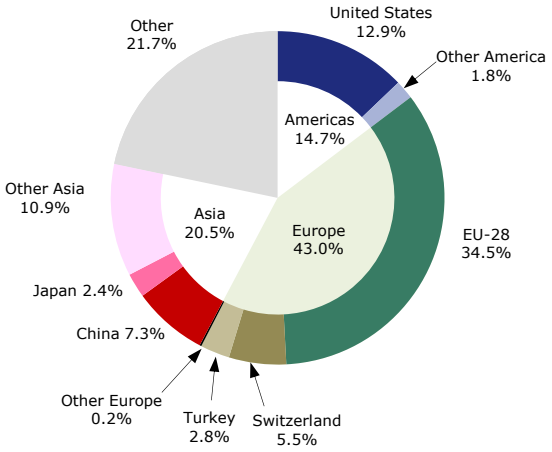


Total: US$63.1 billion

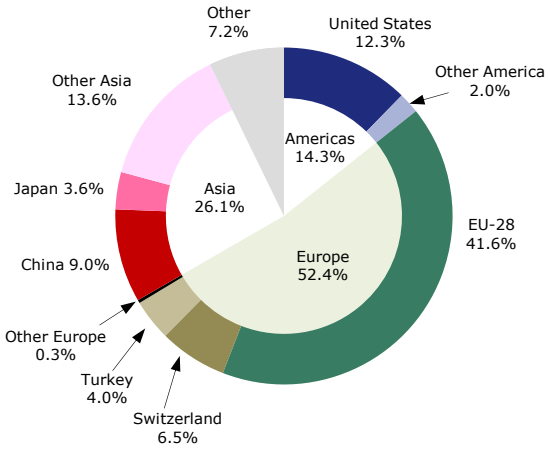


Total: US$60.6 billion

(b) Imports (c.i.f.)



Total: US$73.1 billion

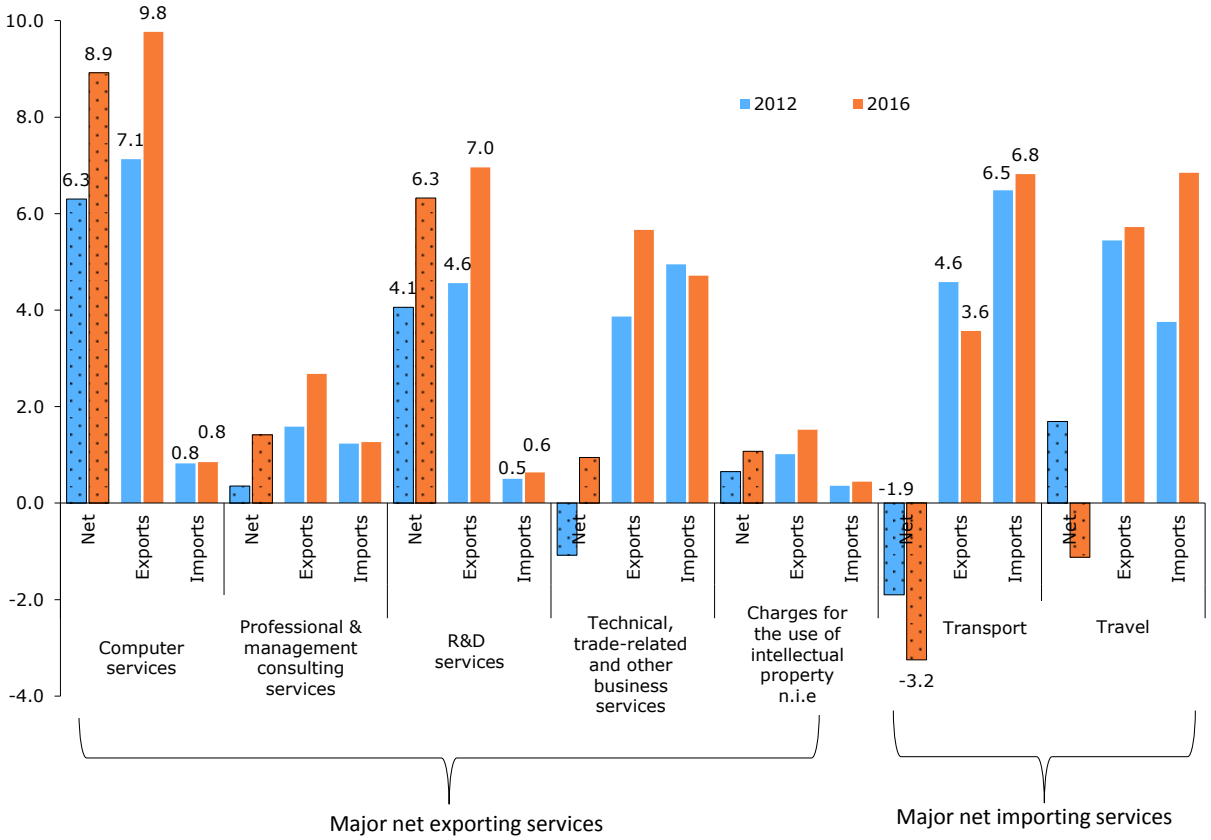


Total: US$65.8 billion

Source: UNSD, Comtrade database.

Chart 1.4 Trade in services by major services, 2012 and 2016

(US$ billion)



Source: OECD Stat. Trade in services – EBOPS 2010. Viewed at: https://stats.oecd.org/Index.aspx?DataSetCode=TISP_EBOPS2010.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. Israel is a parliamentary democracy with no formal constitution, but an uncodified body of 13 "Basic Laws" that lay down the foundations of the State and its institutions, the economy and the state budget, as well as fundamental rights. The State of Israel is headed by the President, who is elected for a non-renewable seven-year term by the unicameral legislature, the Knesset. The Prime Minister is one of the 120 members of the Knesset, and is elected by universal suffrage for a four-year term. Israel judiciary comprises the Supreme Court, district courts, magistrate courts, religious courts, and tribunals.

2.2. Legislation may be initiated by the Government (government bills), by members of the Knesset (private members' bills), or by certain Knesset committees. Before becoming law, a bill is subject to three readings in the Knesset. The President, the Prime Minister, and the minister concerned must sign the bill before it can become law. Ratification of international agreements is required. In the case of a conflict between a WTO agreement and domestic law, the latter prevails, except for government procurement regulations.[1] However, according to a former President of the Israeli Supreme Court, "The State of Israel is a member of the Law of Nations. Therefore it is imperative that Israel not be in breach of its international obligations; so that where two possible explanations exist in the interpretation of a law, it is desirable to choose the interpretation which will bring about fulfilment of Israel's international obligation and not one which will result in a breach of it."[2] The foregoing statement has been quoted in Supreme Court decisions, by lower courts and by the advisory committee in the context of anti-dumping proceedings.

2.2 Trade Policy Formulation and Objectives

2.3. Israel is highly dependent on foreign trade as an engine for growth, innovation, and competition. It is pursuing trade liberalization through a three-pronged approach: on an MFN basis through WTO negotiations, bilaterally through reciprocal preferential agreements, and unilaterally through autonomous initiatives (Section 1.2). Israel reaffirmed its commitment to the WTO at the Ministerial Conference in Buenos Aires in December 2017.[3] While Israel has long-standing free trade agreements (FTAs) with some of its main trading partners, it has been negotiating and exploring others with partners in Latin America and Asia, with a view to opening new markets for its exporters and diversifying its foreign trade.

2.4. There have been few changes in the institutional framework for Israel's trade policy since its last TPR in 2012. The Ministry of Industry, Trade and Labor (MOITAL) has been renamed the Ministry of Economy and Industry, and responsibility for labour is now with the Ministry of Labor, Welfare and Social Services. The Foreign Trade Administration at the Ministry of Economy and Industry remains responsible for trade policy, and functions as the WTO enquiry/contact point. The key functions of the Foreign Trade Administration are: to formulate Israel's trade policy, including in the WTO, to initiate and oversee FTAs, and address overseas regulatory barriers (Trade Policy and International Agreements Division); to maintain and develop foreign trade relations and to promote exports (Export Promotion Division); and to administer support programmes for Israeli companies abroad (International Projects and Financing Division). The Ministry has 43 economic and trade representatives worldwide (two additional offices are expected to be opened in Africa in 2018). The Trade Levies Unit was removed from the Foreign Trade Administration and now functions as an independent unit under the responsibility of the new Import Administration that was established in the Ministry in 2015. The Unit is in charge of investigation and imposition of trade contingency measures (Section 3.1.6). The Foreign Investments and Industrial Cooperation Authority at the Ministry of Economy and Industry are responsible for offset management in government procurement, promoting foreign investment, and industrial cooperation agreements with international corporations.

[1] Article 5A(b) of the Mandatory Tenders Law, 1992.
[2] Statement by the Honourable Justice Aharon Barak, quoted in WTO document G/ADP/Q1/ISR/15, 11 September 2006.
[3] Viewed at: https://www.wto.org/english/thewto_e/minist_e/mc11_e/statements_e/isr_e.pdf.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.5. Israel has developing country status in the WTO. It grants at least MFN treatment to all trading partners. It is a signatory to the WTO Information Technology Agreement (ITA) and has modified its schedule of concessions in line with the Nairobi Ministerial Declaration on the Expansion of Trade in IT Products[4], as well as the Nairobi Ministerial Decision on Export Competition (Section 4.1.1).[5] Israel is party to the WTO Government Procurement Agreement. The revised Government Procurement Agreement entered into force in Israel on 6 April 2014.[6] Israel accepted the WTO Trade Facilitation Agreement on 8 December 2017 and has submitted a notification regarding Category A commitments.[7]

2.6. In the WTO, Israel is a member of the following groupings: G-10 coalition of net food-importing members; "Friends of Anti-Dumping Negotiations" (FANs)[8]; and Joint Proposal in Intellectual Property (concerning the establishment of a multilateral system of notifications and registration of geographical indications for wines and spirits).[9]

2.7. Since 1995, Israel has been involved in eight WTO dispute settlement cases reserving its rights as third party, four of them since the last TPR in 2012.[10] In the period under review, it has provided over 500 WTO notifications, mostly TBT measures (Table A2.1).

2.3.2 Regional and preferential agreements

2.8. Israel's network of FTAs remains unchanged, and covers Canada, EFTA, the European Union, Jordan, MERCOSUR, Mexico, Turkey and the United States. Since the last Review, Israel has concluded FTAs with Colombia (awaiting ratification) and Panama (not yet signed), which are Israel's first FTAs covering trade in both goods and services, and investment. Furthermore, Israel has been engaged in free trade negotiations with China, the Republic of Korea, India, Ukraine, Vietnam, and the Eurasian Economic Union. The FTA with Canada has been updated (awaiting signature and ratification) and the agricultural part of the FTA with EFTA has also been updated to provide for more liberal trade in this sector.

2.9. The previous TPR, in 2012, noted the strong growth of Israeli trade with its FTA partners over the period 2006-11, while the relative importance of trade via regional trade agreements had declined steadily, reflecting an increase in Israel's trade with (non-FTA) trading partners in Asia, notably China. Since the last Review, Israel's imports from current FTA partners have increased moderately, while the share of imports from FTA partners has increased from 57.8% of total merchandise in 2012 to 66.8% in 2016, reflecting notably an increase in imports from the European Union and EFTA countries. Exports of merchandise to the world as well as to FTA partners have declined between 2014 and 2016, leaving the share of exports to FTA partners more or less unchanged at about 63% of total merchandise exports (Table 2.1).

[4] See WTO documents G/MA/W/117 and Add.11, 26 January 2016 and 28 January 2016, respectively. Viewed at: https://www.fta.go.kr/webmodule/_PSD_FTA/support/ITA/W117A11-02_Israel.pdf.

[5] See WTO document G/MA/TAR/RS/511, 11 December 2017.

[6] Viewed at: https://www.wto.org/english/tratop_e/gproc_e/memobs_e.htm.

[7] WTO document WT/PCTF/N/ISR/1, 31 July 2014.

[8] Israel was part of FANs' last communication/proposal, which focused on transparency (of anti-dumping investigation procedures) and due process (rights). See WTO document TN/RL/W/257, 15 June 2015.

[9] TN/IP/W/10/Rev.4, 31 March 2011. Viewed at: https://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm#grp026.

[10] Argentina — Measures Affecting the Importation of Goods (DS438, DS444, DS445); and China — Domestic Support for Agricultural Producers (DS511).

Table 2.1 Trade with FTA partners

	(US$ million)					% of total	
	2012	2013	2014	2015	2016	2012	2016
Israel's imports from:	**42,248.2**	**40,948.8**	**42,246.5**	**39,018.9**	**43,953.5**	**57.8**	**66.8**
Canada	399.7	408.7	373.1	263.2	283.2	0.5	0.4
EU-28	25,208.3	24,413.7	24,130.0	22,571.4	27,364.6	34.5	41.6
EFTA	4,168.4	4,532.1	5,395.8	4,574.5	4,467.8	5.7	6.8
Jordan	205.4	266.6	378.2	410.5	308.0	0.3	0.5
Mercosur	634.2	673.0	570.3	552.6	662.1	0.9	1.0
Argentina	188.8	187.1	137.0	146.9	139.4	0.3	0.2
Brazil	190.9	206.8	180.8	167.4	253.5	0.3	0.4
Paraguay	22.7	111.5	92.2	92.9	104.1	0.0	0.2
Uruguay	231.7	167.6	160.4	145.4	165.1	0.3	0.3
Mexico	149.6	141.0	151.4	111.3	168.8	0.2	0.3
Turkey	2,082.8	2,354.1	2,683.6	2,446.1	2,601.5	2.8	4.0
United States	9,399.9	8,159.5	8,564.1	8,089.2	8,097.7	12.9	12.3
World	73,112.1	71,995.0	72,331.8	62,067.8	65,802.7	100.0	100.0
Israel's exports to:	**40,090.5**	**42,214.7**	**43,851.5**	**39,439.0**	**38,106.2**	**63.5**	**62.9**
Canada	766.9	634.8	587.9	556.3	594.6	1.2	1.0
EU-28	17,263.2	18,462.3	18,808.8	16,069.9	15,785.6	27.3	26.1
EFTA	1,220.5	1,450.4	1,503.7	1,572.5	1,524.1	1.9	2.5
Jordan	153.8	98.4	107.7	98.7	48.9	0.2	0.1
Mercosur	1,289.5	1,188.3	1,049.6	881.7	877.3	2.0	1.4
Argentina	127.5	121.6	105.5	111.9	107.9	0.2	0.2
Brazil	1,130.8	1,041.9	922.1	737.5	747.2	1.8	1.2
Paraguay	8.1	6.0	5.8	5.2	5.0	0.0	0.0
Uruguay	23.1	18.9	16.1	27.2	17.2	0.0	0.0
Mexico	452.3	359.7	464.4	434.2	380.5	0.7	0.6
Turkey	1,421.2	2,515.4	2,755.6	1,701.2	1,297.6	2.3	2.1
United States	17,523.0	17,505.4	18,573.8	18,124.4	17,597.5	27.8	29.1
World	63,140.6	66,781.2	68,965.0	64,062.2	60,570.6	100.0	100.0

a Based on trade figures at nominal prices.

Note: Based on Israeli trade data; bilateral trade flows between Israel and its trading partners (not actual trade flows utilizing FTAs).

Source: WTO Secretariat calculations based on UNSD Comtrade.

2.3.2.1 European Union

2.10. Bilateral trade in industrial products between Israel and the EC has been duty free since 1989 under a preferential trade agreement. In 2000, an association agreement between Israel and the European Union (Euro-Mediterranean Agreement) entered into force. Trade in agricultural products was progressively liberalized between 2004 and 2010. Bilateral trade in agricultural products, fish and fishery products was further liberalized through a new protocol that entered into force on 1 January 2010, whereby approximately 95% of processed agricultural products were granted duty-free access.

2.11. Since the last Review, Israel has signed, in 2013, and ratified the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin. For pharmaceutical products, the mutual recognition of certification is being implemented, following the entry into force of the Agreement on Conformity Assessment and Acceptance of Industrial Products in 2013.[11] In 2013, Israel and the European Union signed an Open Skies aviation agreement (Euro-Mediterranean Aviation Agreement), followed by the signature in 2016 of a Eurocontrol Association Agreement concerning air traffic management. Israel has also signed the EU Horizon 2020 programme (the latest EU Research and Technological Development Framework).

2.3.2.2 Colombia

2.12. Negotiations for an FTA with Colombia were launched in 2012. The FTA between the two countries was signed on 30 September 2013. The ratification process is pending.

[11] Official Journal of the European Union, Legislation 1, 4 January 2013. Viewed at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013D0001&from=EN.

2.13. The FTA covers trade in goods and services, rules of origin, SPS measures, technical barriers to trade, bilateral safeguard measures, government procurement, and dispute settlement, amongst others.[12] It provides for the possibility of accumulation of origin with third parties, dependent on the existence of equivalent provisions of other FTAs. Tariff elimination for industrial goods will take place over a period of 3 to 10 years after the FTA's entry into force. For agricultural products, some tariffs will be immediately eliminated, while most tariffs will be phased out over 3 to 12 years, depending on the product. There are also some product-specific tariff reductions or tariff quota commitments.

2.14. Bilateral trade in goods declined over 2012-16, dropping to US$104 million in 2016. Israel exports mainly machinery and electronic equipment, organic chemicals and plastic products to Colombia, and imports mainly spices, organic chemicals, wood, and iron and steel products from it.

2.3.2.3 Panama

2.15. Free trade negotiations with Panama were launched in 2014, and an FTA between Israel and Panama was concluded in November 2015. The FTA is expected to be signed in 2018, according to the authorities, and will be subject to ratification in both countries.

2.16. The Agreement covers trade in goods and services, rules of origin, SPS and TBT measures, and investment, amongst others. Tariffs on most industrial products will be eliminated immediately after entry into force of the Agreement, while some industrial tariffs will be phased out over 3 to 15 years. The tariff treatment of agricultural products depends on the product: MFN rate; elimination upon entry into force of the FTA; phase-out over five years; product-specific tariff reduction; or tariff quota commitment.

2.17. Bilateral merchandise trade with Panama is relatively small, at about US$62 million in 2016. Israel exports mainly machinery and electronic equipment to Panama, and imports mainly food and chemical products from there.

Table 2.2 Israel's FTAs, 2018

Trading partner (entry into force)	Transition to full implementation	Rules of origin
Canada (1 July 1997)	NAMA: duty free since 1 July 1999 Agriculture: some tariff quotas; further market access for agricultural goods from November 2003	Wholly obtained or sufficiently worked or processed based on conditions set out in a "processing list". Trans-shipment through the United States allowed under certain conditions.
EFTA (1 January 1993)	NAMA: duty free since 1 January 1993 Agriculture: duty free for some fish, marine and processed agricultural products; some tariff quotas; bilateral agreements covering some agricultural products	Wholly obtained or sufficiently worked or processed based on conditions set out in a "processing list" (change in tariff heading and/or added value). Pan-Euromed diagonal cumulation.
European Union[a] (1 January 1996)	NAMA: duty free since 1 January 1989 Agriculture: duty free for some agricultural products since 1 January 1989; further liberalization effective 1 January 2004 and 1 January 2010. Some tariff quotas	Pan-Euromed rules of origin with diagonal cumulation.
Jordan (23 September 2005)	NAMA: phased tariff reduction; enhanced concessions since 2006 Agriculture: some tariff quotas	Pan-Euromed rules of origin with diagonal cumulation.
MERCOSUR (Israel-Brazil: 1 June 2010) (Israel-Paraguay: 1 June 2010) (Israel-Uruguay: 1 June 2010) (Israel-Argentina: 9 September 2011)	NAMA: 4,8, 10 years depending on product Agriculture: some tariff quotas	Wholly obtained or sufficiently worked or processed products, conditional on change in tariff heading or a minimum of 50% (60% for Paraguay) local content. Bilateral cumulation allowed.

[12] Viewed at: http://www.mof.gov.il/chiefecon/internationalconnections/doclib1/colombia.pdf.

Trading partner (entry into force)	Transition to full implementation	Rules of origin
Mexico (1 July 2000)	NAMA: duty free since 1 January 2005 Agriculture: some tariff quotas	Wholly obtained or sufficiently worked based on conditions set out in a "processing list" (change in tariff heading and/or added value).
Turkey (1 May 1997)	NAMA: duty free since 1 January 2000 Agriculture: some tariff quotas	Pan-Euromed rules of origin with diagonal cumulation.
United States (1 September 1985) (4 December 1996)	NAMA: duty free since 1 January 1995 Agriculture: some tariff quotas; further liberalization in January 2004	Wholly obtained or substantial transformation with minimum 35% of the value of the materials produced including the direct costs of processing.

a Association Agreement between the European Communities and Israel.

Source: WTO Secretariat, based on information provided by the Israeli authorities; and UN Comtrade.

2.3.3 Other agreements and arrangements

2.3.3.1 Qualifying Industrial Zones

2.18. In 1996, the United States launched the Qualifying Industrial Zone (QIZ) initiative to support the peace process and economic cooperation in the Middle East. QIZs are designated industrial parks in Egypt and Jordan from which goods can be exported duty free and quota free to the United States. Most of the QIZ production has been in textiles and clothing, given relatively high tariffs on these products in the United States. According to the authorities, the Jordanian QIZs have not been in use since 2010, following the full implementation of tariff concessions (textiles) under the U.S.-Jordan FTA. The QIZ rules require local content of at least 35%, of which a minimum of 11.7% must be Israeli under the Israel-Egypt QIZ agreement.[13] The remaining local content may come from a Jordanian QIZ, an Egyptian QIZ, Israel, the West Bank and the Gaza Strip, or the United States (a maximum of 15% U.S. content). Israeli suppliers to the QIZ manufacturers must comply with the rules of origin under the Israel-U.S. Free Trade Agreement, i.e. a minimum of 35% local content, and substantial transformation. The QIZ initiative has no expiry date and thus does not require renewal by the U.S. Congress.

2.19. The Israel-Egypt QIZ agreement entered into force in February 2005, resulting in Israeli exports to Egypt of US$100 million per year since 2011 (from US$29 million in 2004), of which about US$80 million are Israeli inputs to Egyptian QIZs (currently 14 QIZs). As a result of the QIZ, Egyptian exports to the United States reached approximately US$800 million, according to the authorities.

2.4 Investment Regime

2.20. Israel does not have a foreign investment law. There is no special approval or screening process for investments by foreigners, according to the authorities. Establishment is governed by the Companies Law of 1999. Companies must register with the Registrar of Companies (within a month of establishment), the Israel Tax Authority, and the National Insurance Institute. Registration of a business in Israel takes about 12 days, according to the World Bank.[14] Israel ranked 54th out of 190 countries in the World Bank's ease of doing business indicator for 2018 (down from 34th place in 2012).[15] Nevertheless, Israel performed better in individual measures comprising the ease of doing business index, such as "protecting minority investors" (ranked 16th), "resolving insolvency" (ranked 29th) and "starting a business" (ranked 37th). In July 2017, the Government established a committee for the improvement of the business environment in Israel.

2.21. Israel maintains foreign-ownership restrictions in a few sectors, including air and maritime transport, telecommunications and broadcasting, and energy, mainly for public interest and energy security reasons (Table 2.3). Under the GATS, Israel has scheduled foreign-ownership limitations on international fixed telecommunications services (74% foreign equity cap) and wireless

[13] For high-tech products the minimum is 7%.

[14] World Bank Doing Business online information. Viewed at: http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Profiles/Country/ISR.pdf.

[15] World Bank. Doing Business Report 2017. Viewed at: http://www.doingbusiness.org/reports/global-reports/doing-business-2017.

telecommunications services (80% foreign equity cap).[16] In certain sectors, Israeli law imposes nationality and residency requirements on members of boards of directors and other personnel, involving in some cases security clearance and approval by the regulator (Israeli airlines; electricity generation, transmission, and distribution; natural gas operations; domestic fixed line, radio, mobile, and international telecommunications services; television, radio, satellite, and cable broadcasting; and defence corporations).

2.22. Private ownership of land is much lower than in many other countries (about 7% of the total area).[17] Foreign-owned companies are entitled to own or lease land (for 49 or 98 years), subject to prior approval by the Ministry of Housing and Construction through the Israel Land Authority. The Land Authority may agree to bestow or transfer rights of land to foreign-controlled companies once an advisory opinion has been received from the Minister of Foreign Affairs and the Ministry of Defence.

2.23. The Foreign Investments and Industrial Cooperation Authority (formerly "Invest in Israel") under the Ministry of Economy and Industry is the Government's investment promotion arm for foreign investors. Eligible foreign or domestic investments in industrial projects benefit from assistance pursuant to the Law for the Encouragement of Capital Investment, which is managed by the Investments Authority at the Ministry of Economy and Industry. Various tax and non-tax incentives are available for research and development (R&D), including grants to launch joint R&D projects with Israeli entrepreneurs, or to encourage foreign multinational companies to establish financial R&D centres in Israel. Israel currently has investment protection agreements with 37 countries and double taxation treaties in force with 54 countries.

Table 2.3 Selected foreign ownership limitations by sector, 2018

Sector	Legal base	Limitation
Air transport services	Aviation Law, 1927; Licensing of Aviation Services Law, 1963	Foreign ownership is limited to 49% of the airline's capital.
Maritime transport services	Maritime Law (maritime vessel), 1960	(a) Foreign ownership is limited to 49% of Israeli flag vessels; (b) majority control by Israeli nationals is required for the provision of port services open to international shipping.
Telecommunications and broadcasting	Communication Law, 1982; Second Authority for Television and Radio Law, 1990	(a) International communications services: a foreign operator may hold up to 49% of the controlling interest of a licensee, and at least 26% of the control in a licensee must be held by nationals who are residents of Israel; (b) domestic licensed fixed line services: the controlling interest must be held by an Israeli individual or a corporation incorporated in Israel in which an Israeli individual holds at least 20% interest; (c) radio and mobile telephone services: at least 20% of the shares must be held by Israeli residents; (d) satellite broadcasting: at least 26% of the controlling interest in a licensee must be held by nationals who are residents of Israel; (e) cable broadcasting: at least 26% of the controlling interest in the licensee must be held by nationals who are residents of Israel; and a license may not be granted to an applicant in which a foreign government holds shares, unless the Minister of Communications authorizes an indirect holding in the licensee of up to 10% by such an applicant; (f) commercial television and regional radio: at least 51% of the controlling interest in the concession must be held by nationals who are residents of Israel.

[16] WTO document S/DCS/W/ISR, 24 January 2003.
[17] Viewed at: http://land.gov.il/en/Pages/AboutUs.aspx.

Sector	Legal base	Limitation
Electricity	Electricity Economy Law, 1996	The maximum share of investment in a company licensed to transmit, distribute or produce a substantial part of electricity to be held, directly or indirectly, by a non-resident, is subject to a determination by the Minister of National Infrastructures; and the controlling interest of the company must be held by a national who is a resident of Israel.
Oil refining	Vital Interest Orders; Government Companies Law, 2003	Limitation regarding control or holdings of 5% or more or holding a significant influence in the company by a hostile state, a citizen or resident of a hostile state, a corporate body registered or incorporated or whose main business is in a hostile state, or a company controlled by a citizen and resident of a hostile state.
Legal services		Branches of foreign law firms must employ at least one Israeli licenced lawyer or one foreign lawyer as defined in Israeli law.
Tour guides	Tourism Services Law, 1976	Tourist guides must be Israeli residents or citizens.

Source: OECD (1 March 2012), Accession of Israel to the OECD, Review of International Investment Policies, Paris. Viewed at: http://www.oecd.org/israel/49864025.pdf.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. No major changes have been made to the legislative and institutional framework regarding Israel's customs regime since its last TPR. The main legal instruments include the Customs Ordinance of 1957, the Customs Ordinance Amendment Law of 1997, the Customs Order of 2005, the Free Export Order of 2006, the Free Import Order of 2014, and the Customs and Purchase Tax Tariff Order (last updated in January 2018). The Israel Tax Authority (ITA), under the Ministry of Finance, is responsible for all customs-related issues, including the collection of indirect taxes (customs duties, VAT, excise and purchase taxes).[1]

3.2. Israel has no importer registration requirements for customs-related purposes (Free Import Order, 2012). However, importers must be registered with the ITA for purposes of VAT and, in certain cases, purchase tax (Section 3.1.4). Food importers must register with the Food Control Service of the Ministry of Health, and carry an official importer certificate.

3.3. The documents required for the importation of goods include: import declaration (single administrative document); commercial invoice; bill of lading (or airway bill); certificate of origin (if a preferential treatment is required); packing list; import licence (if required); and SPS-related import permit and/or certificate (if required).

3.4. Israel has a fully computerized customs system to which all customs agents are linked. The services of a customs broker/agent are not mandatory for commercial imports. A company may request special authorization from the ITA to have a direct link to the customs systems if it employs a licensed customs clerk with at least five years of experience. Since 2008, Israel Customs operates a single window with electronic processing of import permits through the competent authorities: the Ministry of Economy and Industry, the Ministry of Transport and Road Safety, the Ministry of Energy, the Ministry of Health, and the Israel Standards Institute. There are seven customs houses.

3.5. According to the authorities, about 86% of import consignments are released within one hour, and some 5% of shipments are subject to non-security-related inspection (Table 3.1). Inspection is based mainly on risk assessment (risk profiling), and random selection is also used. Selection criteria include the origin of the goods (country, supplier), complaints regarding violation of intellectual property rights, and the past record of importers. Customs has broad powers to seize and destroy counterfeit goods. Israel has no laws or regulations regarding pre-shipment inspection.

Table 3.1 Customs clearance and release time, 2012-16

Indicator	2012	2013	2014	2015	2016
Total declarations submitted ('000)	1,611	1,652	1,717	1,758	1,897
Cleared without examination (% of total)	80	77	79	74	79
Cleared subject to limited examination (% of total)	3	2	3	3	2
Cleared subject to detailed examination: documentary check and/or physical inspection (% of total)	9	8	9	8	7
Cleared with physical inspection (% of total)	6	6	6	5	5
Average clearance time (hours)	5:43	5:06	6:30	5:54	5:47
Cleared without examination (hours)	1:02	1:01	1:16	1:09	1:02

Source: Data provided by the authorities.

3.6. Israel has in place the Authorized Economic Operator (AEO) programme[2], a voluntary programme based on the SAFE Framework of Standards of the World Customs Organization. The programme's main goal is to promote international trade facilitation and efficacy while meeting

[1] ITA online information. Viewed at: https://taxes.gov.il/English/About/Pages/AboutIasralTaxesAuthority.aspx.

[2] AEOs include manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors.

global supply chain standards, thus reducing shipping costs. Companies that are willing to adopt the framework of standards benefit from Israel's mutual recognition agreements (MRAs). Israel has signed MRAs with: Canada (2016), China (2017), the Republic of Korea (2016), Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) (2013), and the United States (2014). Negotiations for MRAs with Hong Kong, China; and Mexico are still underway.

3.7. According to the World Bank's ease of trading across borders ranking, regarding border compliance, it takes 64 hours and US$307 to import into Israel (down from 240 hours and US$545 in 2012). This is more than the OECD high income countries average (Table 3.2).[3] In the World Bank's Logistics Performance Index (LPI), Israel ranked 28th (23rd for customs) out of 160 countries in 2016 (41st in 2014).[4]

Table 3.2 Import time and cost, 2012 and 2018

Indicator	2012	2018 Israel	2018 OECD high income
Time to import: border compliance (hours)	240	64	8.7
Cost to import: border compliance (US$)	545	307	111.6
Time to import: documentary compliance (hours)	..	44	3.5
Cost to import: documentary compliance (US$)	..	70	25.6

.. Not available.

Source: World Bank online information. Viewed at: www.doingbusiness.org/data/exploreeconomies/israel.

3.8. Customs valuation is based on the transaction value, adjusted to reflect costs and services that are not already included in the purchase price (Customs Ordinance Amendment Law of 1997).[5] The ITA provides an electronic facility for advance rulings regarding the classification of goods. Customs appeals procedures are set out in the Customs Ordinance of 1957. In cases of disagreement with the authorities, the importer must stipulate on the import declaration form that the disputed customs duties were paid under protest. Appeals must first be made to the High Customs Authority and then to the courts; they may be lodged against any customs decision.

3.9. In July 2014, Israel notified its Category A commitments under the Trade Facilitation Agreement (TFA).[6] The Agreement was ratified and entered into force on 8 December 2017.[7]

3.1.2 Rules of origin

3.10. Israel notified the WTO that it does not maintain any non-preferential rules of origin.[8]

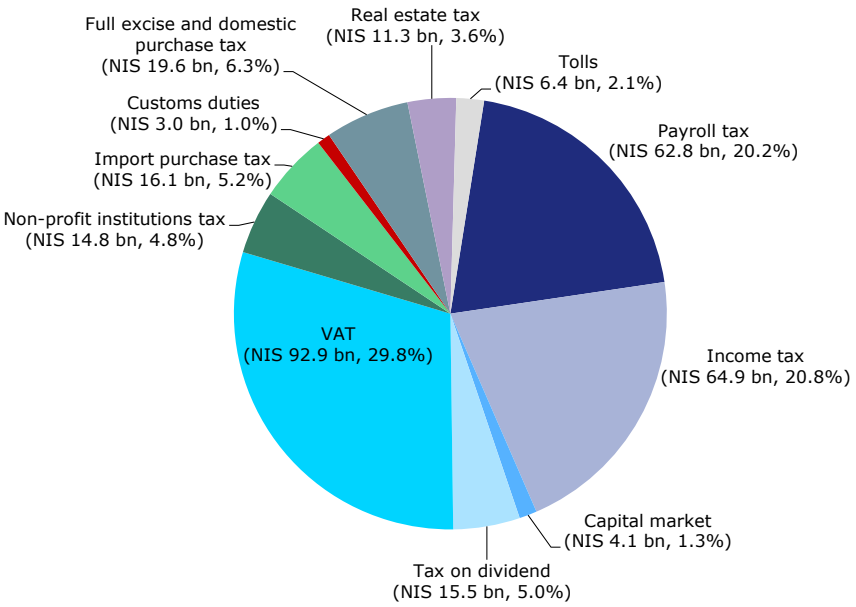
3.11. Within the framework of its trade arrangements, Israel applies preferential rules of origin as described in Table 2.2.

3.1.3 Tariffs

3.12. Fiscal revenues from the collection of customs duties amounted to NIS 3 billion, or about 1% of total tax revenues, in 2017 (compared with NIS 2.7 billion, or 1% of total tax revenues, in 2010). VAT accounts for most of the revenue (30%), followed by income tax and payroll tax (Chart 3.1).

[3] World Bank online information. Viewed at: www.doingbusiness.org/data/exploreeconomies/israel.
[4] The LPI is based on a worldwide survey of operators on the ground (global freight forwarders and express carriers), providing feedback on the logistics "friendliness" of the countries in which they operate and those with which they trade. World Bank online information. Viewed at: https://lpi.worldbank.org/about.
[5] The costs and services include fees and commissions (other than buyer commissions); containers; packaging; royalties and licence fees; transportation to the ports; loading, unloading, and handling; and insurance.
[6] WTO document WT/PCTF/N/ISR/1, 31 July 2014.
[7] WTO document WT/LET/1328, 13 December 2017.
[8] WTO document G/RO/N/13, 19 November 1996.

Chart 3.1 Tax revenue distribution, 2017



Source: Information provided by the authorities.

3.1.3.1 Applied MFN tariffs

3.13. During the review period, Israel transposed its Schedule XLII of concessions from the Harmonized System (HS) 1996 nomenclature to the HS2007 and HS2012.[9] It is presently under waiver for the introduction of HS2017 changes.[10]

3.14. Israel's tariff has 8,528 lines based on HS2017 at the eight-digit level (8,505 lines on HS2012 nomenclature at the nine-digit level), including 320 non-*ad valorem* tariffs (566 in 2012) (Table 3.3). The non-*ad valorem* tariffs (3.8% of total lines in 2018) comprise specific (75 lines), compound (13), mixed (227), and other (5) tariffs. The Israeli authorities did not provide *ad valorem* equivalents (AVEs) to the WTO Secretariat. Nonetheless, some AVEs were calculated on the basis of 2016 import data from UNSD Comtrade database.[11] The *ad valorem* parts of compound or mixed rates (if no estimated AVEs) are also included in the tariff analysis (Table 3.3 and Chart 3.2).

Table 3.3 Structure of applied MFN tariffs, 2012 and 2018

(%)

	2012	2018	Final bound[a]
Bound tariff lines (% of all tariff lines)	n.a.	n.a.	74.5
Simple average rate[b]	7.6	5.2	20.6
WTO agricultural products	27.7	19.1	78.1
WTO non-agricultural products	4.2	3.0	9.6
Agriculture, hunting, forestry and fishing (ISIC 1)	34.4	21.8	71.1
Mining and quarrying (ISIC 2)	0.2	0.2	5.0
Manufacturing (ISIC 3)	6.1	4.0	18.3
Duty free tariff lines (% of all tariff lines)	54.6	67.0	10.6
Simple average of dutiable lines only	17.0	15.8	24.2
Tariff quotas (% of all tariff lines)	..	1.7	0.6
Non-*ad valorem* tariffs (% of all tariff lines)	6.7	3.8	5.9
Non-*ad valorem* tariffs with no AVEs (% of all tariff lines)	1.9	1.7	5.2
Domestic tariff "peaks" (% of all tariff lines)[c]	4.2	4.1	6.5

[9] See WTO documents WT/Let/1070 (certification of HS02), 9 September 2015; WT/Let/1198 (certification of ITA-Expansion), 28 September 2016; WT/Let/1233 (certification of HS07), 26 January 2017; and G/MA/TAR/RS/525 (approval of HS12), 21 March 2018.

[10] See WTO document WT/L999/Add.4, 10 April 2017.

[11] For 2.1% of all tariff lines, AVEs were not available.

	2012	2018	Final bound[a]
International tariff "peaks" (% of all tariff lines)[d]	5.1	4.1	19.0
Overall standard deviation	21.1	15.4	38.8
Coefficient of variation	2.8	3.0	1.9
Nuisance applied rates (% of all tariff lines)[e]	0.8	0.6	0.1
Number of lines			
Total number of tariff lines	8,505	8,528	8,132[f]
Ad valorem	7,939	8,208	5,578
Duty free lines	4,647	5,716	860
Non-*ad valorem*	566	320	482
Specific	137	75	176
Compound	55	13	127
Mixed	374	227	145
Other	0	5	34[g]
Memo:			
Simple average rate for *ad valorem* rate only	5.2	3.3	20.9
WTO agricultural products	14.4	8.0	78.3
WTO non-agricultural products	4.0	2.7	9.3

.. Not available.
n.a. Not applicable.

a Calculations for final bound rates are taken from the CTS database. The final bound schedule is based on the HS2007 nomenclature. Final bound rates are applied for tariff codes under the Expansion of the ITA, although some tariff codes are still under the implementation period up to 2023.
b *Ad valorem* rates, AVEs, and the *ad valorem* part of compound or mixed rates (if no estimated AVEs) is taken into account in calculations.
c Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
d International tariff peaks are defined as those exceeding 15%.
e Nuisance rates are those greater than zero, but less than or equal to 2%.
f Including unbound lines.
g Other rates refer to cases where one tariff code at the national tariff line level consists of different types of duties (*ad valorem* and non-*ad valorem* rate). For example, the tariff code of HS 37061000 consists of different types of duties (with different product descriptions), namely *ad valorem* tariff (16%) and specific rate (6.8 NIS/kg).

Note: All tariff calculations exclude in-quota lines. The 2012 tariff (nine-digit) is based on the HS12 nomenclature; AVEs using 2011 import data were provided by the Israeli authorities. The 2018 tariff (eight-digit) is based on the HS17 nomenclature. AVEs for the 2018 and the final bound tariffs were estimated based on 2016 import data taken from the UNSD Comtrade database.

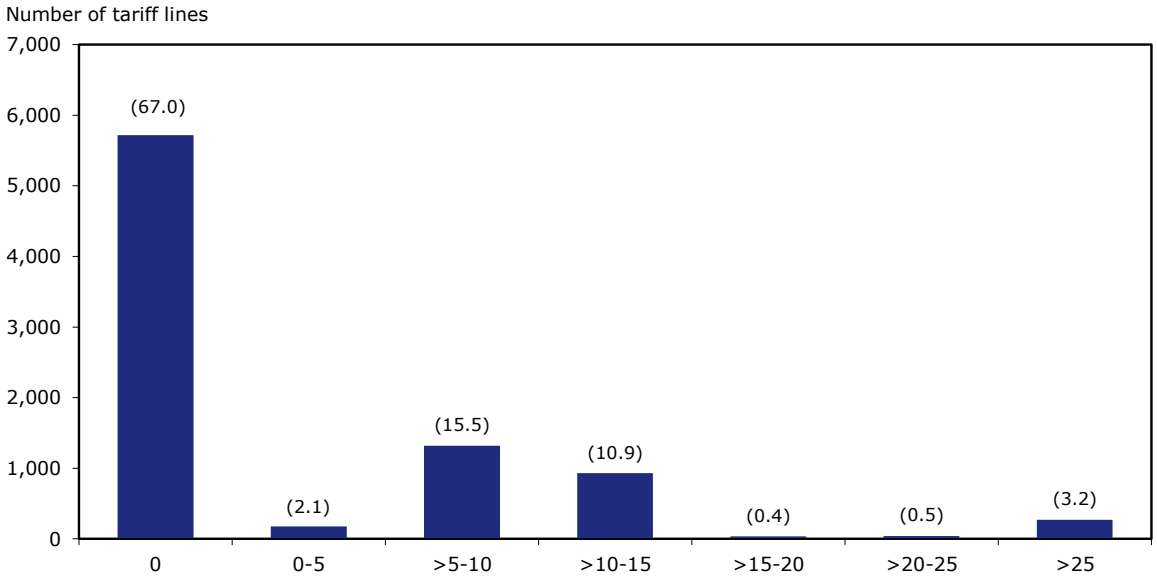
Source: WTO Secretariat calculations, based on data provided by the authorities, the WTO IDB, and the CTS database.

3.15. During the review period, Israel unilaterally eliminated import duties on several products. This was triggered by a wave of popular discontent in 2011 over the high cost of living (Section 1.2). Consequently, Israel's average applied MFN tariff was reduced from 7.6% in 2012 to 5.2% in 2018.[12]

3.16. Israel's tariff shows high dispersion of rates which range from zero to 221%. Some 67% of all tariff lines are duty free, and 3.7% are above 20% (Chart 3.2).

[12] The simple average rate for 2012 differs from the one calculated in the TPR Report of Israel in 2012 (7%) because the *ad valorem* part of compound or mixed rates was not taken into account in those calculations.

Chart 3.2 Frequency distribution of applied MFN tariffs, 2018



Note: Figures in parentheses indicate the share of total lines. Calculations include *ad valorem* rates, AVEs, and the *ad valorem* part of compound or mixed rates (if no estimated AVEs). They do not add to 100% due to the unavailability of AVEs for some tariff lines (representing 0.4% of total tariff lines).

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.17. The average applied MFN tariff on non-agricultural products is relatively low (3%, compared with 4.2% in 2012). The maximum tariff is generally 12%, except for fish and fishery products (up to 146.3%), textiles (up to 22%), and minerals and metals (up to 16.9%). On agricultural goods (WTO definition), the MFN tariff averages 19.1% (27.7% in 2012). Tariff protection is particularly high on dairy products (with an average of 65.6%); animals and products (with an average of 35.8%); and fruit, vegetables, and plants (with an average of 26.5%) (Table 3.4). Moreover, many agricultural tariffs comprise specific, compound or mixed duties.

Table 3.4 Summary analysis of the MFN tariff, 2018

	Number of lines	Average (%)	Range (%)	Standard deviation	Share of total tariff lines (%)	
					Duty free	Non-*ad valorem* rates
Total	8,528	5.2	0-221	15.4	67.0	3.8
HS 01-24	1,481	17.2	0-221	33.4	47.1	19.9
HS 25-97	7,047	2.7	0-50	4.5	71.2	0.4
By WTO category						
WTO agricultural products	1,163	19.1	0-221	35.6	43.9	20.4
Animals and products thereof	150	35.8	0-170	50.7	38.7	42.7
Dairy products	42	65.6	0-212	61.0	7.1	52.4
Fruit, vegetables, and plants	384	26.5	0-221	36.1	19.3	29.2
Coffee and tea	27	0.2	0-5	0.9	96.3	0.0
Cereals and preparations	126	13.2	0-170	30.9	62.7	13.5
Oils seeds, fats, oil and their products	131	7.6	0-102	17.4	58.0	10.7
Sugars and confectionary	20	0.6	0-4	1.4	85.0	0.0
Beverages, spirits and tobacco	117	6.1	0-33.1	7.9	55.6	4.3
Cotton	5	0.0	0.0	0.0	100.0	0.0
Other agricultural products, n.e.s.	161	3.4	0-105	10.3	66.5	1.9
WTO non-agricultural products	7,365	3.0	0-146.3	6.2	70.7	1.1
Fish and fishery products	389	8.3	0-146.3	19.1	62.7	15.4
Minerals and metals	1,536	3.4	0-16.9	4.6	62.4	0.0
Chemicals and photographic supplies	1,117	1.3	0-12	3.4	85.8	0.0
Wood, pulp, paper and furniture	359	3.2	0-12	5.1	69.4	1.4
Textiles	970	0.9	0-22	3.4	92.6	1.9
Clothing	266	0.2	0-6	1.0	97.0	0.0

	Number of lines	Average (%)	Range (%)	Standard deviation	Share of total tariff lines (%)	
					Duty free	Non-*ad valorem* rates
Leather, rubber, footwear and travel goods	211	3.4	0-12	4.7	63.5	0.0
Non-electric machinery	993	4.2	0-12	4.9	56.5	0.0
Electric machinery	548	3.5	0-12	5.1	65.9	0.0
Transport equipment	362	3.9	0-12	3.9	46.4	0.0
Non-agricultural products, n.e.s.	586	3.0	0-12	4.7	66.9	0.0
Petroleum	28	0.9	0-8	2.5	89.3	0.0
By ISIC sector[a]						
ISIC 1 - Agriculture, hunting and fishing	575	21.8	0-221	37.0	45.7	27.3
ISIC 2 - Mining	99	0.2	0-12	1.3	98.0	0.0
ISIC 3 - Manufacturing	7,854	4.0	0-212	11.7	68.2	2.1
By stage of processing						
First stage of processing	989	14.2	0-221	31.6	64.3	20.5
Semi-processed products	2,508	1.1	0-40	3.3	87.2	0.0
Fully processed products	5,031	5.4	0-212	13.4	57.5	2.3
By HS section						
01 Live animals and products	552	22.3	0-212	41.8	53.1	27.4
02 Vegetable products	454	22.8	0-221	35.7	35.7	26.0
03 Fats and oils	92	7.1	0-65.5	13.7	54.3	10.9
04 Prepared food, beverages and tobacco	383	5.9	0-50	8.0	50.1	4.2
05 Mineral products	171	0.3	0-12	1.6	96.5	0.0
06 Chemicals and products thereof	987	1.2	0-50	3.8	87.5	0.2
07 Plastics, rubber, and articles thereof	329	3.9	0-12	4.7	58.1	0.0
08 Raw hides and skins, leather, and its products	78	1.1	0-12	3.2	89.7	0.0
09 Wood and articles of wood	121	0.2	0-10.8	1.3	98.3	0.0
10 Pulp of wood, paper and paperboard	176	3.4	0-12	5.0	67.6	0.0
11 Textiles and textile articles	1,216	0.6	0-22	3.0	94.7	1.5
12 Footwear, headgear, etc.	50	0.9	0-12	3.1	92.0	0.0
13 Articles of stone, plaster, cement	246	5.1	0-16.9	5.1	46.7	0.0
14 Precious stones and metals, pearls	79	4.2	0-12	5.1	57.0	0.0
15 Base metals and articles thereof	1,062	3.3	0-12	4.6	62.1	0.0
16 Machinery, electrical equipment, etc.	1,558	3.9	0-12	5.0	60.3	0.0
17 Transport equipment	376	3.9	0-12	3.9	47.3	0.0
18 Precision equipment	337	2.7	0-12	4.3	65.6	0.0
19 Arms and ammunition	23	0.5	0-12	2.4	95.7	0.0
20 Miscellaneous manufactured articles	218	5.8	0-12	5.8	47.2	2.3
21 Works of art, etc.	20	4.8	0-12	5.5	55.0	0.0

a ISIC Rev.2 classification, excluding electricity (1 line).

Notes: Excluding in-quota rates and including *ad valorem* rates, AVEs, and the *ad valorem* part of compound or mixed rates (if no estimated AVEs). AVEs using 2016 import data taken from the UNSD Comtrade database.

Source: WTO Secretariat estimates, based on data provided by the authorities, and the WTO IDB.

3.18. Israel has tariff-quota commitments for 12 agricultural product groups in its Schedule. Two of these quotas (walnuts, and edible fats and oils) are currently not implemented, since the applied tariffs are equal to or lower than the corresponding bound in-quota rates (Section 4.1.1.3.1).[13]

3.19. Israel grants tariff concessions and exemptions on commercial imports within the framework of several schemes (Table 3.5).

[13] WTO document G/AG/N/ISR/62, 1 September 2017.

Table 3.5 Duty concessions and exemptions on commercial imports

Scheme and coverage	Incentives
End-use provision schemes	
Importers listed in the Customs Tariff Book	Duty free on 201 items in total
Duty-drawback system	
Any exporter meeting conditions (e.g. imported raw materials intended for the manufacture of goods to be exported	Refund of customs and excise duties paid on imported inputs after realization of export
Programme under the Petroleum Law of 1952	
Holders of petroleum rights, and contractors operating on their behalf	Duty free imports
Programme under the Petroleum Pipeline Concession Law of 1968	
Petroleum Services Co. Ltd. Oil Refineries Co. Ltd.	Duty free imports
Conditional Exemption – permanent import	
• Non-denatured ethyl alcohol for the production of alcoholic beverages, medications and vinegar[a] • Taxis, sightseeing vehicles, hearses and ambulances	Free of purchase tax subject to the approval of the competent authorities

a This incentive applies for all industries using alcohol as a raw material.

Source: Information provided by the authorities.

3.1.3.2 Bound tariffs

3.20. Some 74.5% of Israel's tariff lines are bound. The average bound tariff rate is 20.6%, 15.4 percentage points higher than the average applied MFN rate (5.2%). Bound rates are high for agricultural products, averaging 78.1% with a maximum rate of 560% (dates), while for non-agricultural goods the average bound rate is 9.6%.

3.21. A full comparison between MFN applied and bound rates was not possible; some 13% of tariff lines could not be compared, mainly due to changes in HS nomenclature and in the structure of the tariff schedule. On this basis, MFN applied rates exceeded their bound levels for 18 tariff lines; for some products the gap is 12 percentage points (Table 3.6).

Table 3.6 Applied MFN tariffs exceeding bound rates, 2018

No.	Tariff code	Product description	2018 duty rate (%)	Final bound duty rate (%)
1	73129000	Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated; - Other	8	6
2	84021200	Water tube boilers with a steam production not exceeding 45 t per hour	8	0
	847340	- Parts and accessories of the machines of heading 84.72		
3	84734010	Parts and accessories for machines of subheading 84.72.3000	12	0
4	84734090	Other	12	0
5	84762100	Automatic goods-vending machines; - incorporating heating or refrigerating devices	12	8
6	85045020	Other inductors, earthing coil for a voltage exceeding 22 kilo volts (kv)	10.8	0
7	85181020	Stands for microphones	12	0
8	85229020	Cabinets	8	0
9	85365030	Other switches, designed for installation in a structure or on it; instruments designed for outdoor installation	12	0
	8543	Electrical machines and apparatus, having individual functions not specified or included elsewhere in this chapter.		
	854390	Parts		
10	85439031	Of the kind used for motor vehicles, other than tax exempted tractors, for forklifts or vehicles which move on rails	12	0
11	85439040	For apparatus of subheading 85.43.7059	12	0
	9028	Gas, liquid or electricity supply or production meters		
	902890	- Parts and accessories		
12	90289019	For water meters; other	10	0
13	90289090	Other	2	0
	9030	Oscilloscopes, spectrum analysers and other instruments and apparatus for measuring or checking electrical quantities		
	903033	Other, without a recording device		

No.	Tariff code	Product description	2018 duty rate (%)	Final bound duty rate (%)
14	90303330	Which are special for small tractors, exempted from tax, for forklifts or vehicles which move on rails	6	0
15	90303340	Others, of kind used in motor vehicles	6	0
16	90303390	Other, with a recording device	2	0
17	90303990	Other, with a recording device	2	0
18	90309020	Parts and accessories, of the kind used in motor vehicles, other than tax exempted tractors, for forklifts or vehicles which move on rails	2	0

Source: WTO Secretariat calculations, based on data provided by the authorities, the WTO IDB, and the CTS database.

3.22. Other duties and charges (ODCs) have been bound at zero on all products covered by tariff bindings. Over 90% of Israel's tariff bindings are in *ad valorem* terms; *non-ad valorem* tariff bindings exist mainly for certain fish and fishery products, textiles and textile articles, base metals, and machinery and electrical equipment.

3.1.3.3 Preferential tariffs

3.23. Most of Israel's trade is conducted under various preferential agreements. Table 3.7 refers to 2017 (the latest preferential tariff data available at the time of finalizing this Report). The simple average rates under all preferential arrangements are lower than the simple average MFN rate, although the averages among arrangements are different, ranging from 2.1% with the United States to 4.3% with Jordan.

Table 3.7 Summary analysis of the preferential tariffs, 2017

	Simple average[a]			Duty free lines[b]		
	Overall	WTO agriculture	WTO non-agriculture	Overall	WTO agriculture	WTO non-agriculture
Applied MFN	**6.0**	**19.8**	**3.7**	**56.6**	**42.3**	**58.8**
Canada	2.8	18.6	0.3	91.8	51.0	98.3
EFTA	2.9	19.2	0.3	91.3	46.3	98.4
European Union	2.4	15.8	0.2	93.6	59.5	99.1
Jordan	4.3	18.2	2.0	75.5	46.7	80.1
Mexico	3.0	19.2	0.4	90.7	45.0	98.0
MERCOSUR						
Argentina	2.8	18.8	0.3	91.0	48.6	97.8
Brazil	2.8	18.9	0.2	92.1	48.8	99.0
Paraguay	2.8	18.9	0.2	92.1	48.8	99.0
Uruguay	2.8	18.9	0.2	92.1	48.8	99.0
Turkey	3.0	19.7	0.4	90.6	42.9	98.2
United States	2.1	13.6	0.2	94.9	69.2	99.0

a Average comprising both MFN and preferential rates.
b MFN and preferential tariff rate as a percentage of total tariff lines.

Note: The 2017 tariff is based on the HS17 nomenclature, consisting of 8,531 tariff lines (eight-digit). AVEs using 2016 import data taken from UNSD Comtrade database. In case of no AVEs, the *ad valorem* part of compound or mixed rates is taken into account in calculations.

Source: WTO Secretariat calculations, based on data provided by the authorities and the WTO IDB.

3.1.4 Other charges affecting imports

3.24. Israel applies value added tax (VAT) on imported and domestic goods and services. The VAT standard rate was increased from 16% to 17% in 2012 and to 18% in 2013. In October 2015, it decreased to 17% (at a cost to government revenue equivalent to 0.4% of GDP).[14] A number of items, including fruit and vegetables, are zero-rated (Table 3.8). Alcoholic beverages, cigarettes and fuel are subject to excise tax.

[14] OECD (2016), *Economic Surveys: Israel*, Paris.

Table 3.8 Taxes on imported or domestic goods and services, 2018

Tax	Product	Rate	Imports	Domestic
VAT	Standard rate for goods and services	17%	Value of goods for customs purposes plus customs duties, port and stevedoring fee, levy (if applicable)	Value of transaction
VAT	Fresh fruit and vegetables; ships and airlines for service on international lines; travel tickets for international sea and air-lines; cargo transportation by sea and air; hotel accommodation for foreign tourists; most products and selected services in Eilat free port	0%	Value of goods for customs purposes plus customs duties, port and stevedoring fee, levy (if applicable)	Value of transaction
Purchase tax	Certain luxury and consumer goods, mostly motor vehicles, and a limited number of intermediate goods	Tax rates vary according to the product	Customs value plus customs duties plus TAMA	Wholesale price
Excise tax	Cigarettes	*Ad valorem* tax of 270% of the common wholesale price; Specific tax of NIS 393.82 per 1,000 cigarettes (or NIS 7.9 per 20 cigarettes pack); Minimal specific tax of NIS 754.4 per 1,000 cigarettes (or NIS 15.1 per 20 cigarettes pack)	Wholesale price	Wholesale price
Excise tax	Gasoline	NIS 3,022.57 per 1,000 litres	Wholesale price	Wholesale price
Excise tax	Kerosene	NIS 2,895.96 per 1,000 litres	Wholesale price	Wholesale price
Excise tax	Diesel	NIS 2,895.96 per 1,000 litres	Wholesale price	Wholesale price
Excise tax	Heavy fuel oil	NIS 15.02 per tonne	Wholesale price	Wholesale price
Excise tax	Gas	NIS 17.98 per tonne	Wholesale price	Wholesale price
Excise tax	Coal	NIS 45.37 per tonne	Wholesale price	Wholesale price
Excise tax	Alcoholic beverages	NIS 84.24 per litre	Wholesale price	Wholesale price

Source: WTO Secretariat based on data provided by the authorities.

3.25. In general, internal taxes are levied on the duty-inclusive c.i.f. value of imports, or on the wholesale price of locally produced goods. However, for the imposition of purchase taxes on imported products, Israel uses an assessment called TAMA (the Hebrew acronym for additional rate of increase).[15] The TAMA approximates local wholesale prices by adding estimated profits, insurance, and inland freight to the declared value of imports (coefficients for calculating the TAMA vary from product to product). The effect of the TAMA is similar to an import surcharge.

3.26. A tax reform for alcoholic beverages was implemented in 2014, and the TAMA was cancelled and replaced by a specific tax of NIS 80 per litre of alcohol on imports and domestic products alike. Since then, the tax rate has been linked to the consumer price index.

3.27. Israel's port user fee scheme, based on the cost of services rendered, is being implemented over the period 2010-20.

[15] Alternatively, importers have the option of declaring the actual wholesale value of their products. Importers concerned must register with the ITA. To register, a person must import goods of least US$100,000 per calendar year and must not have been convicted of a tax offence in the preceding five years.

3.1.5 Import prohibitions, restrictions, and licensing

3.28. Israel maintains import prohibitions for reasons of protecting human health, public morals, security, and the environment, or in accordance with its international commitments under the Basel Convention on Hazardous Wastes, the Montreal Protocol, and CITES (Table 3.9). Import prohibitions are provided for in the 2005 Customs Order and the Free Import Order of 2014. Israel maintains a ban on imports of non-kosher meat and meat products (Kosher Meat Import Law of 1994). A general import ban remains in place for products from Iran, Lebanon, and Syria.

Table 3.9 Import prohibitions, 2018

Items	Reason for prohibition
Non-kosher meat and meat products	Religious/cultural reasons
Wine, spirits products and grape juice, whether called by a geographical name that is not its place of origin or by a name that incorporates such a geographical name or that may give the impression that it incorporates such a geographical name	Enforcement of laws and regulations
Tobacco and manufactured tobacco substitutes (excluding unmanufactured tobacco, tobacco refuse)	Protection of human health (Art. 5 of the Limitation of Advertising and Marketing of Tobacco Products, 1983)
Transparent spray made for blurring the license plate of vehicles while shooting/photographing	Enforcement of laws and regulations (toll, speed limits)
Matches made from white or yellow phosphorus	Environment protection
Licentious or indecent films	Public morals
Currency notes, bank notes or coins that are legal tender in any country or which have been at some time legal tender in any country, whether counterfeit or imitation	Public morals
Tickets or publicity items for lottery or gambling	Public morals
Sales invoice form that is a form or other paper that purports to be a form on which it is possible to fill in blank spaces so as to use it as a sales invoice for goods from foreign countries	Public morals
Used bags for packaging vegetable material	Protection of human health
Knives, cutlasses, spears, and swords having a serrated point or sharp blade, except for knives of a kind for professional work or domestic use	Protection of human life
Disruptive instruments of laser speed measuring meters	Public safety
Firearms resembling a pen, starting pistols, items activated by gas, etc.	Security
Nerve gas containers resembling a gun	Security
Games of chance or part of them as defined in the Penal Code	Public morals
Motor skateboards	Public safety
Goods of all types that carry a false commercial description as defined in the Consumer Protection Law of 1981	Public morals
Postal packages containing live creatures such as vipers, explosives, inflammable materials, and other dangerous packages	Protection of human health
Used equipment for bee farming	Protection of human health
Goods that can be used as tools for preparing or consuming dangerous drugs as defined in the Dangerous Drug Order, 1973.	Protection of human health
Goods that can be used to incite violence, terror, or racism as defined in Goods Chapter H of the Penal Code	Security

Source: Information provided by the authorities.

3.29. Israel applies non-automatic licensing procedures under the Free Import Order of 2014, mainly for reasons of safety, health, protection of the environment, and security, or to comply with international (non-WTO) commitments, or for purposes of tariff quota administration (Section 4.1.1.3.1.).

3.30. Annex 1 to the Free Import Order, 2012 contains a list of 203 items (from HS four- to eight-digit levels) subject to import licensing principally for (food) safety and security reasons. The procedures involve the licensing of import consignments and importers. Importer licences are granted at the discretion of the competent authority. For example, for importing certain types of goods, the criminal record of the importer may be relevant.

3.31. Annex 2 to the Free Import Order, 2012 lists goods that are subject to specific standards and technical requirements in order to ensure safety, security, and environmental objectives.[16] Approvals (permits) are granted prior to importation, if the imported goods comply with technical requirements. Annual approvals may be granted, subject to a declaration by the importer that subsequent consignments will be identical.

3.32. Depending on the product, licences/approvals are issued free of charge by the Ministry of Economy and Industry, the Ministry of Agriculture and Rural Development, the Ministry of Health, and the Ministry of Transport and Road Safety within 14 to 21 working days, but in most instances in less than 7 days, upon completion of all necessary documentation. Reasons for refusal of a licence must be provided in writing, and the applicant has the right of appeal to the High Court of Justice. Exemptions are granted mainly by the Ministry of Economy and Industry in cases of imports used in manufacturing; goods intended for exhibitions or marketing samples; re-export; imports for own use; spare parts; computers and peripheral equipment; and equipment for audio visual professional use.[17]

3.33. Imports from 17 WTO Members (Bahrain, Bangladesh, Brunei Darussalam, Cambodia, Chad, Cuba, Indonesia, Kuwait, Malaysia, Mali, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates) and non-Members that do not have diplomatic relations with Israel or that prohibit imports from Israel are subject to a special import licensing regime administered by the Ministry of Economy and Industry, which is subject to annual review (i.e. the Free Import Order does not apply to these countries).[18] Textiles and bed linen require import licences when imported from Bangladesh or Pakistan. In addition, plastic raw materials require a licence when imported from Bahrain, Oman, Qatar, Saudi Arabia or the United Arab Emirates.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.34. The legal framework governing trade contingency measures has remained unchanged since Israel's last Review in 2012. The Trade Levies and Safeguard Measures Law of 1991, which covers anti-dumping (AD), countervailing (CVD), safeguard measures and a so-called safeguard levy, was last amended in 2011. The legislation has yet to be notified to the WTO.

3.35. The Trade Unit, under the Ministry of Economy and Industry, is the competent authority for contingency measures. The Commissioner for Anti-dumping and Countervailing Measures is responsible for initiating and conducting investigations. The final decision on the imposition of AD, CVD or safeguard duties rests with the Minister of Finance; and, in the case of the AD/CVD duties, also with the Finance Committee of the Knesset. Under the Law, provisions require the Commissioner to deal with, *inter alia*, the calculation of production costs, the comparison between export price and normal value, the content of complaints, and the conduct of investigations when investigating a complaint.[19]

3.36. Although the Commissioner makes preliminary determinations, imposes provisional measures, enters into undertakings, and terminates investigations without final measures, findings regarding the imposition of final measures are submitted to the Advisory Committee on Anti-Dumping and Countervailing Measures. The Committee, composed of six public representatives, four employees of the Ministry of Economy and Industry, and four employees of the Ministry of Finance, deliberates the findings of the Commissioner and invites the domestic industry, importers, exporters, government representatives of exporting countries, trade organizations and other interested parties to present arguments. The Committee then submits its conclusions regarding dumping/subsidization, injury, causation, and public interests, along with a recommendation on the imposition of a duty, including its rate, applicability, and period of validity, to the Minister of Economy and Industry. Any decision by the Minister of Economy and Industry to levy a duty must be submitted to the Minister of Finance for approval. The duty will only take effect following approval by the Finance Committee of the Knesset.

[16] Annex 2 lists 882 items (HS 4- to 8-digit level) plus HS chapters 1, 2, 4, 6, 8, 9, 10, 11, 16, 17, 18, 19, 21, 46, 57, 61 and 62.
[17] Article 2(c) 2 of the Free Import Order, 2012.
[18] In July 2003, Israel lifted its general import prohibition from the WTO Members concerned.
[19] See WTO documents G/ADP/Q1/ISR/13 and G/SCM/Q1/ISR/13, 9 June 2006.

3.37. Israel applies a mandatory lesser duty rule in respect of final AD and CVD measures; where the Commissioner or the Advisory Committee finds that a duty less than the margin of dumping or rate of subsidization is sufficient to prevent material injury to the domestic industry, the lower rate is to be applied.[20] The rule has been applied to all measures imposed since 2013. Further, under Israeli law, the imposition of AD/CVD duties is permissive and, in deciding whether to levy a duty, the Minister of Economy and Industry must take into account, *inter alia*, the trade relationship between Israel and foreign countries and reasons pertaining to the economy in general.[21] Thus, in 2010, the Minister of Finance determined that it was not in the public interest to impose a duty in the case of recycled containerboards from the European Union.[22]

3.38. Since 1995, Israel has initiated 50 AD investigations, of which 24 resulted in final AD duties, placing Israel in the middle range among those WTO Members that have used AD measures. During the period 2012-17, Israel initiated 10 AD proceedings. The only AD measure currently in force was imposed in November 2016 on float glass from Turkey (Table 3.10).[23]

Table 3.10 Definitive anti-dumping measures, 2018

Country	Product (HS number)	Initiation of investigation	Provisional measure	Implementation date	Status
China	Cutting & grinding wheels (HS680422)	28/06/05	11/11/05	26/11/07	Terminated 31/12/13
European Union (Italy)	Stretch wrap (HS 392010, 391990)	02/04/09	30/08/09	15/04/10 Price undertaking 1.23-1.45 €/kg	Terminated 15/04/15
Turkey	Stretch wrap (HS 392010, 391990)	02/04/09	30/08/09	22/02/10 Price undertaking 1.17-1.34 €/kg	Terminated 15/04/15
China	Elbow-butt pipe fittings (HS73079340, 73079920)	18/03/10	07/09/10	12/04/11	Terminated 23/01/13
South Africa	Rubber procured trends (HS 400610, 400829, 4012909)	12/01/11	24/07/12	21/03/13	Terminated 20/03/15
Saudi Arabia, Kingdom of	Stretch wrap (HS392010, 391990)	02/07/12	No measure		Terminated 09/04/13
Italy	Bituminous membranes (HS 680710)	16/12/12	No measure		Terminated 23/02/14
Turkey	Machine made rugs (HS 5701, 5702, 5703, 5704, 5705)	05/05/13	No measure		Terminated 05/02/14
Turkey	Float glass (HS 70052990)	27/10/15	18/04/16	23/11/16	In force
European Union (Italy and Poland)	Cocoa spread (HS 18069020, 18069099)	27/09/16	No measure		Terminated
European Union (Greece)	Portland cement	18/05/17	Under investigation		
Turkey	Portland cement	18/05/17	Under investigation		
Turkey	Low voltage copper cable	27/06/17	Under investigation		

Source: WTO Secretariat and information provided by the authorities.

3.39. During the last TPR, concerns were raised by WTO Members regarding the duration of Israel's AD investigations (Article 5.10 of the Agreement on Anti-dumping).[24] In this respect, the investigation on float glass from Turkey lasted 13 months. According to the authorities, Israel has complied with the timeline in recent investigations.

[20] Trade Remedies and Safeguards Measures Law, 1991, Articles 32.19(b) and 32.20(b).
[21] Trade Remedies and Safeguards Measures Law, 1991, Article 32.13(a).
[22] WTO document WT/ADP/N/209/ISR, 20 January 2012.
[23] WTO document G/ADP/N/294/ISR, 7 February 2017.
[24] WTO document WT/TPR/M/272, 3 December 2012, p. 32.

3.40. A safeguard levy may be imposed by the Minister of Economy and Industry on imports or exports of goods and services in any of the following circumstances: (i) to prevent the deterioration of Israel's balance of payments or foreign currency reserves; (ii) to regulate production, demand or consumption of agricultural and fishery products; (iii) to protect agricultural products against substantial injury caused, or that may be caused, by competing imports, in accordance with the Special Safeguard provisions of the Agreement on Agriculture (Section 4.1.1.3.1.); (iv) to prevent exhaustion of mineral deposits; (v) to restrict the export of raw materials produced or mined in Israel, in order to prevent shortages in the local market, or to regulate the price of these raw materials; (vi) to absorb or prevent excess profits due to legislative provision; (vii) to absorb assistance or benefits accorded by the Government in respect of goods that were intended for use in Israel but were actually exported; (viii) to adopt economic counter-measures against any state that has violated an agreement with Israel; and (ix) to restrict or prevent imports from any country that prohibits or restricts trade with Israel or imposes discriminatory measures against Israeli products.

3.41. A safeguard levy is set as a proportion of the goods' value or a fixed sum or a proportion of the excess profit or according to any other calculation, as prescribed by the Minister of Economy and Industry. It can be in effect for a maximum of two years; the Minister of Economy and Industry may re-impose the levy or extend its effect by order, as long as it is required for one of the purposes enumerated above. Imposition of the levy requires approval by both the Minister of Finance and the Finance Committee of the Knesset. The amount of the safeguard levy is capped so that the ordinary customs duty plus the safeguard levy do not exceed Israel's tariff binding of the product concerned.

3.42. Israel has not taken any CVD or safeguard actions during the period under review.[25] Regarding safeguards, following an investigation on glass wool and rock wool from Turkey initiated in 2011[26], the proposed measure was not approved by the Minister of Finance and no action was taken.[27]

3.1.7 Other measures affecting imports

3.43. Israel has notified the WTO that its laws and regulations do not contain measures which are not in conformity with the provisions of the TRIMs Agreement.[28]

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.44. There is no registration requirement for exporters. The main documents for customs clearance include the export declaration (except for goods under US$100 exported without financial compensation or sales transaction); commercial invoice; bill of lading (or airway bill); certificate of origin; packing list; and export licence/permit (if required).

3.45. According to the World Bank, in terms of border compliance, it took 36 hours and US$150 to export from Israel in 2018, compared with 240 hours and US$610 in 2012. Regarding documentary compliance, some 13 hours and US$73 were needed to export in 2018, well above the OECD's high income average (Table 3.11).

[25] See notifications to the SCM Committee in WTO documents G/SCM/N/228/Add.1/Rev.2, 26 July 2012; G/SCM/N/267/Add.1, 15 April 2014; G/SCM/N/281/Add.1, 24 April 2015; G/SCM/N/289/Add.1, 22 October 2015; G/SCM/N/305/Add.1, 21 October 2016; G/SCM/N/298/Add.1/Rev.1, 25 October 2016; and G/SCM/N/313/Add.1, 21 April 2017.

[26] WTO documents G/SG/N/6/ISR/2, 12 January 2011, and G/SG/N/8/ISR/1 and G/SG/N/11/ISR/2, 9 January 2012.

[27] WTO document G/SG/N/ISR/1, 25 October 2013.

[28] WTO document G/TRIMS/N/1/ISR/1, 31 October 1996.

Table 3.11 Export time and cost, 2012 and 2018

Indicator	2012	2018 Israel	2018 OECD high income
Time to export: border compliance (hours)	240	36	12.7
Cost to export: border compliance (US$)	610	150	159.9
Time to export: documentary compliance (hours)	..	13	2.4
Cost to export: documentary compliance (US$)	..	73	35.4

.. Not available.

Source: World Bank online information. Viewed at: www.doingbusiness.org/data/exploreeconomies/israel.

3.2.2 Taxes, charges, and levies

3.46. Israel does not apply any export taxes or levies.

3.47. Israel's port user fee scheme, based on the cost of services rendered, is being implemented over the period 2010-20.

3.2.3 Export prohibitions, restrictions, and licensing

3.48. In accordance with the Ordinance on Trade with Enemy States, Israel prohibits exports to Iran, Lebanon, and Syria.

3.49. In order to comply with UN Security Council resolutions, Israel has enacted the Import and Export Order (Control of Export of Goods to the Democratic People's Republic of Korea), 5576 of 2015. According to this Order, goods exported to North Korea require export licenses. Certain goods are prohibited from export to North Korea (e.g. precious metals including silver and gold, all types of cars, and photographic equipment).

3.50. Israel maintains export licensing and approval (permit) schemes. Products may require an export licence/approval for reasons such as commitments under (non-WTO) international agreements; control of quality and standards of Israeli goods; and conservation of local resources. Products subject to export licensing are listed in Annexes 1[29], 3[30] and 4 of the Free Export Order of 2006 (as amended); most are chemicals or agricultural products. Export approval is required for selected food and fresh agricultural products for sanitary and quality reasons (Annex 2 of the Free Export Order)[31]; diamonds; certain tools; and certain religious articles. Approvals are granted if the exported goods fulfil the applicable technical/sanitary requirements, while export licences are granted at the discretion of the competent authority. Licences and approvals are granted free of charge.

3.51. According to the authorities, Israel does not apply export quotas.

3.2.4 Export support and promotion

3.52. Israel provided export subsidies for agricultural products during the review period (Section 4.1.1.3.1.).

3.53. Exporters are eligible for drawbacks with respect to AD duties, purchase tax, and customs duties when importing raw materials that are used for manufacturing products for export, or when purchasing local raw materials for export or for use in manufactured products that are exported. Reimbursement (drawbacks) of customs duties for exports under the RTAs with the European Union, EFTA, Jordan, and Turkey is not permitted. Exports are exempt from VAT.

3.54. Under the Eilat Free Trade Zone Law of 1985, the Government aims to promote the development of the Red Sea's coastal city of Eilat, especially tourism.[32] Enterprises are exempt from import duties. The Law also provides for tax concessions and other benefits granted to Eilat

[29] HS chapter 6.
[30] HS 4- to 8-digit levels, 58 items.
[31] HS chapters 1 to 4, and 6.
[32] Airport-related activities at Ovda are covered by the Eilat Free Trade Zone.

residents and companies located in Eilat. Most products (imported or domestically produced) purchased in Eilat are exempt from VAT.[33] Employers receive tax refunds for employees, of up to 20% of gross wages paid to employees. Fiscal advantages under this programme are not contingent upon export. No data was available on budget/expenditure.[34]

3.55. Under the Free Port Zone Law of 1969, enterprises located in the Free Port Zone of Eliat benefit from various forms of tax incentives including, *inter alia*: enterprises in zone A (like Eilat) were entitled to a reduction in income taxes to 10% in 2011-12 and 7% in 2013-14; and a tax of 15% on dividends paid out of the above income with no stipulated time-limit. Fiscal advantages under this programme are not contingent upon export. No data was available on budget/expenditure or revenue forgone.[35]

3.56. The Free Export Processing Zone Law of 1994 allows the establishment of duty free processing zones. There are no export processing zones currently in operation.

3.2.5 Export finance, insurance, and guarantees

3.57. During the review period, Israel eliminated the following programmes that had been notified to the WTO Committee on Subsidies and Countervailing Measures: the Design Product Programme; the New Media Support Programme; the Marketing Tutorial Programme; the Consortia Programme; the "200 X 2" – "Two Hundred Times Two"; and the Greenhouse Gas Emissions Reduction Programme.[36]

3.58. The Design Product Programme provided support to manufacturers employing up to 100 employees in factories located in disadvantaged areas. In 2012, its expenditures amounted to US$1.3 million. This Programme was terminated in 2013.[37]

3.59. The New Media Support Programme was provided to companies employing up to 100 employees with a turnover not exceeding US$28.5 million with high economic potential in Haifa and the surrounding area. In 2012, its expenditures amounted to US$1.3 million. This Programme was terminated in 2013.[38]

3.60. The Marketing Tutorial Programme provided support to companies (in all sectors) that exported up to US$200,000 per year and required assistance for building a marketing infrastructure. In 2012-13, its expenditures amounted to US$26.8 million. This Programme was terminated in 2013.[39]

3.61. The Consortia Programme was provided to companies (in all sectors) with a revenue not exceeding US$30 million, operating in certain designated areas. In 2012-13, its expenditures amounted to US$27.2 million. This Programme was terminated in 2013.[40]

3.62. The "200 X 2" – "Two Hundred Times Two" provided support only to companies in periphery areas of the country (in all sectors) intending to build and/or strengthen their marketing infrastructure abroad. In 2012-13, its expenditures amounted to US$3.3 million. This programme was terminated in 2013.[41]

3.63. Three of the programmes described above (i.e. Marketing Tutorial, Consortia, and Two Hundred Times Two) have been replaced by others with similar expenditure amounts. In this regard, the Israeli authorities are preparing a new notification to the WTO Committee on Subsidies and Countervailing Measures.

[33] This tax benefit is available to Eilat residents and companies, for products consumed in Eilat.
[34] WTO document G/SCM/N/253/ISR, 25 September 2014.
[35] WTO document G/SCM/N/253/ISR, 25 September 2014.
[36] WTO document G/SCM/N/253/ISR, 25 September 2014.
[37] WTO document G/SCM/N/253/ISR, 25 September 2014.
[38] WTO document G/SCM/N/253/ISR, 25 September 2014.
[39] WTO document G/SCM/N/253/ISR, 25 September 2014.
[40] WTO document G/SCM/N/253/ISR, 25 September 2014.
[41] WTO document G/SCM/N/253/ISR, 25 September 2014.

3.64. The main objective of the Greenhouse Gas Emissions Reduction Programme was to achieve a reduction of 20% by 2020 of electricity production from polluting resources. To do so, it was open to all sectors, including industry, tourism, commerce, services, agriculture, and the municipal and public sector. In 2012-13, its expenditures amounted to US$3 million. This Programme was terminated in 2013.[42]

3.65. The state-owned Israel Foreign Trade Risk Insurance Corporation Ltd. (ASHR'A) provides credit insurance to Israeli exporters, as well as credit guarantees for loans extended by commercial banks to exporters. ASHR'A insures medium- and long-term export credit transactions (ranging from 1 to 15 years) and Israeli investments abroad, against political and commercial risks, mainly in developing countries. ASHR'A covers up to 95% of losses for political risks and up to 90% of losses for commercial risks. There is no maximum commitment per transaction. ASHR'A income consists mainly of premiums; there are no transfers from the Government. Its maximum guarantee exposure is US$2.5 billion.

3.66. The Ministry of Finance (MOF) provides reinsurance for private credit insurance companies for short-term export transactions of up to 50% on top of the amount the private company takes upon itself (i.e. up to 33.3% of the entire transaction amount can be insured by the Government). A minimum domestic content of 40% of the insured transaction is required.

3.67. The MOF also provides reinsurance for private credit insurance companies for medium- and long-term export transactions; the Government assumes most of the long-term risk and the private company, the short-term risk ("top up 2"). The programme aims to enhance competition by encouraging the private sector, with state guarantees, to expand into the market segment traditionally served by ASHR'A. The export credit agency has so far faced little competition from Israeli private insurance companies, since it generally insures transactions with high level risks. The maximum allowed exposure of guarantees under both MOF programmes is NIS 1 billion.

3.68. Export promotion activities are administered by the Israel Export and International Cooperation Institute (IEICI), a joint-venture between the Israeli Government and the private sector. The IEICI provides services to exporters such as marketing, quality control, publicity, and participation in international trade fairs. IEICI activities are financed by the Government (50%), and regular or voluntary contributions (50%).

3.69. The Law on Encouragement of Capital Investment has export-oriented objectives (Section 3.3.1).

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.70. Israel encourages both local and foreign investment by offering a wide range of incentives and benefits to investors in industry, tourism and real estate. Special emphasis is given to hi-tech export-oriented companies and R&D activities. The hi-tech industry is a key driver of economic growth and exports. Israel's expenditures on civilian R&D amounted to 4.3% of GDP in 2016, the highest share in the world. Most of the R&D expenditures are financed by the private sector (venture capital industry). In 2017, the Government's R&D budget amounted to NIS 1.6 billion (NIS 1.3 billion in 2012).

3.71. In July 2015, the Israel Innovation Authority was set up in the Ministry of Economy and Industry on the basis of the Office of the Chief Scientist (OCS), with the objective of fulfilling the missions assigned to it by the Law for the Encouragement of Industrial R&D 1984 (as amended), and providing efficient and high-quality service to the Israeli innovation system. In order to do so, the Authority operates with a structure of six divisions that pave a variety of customized paths for entrepreneurs and companies to promote, implement and realize their innovative R&D ideas at various stages: Start-up Division[43]; Growth Division[44]; Technological Infrastructure Division[45];

[42] WTO document G/SCM/N/253/ISR, 25 September 2014.

[43] The Start-up Division offers tools to support the early development stages of technological initiatives. These tools assist entrepreneurs and start-up companies in developing their innovative technological concepts at the pre-seed or initial R&D stages, and the aim of helping transform their ideas into reality.

Advanced Manufacturing Division[46]; International Collaboration Division[47]; and Societal Challenges Division.[48]

3.72. Most of the incentive programmes that the Authority operates offer participation in the risks involved in the development process via conditional loans (Table 3.12). Companies that receive this kind of support undertake to repay the received funding to the Authority via the payment of royalties from sales (up to 3% from the annual sales associated with the supported R&D activity), but only if the project succeeds in reaching the commercialization stage. Usually the share of the R&D project's cost that the Authority will finance will not exceed 50% of the approved expenditures (some programmes in the Start-up Division offer up to 85%).

Table 3.12 Main incentive schemes, 2018

Programme/description	Eligibility criteria	Incentive	Annual budgetary expenditure (NIS million)
R&D Fund Industrial research aimed at the discovery of new knowledge for the development or substantial improvement of new products or processes. Administered by the Israel Innovation Authority	Companies in all sectors are eligible	Grants of up to 50% of approved R&D expenditures; repayable as a percentage of total revenues derived from the sale of the newly developed product, up to the entire amount of the grant in U.S. dollar terms, with the addition of yearly interest (Libor rate)	2010: 986 2011: 816 2012: 1,002 2013: 908 2014: 812 2015: 895 2016: 652
Long-term R&D support for large investors in industrial R&D To encourage and support substantial investments in long-term industrial R&D. Administered by the Israel Innovation Authority	Over 200 R&D employees or an annual R&D budget exceeding US$20 million; yearly revenues exceeding US$100 million. Repayment of all royalties due to the Israel Innovation Authority for support received under the Law for the Encouragement of Industrial Research and Development	Grants of up to 50% of approved R&D expenditures	2010: 76 2011: 64 2012: 56 2013: 88 2014: 53 2015: 79 2016: 52
Incubators programme To promote and support the creation of start-up companies based on innovative new products and technologies. Administered by the Israel Innovation Authority	Initiated by an individual (not an existing company) to develop a product with export potential; criteria depend on the incubator type (technology, biotechnology, "technology-based"); stay within the incubator for 2 to 3 years	Grants of up to 85% of approved R&D expenses, with a maximum of NIS 2.0-2.3 million for 2 years; repayment through royalties in the case of the commercial success of the project (3%-3.5%)	2010: 158 2011: 158 2012: 159 2013: 131 2014: 132 2015: 127 2016: 131

[44] The Growth Division operates various incentive programmes that promote technological innovation of mature and growth companies. This Division contributes to the promotion and preservation of competitiveness and technological leadership of companies, as well as to the increase of their growth rates and potential.

[45] The Technological Infrastructure Division offers incentive programmes to promote cooperation, exchange of knowledge and experience, and development of generic ground-breaking knowledge by an integrated group of researchers from academia and industry.

[46] The Advanced Manufacturing Division focuses on promoting the implementation of R&D and innovation processes in companies in the manufacturing sector, in order to strengthen their competitiveness in the global arena and improve productivity across a variety of industrial sectors. The programmes offered by this Division boost manufacturing-oriented industries.

[47] The International Collaboration Division is responsible for creating bridges to new international markets, building platforms for cooperation in innovative R&D, and attracting strategic foreign stakeholders to Israel. These initiatives are made possible through an array of bilateral cooperation agreements and bi-national funds that support joint R&D and industrial projects between international partners.

[48] The Societal Challenges Division focuses on improving productivity through technological innovation in the public sector and social organizations. This Division is also responsible for R&D aimed at dealing with social and environmental challenges, including the diversification of the population employed in the hi-tech industry, and the creation of appropriate technological solutions for disadvantaged populations in Israel and abroad.

Programme/description		Eligibility criteria	Incentive	Annual budgetary expenditure (NIS million)
Magnet programmes: To encourage the development of innovative generic technologies through cooperation between academic research institutes and industry. Administered by the Israel Innovation Authority		Crucial for the competitiveness of participating companies; technology unavailable at competitive prices and delivery schedules; R&D must be economically justified		2010: 245 2011: 226 2012: 205 2013: 219 2014: 202 2015: 222 2016: 240 (includes (a), (b), (c) and (d) below)
(a)	Magnet Consortia Supports the formation of consortia between companies and academic institutions to jointly develop generic, pre-competitive technologies	Consortia of at least three companies and one academic institution	Grants for participating companies of up to 66% of total eligible expenses; no royalty payments	Included above
(b)	Magneton To support applied academic research in order to promote the transfer of technology to industry	Cooperation between an industrial company and an academic research institute	Grants up to 66% (maximum of NIS 3.4 million over 2 years); no royalty payments	Included above
(c)	Nofar To encourage applied research activities in biotechnology and nanotechnology implemented by scientific research institutes	Research institutes	Grants up to 90% of the approved expenses (maximum of NIS 420,000 for up 15 months); no royalty payments	Included above
(d)	Kamin	Cooperation between an industrial company and an academic institute	Grants up to 90% of the approved expenses (maximum NIS 400,000 for up to 24 months); no royalty payments	Included above
Tnufa Program To encourage and support entrepreneurs to build a prototype, register a patent, design a business plan, etc.; administered by the Israel Innovation Authority		Entrepreneurs with a plan to promote a new innovative technological idea	Grants of up to 85% of approved expenses for a maximum of NIS 210,000	2010: 17 2011: 12 2012: 12 2013: 15 2014: 13 2015: 14 2016: 14

Source: Information provided by the authorities.

3.73. For purposes of the Law for the Encouragement of Industrial R&D of 1984, Israel is divided into two areas: "priority area A" includes the peripheral regions in the north and the south (the Galilee, the Jordan Valley, the Negev, and Eilat) and Jerusalem (for hi-tech industries only); the remaining area covers mainly the central part of Israel. Priority area A's firms receive up to 10% more than the share of the approved grant from the approved budget.

3.74. The investment incentives in the Law on Encouragement of Capital Investment of 1959 aim to encourage local and foreign capital investments and commercial entrepreneurship, particularly innovation and economic activities in disadvantaged areas. The support given under this programme is in the form of grants and/or reduced rates of taxation. Grants of up to 20% of the approved capital investment are given to approved enterprises located in disadvantaged areas. Subsidies under this programme are provided to globally competitive industrial companies, as well

as companies in tourism (hotels) and real estate sectors.[49] The corporate tax rate in priority area A was reduced from 10% in 2011-12 to 9% as from 2014, and to 7.5% as from 2017; elsewhere, the rate increased from 15% in 2011-12 to 16% as from 2014 (the standard corporate tax rate was reduced from 26.5% in 2014-15 to 23% starting from 2018). Dividends are taxed at a preferential rate, subject to the provisions of applicable double-taxation agreements. The duration of tax benefits is open-ended. In 2014-16, expenditures (not including tax benefits) under this Law amounted to US$574 million.[50]

3.75. Since 5 January 2011, large (multi-national) companies, such as Intel, with an annual turnover of at least NIS 1.5 billion and a combined company balance sheet of NIS 20 billion, are eligible for special tax breaks (special preferred enterprise). Since 2011, the corporate tax rate is 5% for a minimum investment of NIS 400 million completed over three years in priority area A. For investments of at least NIS 800 million in other regions, the tax rate is 8%. Alternatively, these tax incentives are available for investments in R&D of at least NIS 100 million in priority area A (NIS 150 million elsewhere) or a business programme generating additional employment. The duration of the tax benefits is 10 years.

3.76. The grant for investment in fixed assets (land, buildings, machinery and equipment) is 20% of expenditures in priority area A. The rest of the country is not eligible for grants. Tax incentives and grants may be combined. Projects must be completed within five years of the date of approval. The requirement of a minimum investment in fixed assets has been eliminated. Grants totalled about US$609 million during the period 2010-13.[51]

3.77. The eligibility criteria include the following: investment projects must be in the industrial sector; enterprises must export at least 25% of sales; there must be generation of high value-added; and the company must be registered in Israel. Eligible enterprises must obtain "approved enterprise" status from the Israel Investment Authority, and "special preferred enterprise" status from the ITA. The economic viability of projects is assessed by the Ministry of Economy and Industry.

3.78. Israel also provides employment subsidies for: (i) industrial enterprises, call centres, computer services support centres, and logistics centres in outlying areas of Israel with high rates of unemployment, subject to a maximum support per employee of NIS 135,000 for 30 months or NIS 4,500 per month; (ii) high salaries, including R&D centres; and (iii) large enterprises.

3.79. Government assistance to small- and medium-sized enterprises (SMEs) is coordinated by the Israel Small- and Medium-size Business Agency of the Ministry of Economy and Industry.[52] About 540,000 SMEs employ 60% of Israel's workforce in the business sector, and constitute about 99% of all businesses in Israel.[53] Loans with a government guarantee are provided to small firms with up to 100 employees or an annual turnover of up to NIS 100 million. The credit limit for a small business is NIS 500,000; for a medium-sized business is up to 8% of its annual turnover; and for businesses with exports of above US$250,000 is up to 12% of its annual turnover. The loan is given for a period of up to five years, with half a year grace. In 2016-17, aid to SMEs amounted to approximately NIS 2 billion annually.[54]

3.3.2 Standards and other technical requirements

3.80. Standards, conformity assessment, and their enforcement are governed by the Standards Law of 1953 (as amended). Under this Law, the Standards Institution of Israel (SII), a statutory

[49] Investments related to the structure of the industrial facility and equipment (starting from 2013) or tax benefits for households for rent.

[50] WTO document G/SCM/N/253/ISR, 25 September 2014.

[51] WTO document G/SCM/N/253/ISR, 25 September 2014.

[52] The Small- and Medium-size Business Agency also established 40 SBCDs (Small Business Development Centres) all over Israel. These Centres provide workshops, training and consultancy for entrepreneurs and SMEs, and serve as a central address ("one-stop shop") for small business owners and entrepreneurs planning new businesses.

[53] The following thresholds apply for government incentives, benefits or loans to enterprises: very small enterprise - up to 5 employees or a turnover of up to NIS 2 million; small enterprise - up to 20 employees or a turnover of up to NIS 20 million; and medium-sized business - up to 100 employees or a turnover of up to NIS 100 million.

[54] WTO document G/SCM/N/253/ISR, 25 September 2014.

non-governmental organization, is the sole authority for the development of standards and for permitting manufacturers the use of the Standard Mark, indicating that a product conforms to an Israeli standard. The SII is a largely self-financing institution, but receives support from the Government for work on standards preparation. The Commissioner of Standardization, under the Ministry of Economy and Industry, is in charge of enforcement of mandatory standards and approval of testing laboratories. It also has responsibility for enforcement of technical regulations (mandatory standards). However, there are more than 20 governmental authorities that enforce technical regulations pertinent to their fields of activity. For example, the Ministry of Health enforces regulations on pharmaceuticals, medical equipment, cosmetics, and food; the Ministry of Transport is responsible for automobiles and spare parts; the Ministry of Communications is in charge of communications equipment (wire and wireless); and the Ministry of National Infrastructure deals with fuel and energy efficiency.[55]

3.81. In October 2014, a resolution on Regulatory Impact Analysis (RIA) was adopted. It came into effect in January 2016 as a mandatory process throughout the Israeli Government.[56] The Prime Minister's office overlooks the implementation of the RIA across the Government. The purpose of this resolution was to bring about a reduction in the unnecessary regulatory burden, and to create the correct balance between vital governmental intervention and leaving room for market forces to operate. The resolution introduced a plan of action based on two central components: reducing the regulatory burden of existing regulation, and carrying out an assessment of the expected impact of regulation before formulating new regulations. The regulations' drafts and the RIA are published on each Ministry's website and on the site of the Prime Minister's Office.[57]

3.82. The Ministry of Economy and Industry is the TBT enquiry point under the TBT Agreement. In the period 2012-17, Israel submitted 453 notifications (420 during 2006-11) to the Committee on Technical Barriers to Trade, mostly concerning the revision of mandatory standards or the adoption of international or regional standards.[58] During the period under review, two specific trade concerns were raised in the TBT Committee.[59]

3.83. Steps have been taken to align all of Israel's technical standards to international standards. Over 2016-17, various government resolutions were adopted regarding standards, including Amendments Nos. 12 and 13 to the Standards Law of 1953. The amendments require the adoption of international and regional standards in place of Israeli standards that have no national deviations, and also set out timetables for a three-year re-evaluation of all mandatory standards, by August 2019. Food standards, for example, are undergoing a gradual revision under the existing food standards committees, with the purpose of bringing them closer to existing international standards such as those of the Codex Alimentarius.

3.84. By the end of 2017, the SII has published 3,504 standards (compared with 3,192 as of January 2012). In 2017, 653 standards (excluding food standards) were mandatory. Mandatory standards are important in electrical and mechanical engineering, and in food (Table 3.13). In 2017, 78% of Israel's mandatory standards involved the adoption of international, regional or other foreign standards. Of these, 53% are international (ISO/IEC), 35% are European (CEN/CENELEC), and 12% are "other", including standards of the United States.

[55] A separate authority within those ministries governs technical regulations.
[56] Every regulator is responsible for assessing the possible impact of any legislation to be submitted.
[57] Governmental regulation online information. Viewed at: http://regulation.gov.il/RIA_REP.
[58] 2012: 543-645; 2013: 646-728; 2014:729-809; 2015: 810-82; 2016: 822-940; 2017:941-996; 2018: 998.
[59] These matters concern the "Warning regulations on alcoholic beverages" (WTO documents G/TBT/N/ISR/609, 17 July 2012 and G/TBT/M/58, 6 February 2012); and "Resistance to ignition of mattresses, mattress pads, divans and bed bases" (WTO documents G/TBT/N/ISR/666, 10 April 2013 and G/TBT/M/64, 10 February 2015).

Table 3.13 Equivalence of Israeli standards with international standards, 2017

	Israeli standards	Mandatory Israeli standards	Mandatory Israeli standards equivalent to international, regional or other foreign standards	Equivalence (%)
Building	392	39	22	56
Electrical engineering	486	141	133	94
Chemicals	239	46	29	63
Mechanical engineering	412	114	87	76
Textiles, leather, paper	190	9	7	78
Polymers	152	46	38	82
Electronics	213	24	20	83
Water appliances	162	25	8	32
Information systems	325	0	n.a.	n.a.
Environmental protection	139	1	1	100
Motor vehicles	112	6	5	83
Medical equipment	122	35	31	89
Packaging	37	0	n.a.	n.a.
Safety	159	18	16	67
Management quality	97	0	n.a.	n.a.
Energy	78	2	n.a.	n.a.
Total (excluding food)	3,315	506	393	78
Food standards	189	147 (97 in harmonization process)[a]	4 (49 adopted standards will replace 97 original standards)[a]	3 (49)[a]

n.a. Not applicable.

a To date, 97 original Israeli food standards are under the process of harmonization with international standards, and they will be replaced by 49 adopted standards.

Source: SII.

3.85. The SII is a signatory to the Code of Good Practice for the Preparation, Adoption and Application of Standards, and operates in accordance with the ISO/IEC guidelines set out for this purpose. The standardization process is laid down in the Rules for the Preparation of Israeli Standards of 1991. Voluntary standards are elaborated by the SII's technical committees, after which the SII circulates each draft standard for comments prior to adoption. At present, 17 central committees, 130 technical committees, and 863 experts groups are active in the SII. The Minister of Economy and Industry may declare a particular standard to be mandatory after consultation with representatives of producers, importers and consumers (one month), and obtaining the written consent of the competent Minister, following which they are published in the Official Gazette. If there are several standards suitable for adoption, the SII may publish alternative standards, provided that each is based on a current international standard.

3.86. Most imports that are subject to technical requirements (as listed in Annex 2 of the Free Import Order, 2014 (Section 3.1.5) are inspected at the port of entry. Domestic products are subject to market inspection. Compliance testing, for both domestic and imported products, is generally carried out by one of the SII's laboratories or by a laboratory which holds an approval and/or recognition certificate from the Commissioner of Standardization to carry out the tests and issue a compliance certificate. Imports with an SII Standards Mark, certifying compliance with a certain standard, may enter Israel without being tested. As of 2017, 2,290 permits had been granted for marking products with a Standard Mark, to 863 companies, mainly domestic. The SII has also licensed 745 production processes. There is, however, no requirement that imported goods be supervised by the SII and bear a Standards Mark.

3.87. The procedures for imports without the Mark depend on the degree of product safety and the reliability of the importer. All imported goods subject to mandatory standards (Annex 2 of the Free Import Order, 2014) have been classified into four levels of examination according to the degree to which they might endanger public health and safety. The goal of creating these groups was to ease the inspection burden on imported consumer products by evaluating possible risk, and to shift the emphasis of enforcement to inspection at the post-marketing stage. For goods in Group 1, representing the highest danger level, an examination of each shipment remains mandatory (e.g. electrical home appliances, toys); goods in Group 2, with an intermediate danger level, are subject to type approval tests; while goods in Group 3 must be accompanied by a

supplier's declaration of conformity (SDoC). Imported goods intended solely for industrial use (Group 4) do not undergo any special inspection. Like a number of high income countries[60], Israel applies the presumption of conformity approach. It places more responsibility on the supplier, including manufacturers, importers, and distributors, whose shipments must be accompanied by a personal declaration that the goods conform to Israeli mandatory standards. Penalties for infractions against the Standards Law are US$45,000 for each infraction by an individual, and up to US$70,000 in the case of corporate bodies. Moreover, the Commissioner is empowered to impose Group 1 status (i.e. examination of each shipment) on the goods of any unreliable supplier. This status may be maintained for one year.

3.88. Israel has few mutual recognition agreements (MRAs). The first MRA was a Good Laboratory Practice Agreement with the European Union, in force since 2000. Israel and the European Union also have an MRA on acceptance of conformity assessment (ACAA) with a sectoral annex on Good Manufacturing Practice in pharmaceuticals, in force since December 2013. Israel and Canada have an MRA on conformity assessment procedures for telecoms equipment, in force since January 2013. Israel and the United States also have an MRA on conformity assessment procedures for telecoms equipment, in force since December 2013. Israel, through the SII, has also signed MRAs on test data with 18 certification organizations which have testing facilities in 135 countries. It has also signed memoranda of understanding for mutual recognition of ISO 9000 registration with 35 organizations worldwide.

3.3.3 Sanitary and phytosanitary requirements

3.89. The principal agencies responsible for sanitary and phytosanitary (SPS) measures are:

- The National Food Service (NFS) in the Ministry of Health for supervising locally manufactured and imported food;
- The Veterinary Services and Animal Health (VSAH) in the Ministry of Agriculture and Rural Development for animal health;
- The Plant Protection and Inspection Service (PPIS) in the Ministry of Agriculture and Rural Development for plant health; and
- The Standards Institution of Israel for managing the standard setting process generally, included SPS related measures (Section 3.3.2).

3.90. In addition, the Ministry of the Interior, the Ministry of Economy, and the Ministry of Environmental Protection are also responsible for some aspect of SPS measures. In general, the NFS is responsible for fisheries and imported foods, and domestically produced food after fruit picking/abattoir/delivery to dairy; and the VSAH and PPIS are responsible for unprocessed food, and live animals and their slaughter.

3.91. The national enquiry points and the notifications authorities for SPS measures are the PPIS and the VSAH. Israel is a member of the Codex Alimentarius and the World Organisation for Animal Health (OIE), and a contracting party to the International Plant Protection Convention (IPPC).

3.92. Israel has made a total of 13 notifications (including revisions, addenda, and corrigenda) to the WTO on SPS measures, most recently in 2011 on the approximation with OIE guidelines relating to BSE on the importation of live animals and animal products.[61] Four specific trade concerns have been raised about SPS measures taken by Israel, all of which have been resolved.[62] In addition to notifications of SPS measures, some of the notifications on technical barriers to trade are concerned with protection of human health or safety, protection of animal or plant life or health, or protection of the environment. From 1 January 2012 to 31 December 2017, 60 such notifications were made (including revisions, addenda, and corrigenda) about products under HS

[60] World Bank online information. Viewed at: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups.
[61] WTO documents: G/SPS/N/ISR/9, 24 April 2010; and G/SPS/N/ISR/9/Rev.1, 19 July 2011.
[62] WTO SPS Information Management System. Viewed at: http://spsims.wto.org/.

headings 1 to 24 (all for food and beverages, except for one notification on tobacco products).[63] Some of these notifications may include references to SPS measures.

3.93. The principal SPS-related laws are set out in Table 3.144.

Table 3.14 Principal SPS-related laws and regulations

Laws	Year	Last amended
Animal Diseases Ordinance	5745-1985	2015
Law of Export Control (Animals and Animal Products)	5717-1957	2015
Animal Feed Control Law	5764-2014	2016
Plant Protection Law	5716-1956	1982
Plant Import Regulations		2009
Laboratory Accreditation Authority Law	5717-1997	2002
Control of Commodities and Services Law	5718-1958	2014
Protection of Public Health (Food) Law	5775-2015	2017
Law of Frozen Meat Export	5754-1994	1996
Public Health Ordinance (Food)	5743-1983	2015

Source: Ministry of Agriculture and Rural Development online information (viewed at http://www.moag.gov.il/lawsregulation/pages/default.aspx (Hebrew) [March 2018]); and Knesset online information (viewed at http://main.knesset.gov.il/Activity/Legislation/Laws/Pages/LawPrimary.aspx?t=lawlaws&st=lawlawsvalidity&lawitemid=2000839 (Hebrew) [March 2018]).

Food safety

3.94. The Protection of Public Health (Food) Law 5716-2015, which came into effect in September 2016, is intended to increase competition in marketing of food products by, *inter alia*, reducing regulatory requirements for imports while ensuring all food marketed in Israel complies with quality and safety regulations. Under the Law, food imports are divided into two groups: "sensitive", and "non-sensitive". According to the authorities, sensitive foods are classified as such based on risk assessment with regard to different aspects such as microbiology, chemistry, animal source, foods intended for particular consumer groups, etc. Sensitive goods under the responsibility of the NFS include: milk products and milk product substitutes; food supplements (vitamins, minerals and herbs); baby food; low-acid canned foods; egg products; mineral water and beverages based on mineral water; mushroom products; high caffeine food products; fresh fruit and vegetables; fish and fish products; and meat products.[64]

3.95. All food importers must be registered with the NFS, and consignments of sensitive goods must have prior authorization from the NFS. For non-sensitive food products, prior authorization for imports is no longer required, nor is original documentation from the manufacturer demonstrating compliance with Israeli regulations. Non-sensitive food products may be imported based on a declaration by the importer that they comply with Israeli regulations and may be automatically released, unless randomly selected for documentary and physical checks (5% of consignments are sampled). The importer is required to keep all documents relating to the import, including copies of labels and packages, for one year after the expiration of the shelf-life of the goods and the importer must also keep a record of those supplied with the goods.

3.96. Imports of sensitive foods must be accompanied by certificates of analysis that certify their quality and safety, are checked at import, are sampled every three months, and are released to the importer's warehouse subject to a bank guarantee while awaiting the test results.

3.97. The Food Law also sets out the responsibilities of all food business operators, and applies uniform controls to imports and domestic production, with inspections based on risk assessment. The Law also requires the traceability of food through food business operators, with an obligation to report problems and recall affected products. Enforcement of the Law has also been reinforced, with both financial and criminal penalties possible.

[63] WTO TBT Information Management System. Viewed at: http://tbtims.wto.org/.

[64] Ministry of Health online information. Viewed at: https://www.health.gov.il/Subjects/FoodAndNutrition/food/FoodImport/Pages/default.aspx (Hebrew) [March 2018].

3.98. Currently, approval of novel foods is carried out on a case-by-case basis as set out in the Novel Food Procedure, and a list of approved novel foods is published on the NFS website.[65] The draft Public Health Regulations (Food) (Novel foods) 5773-2013 deal with foods manufactured using gene technology that have not yet been approved by the Knesset. According to the draft Regulations, only GMOs on the list of approved GMOs could legally enter the food supply system in Israel. Manufacturers and importers will be required to submit an application to the Novel Food Committee of the NFS for the approval of novel foods, including GMOs, which are not on the list of approved novel foods. The Committee would then assess the safety of the novel food, on a case-by-case basis. This assessment process is to be completed within 6 to 12 months, depending on the complexity of the application. According to the authorities, the safety criteria for assessment are derived from internationally established scientific principles and guidelines developed by the FAO, the WHO, and Codex Alimentarius.

Veterinary services and animal health

3.99. The Department of Import and Export in the VSAH is responsible for the import and export of animals, animal products, and biological material to and from Israel.

3.100. Under the VSAH's import procedures, meat and eggs must originate from plants approved by the VSAH in authorized countries. To be included in the list of authorized countries, an Israeli importer must make a request for a specific permit to import a specific animal or animal product. The VSAH then sends a questionnaire to the competent authorities of the exporting country. The completed questionnaire is evaluated, and further information may be requested. On conclusion of the written procedure, and in consultation with the competent authorities, the VSAH visits the competent authority of the exporting country. The final report by the VSAH may include a conclusion that imports may start immediately, whether additional guarantees are needed, or that the request for an import is refused.[66] Once a year, the competent authority of the exporting country should send to the VSAH a list of plants authorized for the export to Israel of meat and offal, although it may amend this list during the year. Each year, the VSAH also conducts risk analysis and, based on the results, may decide which countries and which plants within these countries are to be audited.

Plant protection and inspection services

3.101. Under the Plant Import Regulations of 2009, importers of many plant products (as listed in Annexes 3 and 4 of the Regulations) no longer require an import permit, provided:

- the plant products are not used for propagation, unless imported for this purpose and, if so, the relevant authority of the exporting country certifies that the material is not genetically modified;

- for products listed in Annex 3 of the Regulations, the importer attaches to the consignment a certificate of origin. Annex 3 includes several major plant products, including: dried grains for human consumption, animal feed or oil extraction (excluding cotton seeds); wood products (excluding logs, bark and chips); shelled nuts (excluding peanuts and pecans); and dried fruit, vegetables, and herbs; and

- for products listed in Annex 4 of the Regulations, the importer attaches a phytosanitary certificate. Annex 4 includes a long list of plants and plant products, and includes requirements that must be met (often stating they must originate from "European countries"[67]).[68]

[65] National Food Service, Ministry of Health online information. Viewed at: https://www.health.gov.il/UnitsOffice/HD/PH/FCS/NovelFood/Pages/NovelFoodList.aspx [March 2018].

[66] Ministry of Agriculture and Rural Development, VSAH (2017), *Import procedure to the State of Israel*, August. Viewed at: http://www.moag.gov.il/vet/Yechidot/inport%20export/yevu_basar/Documents/import%20procedure.pdf.

[67] For the purposes of the Regulations, these countries are defined as: Austria; Italy; Ireland; Belgium; the United Kingdom; Germany; Denmark; the Netherlands; Spain; Portugal; Finland; France; Sweden; and Switzerland.

3.102. Imports of regulated articles such as plants, plant products, seeds, propagation material, and biotic material not listed in Annexes 3 and 4 of the Regulations require import permits from the PPIS and, where a new commodity or originating market is concerned, a pest risk assessment. For these products, applications for import permits must be submitted before the date of import. If approved, a permit will be granted and will include the import requirements for the specific product, a certificate of origin, and additional statements required for import, based on PPIS decisions. These statements should appear in the health certificate accompanying the shipment from the country of origin. Under the Plant Protection Law, Regulations for Importation of Plants – 2009, imports of biotic material (which include invertebrate organisms, microbes, fungi, viruses, and soil) are forbidden. However, for research and development purposes a permit may be issued for imports of limited amounts from proven reliable sources and under restrictive conditions.[69]

Animal Feed Control Division

3.103. The Animal Feed Control Division (AFCD) is responsible for setting conditions and issuing instructions relating to imports of animal feed. According to the authorities, the Animal Feed Law of 2014, which come into force in March 2017, adopted some of the main features of the legislation of the European Union on animal feed regarding transparency, consistency, and a risk-based control system. Under the Law, Israel has adopted a new approach to ease the flow of imports by merging feed controls and other import requirements.

Kosher certification

3.104. Except for meat products, there is no legal requirement for food products to have kosher certification, but it has been reported that it is often a practical market requirement as many hotels and shops do not stock non-kosher products.[70] Under the Law for Prevention of Fraud in Kashrut (1983), the Chief Rabbinate of Israel has exclusive competence over kosher certification and the recognition of kosher certifying bodies outside Israel.[71]

3.3.4 Competition policy and price controls

3.105. In Israel, there is a marked disparity between highly dynamic exposed industries (e.g. hi-tech and start-ups) and large, low-productivity sheltered sectors that are primarily focused on the domestic market. Indeed, labour productivity growth is lower in industries that are not very exposed to international competition (e.g. the food industry, banking, electricity, gas, cement, rail and sea ports).[72] These industries are also dominated by a small number of large public and private enterprises, and present barriers to market entry.[73] High tariff protection (agriculture), the small size of the economy, a certain degree of geographic isolation with little regional trade, and even cultural factors have all contributed to some market inefficiencies.[74] High food prices triggered the 2011 "tent protests", and the high cost of living is primarily attributed to limited competition. As a result, major reforms have been introduced to the competition regime during the review period to enhance productivity at firm level, foster GDP growth, and improve consumer welfare.

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[68] Ministry of Agriculture and Rural Development, Plant Import Regulations, February 2009. Unofficial translation. Viewed at: http://www.moag.gov.il/en/Ministrys%20Units/Plant%20Protection%20and%20Inspection%20Services/Import%20of%20Plants%20and%20their%20Products/Documents/plantimportregulations2009unofficialtranslation1.pdf.

[69] Ministry of Agriculture and Rural Development online information. Viewed at: http://www.moag.gov.il/en/Ministrys%20Units/Plant%20Protection%20and%20Inspection%20Services/Import%20of%20Plants%20and%20their%20Products/Pages/default.aspx.

[70] USDA Foreign Agricultural Service (2017), *Israel Retail Foods 2017*, 27 December, Section II. Viewed at: https://gain.fas.usda.gov.

[71] Chief Rabbinate of Israel online information. Viewed at: https://www.gov.il/he/Departments/Topics/national_kosher (Hebrew).

[72] The inefficiencies in sheltered sectors reduce productivity and wages for employees and contribute to the high prices in Israel relative to per capita incomes. IMF Country Report 17/75.

[73] At the end of the last decade, the 5 largest Israeli business groups held assets amounting to 63% of GDP, and the 10 largest groups represented over 40% of total market capitalization. OECD (2016), *Boosting competition on Israeli markets*, Paris.

[74] One example of cultural factors is the Kashrut, religious dietary laws that apply to only a very small market.

3.106. The main competition legislation in Israel is the Restrictive Trade Practices Law, 5748-1988 (RTP). It provides the legal grounds upon which the Antitrust Commissioner and the Israel Antitrust Authority (IAA) regulate restrictive arrangements, merger transactions, monopolies and concentration groups. The IAA has various means at its disposal to apply competition law in the economy: it can block mergers, instigate criminal proceedings against cartels, may file a petition with the Antitrust Tribunal for an order to divest holdings in certain cases of cross-ownership among members of a concentration group, and impose administrative sanctions in response to competition violations and lift them after negotiating consent decrees with the relevant parties involving the payment of a fine. The Law also allows members of the public, businesses and consumer groups to launch proceedings, including class actions, to obtain reparations for any damage caused by anti-competitive actions.

3.107. The RTP covers restrictive arrangements, monopolies, and mergers, with the aim of preventing harm to competition. The Law substantially follows the competition model of the European Union and the United States; it also applies to state-owned enterprises. The Law is enforced by the IAA, which is independent from the Government, and is vested with powers to initiate civil and criminal proceedings. The competition law allows private enforcement through individual action or class actions by consumer and business organizations. An Antitrust Tribunal at the District Court in Jerusalem has exclusive jurisdiction over non-criminal competition proceedings brought to it by the IAA. The District Court of Jerusalem has exclusive jurisdiction on criminal matters. Decisions by the Tribunal may be appealed to the Supreme Court, Israel's highest judicial authority.

3.108. In 2011, the RTP Law was amended to enable the IAA to make an official declaration of a "concentration group" where an oligopoly exists, and provides the agency with a new toolbox to intervene. Under the amended law, the Antitrust Commissioner was granted additional powers, and may now issue instructions to members of a concentration group to take certain steps in order to prevent harm to competition or to the public, or in order to improve the competitive situation.

3.109. At the end of 2013, the Knesset passed the Promotion of Competition and Reduction of Concentration Law, 5774-2013.[75] The Law limits firms' use of pyramidal control structures, which are particularly widespread and complex and have allowed a handful number of business groups to control a large proportion of the economy. Under the Law, these groups have until the end of 2018 to reduce the maximum number of levels in these pyramids to two. This Law also restricts the control of major financial institutions by large non-financial enterprises. Such cross-ownership can distort competition between businesses, in that access to credit depends on whether they belong to one of these groups. Moreover, the Law requires all government authorities to take competition considerations into account when granting licenses or franchises or selling assets which may affect market concentration and, in certain cases, to consult with the IAA on the issue.[76]

3.110. The Promotion of Competition in the Food Sector Law, 5774-2014 (Food Law) was enacted to increase competitiveness in the food sector and reduce product prices. It prohibits, limits and regulates certain practices that could potentially be used by major suppliers or retailers to limit competition. Additionally, it empowers the Antitrust Commissioner to intervene when retail markets are geographically concentrated. The Law imposes severe criminal, administrative and civil penalties. The IAA has exercised its powers under the Food Law, has granted exemptions and approvals to various practices and actions, and has initiated enforcement actions against violators.

3.111. Cartels and other restrictive arrangements are prohibited, unless block exempted or authorized by the General Director of the IAA or the Antitrust Tribunal (Table 3.15). Currently, 15 block exemptions are in force: franchise agreements; exclusive purchase agreement; restraints ancillary to mergers; agreements for the execution of R&D; arrangements of "minor importance"; joint-ventures; several exemptions concerning certain arrangements between aircraft carriers;

[75] This Law signaled a significant change of approach, because previous efforts had aimed at neutralizing the negative effects of concentration, rather than preventing them from arising in the first place.

[76] When licenses, franchises or asset sales concerning essential infrastructure areas that are considered "essential facilities" are to be granted to large-scale companies that are on a list of "concentration groups", the Law also requires the granting agency to consult with the Committee for Economic Concentration, which is chaired by the IAA's director, on the effect of its actions on overall economic concentration in Israel. OECD (2016), *Boosting competition on Israeli markets*, Paris.

arrangements between affiliated companies; non-horizontal arrangements which do not contain certain price restraints; liner shipping arrangements; and export of security equipment.

Table 3.15 Antitrust law enforcement, 2012-17

	2012	2013	2014	2015	2016	2017
IAA decisions on requests for exemption of restrictive arrangements	71	68	52	67	55	53
Granted	46	40	25	40	39	42
Granted subject to conditions	24	22	26	27	15	11
Objections	1	6	1	0	1	0
Monopoly determinations	3	1	1	1	0	1
IAA merger decisions	147	163	149	159	191	127
Approved mergers	137	154	146	158	184	123
Approved with conditions	6	7	2	1	3	4
Blocked mergers	4	2	1	0	4	0
IAA infringement investigations/decisions, of which:						
Abuse of dominant position	2	3	3	2	1	2
Criminal indictments: bid-rigging and price-fixing	4	3	2	2	0	4
Mergers	1	3	1	3	3	0
Restrictive arrangements	2	3	3	2	6	3
Cases involving the leniency programme	0	0	1	1	0	0
Proceeding brought before the Antitrust Tribunal	0	1	1	0	0	0
Total fines and administrative monetary penalties (NIS million)	0.015	8.5	73.6	13.6	10.6	14.1
Number of prison sentences	0	0	0	2	3	1

Source: Information provided by the authorities.

3.112. During the review period, the IAA limited sector-specific exemptions in agriculture and in maritime and air transport, the last remaining sectoral exclusions of the competition law. An exception applies to the growing or marketing of certain agricultural products, provided all parties are producers or wholesalers of the product concerned (fruit and vegetables, field crops, milk, eggs, honey, cattle, sheep, poultry, or fish).

3.113. Under Israeli law, the abuse of a dominant position by a monopoly may constitute a criminal offence. A firm is deemed a monopoly if it controls more than 50% of a relevant market.[77] Recently, the IAA advocated for an amendment to the RTP which would subject firms possessing market power to the RTP's monopoly provisions even if their market share falls short of 50%. This legislative initiative is being discussed. The official list currently comprises 76 monopolies of goods and services (68 at the time of Israel's TPR in 2012). Instruments for regulating monopolies include price controls (see below); prohibition of certain conduct, such as abusive pricing; instructions from the IAA regarding measures to be taken by the monopolist to prevent prejudice to competition; or break-up of a monopoly by order of the Antitrust Tribunal.

3.114. Mergers are subject to prior approval by the IAA if: (i) the merger creates a monopoly or one of the parties is a monopoly; or (ii) the combined sales turnover in Israel exceeds NIS 150 million and the sales turnover of at least one of the companies exceeds NIS 10 million. There is a compulsory pre-merger notification system for mergers exceeding these thresholds. Mergers are evaluated for anti-competitive effects in less than one month, on average, by the IAA. Post-merger remedies for mergers that did not receive approval include divestiture of companies if ordered by the Antitrust Tribunal. The Income Tax Ordinance grants tax benefits for structural changes and mergers, mainly to improve efficiency.[78]

3.115. Since 2012, the IAA director may impose monetary penalties for competition law infringements (including cartel violation, abuse of dominant position or if mergers are carried out without IAA approval), increasing the options open to the authorities. Israeli law provides for monetary fines which are up to 8% of the annual turnover of the violator, but no more than NIS 24 million.

[77] The General Director of the IAA has the authority to declare a company a monopoly in the Official Gazette if the company supplies or purchases more than 50% of a product's or service's output in the domestic market (section 26); monopolists are thus covered.

[78] The conditions are set out in chapter 5B of the Income Tax Ordinance.

3.116. Since 2012, IAA funding and staff resources have increased to NIS 61 million and 120 employees in 2017 (up from NIS 24 million and 83 employees in 2011). The adaptation of competition policy to best practice has also led to significant progress in several areas; the IAA's competition advocacy role was institutionalized and broadened since 2013.[79]

3.117. Antitrust offenders risk imprisonment of up to five years, plus financial penalties. Nonetheless, harsher penalties (including bigger fines), increasing potential damages resulting from class actions, and reforming the leniency programme (which cannot be used, for instance, once an investigation has been opened, even if it might speed up and improve results) would strengthen enforcement. The maximum fine applied under these procedures is only NIS 2.26 million (less than US$0.6 million). Until now, moreover, nobody has been sentenced to more than nine months in prison for cartel offences, and many sentences have been commuted to community service. The IAA expects to see the introduction of tougher prison sentences against cartels, and the Supreme Court wants judges to implement them.[80]

3.118. During the review period, the Israeli authorities have launched a series of reforms to increase competition and efficiency in some sheltered sectors. For example, competition in broadband Internet has improved by unbundling the local loop of the incumbent operators in early 2015 (Section 4.4.5); and recent measures have been taken to restructure the public postal services operator, enhance its regulatory framework and partially privatize it, and new segments of the market have been opened to improve customers service (Section 4.4.5). However, some external sources suggest creating independent regulators with well-defined mandates (e.g. in the telecoms, postal services, and gas sectors) to improve competition.[81]

3.119. Retail prices of a number of goods and services remain under the control of the Government (Table 3.15). Prices are either fixed by the Government (e.g. certain utilities, and communication and transportation fees) or are subject to supervision, requiring approval before they may be increased (certain foodstuffs, school books, and medicines). Price control and supervision concern almost 20% of food products in the CPI basket.[82]

Table 3.16 Regulated prices, 2018

Controlled prices	Prices under supervision (Supervision of Prices of Goods and Services Law)
Railway transport	
Municipal taxes	Milk (1% and 3% fat)
Electricity (for domestic use)	Basic bread
Water (for domestic use)	Hard cheese (2 types)
Mail services	Sour cream (15% fat)
Phone services (local calls)	Edible salt
Vehicle fees	Butter
Vehicle mandatory insurance	Table eggs
	Yoghurt (2 types)
	School books
	Medicines
	Day-care centres and kindergarten
	Fuel (reduced-lead benzene and 96-octane benzene)
	Domestic flights
	Public bus transportation
	Taxi rides

Source: Information provided by the authorities.

3.120. Price oversight is exercised under the Law on the Supervision of Prices of Goods and Services of 1996, rather than under competition law. The Minister of Finance, together with the ministers with jurisdiction over the product concerned, may order price controls if: (i) the product is controlled by a monopoly; (ii) the supply is controlled in a manner that substantially affects the market; (iii) the suppliers or purchasers of the product face little or no competition (e.g. fuel); or (iv) the product is subsidized (e.g. medicines or public transportation). A price control order may also be issued if: (i) the product is essential and the restriction is in the public's best interest;

[79] OECD (2016), *Economic Surveys: Israel*, Paris.
[80] OECD (2016), *Boosting competition on Israeli markets*, Paris.
[81] OECD (2016), *Economic Surveys: Israel*, Paris.
[82] OECD (2016), *Economic Surveys: Israel*, Paris.

(ii) there is a shortage of the product due to special circumstances; or (iii) price regulation is needed to control inflation or to achieve the objectives of the Government's economic and social policy.

3.3.5 State trading, state-owned enterprises, and privatization

3.121. Israel has notified to the WTO that the Israel Groundnuts Production and Marketing Board is the only state-trading enterprise (SOE) with exclusive export rights as defined in GATT Article XVII and the Understanding on the Interpretation of Article XVII.[83]

3.122. SOEs continue to play an important role in the economy, notably in the electricity, water, transport, ports and defence industries. There were 69 SOEs in 2016 (92 in 2011), contributing about NIS 67 billion in revenues or about 5% to GDP. According to Israel's annual SOE report of 2016, at least two SOEs have been declared as monopolies under the Competition Law: Israel Electricity Corporation, and Mekorot, the water corporation.

3.123. Government companies are subject to the general Companies Law and to the Government Companies Law of 1975 (the GCL). The Government Companies Authority (the GCA) is responsible, *inter alia*, for supervising, restructuring and privatization. Government-owned companies are divided into three groups: government companies (excluding state banks acquired pursuant to the Bank Shares Agreement), with the State holding more than 50% of the voting power or the right to appoint over half of the board members; government subsidiaries, which are separately incorporated entities subordinate to existing government companies where the government company alone, or together with the State, possesses over half of the voting power or the right to appoint over half of the board of directors; and mixed companies, in which the State's ownership or control does not meet these thresholds.

3.124. Privatization of government-owned companies, other than banks, is administered by the GCA. The Privatization Committee (consisting, *inter alia*, of the Minister of Finance, as chairman, and the Minister of Justice) may initiate the privatization of any government company or mixed company, and implement structural changes or other preparatory measures necessary for privatization (subject to approval by the Finance Committee of the Knesset). Pursuant to the 1983 Bank Shares Arrangement, responsibility for the privatization of banks is with the Ministry of Finance, through a wholly-owned government entity (MI Holding).

3.125. Since the last Review in 2011, six privatizations took place: in 2009-10, a development bank and the seaport of Eilat were sold to private investors; in 2016, the State sold its share in three companies in the tourism sector, which were jointly owned with local municipalities[84]; and in 2016, the central Government transferred all of its shares in a software company to the Federation of Local Authorities in Israel, with which it had previously jointly owned the company.

3.126. In 2014, a new three-year privatization scheme of NIS 20 billion (1.75% of GDP) was launched, involving the full divestment of some SOEs, including the ports and the postal service, and a series of partial privatizations through initial public offerings (electricity, water and defence). In addition to the public revenue generated, the authorities also expect it to have a positive impact on the firms' management and performance as a result of their increased exposure to market forces and stricter transparency requirements.

3.127. Over the last few years, reforms have improved the regulatory framework to ensure competitive neutrality between public and private firms in the same market in terms of regulation, financing and taxation. SOEs are strongly represented in defence and many network industries (maritime and rail transport, postal services, water management, electricity and other energy-related activities). According to the authorities, the profitability of SOEs has recently improved significantly; SOEs reported a consolidated net profit of NIS 1.9 billion in 2016.

3.128. Despite these positive steps, external sources have called for further reforms. For example, according to the OCED, the authorities should review the management of public service obligations that are often imposed on SOEs, such as the rationale for having nationwide price

[83] WTO document G/STR/N/1/ISR/Rev.1, 26 September 1996.
[84] The municipalities remained shareholders, in some cases with an increased share.

equalization for electricity, water, telecoms, and postal services, despite regional cost differentials.[85]

3.3.6 Government procurement

3.129. Israel is party to the WTO plurilateral Agreement on Government Procurement (GPA) and was among the first 10 parties to accept the revised GPA which entered into force on 6 April 2014.[86] Under Israeli law, commitments under the GPA prevail over national procurement regulations.[87] In 2016, the Israeli Government procurement market, excluding for defence, was estimated at approximately NIS 32 billion (about US$ 8.1 billion or around 3% of GDP).[88]

3.130. Under the revised GPA, Israel made a number of market access commitments that enhance the opportunities for foreign companies to compete in its government procurement market. Several central government entities and government enterprises have been added to Israel's lists of covered entities and government enterprises that procure in accordance with GPA provisions: the number of covered central government entities increased by 5 to a total of 26.[89] The threshold for construction contracts tendered by covered central government entities was reduced from SDR 8.5 million to SDR 5 million, starting from the sixth year after the entry into force in Israel of the revised GPA, i.e. from 6 April 2014. Nine government enterprises and other entities have been added to Israel's list of GPA covered entities (e.g. Environmental Services Company Ltd., Arim Urban Development Ltd. and Marine Trust Ltd.). Israel's covered procurement includes a number of additional service sectors, such as financial services, commercial courier services, and education services.

3.131. Israel has invoked developing-country status pursuant to the GPA 1994, allowing it to implement offset arrangements to ensure a certain domestic content in government procurement contracts. To satisfy the offset requirement, a foreign supplier may subcontract to local companies, invest in local industries or R&D, transfer know-how, purchase goods made in Israel, or in any other manner approved by the Industrial Co-operation Authority (ICA). The policy is aimed at protecting and promoting the participation of Israeli small and medium-sized enterprises in government procurement contracts. In addition to government agencies and state-owned companies, local authorities are required to follow an offset policy. The offset percentage for procurements covered by Israel's GPA obligations is 20% of the value of the contract; for procurements excluded from GPA coverage, it is 35%; and for military procurements, it is 50%. Israel has undertaken to phase out its offset regime with respect to procurement covered by the GPA. It will progressively reduce the current 20% offset level, and eliminate offsets entirely after 15 years from the entry into force of the revised GPA in Israel. Additionally, a threshold of NIS 3 million will be set, below which offsets will not be applied. After five years, Israel will also start reducing the number of entities that can apply offsets.

3.132. Procurement by central government entities, government authorities, statutory corporations, and government companies is governed by the Mandatory Tenders Law of 1992. Procurement by local authorities is subject to the Municipalities Ordinance of 1967 (Sections 197 and 198) and the Municipalities Regulations (Tenders) of 1987, as amended.

3.133. There is an exemption committee in each government office, comprising the director general of the office, the office's legal advisor (representative of the Attorney General), and the accountant (representative of the Accountant General), whose function is to grant exemptions from tenders, falling under the categories specified in the regulations. This committee grants exemptions for transactions valued above NIS 150,000 and under NIS 4 million. Exemptions from

[85] OECD (2016), *Boosting competition on Israeli markets*, Paris.

[86] The revised text of the GPA, while based on the same principles and main elements of the original text, improves it in many ways. For example, it brings it up to date with developments in information technology and procurement methods, expands access to government procurement contracts, and eliminates a number of discriminatory measures. Parties' total new market access commitments have been estimated by the WTO Secretariat to be worth about US$80-100 billion annually.

[87] Article 5(A)(b) of the Mandatory Tenders Law of 1992 states that "Regulations under this Law shall apply to the extent that they do not conflict with an undertaking of the State in an international agreement", such as the GPA.

[88] This figure does not include for defence purchasing bodies, governmental hospitals, sub-central entities, and about 17% of the governmental purchase of 2016 which was not specifically categorized.

[89] The additions include the SMBA, and the Central Bureau of Statistics.

tenders over NIS 4 million, and in some cases over NIS 2.5 million, are taken to the Central Exemption Committee for a decision.[90]

3.134. Each exemption from public tender must be published on the website of the Government Publications Office within five days; this is a prerequisite for the entry into force of the exemption decision. The exemption committee may approve contracts of procurement from a single supplier only after verifying the availability of additional suppliers, by advertising, via the Internet, five days before the intent to procure from a sole supplier, and allowing any person to notify the Tenders Committee that they believe that there is more than one supplier. The Tenders Committee is obliged to inform the person of its decision. A participant in a tender may be allowed access to the protocols of the Tenders Committee, the winner's bid, professional opinions submitted to the Tenders Committee, and the Committee's legal advisor's opinion.

3.135. The key features of Israel's government procurement provisions are described in Table 3.17. Public tenders are published in two daily Israeli newspapers, on the website of the Government Publications Office, and in one daily or weekly Arabic publication. The announcement must include: type of contract, general information on the contract, option to continue the contract, period of the contract, conditions for participation in the tender, where to obtain the tender information and forms, and the place and date for submitting bids. For a tender under the GPA, the information must also be published in an English newspaper. The purchasing agency is required to notify all participants in the tender of its final decision.

Table 3.17 Key features of Israel's government procurement provisions

Method	Application
Procurement procedures	
No tender	Contracts up to: - NIS 50,000 for ministries other than Defence and Public Security; - NIS 200,000 for government companies or subsidiaries Other instances: a contract that is urgently needed in order to prevent substantial harm; a contract pertaining to a transaction for which a tender is liable to cause substantial harm to national security; additional contracts within five years of the conclusion of the first contract; a contract with a professional specialist; contracts concerning marketing of agricultural produce, advertising in the media, cultural, artistic, entertainment, certain operations in the capital market, or certain areas of medicine.
Expeditious electronic auction	Expeditious electronic auction for purposes of shortening procedures, applicable to tenders in which one of the following applies: - up to NIS 400,000; - the engagement is urgently required to prevent actual damage, in the scope and for the minimal period required in such circumstances.
Public tender	Contracts above: - NIS 50,000 for ministries, other than Defence and Public Security; - NIS 200,000 for government companies or subsidiaries.
Extraordinary tender	Contracts: - transaction with respect to R&D or scientific work (which are exempt from the public tender requirement); - when no technical specification is available; - for educational or vocational training; and - when, for defence considerations, the Ministry will need to make investments in infrastructure.
Preferences for domestic industries	All international tenders (except for GPA tenders): price preference of up to 15% to domestic suppliers (at least 35% domestic content). Preferences do not apply to contracts subject to GPA provisions.
Offset requirement	International public tenders with a value above US$5 million; minimum "co-operation" of 35% of the contract value (20% for GPA members). The offset requirement can be satisfied in the form of subcontracting to local companies, investment in local industry, know-how transfer, or acquisition of goods made in Israel or of work or services in Israel (Mandatory Tenders Regulations (Mandatory Industrial Cooperation) of 2007).

Source: Information provided by the authorities.

[90] This committee is composed of representatives of the Ministry of Finance.

3.136. Israel's tendering regulations allow for price preference of up to 15% to local suppliers, with at least 35% domestic content. Preferences do not apply to contracts subject to GPA provisions.

3.137. A party may challenge a tender at any stage of its process. Contract awards may be challenged in the District Court in the region where the tender was published. The Court may cancel the awarding of the tender on the basis of incorrect procedures, or temporarily hold up the tender until the facts are checked.

3.138. In September 2016, Israel and the United States signed a new security assistance Memorandum of Understanding (MOU) to succeed the current MOU which expires on 30 September 2018. The new MOU has a total value of US$38 billion per year and will be in place from fiscal year 2019 through fiscal year 2028. It will discontinue both offshore procurement[91] and Israel's use of security assistance funds to purchase fuel. Together, these changes mean that Israel will spend up to US$1.2 billion more per year on advanced military capabilities that only the United States can provide.[92]

3.3.7 Intellectual property rights

3.3.7.1 Overview

3.139. Israel has further improved its already well-respected intellectual property system by investing in the administrative functioning of the ILPO's examination procedures, and further modernizing its IP statutes, particularly in the areas of patents and designs. Reflecting a highly innovative and competitive industry where many start-ups depend on and enforce their intellectual property rights, Israeli courts frequently encounter IP litigation, including the Supreme Court which has issued a number of relevant rulings and opinions during the review period.

3.140. The challenges posed by the digital environment in the area of intellectual property rights are reflected in a number of developments during the review period. These include Supreme Court judgements on the extent of copyright exceptions under the 2007 Copyright Act legislative changes to permit online distribution of TV broadcast signals.

3.3.7.2 Economic policy context

3.141. Rankings of the Israeli economy in global indices of innovation and competitiveness over the review period reflect its status as one of the most innovative economies. It continues its efforts to further improve the policy framework for its vibrant high-tech industry sector. Israel's overall ranking in the Global Competitiveness Index rose from 26th place in 2012-13 to 16th in the 2017-18 report[93], with its 3rd place ranking in the innovation sub-category remaining unchanged throughout the period. Israel's ranking in the IP protection sub-category – improving from 33rd place in 2012-13 to 10th place in the 2017-18 report[94] – reflects that IP protection is a central component of its overall innovation policy, which is borne out by intensive use of the IP system for innovation outputs. In that regard, Israel ranked among the top ten countries in PCT patent applications per million population throughout the review period.[95]

3.142. Given the diverse forms that IP takes in international trade, including IP embedded in manufactured goods, IP royalties recorded as services trade, and consumer downloads of IP content, it is difficult to establish a comprehensive tally of the full IP component of Israeli trade. However, several indicators permit an approximate estimation of Israel's IP trade and confirm its

[91] The arrangement under the current security assistance MOU through which Israel has been permitted to spend 26.3% of its annual security assistance package within Israel on non-US products. USTR (2017), *Foreign Trade Barriers: Israel*, Washington, D.C.

[92] USTR (2017), *Foreign Trade Barriers: Israel*, Washington, D.C.

[93] Global Competitiveness Report Rankings. Viewed at: www.weforum.org/reports. Global Innovation Index Rankings 2013-2016. Viewed at: www.globalinnovationindex.org.

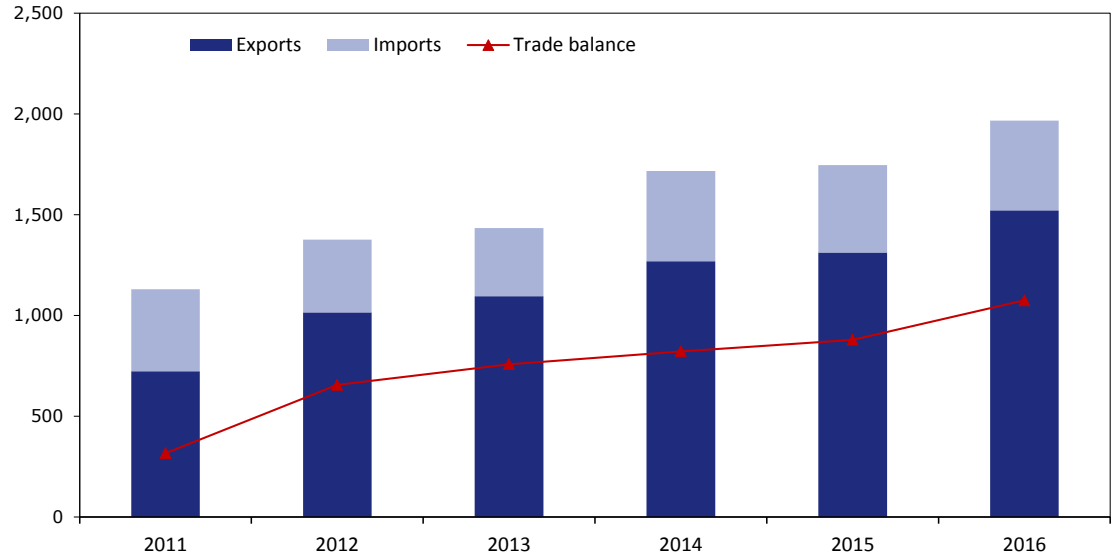
[94] Indicator: 1st pillar: Institutions, 1.02 Intellectual property protection; Global Competitiveness Report Rankings. Viewed at: www.weforum.org/reports.

[95] Indicator: 12th pillar: Innovation, 12.07 PCT patent applications/million pop; Global Competitiveness Report Rankings. Viewed at: www.weforum.org/reports.

traditional situation as a net IP-exporting country, with the positive trade balance on IP licence fees rising to US$831 million in 2015 (see Chart 3.3).

Chart 3.3 Trade in charges for the use of intellectual property n.i.e., 2011-16

(US$ million)

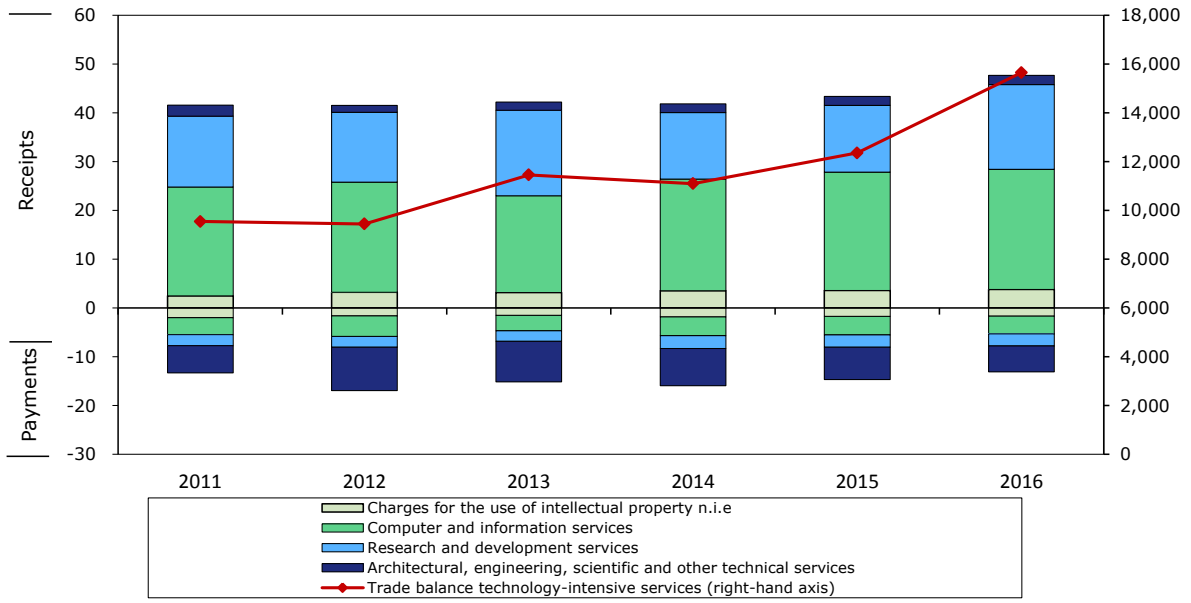


Source: OECD Stat. Trade in services – EBOPS 2010. Viewed at: https://stats.oecd.org/Index.aspx?DataSetCode=TISP_EBOPS2010.

3.143. This reflects a context of an overall positive balance of trade in technology-intensive services that rose to US$11.83 billion in 2015, largely led by the categories of Computer and Information Services and Research and Development Services (see Chart 3.4).

Chart 3.4 Trade in technology-intensive services, 2011-16

(Percentage of services receipts and payments)



Source: OECD Stat. Trade in services – EBOPS 2010. Viewed at: https://stats.oecd.org/Index.aspx?DataSetCode=TISP_EBOPS2010.

3.144. Israel remains among the most research-intensive economies in the world with gross domestic spending on research and development consistently remaining above 4% of GDP –

almost twice the OECD average.[96] With publicly financed R&D remaining limited[97], however, the economic ecosystem of Israel relies heavily on foreign multinationals and large corporate R&D investors, as well as start-ups for the financing of R&D. With venture capital growing to US$4.8 billion in 2016[98], BERD and venture capital shares of GDP remain the highest in the OECD area.[99]

3.145. In early 2016, in an effort to nurture and develop the Israeli innovation infrastructure, and to adapt and improve the innovation strategy of the former Office of the Chief Scientist (OCS), Israel replaced the OCS and its Industry Centre with the Israel Innovation Authority (IIA).[100] This new independent agency comprises several dedicated innovation divisions that administer programmes targeted at start-ups, R&D financing, technological infrastructure improvement and international collaboration on R&D, among others (Section 3.3.1).

3.146. In order to encourage multinational corporations to consolidate IP ownership and profits in Israel along with existing Israeli research and development (R&D) functions, in December 2016 the Knesset approved the reduction of tax rates for IP-based companies.[101] While multinationals such as Google, Apple, Microsoft, Johnson & Johnson and IBM had opened development centres in Israel, a government committee found that Israel sees "almost no revenue from them, compared with the enormous profit their developments are creating for the parent company" since their IP assets were held abroad.[102] The tax benefits created by this new "innovation box regime" include a reduction from 23% to 6%-12% of corporate income tax on IP-based income, and on capital gains from future sale of IP where the IP was developed in Israel. The 6% rate would apply to qualifying Israeli companies that, *inter alia*, have revenue of over NIS 10 billion (US$2.5 billion) and a 7.5%-12% rate would apply to Israeli companies that, *inter alia*, have revenue of less than NIS 10 billion (US$2.5 billion).[103] Earnings from IP not developed in Israel and owned by an Israeli company, even if acquired by Israeli companies, will remain subject to the country's full corporate tax.[104]

3.147. In Circular 4/2016, published in 2016, the Israeli Tax Authority (ITA) provided an interpretation of the tax concept of "permanent establishment" to give more weight to internet activities directed at the Israeli market to establish corporate tax obligations, especially regarding companies residing in countries with which Israel has no income tax treaty. In addition, the Circular establishes criteria for the registration of an international corporation that provides services to Israeli customers via the Internet as a dealer for VAT purposes, including the existence

[96] OECD Data, Main Science and Technology Indicators, Gross Domestic spending on R&D as % of GDP. Viewed at: https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm.

[97] In 2013, publicly financed GERD constituted 0.55% of GDP. See OECD Science, Technology and Innovation Outlook 2016, Israel Country Profile. Viewed at: http://www.keepeek.com/Digital-Asset-Management/oecd/science-and-technology/oecd-science-technology-and-innovation-outlook-2016/israel_sti_in_outlook-2016-68-en#page1.

[98] "Israel is a tech titan. These 5 charts explain its startup success", World Economic Forum on the Middle East and North Africa, Science & Technology. Viewed at: https://www.weforum.org/agenda/2017/05/tiny-israel-is-a-tech-titan-these-5-charts-explain-its-startup-success/.

[99] OECD Science, Technology and Innovation Outlook 2016, Israel Country Profile.

[100] See description of the Israel Innovation Authority. Viewed at: http://www.matimop.org.il/about_authority.html.

[101] Economic Efficiency Law (Legislative Amendments to Achieve the Budget Goals in the Budget Years of 2017-2018), p. 264. Viewed at: http://www.justice.gov.il/SitePages/OpenDocument.aspx?d=btfoGU%2fzRz98U4QZbe1n0k61Ydq3RBsnRNfUSWZMPeE%3d.

EY Global Tax Alert, "Israel approves new innovation box regime and reduces tax rates from 1 January 2017", 16 December 2016. Viewed at: www.ey.com/taxalerts.

[102] *Israel Courts Companies' Intellectual Property With New Tax Breaks*, Bloomberg BNA World Intellectual Property Report, 29 WIPR 22, quoting a senior ministry official. Viewed at: http://iplaw.bna.com/iprc/5008/split_display.adp?fedfid=71869306&vname=wiprunotallissues&split=0.

[103] EY Global Tax Alert, "Israel approves new innovation box regime and reduces tax rates from 1 January 2017", 16 December 2016.

[104] *Israel Courts Companies' Intellectual Property With New Tax Breaks*, Bloomberg BNA World Intellectual Property Report, 29 WIPR 22. An exception applies if IP assets are transferred to Israeli ownership as part of an active and ongoing business as a whole.

of a significant economic presence in Israel, as defined in section 2.2.3 of the said circular, and the legal implications of such registration.[105]

3.148. In 2016, the Israeli Tax Authority (ITA), submitted a draft amendment to the VAT Law that would require foreign suppliers of business-to-consumer digital services to register and account for value added tax in Israel and would apply to telecommunication services and electronic services, including sales of intangible products, provided through the internet or other networks, including software sales or upgrades, entertainment products, gaming, music, digital books, gambling, TV programmes, movies, transfer of rights to sell intangible goods or services in an online store in exchange for consideration.[106]

3.3.7.3 International context and WTO participation

3.149. Since the last TPR in 2012, Israel has signed and ratified WIPO's Marrakesh VIP Treaty[107] which entered into force for Israel on 30 September 2016. Israel is a member of WIPO and a party to most of its treaties.[108] The Patent Cooperation Treaty (PCT), the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration directly affect the working of the domestic system of IP protection. While a signatory to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty since 1997, Israel has not ratified these agreements. It is also not a signatory of the Patent Law Treaty.

3.150. As a member of the WIPO Lisbon Agreement[109], Israel participated actively in the negotiations of the Geneva Act of the Lisbon Agreement on Appellations of Origin (AOs) and Geographical Indications (GIs)[110] that was adopted on 20 May 2015. In the negotiations, Israel presented specific positions on GIs in trans-border geographical areas, on the scope of protection *vis-à-vis* earlier rights, and on the protection of registered AOs and GIs against becoming generic.[111] With regard to the envisaged fees for use of the new Act, Israel supported a fee structure at the international level that permitted the financial sustainability of the registration system while maintaining the option for Members to charge filing and renewal fees at the national level.[112] While Israel signed the Final Act at the conclusion of the Diplomatic Conference in Geneva, this "does not constitute a decision […] to accede to the Final Act" and an inter-ministerial team will continue to deliberate "with the aim of formulating a clear position regarding the economic viability of joining".[113]

3.151. Israel's commitments with respect to IPR protection in bilateral agreements include an undertaking to protect intellectual property rights "in accordance with the highest international standards, including effective means of enforcing such rights".[114] Israel also maintains a global network of nearly 40 Bilateral Treaties for the Reciprocal Promotion and Protection of Foreign

[105] Israel Tax Authority, "The Israeli Tax Authority published guidelines regarding taxation of foreign corporation activity in Israel via the Internet". Viewed at: https://taxes.gov.il/English/About/SpokesmanAnnouncements/Pages/Ann_11042016.aspx.

[106] *The Israeli Tax Authority published guidelines regarding taxation of foreign corporation activity in Israel via the Internet*, Israeli Tax Authority, Announcement 11042016. Viewed at: https://taxes.gov.il/English/About/SpokesmanAnnouncements/Pages/Ann_11042016.aspx. See also *Israeli Tax on Digital Services: Draft Law*; Dr. Avi Nov Law Offices. Viewed at: http://www.israeltaxlaw.com/page1223.asp.

[107] The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, adopted on 27 June 2013, seeks to create a set of mandatory limitations and exceptions for the benefit of the blind, visually impaired, and otherwise print disabled (VIPs). Viewed at: http://www.wipo.int/treaties/en/ip/marrakesh/.

[108] For a detailed list of IP-related treaty membership, see: http://www.wipo.int/wipolex/en/profile.jsp?code=IL.

[109] The Lisbon Agreement for the Protection of Appellations of Origin and their International Registration provides for the protection of appellations of origin through a central register. See details at: http://www.wipo.int/treaties/en/registration/lisbon/.

[110] See details of the Geneva Act at: http://www.wipo.int/wipolex/en/details.jsp?id=15625.

[111] Israel Patent Office Annual Report 2015, p.98.

[112] Israel Patent Office Annual Report 2015, p.98.

[113] Israel Patent Office Annual Report 2015, p.98.

[114] Euro-Mediterranean Agreement between the European Communities and Israel of 1995, Chapter 4, in WTO document WT/REG110/1.

Investments (BITs)[115], which also cover intellectual property rights as part of investment protection in the majority of cases. During the period under review, Israel concluded negotiations for a bilateral free trade agreement (FTA) with Panama and has signed an FTA with Colombia[116], as well as BITs with Myanmar[117] and Japan[118], which include intellectual property rights in the definition of investment. An amended BIT with Ukraine entered into force on 20 November 2012.[119]

3.152. As an exception to the investment's protection against expropriation, these agreements specify that, with respect to intellectual property rights, a party may permit the use of an intellectual property right, provided such permission is made in conformity with the principles set forth in the TRIPS Agreement.[120] In the Israel-Colombia FTA, it is specified that such principles include "any waiver in force between the Parties of any provision of the TRIPS Agreement granted by WTO Members in accordance with the WTO Agreement"[121] which would cover special compulsory licences for exportation that can be granted under the WTO mechanism established for that purpose.[122]

3.153. Israel is in negotiations for future or expanded FTAs with South Korea[123], China[124], Viet Nam, the Eurasian Economic Union, India[125], and Canada.[126] Both the agreements with South Korea and Canada will include IP chapters, however the inclusion of IP chapters in the rest of said FTAs, and the scope of such chapters, has not yet been decided.

3.154. As reported in the last TPR Report, Israel had reached an agreement with the United States[127] in February 2010 in the context of its OECD accession to make three specific amendments to its patent and other provisions related to pharmaceutical protection, in an effort to downgrade its status from the USTR Special 301 "Priority Watch List".[128] After the enactment of the two remaining patent law amendments foreseen in the agreement during this review period – on transparency and patent term extension[129] – and significant efforts to reduce pendency and examination time at the ILPO, the United States downgraded Israel to the Special 301 "Watch List" in 2013[130], and removed it from the Special 301 Report altogether in 2014.[131]

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[115] See a list at http://investmentpolicyhub.unctad.org/IIA/CountryBits/102#iiaInnerMenu.

[116] Israel-Colombia FTA, signed on 30 September 2013, does not contain a Chapter on IP, but includes IP in the definition of investment in Article 10.1. Viewed at: http://www.mof.gov.il/chiefecon/internationalconnections/doclib1/colombia.pdf.

[117] Israel-Myanmar BIT, signed 5 October 2014, effective 5 September 2017. (See the definition of Investment in Article 1.1).

[118] Israel-Japan BIT signed 1 February 2017, effective 5 October 2017. (See the definition of Investment in Article 1.(a) vii.).

[119] Israel-Ukraine BIT, amended on 24 November 2011, effective 20 November 2012. (See the definition of Investment in Article 1.(a) 4.).

[120] Israel-Colombia FTA, Article 10.7 (2). See similar provisions in the Israel-Myanmar BIT (Article 5.2), the Ukraine-Myanmar BIT (Article 5.2), and in the Israel-Japan BIT (Article 11.5).

[121] Israel-Colombia FTA, Article 1.5: General Definitions, Footnote 1.

[122] See the TRIPS waiver decision WT/L/540 (and Corr.1) of 2003, and the new Article 31*bis* of the TRIPS Agreement (in force since 23 January 2017), implementing Paragraph 6 of the WTO Declaration on TRIPS and Public Health (WT/MIN(01)/DEC/2 of 20 November 2001).

[123] "S. Korea starts 2nd round of FTA talks with Israel", Yonhap News Agency on 11 December 2016. Viewed at: http://english.yonhapnews.co.kr/news/2016/12/11/0200000000AEN20161211001100320.html.

[124] See China FTA News Release of 15 July 2017. Viewed at: http://fta.mofcom.gov.cn/enarticle/enrelease/201707/35539_1.html.

[125] See https://aric.adb.org/fta/india-israel-preferential-trade-agreement.

[126] See Canada's Press Release: http://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/israel/fta-ale/info.aspx?lang=eng&_ga=2.246730244.1842988708.1513595794-937579896.1513595794.

[127] USTR - Government of Israel Agreement of 18 February 2010: https://ustr.gov/sites/default/files/uploads/gsp/speeches/reports/IP/MOU%20Israel.pdf.

[128] The Special 301 lists identify states whose intellectual property laws are seen as trade barriers to U.S. companies and products.

[129] See below for more detail on these patent law amendments.

[130] *United States Trade Representative Ron Kirk Announces Removal of Israel from Intellectual Property Rights Priority Watch List*, USTR Press Release, 24 September 2012. Viewed at: https://ustr.gov/about-us/policy-offices/press-office/press-releases/2012/september/USTR-announces-removal-israel-ipr-priority-watch-list.

3.155. In the context of the WTO TRIPS Council, Israel is a supporter of the "Joint Proposal" in the WTO GI negotiations, advocating a voluntary GI register for wine and spirit GIs that has no legal effects at the national level.[132] Under Article 63.2, Israel notified a consolidated version of its 2007 Copyright Act to the TRIPS Council in November 2011.[133] Other legislative changes to its primary IP legislation since 2011 have not yet been notified to the TRIPS Council.

3.3.7.4 Structure and use of the IP System

3.156. The Ministry of Justice is responsible for IP policy and governmental initiatives of IP legislation and in particular, the Israel Patent Office (ILPO), which is under the Ministry of Justice. The ILPO provides legal protection of industrial intellectual property, through the examination and registration of patents, designs, trademarks and appellations of origin. The ILPO is also in charge of registration-related adjudication.

3.157. The numbers of patent applications, patents granted, and trademark and industrial design applications between 2012 and 2017 in Israel are shown in Table 3.18. Overall levels of filings in Israel have remained stable or increased at a moderate rate since 2012, with the relative share of filings by residents *vis-à-vis* foreign applicants remaining steady at around 26% for trademarks and around 20% for patents. The most significant growth is registered in filings by Israeli residents abroad. The number of PCT applications by Israeli residents abroad also continuously exceeds foreign PCT applications in Israel.[134] The data illustrates the intensive use of the IP system by Israeli residents which corresponds to the highly competitive and innovative domestic economy and to the rise in IP exports over the same period is illustrated in the previous section.

3.158. A significant shift can be observed in the number of patents the ILPO has been able to grant per year. While the number of patent applications remained stable, the ratio of grants per application improved from 50% in 2012 to over 80% in 2016, reflecting successful efforts to modernize the office procedure, improve capacity and reduce the pendency rate and examination time.

Table 3.18 Applications for trademarks, industrial designs, and patents, and patents granted, 2012-16

	2012	2013	2014	2015	2016	2017
Trademark applications						
Resident	2,186	2,244	2,379	2,507	2,341	2,570
Non-resident	6,160	6,381	6,576	6,716	6,748	8,070
Total	8,346	8,625	8,955	9,223	9,089	10,640
Abroad	10,963	12,855	15,004	14,301	17,347	n.a.
Industrial design applications						
Resident	1,011	860	921	1,049	1,181	1,074
Non-resident	538	489	459	489	684	583
Total	1,549	1,349	1,380	1,538	1,865	1,657
Abroad	6,901	6,029	8,654	9,147	9,131	n.a.
Patent applications						
Resident	1,319	1,201	1,125	1,285	1,300	695
Non-resident	5,473	4,984	5,148	5,623	5,119	6,118
Total	6,792	6,185	6,273	6,908	6,419	6,813
Abroad	11,065	11,566	12,312	13,203	13,808	n.a.
Patents granted						
Resident	484	594	690	723	787	728
Non-resident	2,902	3,103	3,294	3,769	4,151	4,078
Total	3,386	3,697	3,984	4,492	4,938	4,806
Abroad	4,129	4,797	5,257	5,673	6,108	n.a.

n.a. Not applicable.

Source: WTO Secretariat, based on WIPO statistical data, last updated in March 2018, and information provided by the authorities.

[131] *Israel Removed from Special 301 Report*, USTR Press Release, 2014. Viewed at: https://ustr.gov/about-us/policy-offices/press-office/press-releases/2014/February/Israel-removed-from-Special-301-Report.

[132] See document TN/IP/W/10/Rev.4 dated 31 March 2011.

[133] WTO documents IP/N/1/ISR/C/11 (copyright and related rights).

[134] ILPO Annual Report 2016, p. 87, Chart 63.

3.159. Over the review period, the ILPO has made significant efforts to improve efficiency and timely service through training and improved allocation of existing resources[135], as well as recruitment of new patent and trademark examiners, with the particular aim of reducing the pendency and examination time, which had been one of the concerns that lead to the 2010 agreement with the United States.[136] Fully online service and correspondence systems were established in the patents, trademark and designs departments of the ILPO by December 2016[137] and the ILPO's patent department has participated in WIPO's global system for centralized access to search and examination (CASE) since 2014 and computer-aided search and examination (CASE2) since 2015.

3.3.7.4.1 Patents

3.160. The majority of patent applications in Israel are filed in the fields of human necessities (42.5%)[138], chemistry and metallurgy (27.3%), physics (11.9%) and electricity (6.8%)[139]. While the top three foreign patent applicants in 2010 were Qualcomm Inc., F. Hoffmann-La Roche, and BASF SE, the top three in 2016 were Facebook, Inc., Dow Agrosciences LLC, and Philip Morris Products S.A.[140]

3.161. The ILPO has carried out significant steps to improve its performance, in all areas of its activity, i.e. patents, trademarks and designs. In view of those steps and continued efforts to improve its search and examination capabilities[141], average patent pendency time (the time until an application is taken up for first examination) has improved modestly from 32.5 months in 2012 to 28.5 months in 2016, with pendency remaining longest in the areas of "IT, electronics and medical devices" and "mechanics and physics". The average of total examination time (the time from the first examination until a decision on patent grant or refusal) continued its historical upward trend for most of the review period, peaking at 30 months in 2015[142], partly due to reorganization and the assumptions of additional functions (see below)[143], before falling to 24.4 months in 2016. The longest examination times persist in applications for biotechnology patents. In 2015, the Committee for Setting and Evaluation of ILPO's Goals decided to "lay out a multi-year goal to reduce first examination pendency to 24 months within 3 years."[144] In line with the Committee's decision, 16 new patent examiners and 2 trademark examiners were recruited in 2016, and 20 additional patent examiner positions have been approved for 2017-18.[145]

3.162. In June 2012, the ILPO started operating as an International Searching and Preliminary Examining Authority (ISA/IPEA) under the Patent Cooperation Treaty (PCT), allowing applicants to select the ILPO as an international authority authorized to conduct a search and preliminary examination of their international patent applications under the PCT. In 2017, 65% of all Israeli applicants designated the Israeli ISA/IPEA. The others designated the US and European ISA/IPEAs. While originally offered only to Israeli applicants, the service expanded to international applicants from the United States and Georgia in 2014 and 2015, with designations slowly rising.[146]

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[135] Israel Patent Office Annual Report 2014, p.7, stating "2014 was marked with an increase in the scope of work conducted in the departments of the Israel Patent Office (ILPO), while diligently increasing the quality assurance procedures, without increasing the scope of human resources."

[136] See above.

[137] Israel Patent Office Annual Report 2016, p.5.

[138] Human Necessities include, *inter alia*, pharmaceuticals, Medical Preparations and Medical Devices.

[139] Israel Patent Office Annual Report 2016, p.67.

[140] Israel Patent Office Annual Report 2010 and 2016.

[141] Israel Patent Office Annual Report 2014, p.8. "As in previous years, during this year continuous efforts were made for improving the searching capabilities for the examination: by means of enhancing the accessibility of new search engines which refine the searching abilities of the examiners and by increasing the budget for ordering of professional literature (Non-Patent Literature). In addition, many efforts were made to improve the supporting systems for international examinations and in particular the quality assurance procedures for international examinations." See also Israel Patent Office Annual Report 2016, p.63.

[142] Israel Patent Office Annual Report 2015, p.27, Chart 11, showing "Average of Total Examination Time (months) in Patent Application in 2006-2015 (by Departments)".

[143] Israel Patent Office Annual Report 2015.

[144] Israel Patent Office Annual Report 2014, p.7. This aim is formulated "via and subject to the allocation of addition appropriate manpower examination resources."

[145] Israel Patent Office Annual Report 2016, p.5.

[146] The share of Israeli PCT applicants designating ILPO as ISA/IPEA rose from 55% in 2013 to 64% in 2016, while the number of U.S. PCT applicants designating ILPO as ISA/IPEA rose from zero to 327 over the

3.163. The ILPO also continued to expand its Patent Prosecution Highway (PPH) arrangements, including those in the context of the PCT (PCT PPH) and the Global PPH program (GPPH), under which 25 offices worldwide utilize a single coherent agreement system, permitting accelerated examination of parallel patent applications. Applicants' use of accelerated examination based on PPH arrangements in Israel surged more than ten-fold since 2013.[147] In addition to the PPH track of accelerated examination, the ILPO allows the applicant to elect for an abbreviated examination on the basis of acceptance of a parallel application by an approved examining authority abroad, such as the European Patent Office or the U.S. Patent Office. With regard to other accelerated examination tracks, it should be noted that 25% of all applications first filed in Israel in 2017, which did not claim priority right elsewhere, used the option of accelerated examination. In contrast, the accelerated fast track for "green" patent applications introduced in 2009 is not used much, despite a number of applications with the potential to be classified as green applications each year.[148]

3.164. The ILPO began using the new Cooperative Patent Classification (CPC) system[149] in 2016.

3.165. As regards legislative activity, this review period saw the implementation of the two remaining Patent Law amendments Israel had committed to in the 2010 agreement with the United States, which are of particular relevance to pharmaceutical patents. In light of Israel's large generic pharmaceutical industry these amendments contain elements that respond to the interests of both the patentee and the generic pharma industry, as well as interests of public health policy.

3.166. Amendment No. 10 of Patent Laws[150], which entered into force on 12 July 2013, introduced a number of procedural changes with respect to the examination process. Most importantly, it provided for the publication on the ILPO's website of Israeli patent applications, including the "file wrapper" (the application history), 18 months from the priority date or 45 days from the entering of the international application to the national phase, thus bringing Israel up to the standard of transparency applied in many other PCT member States. It also introduced reasonable royalties for unauthorized use of an invention after the publication of the application, but before the grant of the patent, if the use constitutes infringement of the patent as granted. In a balanced approach, the amendment also expanded the rights of third-parties during the examination period by allowing them to submit prior art to the patent examiner, and by allowing them to request expedited commencement of an application's examination in certain circumstances, e.g. if there are reasonable grounds to believe that without such expedited examination, the third party might have to postpone development or manufacture of a product or method claimed in the invention.[151] 68 prior art submissions, and no third parties requests for expedited examination, have been made since those amendments were introduced.

3.167. Amendment No. 11 of Patent Laws[152], which entered into force on 24 January 2014, revised Israel's patent term extension (PTE) system, which governs the extension of the patent protection term to remedy delays in the granting of marketing approval for patented pharmaceutical products. The unique Israeli PTE system is based on external linkages to PTEs or supplementary protection certificates (SPEs) in "Reference Countries"[153] and calculates the period of Israeli PTEs in such a manner that they expire either before, or coterminous with, the earliest-expiring reference patent term extension in any of the reference countries, thus ensuring that generic companies will usually be among the first permitted to begin producing the now off-patent

same period. See Israel Patent Office Annual Report 2016, p.88. No applications were designated by Georgian applicants.

[147] Israel Patent Office Annual Report 2016, p.80, Chart 54.

[148] Israel Patent Office Annual Report 2016. See also Israel Patent Office Annual Report 2015, p.38.

[149] The CPC is the result of a partnership between the EPO and the USPTO in their joint effort to develop a common, internationally compatible classification system for technical documents, in particular patent publications, which will be used by both offices in the patent granting process. See https://www.cooperativepatentclassification.org/index.html.

[150] The Patents Act (Amendment No. 10), 5772-2012, adopted by the Knesset on 9 July 2012, entered into force on 12 July 2012.

[151] Section 19A(c) of the Israeli Patent Law further lists "public welfare", "special circumstances", and "unreasonably long time-period from filing to examination compared to other applications in the same field" as further reasons justifying third-party requests for expedited examination.

[152] The Patents Act (Amendment No. 11), 5774-2014, adopted by the Knesset on 20 January 2014, entered into force on 27 January 2014.

[153] For a more detailed description of the Israeli PTE system, see the 2012 TPR Secretariat Report WT/TPR/S/272, paras. 215-217.

product for the Israeli market once all other legal prohibitions have terminated. As agreed with the U.S. in 2010, amendment No. 11 reduced the number of reference countries from 21 to 6 countries[154] and introduced the early examination of a PTE application even if the reference extensions under the "two state requirement" have not yet been granted in the reference countries. In addition, in order to increase the certainty for the Israeli market and for public health policy makers, the amendment also tightens the timeline for PTE examination procedures. PTEs automatically expire when a reference patent is revoked, or a PTE or SPC for a reference patent is revoked or withdrawn in any of the reference countries.

3.168. Despite its active generic pharmaceutical industry that could potentially benefit from the permission to export pharmaceuticals produced under compulsory licences, Israel has not yet implemented the WTO's Paragraph 6 System into domestic law.

3.169. In 2016, the ILPO conducted an empirical study of the efficiency of pre-grant opposition – the possibility for third parties to oppose the patent application after allowance and before it is granted – on the basis of oppositions during the period 2012-15, with a view to reforming the patent opposition procedures.[155] The results published in January 2017 indicate that the rate of pre-grant oppositions has fallen continuously since 2000 and is now as low as 1% of the total allowed patent applications. Around 60% of oppositions are abandoned by the opposing party and around 30% of the oppositions result in the withdrawal of the patent application by the applicant, around 75% of those before the evidentiary stage. The 10% of oppositions that are heard in full have a success rate of 92%, but the duration of those proceedings is around six years – which is three to six times as long as corresponding proceedings in Europe and the United States. Given that a pre-grant opposition suspends the grant of a patent, the cumulative delay in the patent's grant caused by the high pendency rate described above and the duration of pre-grant opposition proceedings can amount to a decade or more – although this delay affected in practice only 1-2 patent applications in the four years that have been studied. The oppositions focus on patents in the fields of pharmaceuticals, biology or chemistry (44%) and mechanics, electronics and optics (41.6%), with the companies Teva and Unipharm together filing 98% of oppositions in the pharmaceutical field.[156] As a result, the Ministry of Justice has called for a statutory overhaul of the pre-grant opposition procedures.

3.170. As regards parallel importation of patented products, there have been no developments in jurisprudence since the last TPR Secretariat Report.

3.3.7.4.2 Industrial designs

3.171. As in other ILPO departments, efforts to continue reducing pendency times have been made at the Designs Department where the first examination pendency was shortened to 3.5 months, while the average overall examination time at year-end of 2016 stood at 3.5 months – the shortest time in the past 10 years.[157]

3.172. During the review period, The Knesset adopted a new Designs Law[158] in July 2017 which will enter into force in August 2018, replacing the Patents and Designs Ordinance of 1924.[159] This law constitutes a complete overhaul of the design protection regime, with the aim of modernizing the legal regime, providing certainty to small and medium entities and enabling Israel to join the WIPO Hague Agreement Concerning the International Deposit of Industrial Designs which will permit Israeli applicants to use the international design registration system.[160] The new Designs Law increases the protection period from 15 to 25 years from the filing date (subject to renewals), and replaces the current requirement for local novelty *or* originality, with cumulative requirements

[154] 5 EU countries (United Kingdom, Spain, Germany, France and Italy) and the U.S.
[155] ILPO Annual Report 2016, p.8, p.43-44.
[156] Recently published: New empirical study of ILPO relating to pre-grant oppositions in Israel, 22 January 2017; http://www.rcip.co.il/en/article/recently-published-new-empirical-study-of-ilpo-relating-to-pre-grant-oppositions-in-israel/?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original.
[157] ILPO Annual Report 2016, p. 95.
[158] Designs Law, 5777-2017.
[159] The Ordinance is in force with regards to designs; the patent-related provisions were revoked by The Patents Law, 5727-1967.
[160] ILPO Annual Report 2016, p.7.

of both global novelty and individual character in order for a design to qualify for protection.[161] Under the new law, graphic symbols and screen displays, such as graphical user interface (GUI) and App icons, are also eligible for protection as a design.

3.173. Under the new Designs Law, an unregistered design will be protected for 3 years from the first publication of the design if marketed in Israel. The new Designs Law also introduces statutory damages of NIS 100,000 for each act of infringement, and border measures for registered design piracy. It establishes as a criminal offence the intentional copying of a registered design by way of business and in a commercial manner. Corporate officers who – under the new law - are required to supervise and implement measures to avoid the offence, are also liable in that regard.[162]

3.174. As regards the relationship between design and copyright protection, Article 7 of the 2007 Copyright Act, which provides for mutual exclusivity of copyright and designs, has not been changed, however the new Designs Law specifically states that Typeface and Typefonts are protected by the copyright regime. In recent case law, the Israeli Supreme Court adopted the conceptual separability test.[163] Under that test, a work is conceptually separated from an article if the work exists – either on paper or as a three-dimensional sculpture – independently from the article without destroying its basic shape. This test is satisfied only if the artistic work and the article may co-exist side by side and be perceived as two separate works, one an artistic work and the other a useful article. The court notes that the compensation for infringement shall be limited to the copyright infringement, isolated from the potential compensation for the counterfeit goods as a whole.

3.3.7.4.3 Trademarks

3.175. Trademark applications in Israel are filed predominantly in the areas of scientific, electric and computer instruments (Class 9: 22%), business-related services – advertising, commerce (Class 35), and pharmaceutical and veterinary preparations (Class 5).[164] The leading applicant in the field of trademarks in Israel in 2016 was Apple Inc., followed by Gilead Sciences Ireland UC.[165] Trademark pendency - the time until a decision on whether or not to grant the trademark – remains at around 18 months from application.[166] As in other ILPO departments, efforts to continue reducing pendency times have been made at the Trademarks Department where the first examination pendency currently stands at 12 months.

3.176. As regards parallel importation of trademarked goods, the Israel Supreme Court in the 2014 *Tommy Hilfiger* case[167] reconfirmed that parallel importation is legitimate. The licensed importer or franchisee cannot prevent parallel importing, but the parallel importer must actively take steps to avoid the impression of any relationship with the right holder or giving the appearance of a licensed importer.

3.177. There have been no significant legislative developments in the area of trademarks since the last TPR Report.

3.3.7.4.4 Geographical indications

3.178. There have been no significant domestic legislative developments in the area of appellations of origin or geographical indications since the last report. Israel's involvement in the negotiations of the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications at the international level is covered above.

[161] Webb&Co online information. "A new Designs Law for Israel". Viewed at: https://www.wbpatents.com/a-new-designs-law-in-israel/.
[162] Webb&Co online information. "A new Designs Law for Israel". Viewed at: https://www.wbpatents.com/a-new-designs-law-in-israel/.
[163] CA 1248/15 *Fisher Price v. Devron* (31/8/2017).
[164] ILPO Annual Report 2016, p. 53.
[165] ILPO Annual Report 2016, p. 52.
[166] ILPO Annual Report 2016, Chart 26, p. 57.
[167] CA 7629/12 *Swissa v Tommy Hilfiger Licensing LLC* (2014).

3.3.7.4.5 Copyright and related rights

3.179. Since the modernization of Israeli copyright law through the introduction of the 2007 Copyright Act covered in the previous TPR[168], the courts have continued to develop jurisprudence under the new legal regime. In the area of exceptions and limitations, where the 2007 Act had introduced a significant shift from a relatively restrictive "fair dealing" regime to a more flexible and open-ended approach of "fair use", the Israeli Supreme Court has issued three landmark decisions regarding whether the permitted "fair uses" constitute merely a legal defence against liability for copyright infringement, or whether they constitute "user rights" that should be treated on a par with the rights of authors.

3.180. In *Premier League Ltd. V. Anonymous (2012)*[169] the Supreme Court, overruling the District Court decision in favour of fair use[170], held that unauthorized streaming of Premiere League Football matches constituted copyright infringement and explicitly rejected the "user rights" approach to fair use. However, in the 2013 *Telran*[171] case concerning the sale of decoding cards to decode the broadcasts of World Cup games, the Supreme Court held that users who exercise user rights do not commit an infringing act which is excused, but instead they act in a manner that is explicitly permissible by law, and therefore there is no infringement to begin with. Since merely watching copyrighted material did not constitute copyright infringement, the sale of decoding cards could not constitute contributory copyright infringement.[172] The Supreme Court confirmed this approach in the 2013 *Safecom*[173] case, holding that "permitted uses constitute a right that is granted to the user to make certain types of use of a work" and pointed out that the continuing controversy about the nature of "fair use," particularly in the digital context, might merit more in-depth deliberation[174] and more detailed legislative guidance.[175] The current law also provides no clear statutory guidance on the circumvention of technical protection measures and liability of online service providers.

3.181. In 2014, even before ratifying the WIPO Marrakech VIP Treaty which stipulates obligations with regard to visually impaired persons (VIPs), Israel introduced copyright provisions that permit the making of accessible format copies for the purpose of making works accessible to persons with disabilities, if such adaptations do not exceed those necessary to achieve the purpose of the law.[176] The entities entitled to make such accessible format copies are limited mainly to certain not for profit organizations and educational institutions when the adaptation is done on a non-profit basis, or a disabled person or a person acting on his behalf when done for personal use. The exception also applies where an accessible format copy exists, but is not adequate to meet the needs of a particular disabled person or particular disability.

3.182. In March 2017, the Knesset approved the extension of the term of protection for performances from 50 to 70 years from the performance. In addition, the term of protection for phonograms was extended from 50 years from the making of the phonogram, to 70 years from its making or from the publication of the phonogram, if it was published within 2 years from the making of the phonogram. The extension of the term of protection for phonograms is conditioned on the making of the phonogram available to the public or by publishing copies in an amount sufficient to reasonably satisfy the public's demand for the phonogram. This condition is examined at the end of fifty years from the beginning of the term of protection, and every year during the subsequent 20 years. In addition, when the phonogram is not protected because the producer did not meet the requirements, the performer whose performances are included in the phonogram may reproduce the performance and sell copies thereof even if ownership of the performer's right has been transferred to the producer of the phonogram.

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[168] See WT/TPR/S/272, paras. 126-132.
[169] CA 9183/09 *Football Association Premiere League Ltd. v. Anonymous* (2012).
[170] See WT/TPR/S/272, para. 130, citing the District Court Decision.
[171] CA 5097/11 *Telran Communications (1986) Ltd. v. Charlton Ltd.* (2013).
[172] Copyright in a Digital Ecosystem; Niva Elkin-Koren: p.157; in Okediji (ed.), Copyright Law in an Age of Limitations and Exceptions, CUP 2017.
[173] CA 7996/11 *Safecom Ltd. v. Raviv* (2013).
[174] CA 7996/11 *Safecom Ltd. v. Raviv* (2013) (Justice Danziger). English translation of *Safecom Ltd. v. Raviv*, provided by Cardozo Law project VERSA. Available at: http://versa.cardozo.yu.edu/.
[175] CA 5097/11 *Telran Communications (1986) Ltd. v. Charlton Ltd.* (2013) (Justice Amit).
[176] Law for Making Works, Performances and Broadcasts Accessible for Persons with Disabilities (Law Amendments), 5774-2014, entered into force, 19 March 2014.

3.183. As part of a reform that aimed to facilitate competition in the multi-channel television market, in 2016 Israel introduced an obligation for television broadcasters to licence certain pre-registered multi-channel providers (including over the internet content providers) to simultaneously transmit their digital free-to-air broadcasts in Israel.[177] While simultaneous re-transmission of free-to-air broadcasts through cable and satellite networks has long been covered by a specific provision that makes the rebroadcasting of these broadcasts mandatory while exempting the cable and satellite networks from royalty payment to ensure nationwide coverage, the 2016 reform of the Digital Broadcast Distribution Law introduces a statutory obligation for broadcasters to licence[178] approved and registered multi-channel providers to simultaneously transmit the free-to-air broadcast signals, including via internet, for reception within Israel under the condition that these providers take advanced and adequate technological measures to prevent reception or download outside Israel's borders.[179] The provisions explicitly recognize the rights of creators and performers[180] and the fact that the registered multi-channel provider requires authorization from copyright holders and performers of content contained in the broadcast, and the Digital Broadcast Distribution Law indicates that such authorization can be obtained either from the right holders directly, or indirectly through the television broadcaster.[181]

3.3.7.4.6 Enforcement

3.184. The Israeli Customs Administration may detain imported goods suspected of trademark and copyright infringement, either *ex officio* or upon a right holder's complaint. Over 95% of seizures are made in ex officio capacity. For design infringement, the Customs Administration will have the authority to detain such goods upon a right holder's complaint, after the Designs Law has come into force.

3.185. Customs must notify the right holder and the importer upon seizure. The right holder must submit, within three working days (which can be extended to six), a bank guarantee to customs to compensate the importer or the Customs Authority for any financial damage, in order to obtain the importer's details and a sample of the seized goods. If the right holder takes no action within 10 working days (or up to 20 working days if an extension was granted), the goods are released.

3.186. In a "forfeiture procedure", which is the exception, and applicable to situations where there is high certainty that the goods are infringing and their value is low, customs may agree to destroy the goods based on a written opinion by the rights holder and an undertaking to compensate the importer or the Customs Administration for any financial damage that may be inflicted as a result of the seizure. From February 2018, the ILPO is offering the possibility of registering a specific address for the purpose of operating border measures by the Customs Administration, to facilitate a more efficient notification by the Customs, including for international registrations where there is no empowered Israeli agent.

3.187. During the years 2014-17, 555 cases were handled by the State Attorney office under the Ministry of Justice, and 229 indictments were filed under the Copyright Law, the Trademark Ordinance, the Performers' and Broadcasters' Rights Law and section 338(8) of the Penal Law.

[177] Israel introduced Digital Terrestrial TV in 2009, and introduced the Law for Distributing Broadcasts through Digital Broadcasting Stations in 2012.

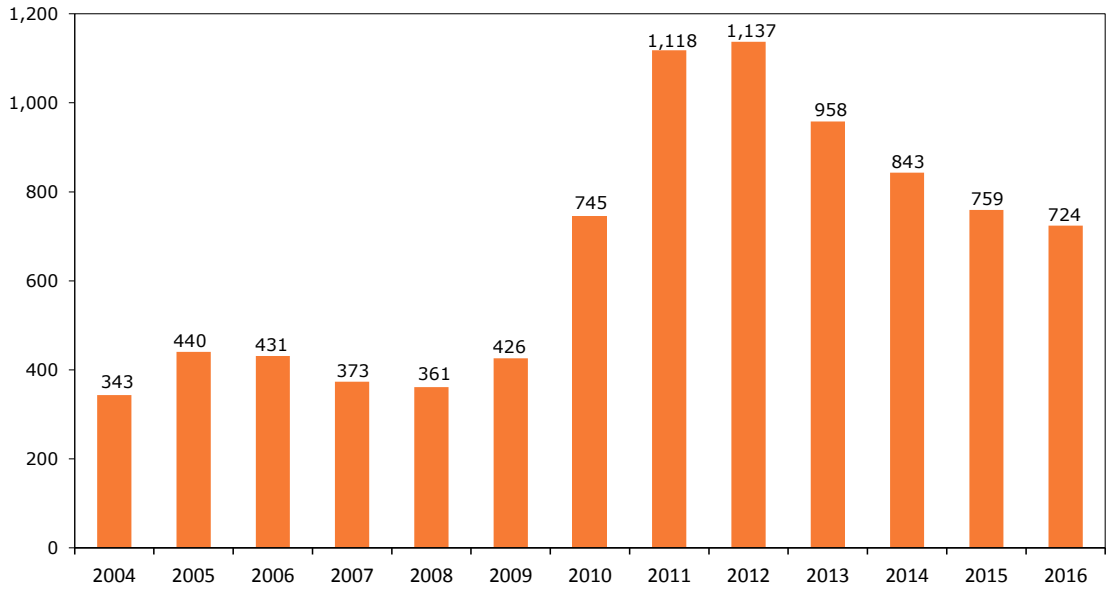
[178] The Economic Plan Law (Legislative Amendments for the Implementation of the Economic Policy for the Budget Years 2017 and 2018), Section 13c, Obligation to grant consent for signal retransmission.

[179] The Economic Plan Law (Legislative Amendments for the Implementation of the Economic Policy for the Budget Years 2017 and 2018), Section 13c (A) (5) and (6).

[180] The Economic Plan Law (Legislative Amendments for the Implementation of the Economic Policy for the Budget Years 2017 and 2018), Section 13c (B).

[181] The Economic Plan Law (Legislative Amendments for the Implementation of the Economic Policy for the Budget Years 2017 and 2018).

Chart 3.5 Number of seizures (imports) by Customs 2004-16



Source: Information provided by the authorities.

3.188. The Customs Administration under the Tax Authority at the Ministry of Finance is a partner in international intellectual property operations established by the World Customs Organization (WCO), leading to cross-continent cooperation and streamlining of work processes in light of the findings from such operations.

4 TRADE POLICIES BY SECTOR

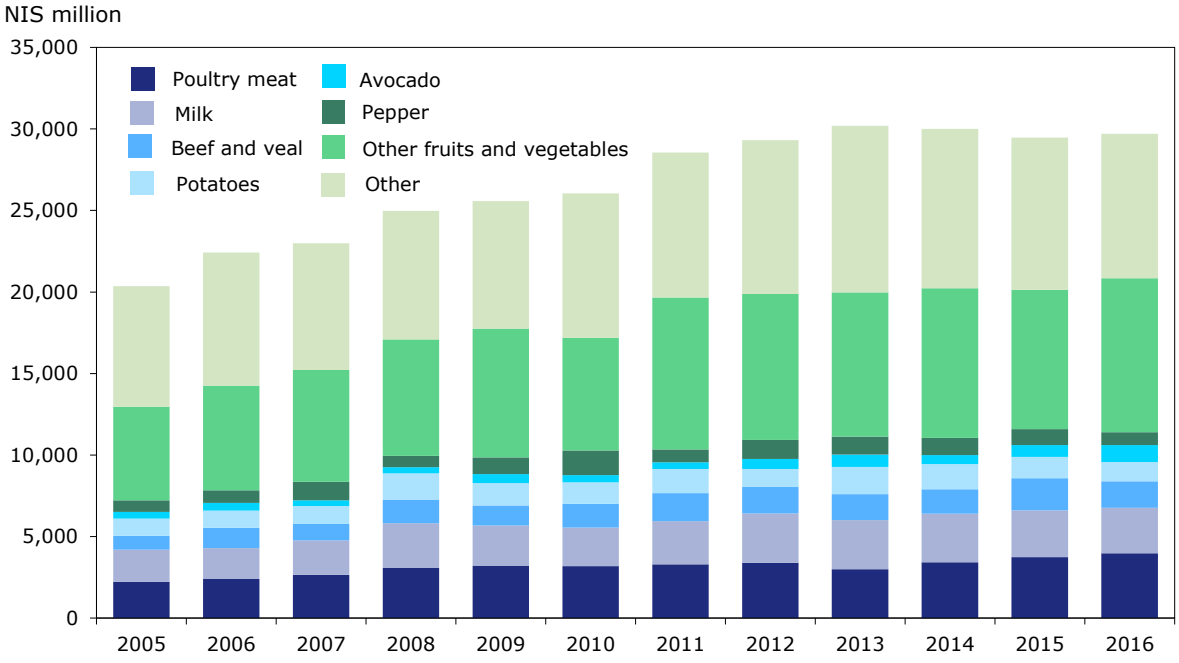
4.1 Agriculture, Forestry, and Fisheries

4.1.1 Agriculture

4.1.1.1 Features

4.1. Agriculture contributed about 1.1% to GDP in 2016, down from 1.5% in 2010. This reflects the expansion of GDP in other sectors, as the value of output of agriculture has been relatively stable over the past few years, following a steady increase in the value of output from 2001 to 2010. Crops represent about 59% of the total value of output, and livestock and livestock products the other 41% (Chart 4.1).

Chart 4.1 Value of agricultural output 2005 to 2016



Source: OECD PSE database. Viewed at: http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm.

4.2. In 2016, there were about 75,000 people working in agriculture, of which 12,000 were self-employed Israelis, 3,000 were kibbutzim members, and 61,000 were employees, many from South East Asia.[1]

4.3. About 93% of land (1,959,800 ha) in Israel is publically owned, either by the State, the Jewish National Fund or the Development Authority, and managed by the Israel Land Authority. Of this area, about one quarter is designated as agricultural land.[2]

4.4. About 80% of agricultural products are from kibbutzim and moshavim cooperatives on land leased from the Israel Land Authority subject to some conditions which include prohibitions on: the exchange of land use rights; sub-leasing; and the division of plots through succession.

4.5. One of the main differences between kibbutzim and moshavim is that, on a kibbutz, land is managed and worked communally, while on a moshav each actively farming household works a

[1] Ministry of Agriculture and Rural Development (2017), *Annual Economic Report for 2016*, December, p. 59. Viewed at: http://www.moag.gov.il/yhidotmisrad/research_economy_strategy/publication/2017/Documents/calcala_chaklaut_2016.pdf [March 2018] (Hebrew).

[2] Israel Land Authority online information. Viewed at: http://land.gov.il/en/Pages/AboutUs.aspx and http://land.gov.il/Pages/agricultural_sector.aspx [March 2018].

separate farm and the moshav operates as a cooperative for purchases, sales, and joint ownership of some assets. In addition, there are second order cooperatives (i.e. cooperatives made up of other cooperatives) which provide a wide range of services, including collective purchases and sales, and which process outputs from the first order cooperatives. These second order cooperatives may operate at the national level. In addition, some moshavim operate cooperatives with other moshavim, and kibbutzim with other kibbutzim, on a regional basis. In 2014, it was reported that there were 442 moshavim operating, where most members worked on non-agricultural activities and production was concentrated in a declining number of specialized farms. Similarly, in the 286 kibbutzim, growth is focused on non-agricultural activities, and a growing number of members work outside the kibbutz.[3]

4.6. Agriculture in Israel is characterized by low and poorly distributed rainfall, with 80% of the water in the north where rainfall can exceed 1,000 mm per year but falling to as low as 30 mm per year in the south. Most rain falls from December to February, and droughts are common. As a result, irrigation is essential for production in many areas: out of a total of 437,000 ha of arable land, 162,000 ha are irrigated.

4.7. The National Water Carrier is the largest water carrier in Israel, carrying water from the Sea of Galilee in the north to the centre and south. However, its importance as a source of water has declined, as desalination plants were constructed, more efficient irrigation methods were introduced, and alternative water sources utilized (such as treated waste water and saline water).[4] In 2000, the National Water Carrier supplied 230 million m^3, which fell to 50 million m^3 in 2015, while total water production and replenishment increased from 2,020 million m^3 to 2,125 million m^3 over the same period. Furthermore, since 2004, over half of the water used for agriculture has been from treated waste water and saline water.[5] In 2016, water consumption in agriculture was 1,282 million m^3, of which 549 million m^3 was fresh water, 528 million m^3 was treated waste water, and 295 million m^3 was saline water.[6]

4.1.1.2 Trade

4.8. Israel is a net importer of agricultural products (WTO definition)[7], with exports of US$2,118 million and imports of US$5,219 million in 2016. Both imports and exports are diversified. The top 10 imports, at the HS four-digit level, represented 66% of total agriculture imports; while the top 10 exports represented 46% of total agricultural exports in 2016. The main exports are food preparations n.e.s., dates, vegetable seeds, and mandarins and similar fruits. In terms of the structure of exports, the value of exports of peppers (genus capsicum) declined while exports of vegetable seeds, and mandarins (and similar fruits) increased. The main imports were frozen boneless beef, followed by wheat, maize, and live cattle (Table 4.1).

[3] Rosentahl G., Eiges H. (2014), *Agricultural Cooperatives in Israel*, Journal of Rural Cooperation, Vol. 42, No. 1, Hebrew University Magnes Press, Jerusalem.

[4] Ministry of Agriculture and Rural Development (2016), *Agriculture in Israel Facts and Figures 2016*, presentation. Viewed at: http://www.moag.gov.il/en/Ministrys%20Units/CINADCO/Agriculture_in_Israel/Documents/israel_agriculture_english_16.pdf.

[5] Ministry of Agriculture and Rural Development (2010), *Irrigated Agriculture – The Israeli Experience*, presentation to the United Nations Commission on Science and Technology for Development, Panel on Water and Agriculture, December. Viewed at: http://www.water.gov.il/Hebrew/ProfessionalInfoAndData/2012/16_Israel_Water_Sector-Water_and_Agriculture.pdf.

[6] Ministry of Agriculture and Rural Development (2017), *Annual Economic Report for 2016*, December, p. 60. Viewed at: http://www.moag.gov.il/yhidotmisrad/research_economy_strategy/publication/2017/Documents/calcala_chaklaut_2016.pdf [March 2018] (Hebrew).

[7] For the purposes of this Section of the Trade Policy Report, the definition of agriculture products used is that set out in Annex 1 of the Agreement on Agriculture, where fish and fish products are taken to include tariff lines under HS2012 Headings 020840, 03, 050800, 050900, 051191, 1504, 1603, 1604, 1605, and 230120.

Table 4.1 Exports and imports of agricultural products (HS2012 6-digit level), 2012-16

(US$ million)

Exports		2012	2013	2014	2015	2016
Total	Exports of all products	63,140.6	66,781.2	68,965.0	64,062.2	60,570.6
Total agriculture exports		2,418.2	2,558.6	2,480.0	2,179.1	2,118.3
of which						
210690	Food preparations not elsewhere specified or included. // -Other	168.7	170.7	184.2	167.6	165.9
080410	Dates	111.8	132.4	150.6	138.7	141.5
120991	Vegetable seeds	105.8	105.8	112.2	131.4	132.1
080520	Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids	54.5	64.0	66.6	70.7	110.0
070960	Fruits of the genus Capsicum or of the genus Pimenta	223.3	226.3	187.9	138.7	99.8
070190	Potatoes, fresh or chilled. // -Other	88.0	109.4	129.5	83.6	94.4
060390	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, … // -Other	78.7	85.9	84.8	68.8	81.8
190590	Bread, pastry, cakes, biscuits and other bakers' wares, … // -Other	59.3	57.7	63.3	59.8	69.1
070610	Carrots and turnips	59.8	77.0	63.4	72.8	63.1
070999	Other vegetables, fresh or chilled. // -Other: // -- Other	74.3	75.9	69.2	61.2	63.0
Imports		**2012**	**2013**	**2014**	**2015**	**2016**
Total	Imports of all products	73,112.1	71,995.0	72,331.8	62,067.8	65,802.7
Total agricultural imports		5,019.8	5,139.4	5,315.3	4,983.3	5,218.9
of which						
020230	Meat of bovine animals, frozen. // -Boneless	415.7	472.8	390.6	402.9	476.3
100199	Wheat and meslin. // - Other: // -- Other	247.5	197.0	136.5	295.7	284.2
100590	Maize (corn). // -Other	357.1	379.0	403.3	216.1	254.0
010229	Live bovine animals. // - Cattle: // -- Other	104.2	131.8	101.4	204.0	216.9
240220	Cigarettes containing tobacco	190.3	200.9	209.3	195.7	212.2
210690	Food preparations not elsewhere specified or included. // -Other	191.0	205.3	231.7	182.8	205.4
120190	Soya beans, whether or not broken. // - Other	127.4	203.8	193.1	172.7	181.2
170199	Cane or beet sugar and chemically pure sucrose, in solid form. // - Other: // -- Other	180.7	118.9	135.7	134.9	103.9
100630	Rice. // -Semi-milled or wholly milled rice	93.7	82.8	105.7	103.4	91.4
170114	Other cane sugar	109.6	119.1	83.9	98.1	89.8

Source: UNSD Comtrade.

4.1.1.3 Policies

4.9. The Ministry of Agriculture and Rural Development is the principal government agency responsible for developing agricultural policy and preparing draft legislation for the Knesset. In addition to its headquarters, the Ministry includes the Agricultural Research Organization, extension services, plant protection services, and veterinary services. There are also three production and marketing boards that operate under a specific law, and are responsible for implementing policy: the Egg and Poultry Board; the Groundnuts Board; and the Plants Production and Marketing Board.

4.10. Other agencies with a role in shaping agriculture policy include: the Ministry of Economy and Industry; the Ministry of National Infrastructures, Energy and Water (the Water Authority); and the Land Authority.

4.11. As noted in the last Report, the Government maintains a significant role in agriculture, particularly in the dairy and egg sector, and the overall policy objective has been to ensure food security, including through self-sufficiency in fresh dairy products, poultry, and eggs.[8]

4.12. The principal laws and regulations relating to agriculture are set out in Table 4.2.

Table 4.2 Principal agriculture laws and regulations

	Year	Last amended
Laws		
The Poultry Industry Council (Production and Marketing) Law	5724-1963	2015
The Dairy Industry Planning Law	5771-2011	2015
The Law for Supervision of Plant Production and Marketing,	5771-2011	2011
The Council of Plants (Manufacturing and Marketing) Law	5733-1973	2011
The Agricultural Settlement Law (Restrictions on the Use of Agricultural Land and Water)	5727-1967	2009
The Fruit and Vegetables Products (Manufacturing and Export) Law	5733-1973	2003
The Council for the Production and Marketing of Ground Nuts Law	5719-1959	1990
Regulations		
The Water Regulations (Criteria for the allocation of water for agriculture in 2017) (Temporary Order)	5767-2017	
The Regulations of the Poultry Industry Council (Rules Concerning Quotas for the Production of Eggs for Marketing in 2018)	5778-2018	Updated annually
The Regulations for the Dairy Sector Planning (Milk Quotas)	5778-2017	Updated annually

Source: Ministry of Agriculture and Rural Development, online information. Viewed at: http://www.moag.gov.il/lawsregulation/pages/default.aspx (Hebrew).

4.1.1.3.1 Trade Policies

Tariffs

4.13. The average applied MFN tariff on agricultural products (WTO definition) was reduced during the period under review, from 27.7% in 2012 to 19.8% in 2017, although this was higher than the average for non-agricultural products which was 3.7% in 2017. Among different groups of agricultural products, tariffs vary from one group to another and within groups, being particularly high and variable for dairy products (average 65.7%, and standard deviation 61%), and animals and products thereof (average 37.1%, and standard deviation 51.1%).

Tariff quotas

4.14. Israel's commitments under the Uruguay Round include 12 bound tariff quotas (TQs) covering a number of tariff lines, some at the eight-digit level and some at the four-digit level. However, two quotas (for walnuts, and edible fats and oils) were not opened, as the out-of-quota applied tariff was below the in-quota tariff. According to the notifications on imports within tariff quotas, in most cases, in-quota imports are much greater than the commitment level (Table 4.3).

4.15. The most recent notification on the administration of TQs was in 2003. Import licences for in-quota imports may be issued by either the Ministry of Economy and Industry for processed products or the Ministry of Agriculture and Rural Development for fresh products, usually based on a pro rata basis or, if applications exceed the TQ quantity, by a lottery or on a first-come-first-served basis, with 10% of the TQ reserved for newcomers.[9]

[8] WTO document WT/TPR/S/272/Rev.1, 8 May 2013, Section IV, paras 7-21.
[9] Israeli authorities, and WTO documents G/AG/N/ISR/27, 26 March 2003, and G/AG/N/ISR/27/Corr.1, 4 November 2003.

Table 4.3 Imports under WTO tariff quotas 2010-16

(Tonnes)

		Bound quota quantity	2010	2011	2012	2013	2014	2015	2016
Sheep and goats, fresh, chilled or frozen	0204	480	1,618	1,724	1,758	539	747	885	1,223
Milk and cream concentrated powder granules, of fat contents not exceeding 1.5%	04021000	1,200	4,944	5,937	3,296	1,949	3,217	3,280	4,001
Milk and cream concentrated powder granules, of fat contents exceeding 1.5%	04022000	100	2,731	2,615	2,925	2,422	3,249	2,685	3,702
Processed cheese	04063000	68	288	273	384	385	573	459	574
Other cheeses	04069000	1,080	1,492	1,606	2,252	2,129	5,107	3,499	7,266
Prunes	08132000	600	2,222	2,182	2,072	1,515	1,615	1,641	1,523
Walnuts[a]	08023000	170	3,645	4,065	3,693	4,392	4,497	4,833	6,011
Wheat and meslin	1001	450,000	1,711,505	1,550,290	1,719,529	1,476,048	1,192,143	1,496,369	1,735,786
Edible fats and oils[a]	15162011	750	0	0	0	14,061	19,897	18,841	5,172
Sweetcorn	20058000	350	2,277	2,389	1,630	2,141	3,377	3,025	4,509
Citrus juices, concentrated	20091000		11,875	20,932	12,343	13,426	11,144	8,174	12,609
	20092000		7,656	11,989	3,985	3,413	2,508	1,461	3,805
	20093000		8,144	6,707	4,747	4,955	3,860	4,856	4,230
Total		160	27,675	39,628	21,075	21,794	17,512	14,491	4,509
Live, meat, offal and production of bovine origin	01022100 01023100		0	0	0	0	0	0	-
	01022900 01023900 01029000		3,773	9,874	10,917	11,294	45,700	18,604	64,518
	0201		0	0	19	13	869	19	5,339
	0202		71,212	73,971	64,337	74,759	57,311	69,755	80,922
	02061000		0	0	0	0	0	0	-
	02062000		2,720	2,532	2,492	2,808	2,109	1,709	2,442
	16010090		0	0	1	0	0	0	0
	16025000		0	32	1	0	0	0	0
	1603		2	0	8	0	0	0	0
Total		37,250	77,707	86,409	77,775	88,874	105,989	90,087	153,221

a TQs for walnuts, and edible fats and oils were not opened in 2013-16, as the out-of-quota tariff was less than the in-quota tariff. The notification includes all imports under these headings.

Source: WTO documents: G/AG/N/ISR/49, 7 November 2019; ISR/50, 14 February 2013; ISR/58, 21 February 2017; and ISR/62, 1 September 2017.

4.16. In addition to the WTO TQ commitments in Schedule XLII, Israel has numerous TQs under preferential agreements (except with EFTA). In total, there are 258 TQs for agricultural goods, many of which were opened autonomously by Israel, some for significant amounts and accompanied by reductions in- the out-of-quota tariffs, such as the autonomous duty-free quota for fresh and chilled beef which is being increased from an initial 6,000 tonnes in 2015 to 17,500 tonnes by 2020, while the out-of-quota tariff of 12% + ILS 13/kg in 2015 is being reduced in stages to 12% by 2020. Some of these autonomous quotas are allocated on a first-come-first-served basis, and some by a bidding process based on the lowest price to the consumer.

Special agricultural safeguard

4.17. Israel reserved the right to apply the special agricultural safeguard to 42 tariff lines. However, the SSG has never been invoked.[10]

[10] WTO documents: G/AG/N/ISR/59, 31 August 2017; ISR/57, 1 December 2016; ISR/51, 21 February 2013; ISR/43, 14 December 2009; ISR/38, 16 September 2005; ISR/35, 16 July 2004; ISR/28,

Export subsidies

4.18. Up to the end of 2016, Israel used export subsidies for a limited range of products, mainly for non-citrus fruits and for vegetables. During the period 2007-16, the budgetary outlay for export subsidies varied from zero for the year ending 30 September 2007 to US$2 million for the year ending 30 September 2011 (Table 4.4). Israel has stated that, as of 1 January 2023, export subsidies will no longer be granted.[11]

Table 4.4 Export subsidies 2007-16

Year ending	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-12	Dec-13[a]	Dec-14	Dec-15	Dec-16
Outlay ('000 US$)										
Cut flowers, fresh, and foliage, fresh	0	0	0	3.0	10.5	107.8	2.9	0	22.7	0.0
Vegetables (0710-0709)	0	64.3	455.7	873.5	475.8	25.0	467.1	58.0	216.5	31.0
Fruits (not citrus) (0803-0804, 0806-0810)	0	124.8	906.8	713.3	1,490.3	664.8	584.5	1,757.2	894.0	549.7
Citrus fruits (0805)	0	0	2.3	26.9	0.3	0	4.5	0	0	0
Goose liver	0	0	0	0	0	0	0	0	0	0
Cotton	0	0	0	0	0	0	0	0	0	0
Quantity ('000 tonnes, flowers million units)										
Cut flowers, fresh, and foliage, fresh	0.00	0.00	0.00	0.01	0.09	0.06	2.71	0.00	0.16	0.33
Vegetables (0710-0709)	0.00	0.33	2.93	10.08	4.36	0.06	1.62	0.09	0.50	0.06
Fruits (not citrus) (0803-0804, 0806-0810)	0.00	0.35	2.79	3.71	3.84	1.22	1.12	3.62	2.31	1.09
Citrus fruits (0805)	0.00	0.00	0.04	0.07	0.01	0.00	0.01	0.00	0.00	0.00
Goose liver	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cotton	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total exports ('000 tonnes, flowers million units)										
Cut flowers, fresh, and foliage, fresh	1,117.0	1,000.0	761.0	182.0	243.0	277.0	611.0	529.0	427.0	422.0
Vegetables (0710-0709)	578.0	618.0	598.0	563.9	672.2	610.1	659.9	651.5	548.9	528.2
Fruits (not citrus) (0803-0804, 0806-0810)	113.7	81.5	93.2	112.9	125.6	116.6	116.7	128.5	117.4	113.3
Citrus fruits (0805)	178.0	172.0	174.5	0.6	0.4	0.2	168.0	165.0	163.0	159.0
Goose liver	0	0	0	0	0	0	0	0	0	0
Cotton	18.5	8.9	7.1	14.0	10.1	11.7	11.7	13.9	17.9	14.0

a Including October-December 2012.

0.0 Less than 0.05 but greater than 0.

Source WTO documents: G/AG/N/ISR/46, 14 February 2011; ISR/52, 12 June 2013; ISR/53, 21 January 2016; ISR/56, 1 December 2016; and ISR/63, 30 January 2018.

26 March 2003; ISR/24, 1 March 2002; ISR/22, 8 December 2000; ISR/15, 24 February 2000; ISR/10, 22 March 1999; ISR/6, 5 June 1998; and ISR/2, 20 September 1996.

[11] WTO document G/MA/TAR/RS/511, 11 December 2017.

4.1.1.3.2 Internal policies

Dairy

4.19. In 2016, the total value of milk production at the farm gate was about NIS 2,739 million, or 9.4% of the total value of agriculture production.[12] In 2016, there were about 129,000 cows on 774 farms, with an average production of 11,970 kg of milk per cow, the highest in the world.[13]

4.20. Under the Dairy Sector Planning Law of 2011, which replaced the Milk Market Planning Law of 1992, the dairy industry is closely regulated and controlled through production quotas, regulated prices for milk from producers, and regulated retail prices for milk and other dairy products. The Law and government policy are applied by the Dairy Board and its governing body, the Dairy Industry Council.

4.21. The annual production quotas for cow, goat, and sheep milk are applied at farm level and divided into monthly quotas. Each producer is required to enter into annual contracts with a dairy, with guaranteed minimum prices for in-quota production of bovine milk. Over-quota production receives lower payments. Quotas are set each year by the Dairy Board and published as Industry Planning Orders.[14] The total size of the quota is based on expected demand, and minimum prices are set by a formula based on the average cost of production plus an agreed return on labour and invested capital. Individual allocation of quotas is based on policy guidelines which may vary from one year to another, such as increasing the quota for disadvantaged regions or for family farms. In general, about 51% of the quota is allocated to kibbutzim, 48% to moshavim, and 1% to agricultural schools. Quotas may also be transferred through the retirement of producers and the reallocation of their quotas to applicants.

4.22. Milk production quotas have increased steadily, reaching approximately 1.5 million tonnes in 2017, while the guaranteed minimum price is adjusted every two months and tends to fluctuate in line with input prices (Table 4.5).

Table 4.5 Milk and egg production quotas and minimum producer prices 2011-17

		2011	2012	2013	2014	2015	2016	2017[a]
Milk								
Production quota (total)	000 tonnes	1,313	1,318	1,365	1,372	1,416	1,318	1,500
Minimum producer price	US$ per tonne (average per year)	523	495	544	528	452	406	451
Eggs								
Production quota (total)	million eggs	1,630	1,663	1,693	1,694	1,674	1,925	1,993
Minimum producer price	US$ per 000 units	0.124	0.115	0.128	0.122	0.108	0.106	0.113

a Estimated.

Source: Ministry of Agriculture and Rural Development; and WTO documents G/AG/N/ISR/60, 31 August 2017; and G/AG/N/ISR/55, 28 April 2016.

4.23. Over-quota production is penalized through lower prices, the amount of the reduction depending on the season and the over-quota volume (Table 4.6).

[12] OECD PSE database. Viewed at: http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm.

[13] Israel Dairy Board (2017), *Israel Dairy – Facts and Figures 2016*. Viewed at: http://www.halavi.org.il/roit-dpon_anglit.pdf.

[14] Israel Dairy Board online information. Viewed at: http://www.halavi.org.il/multi-appr/ma3.htm.

Table 4.6 Over-quota production penalties, 2018

Season	Up to 4% over quota	4% to 15% over quota	Over 15% over quota
Winter	80% of the minimum price	40% of the minimum price	40% of the minimum price minus NIS 0.5/litre
Summer	95% of the minimum price	85% of the minimum price	

Source: Israeli Dairy Board, Payment Policy for Raw Bovine Milk 2018, Board of Directors' Decision 14 December 2017. Viewed at: http://www.halavi.org.il/info/idb/09_policy_bakar/2017/liron-mdiniot_bkr_2018.pdf (Hebrew) [March 2018].

Eggs

4.24. Regarding the dairy subsector, egg production is controlled through production quotas and target prices for producers. Under the Poultry Industry Council (Production and Marketing) Law 5724-1963, the Poultry Industry Council is responsible for administering the quota system, while the target prices are set by the Ministry of Agriculture and Rural Development based on cost of production, and labour (Table 4.5).

4.25. Under the Galilee Law, poultry producers in northern Israel were eligible for assistance in the form of direct payments based on their historical share of the production quota – although production was not required for the direct payment. The subsidy was phased out in 2017, and represented about 17% of production costs for eggs and 13% for poultry meat.

Other commodities

4.26. Apart from milk and eggs, minimum prices are also applied to wheat, based on the Kansas market price adjusted for quality and transport costs. However, domestic prices for wheat were higher than the reference price. Other domestic support measures include investment programmes for fruits, vegetables, flowers, and poultry meat; income insurance for cereals; and herd aid for bovine meat.

4.27. Agricultural insurance is managed by the public Fund for Natural Damages in Agriculture (KANAT), which is jointly owned by the Government and the marketing boards. KANAT provides two main insurance schemes:

- Multiple Peril Crop Insurance (MPCI), which gives protection of up to about 90-95% against losses in yield due to unavoidable, naturally occurring events. The Government provides a subsidy of 35% of the gross premium for basic coverage; and

- Natural Disaster Insurance (NDI), which provides protection of up to 70% against losses in yield due to unavoidable, naturally occurring events that are not covered under the MPCI. These include losses caused by pests and diseases. The Government provides a subsidy of 80% of the gross premium for basic coverage.

4.28. Improvements in productivity in agriculture have been driven by technology changes, including genetics, inputs, water management, and storage technologies. Research is carried out by various agencies in Israel, of which the Agricultural Research Organization (ARO) of the MARD is the largest. Most of the soft funding for agricultural research in Israel is provided by the Chief Scientist of the MARD. ARO is also supported by bi-national funds for (agricultural) research and development with the United States and other countries. Research areas include the development of new plant varieties; biotechnology; post-harvest technology; water recycling; and precision application of inputs (water, pesticides, fertilizer, etc).

4.29. Under a 2016 amendment to the Water Law, a single flat rate charge is applied to fresh water for agricultural use, and extraction fees are no longer applied. For farmers, water rates were reduced from NIS 2.51/m^3 to NIS 1.98/m^3 in June 2017, and will be reduced further to NIS 1.81/m^3 in 2019 (for households, the rate is NIS 6.45/m^3 up to 3.5 m^3).[15] This reduction in prices would mean a fall in prices for farmers using water provided by Mekorot (the National Water

[15] Globes (online), Israel Business News, 28 May 2017. Viewed at: http://www.globes.co.il/en/article-water-rates-to-fall-145-from-june-1-1001190487.

Company), but an increase in prices for water supplied by independent water providers who supply about half of Israel's farmers (Table 4.7).

4.30. In October 2013, the Water Authority Council temporarily changed the water quota system from annual allocations to a three-year allocation for 2014-16, and increased the quota for agriculture from 556 million m^3 for 2013 to 1,800 million m^3 for 2014-16. In 2016, the supply price for fresh water for agriculture was increased to NIS 2.52 per m^3. However, fresh water represents less than half of the total water used for agriculture. Since 2017, the quota allocation reverted to an annual system. In 2017, 758 million m^3 of treated waste water, brackish water and surface water were allocated to agriculture.[16]

Table 4.7 Water quotas 2012-17

('000 m^3)

	2012	2013	2014	2015	2016	2017
Agriculture						
Fresh – Mekorot	318,485	334,478	444,718	451,729	458,968	426,725
Fresh – Other	221,985	221.064	271,588	301,453	288,436	279,913
Marginal	689,455	761,674	754,800	748,196	773,594	758,065
Reserve				2,024	9,866	13,154
Total for agriculture	1,229,925	1,317,216	1,471,106	1,503,402	1,530,864	1,477,857
Total supply to households[a]	286,252	315,912	294,785	301,530	282,995	281,530
Total supply to industry[a]	157,260	150,928	153,115	n.a.	n.a.	n.a.

n.a. Not applicable.

a There are no quotas for households or for industry, and, since 2015, there has been no separate allocation for industry.

Source: Water authority online information. Viewed at: http://www.water.gov.il/Hebrew/ProfessionalInfoAndData/Allocation-Consumption-and-production/Pages/Assignments.aspx (Hebrew) [March 2018].

4.31. In addition, there is a programme to encourage investment in water-saving technologies and practices. The budget allocation for this programme was NIS 139.9 million in 2015. In addition, investment support is available, with grants of up to 40% for equipment which benefited 844 farmers at a cost of NIS 42 million in 2011. Support under the programme increased steadily to NIS 194.7 million in 2017.

4.32. In compensation for the reduction in applied tariffs and the increase in the duty free quota for beef (see above), beef producers are to receive direct payments per hectare to a total cost of NIS 16 million in 2021.[17]

4.1.1.3.3 Support levels

WTO notifications

4.33. The last notification by Israel to the WTO on domestic support was for the 2015 and 2016 calendar years.[18] According to this and earlier notifications, most support is through the Amber Box (including *de minimis*) and, within the Amber Box, nearly all support is for milk and eggs. Total Amber Box support over the 2005-16 period varied considerably, from as low as US$357 million in 2006, to US$725 million in 2013. The fluctuation of the value of support as calculated by the aggregate measurement of support is primarily due to changes in the administered prices for milk and eggs. However, support for other commodities has also varied considerably from one year to the next but the amounts involved are much less than for either milk or eggs (Chart 4.2).

[16] OECD (2017), *Agricultural Policy Monitoring and Evaluation 2017*, OECD Publishing, Paris; OECD (2016), *Agricultural Policy Monitoring and Evaluation 2016,* OECD Publishing, Paris; OECD (2015), *Agricultural Policy Monitoring and Evaluation 2015*, OECD Publishing, Paris; OECD (2014), *Agricultural Policy Monitoring and Evaluation 2014*, OECD Publishing, Paris; OECD (2013), *Agricultural Policy Monitoring and Evaluation 2013*, OECD Publishing, Paris; and OECD (2012), *Agricultural Policy Monitoring and Evaluation 2012*, OECD Publishing, Paris.

[17] OECD (2017), *Agricultural Policy Monitoring and Evaluation 2017*, OECD Publishing, Paris, p.114.

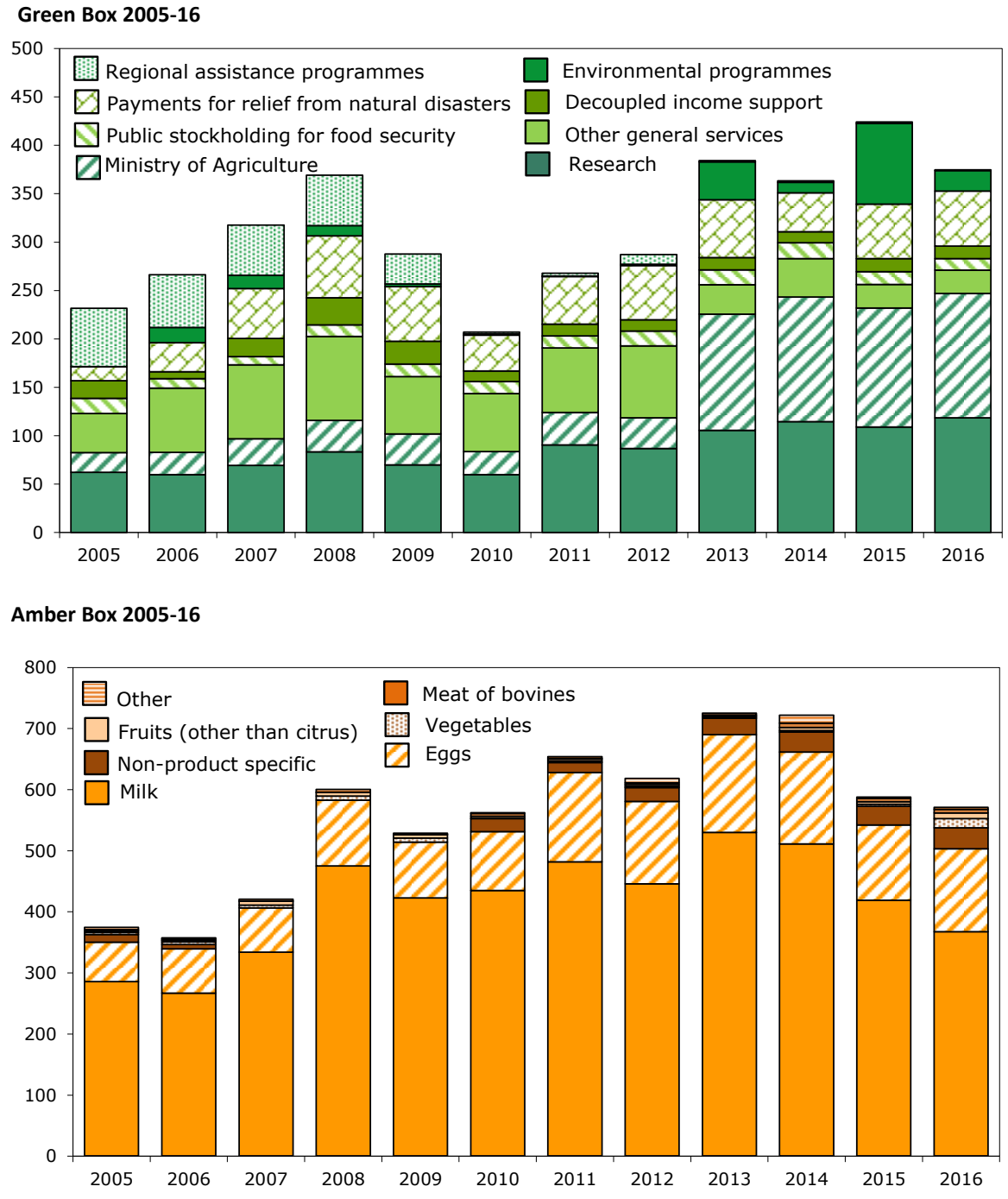
[18] WTO document G/AG/N/ISR/60, 31 August 2017.

4.34. Excluding *de minimis* support, the Current Total AMS varied from US$339 million in 2006 to US$689 million in 2013 (compared to a Total AMS commitment level of US$568.98).

4.35. Support under the Green Box has also varied over the 2005-16 period, from a low of US$207 million in 2010, to a high of US$424 million in 2015. However, the increase in support from 2012 is partly due to the Green Box data including the general operations of the Ministry of Agriculture and Rural Development. Support for research and the general operations of the Ministry account for over half of total Green Box support (Chart 4.2).

Chart 4.2 Domestic support for agriculture, 2005-16

(US$ million)



Source: WTO notifications.

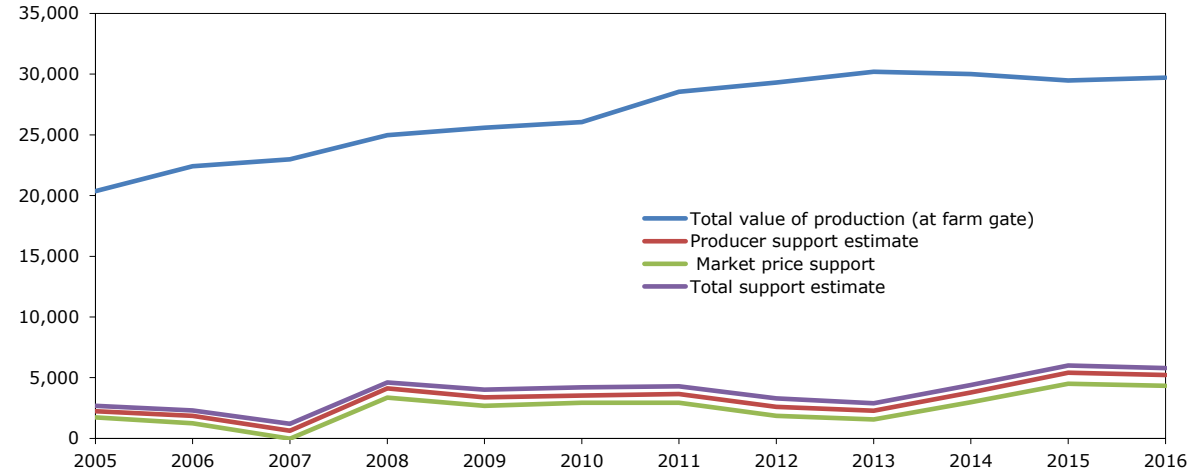
OECD indicators

4.36. Compared to the methodology used to calculate the level of support provided under the Amber, Blue and Green Boxes in the WTO, the OECD's annual monitoring and evaluation reports on agricultural policies in OECD countries use a different methodology to calculate the value of support, which is expressed in a number of indicators, including: the Producer Support Estimate (PSE) for gross transfers from consumers and tax payers to agricultural producers; the Total Support Estimate (TSE) for transfers to the agricultural sector in general; and the Single Commodity Transfers (SCT) for transfers to specific commodities. As previously noted, the PSE represents the value of transfers to producers, unlike support under the Amber, Blue and Green Boxes, which measure compliance with WTO commitments. Therefore, the value of support as notified to the WTO is neither compatible nor comparable with the values calculated by the OECD.[19]

4.37. According to the OECD, the TSE for agriculture was NIS 5,794 million in 2016, compared to a peak of NIS 5,993 million in 2015. Of total support to agriculture, the PSE accounted for NIS 5,226 million and, of the PSE, market price support accounted for NIS 4,333 million. While the minimum prices for milk and eggs account for some of the market price support, most of it arises from border measures, particularly tariffs, which keep domestic prices higher than international ones. The Producer Nominal Protection Coefficient (Producer NPC) was 1.15 across all commodities, indicating that domestic prices are about 15% higher than international reference prices, but the Producer NPC for some commodities was much higher: at 1.66 for milk; 1.32 for poultry meat; and 2.02 for bananas. However, the use of administered prices also means that market price support may be negative if the external prices are higher than the administered price, which happened in 2015 for wheat and in 2013 for eggs (Table 4.8).

Chart 4.3 OECD measurements of support for agriculture, 2005-16

(NIS million)



Source: OECD PSE database. Viewed at: http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm.

Table 4.8 OECD indicators for support to agriculture, 2009-16

(NIS million (except producer NPC))

	2009	2010	2011	2012	2013	2014	2015	2016
Total								
Value of production	25,581	26,056	28,552	29,310	30,191	30,005	29,474	29,708
TSE	4,004	4,201	4,290	3,284	2,893	4,388	5,993	5,794
PSE	3,379	3,524	3,663	2,598	2,286	3,777	5,402	5,226
MPS	2,684	2,926	2,939	1,849	1,563	2,969	4,489	4,333
Producer NPC	1.12	1.13	1.11	1.06	1.06	1.10	1.16	1.15
Wheat								
Value of	155	107	139	206	173	163	128	130

[19] WTO document WT/TR/S/284/Rev.2, 28 November 2013, paragraph 4.34.

	2009	2010	2011	2012	2013	2014	2015	2016
production								
SCT	49	14	28	14	28	35	-12	14
MPS	49	14	28	14	28	35	-12	14
Producer NPC	1.46	1.15	1.25	1.07	1.19	1.27	0.92	1.13
Milk								
Value of production	2,451	2,366	2,659	3,032	3,012	2,973	2,869	2,783
SCT	780	414	628	1,025	523	935	1,514	1,118
MPS	764	409	626	1,021	521	932	1,509	1,101
Producer NPC	1.47	1.21	1.32	1.51	1.22	1.47	2.10	1.66
Beef and veal								
Value of production	1,234	1,445	1,707	1,623	1,597	1,498	1,984	1,629
SCT	517	624	689	260	257	284	404	307
MPS	517	624	689	260	257	284	404	307
Producer NPC	1.74	1.77	1.69	1.19	1.20	1.24	1.25	1.23
Poultry meat								
Value of production	3,218	3,192	3,293	3,389	2,994	3,424	3,732	3,975
SCT	254	724	181	-39	86	185	804	953
MPS	233	704	127	-82	56	176	772	935
Producer NPC	1.13	1.31	1.07	0.99	1.04	1.09	1.25	1.32
Eggs								
Value of production	717	710	776	812	869	739	788	874
SCT	-54	58	93	-126	116	85	117	190
MPS	-108	5	39	-188	56	20	63	139
Producer NPC	0.96	1.10	1.16	0.88	1.16	1.14	1.15	1.27
Fruits and vegetables								
Value of production	6,285	4,970	7,160	7,286	7,250	7,346	6,697	7,522
SCT	257	112	312	150	55	414	385	517
MPS	257	112	312	150	55	414	385	517
Producer NPC	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Note: TSE is the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products.
PSE is the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm-gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income.
SCT is the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm-gate level, arising from policy measures directly linked to the production of a single commodity, such that the producer must produce the designated commodity in order to receive the transfer.
Market price support (MPS) is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers arising from policy measures creating a gap between domestic producer prices and reference prices of a specific agricultural commodity measured at the farm-gate level.
The Producer NPC is an indicator of the nominal rate of protection for producers measuring the ratio between the average price received by producers (at farm-gate), including payments per tonne of current output, and the border price (measured at farm-gate level).

Source: OECD Producer and Consumer Support Estimates database. Viewed at: http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm.

4.2 Mining and Energy

4.2.1 Mining

4.38. Israel is one of the world's largest producers of bromine, and is a significant producer of phosphate rock, potash, and magnesium metal.[20] Bromine, potash and other minerals are extracted from the Dead Sea, under exclusive licence, by subsidiaries of Israel Chemicals Ltd. (ICL). Phosphate is mined by an ICL subsidiary in the Negev Desert. Israel exported US$142

[20] U.S. Department of the Interior, 2014 Minerals Yearbook.

million of phosphates in 2016. It also has significant mineral processing operations, notably of manufactured fertilizers. Exports of fertilizer amounted to US$1.1 billion in 2016 (1.8% of total merchandise exports). Although there are no diamond mines in Israel, diamonds play an important role in the Israeli economy. Israel is one of the world's major trading centres for rough diamonds, and is one of the largest exporters of polished diamonds, earning about US$8.5 billion (net).[21] Furthermore, all coal ash, a waste product from Israel's coal-fired power plants, is recycled, mainly into cement production. According to the authorities, there is additional demand in Israel of up to 1 million tons of coal ash.

4.39. The royalty regime for minerals was changed in 2015, following recommendations made by the "Sheshinski II" Committee.[22] The Committee, established by the Minister of Finance, had the task of reviewing the taxation of natural resources other than natural gas and oil. The (new) mineral tax (on top of corporate income tax) applies to profits in excess of 14% return on equity (ROE), levied at a rate of 25% for profits in the 14-20% ROE range and at a rate of 42% for profits exceeding 20% ROE.

4.2.2 Natural gas and oil

4.40. Israel's energy policy is aimed primarily at ensuring energy security and achieving environmental protection goals (Paris Climate Change Agreement). The Ministry of Energy is responsible for ensuring energy supply, and the natural gas industry is regulated by the Natural Gas Authority in the Ministry (Natural Gas Act, 2002).

4.41. Since the last Review, Israel has experienced a major change in its energy mix and outlook, with the discovery of large offshore gas reserves in the Mediterranean Sea. In 2012, production from the small Yam Tethys field was depleted. In 2013, the Tamar gas field came on-stream, and it is currently the only field in production. It has a total estimated gas reserve of 282 billion cubic metres (bcm), with proven gas reserves of 199 bcm. It is connected to the mainland via pipeline at Ashdod. In 2010, the Leviathan gas field, the largest so far, was discovered; it has an estimated reserve capacity of 500 bcm. The exploitation is expected to start in 2019. The third main field in Israel is Karish-Tanin, which is expected to be in operation in 2020; it has an estimated reserve capacity of 55 bcm. Israel's total reserves are estimated at 900 bcm.

4.42. While the Tamar and Leviathan gas fields are exploited by a private-sector joint venture led by Noble Energy of the United States and Delek of Israel, the Karish-Tanin gas field is exploited and developed by Energean Oil and Gas of Greece. In 2016, the Ministry of Energy launched the first offshore bid round (ended in November 2017), where 24 exploration sites with a maximum area of 400 km^2 were offered: five new exploration licenses were granted to Energean Israel Limited, and one license was granted to a consortium of four companies from India. The Ministry of Energy is planning a second bid round during 2018.

4.43. Exploitation of natural gas is governed by the Petroleum Law of 1952 (as amended in 1965) and the Petroleum Regulations of 1953. Resources are the property of the State, and the award of rights is subject to licensing with: a preliminary exploration permit for a maximum of 18 months; an exclusive licence for further exploration covering up to 400 km^2 for a maximum of 7 years; and a production lease covering up to 250 km^2 for up to 30 years, renewable up to 50 years. The taxation of natural gas and oil is governed by the Taxation of Oil Profits Law, 2011.[23] Israel is in the process of establishing a sovereign wealth fund for the purposes of safeguarding tax revenues levied on natural gas exploitation. The fund, which will be managed by the Bank of Israel, is expected to become operational in 2020.

4.44. Annual production of natural gas reached 9.6 bcm in 2017 (up from 2.7 bcm in 2012). Imports of natural gas have fallen significantly, and Israel has begun to export natural gas to Jordan (Table 4.9). Israel has a natural gas export policy (Government Decision No. 442 of 23 June 2013), whereby, starting from June 2013, approximately 540 bcm of production is reserved for the domestic market and around 300 bcm for export. The Ministry may order that

[21] HS7102.

[22] IMF (2014), "Israel Technical Assistance Report — reviewing the fiscal regime for mining. Viewed at: https://www.imf.org/external/pubs/ft/scr/2014/cr14125.pdf.

[23] The Sheshinski I Committee made recommendations with respect to the taxation of natural gas and oil, which was followed by enactment of the Taxation of Oil Profits Law, 2011. See the TPR of Israel (2012).

domestic needs are met first at market prices. Exports require permits. The Tamar owners concluded an agreement to export 1.8 bcm to Jordan over 15 years (industrial facilities at the Dead Sea). In 2017, the Leviathan owners concluded an agreement to export 45 bcm to Jordan over 15 years from the Leviathan field to the National Electric Power Company of Jordan (NEPCO). A pipeline from Israel to Jordan is under construction. Furthermore, in 2018, the Tamar owners and Leviathan owners concluded two agreements to export a total quantity of 64 bcm of natural gas to Egypt (32 bcm from each reservoir). Moreover, two new pipelines for export to Europe (East Med pipeline) and Turkey are planned, according to the authorities.

4.45. Israel Natural Gas Lines Ltd. (a state-owned enterprise) holds a licence to operate and develop the natural gas transmission system. The regional distribution networks are operated by the private sector; distribution licences are issued by public tender. To encourage a competitive domestic market for natural gas, the Natural Gas Authority requires the national or regional licensees to provide open access without discrimination to all consumers and marketers of natural gas.[24] Service fees for infrastructure services (transmission and distribution) require approval from the regulator; consumer prices of natural gas are not regulated.

4.46. Liquefied natural gas (LNG) is one of the main sources of energy in Israel, especially for home use. Israel has a consumption of LNG of about 650,000 tons annually, of which 40% are imported via the Hadera Deepwater LNG Terminal. The market is divided into two groups: 4 large companies hold a market share of approximately 85%, and about 20 companies account for the rest. In September 2016, the Israel Antitrust Authority initiated an investigation into suspected collusion between companies operating in the LNG market. Also, in 2016, the Israel Antitrust Authority published a draft report on the domestic gas market for public comment, as part of the Government's efforts to promote competition. Some of the conclusions of the examination were implemented in the Economic Arrangements Bill (supplementary legislation to the state budget). The Bill was enacted in January 2017. Rules were included to reduce obstacles for consumers to change their gas supplier, and price discrimination between consumers connected to the same central gas system was prohibited. The Fuel Authority in the Ministry of Energy has established an Internet price system that enables consumers to choose the company that gives the best price in the town or region.

4.47. Israel has no domestic oil production (apart from minor production from natural gas condensates). There are two refineries at Ashdod (Paz Oil Company Ltd.) and Haifa (Oil Refineries Ltd.) which emerged from the privatized state-owned monopoly in 2007. Prices of refined petroleum products have been deregulated, and refined products may be imported without quantitative restrictions. Tariffs for short-term storage and transport services of refined products are regulated by the Fuel Authority. Gasoline prices at petrol retail stations are also regulated. Petroleum products are subject to VAT and excise tax (revised quarterly, in line with inflation).

Table 4.9 Natural gas production and trade in Israel

(Million cubic metres)

	2010	2011	2012	2013	2014	2015	2016
Domestic production	3,241	4,270	2,697	6,372	7,500	8,280	9,300
Imports	2,106	700	120	576	120	156	360
Exports	0	0	0	0	0	0	0
Gross consumption[a]	5,315	4,970	2,817	6,948	8,676	8,760	9,660

a Gross consumption includes statistical differences, which are not shown.

Source: International Energy Agency, monthly gas statistics. Viewed at: http://www.iea.org/statistics/monthlystatistics/monthlygasstatistics/.

4.2.3 Electricity

4.48. Electricity and water supply (including sewerage and waste management) contributed 1.6% to GDP in 2016 (up from 0.9% in 2012). The Tamar natural gas field has led to the substitution process in electricity generation, away from imported coal and liquid fuels towards natural gas. As a result of the conversion from coal/oil-fired to gas-fired power plants, about 64% of total electricity generation in 2017 came from natural gas (Table 4.10). Since 2012, a number of power

[24] Marketers are not required to establish a natural gas infrastructure.

plants were constructed to address electricity shortages. Currently, there is a surplus of generation capacity. In 2016, the peak demand was 12,612 MWh, while the total installed capacity (excluding renewables capacity) was approximately 16,700 MW. Israel is not connected to the grids of neighbouring countries, although works to connect to the European grid are underway.

4.49. The institutional framework for regulating electricity comprises the Ministry of Energy, the Electricity Authority, the Israeli Corporation Authority, and various other government institutions in the case of projects by independent power producers (IPPs). The Electricity Authority is responsible for, *inter alia*, setting tariffs, issuing licences, and regulating the Israel Electric Corporation. It is also responsible for establishing the feed-in tariffs for renewable energy. Israel's electricity tariffs are among the lowest in the OECD countries in terms of purchasing power, and are about 10% lower than the OECD average.

4.50. The Government pursues the objective of fostering a competitive market structure in electricity generation, while maintaining a natural monopoly in transmission, and regional monopolies in distribution. Reforms of the electricity market have been implemented to end the monopoly of the Israel Electric Corporation (IEC), mainly through the licensing of independent power producers. The share of electricity generated by IPPs (three at present) has increased substantially in recent years (Table 4.10).

4.51. Israel has established targets for renewable energy generation for environmental reasons (Paris Agreement), with the share of renewables to rise from 5% in 2014, to 10% by 2020 and 17% by 2030.[25] However, the transition to renewable energy sources is behind target (3% of total energy generation in 2017). Renewable electricity generation is encouraged through production quotas set by the Electricity Authority, which are eligible for feed-in tariffs. The production quotas are tendered (auctioned), using public procurement procedures. For solar PV capacity, the auctions in 2017 and 2018 are for about 1.2 GW, with supply contracts for 23 years at guaranteed feed-in tariffs.

Table 4.10 Electricity generation by type of energy and producer

	2013	2014	2015	2016	2017
Total (million KWh)	**61,368**	**61,295**	**64,230**	**67,210**	**68,100**
	Electricity production by type of energy (% of total)				
Non-renewable energy	99.1	98.5	98.1	97.7	97
Natural gas	43.1	48.9	51.6	61.4	64
Coal	52.3	49.1	45.4	35.9	32
Other	3.7	0.5	1.1	0.34	1
Renewable energy	0.9	1.5	1.9	2.3	3
Solar power	0.8	1.4	1.7	2.1	2.5
Other	0.1	0.1	0.2	0.2	0.5
	Electricity production by producer (% of total)				
IEC	93.1	84.4	78.8	72.5	72.1
Independent power producers	6.9	15.6	21.2	27.5	27.9

Source: Information provided by the authorities.

4.3 Manufacturing

4.52. Manufacturing (including mining and quarrying) contributed 11.5% to GDP in 2017 (down from 12.9% in 2012), and the sector employed 11.3% of the workforce. Manufacturing growth averaged 1.2% in 2012-17, well below the overall economic growth of 3.5% per annum. The petroleum and chemicals sector experienced a sharp decline in revenues between 2012 and 2016 (Table 4.11). The labour-intensive textiles and clothing industries have declined further in terms of revenues, while the turnover by Israel's large food industry has been stable between 2012 and 2016, at NIS 60-61 billion.

4.53. Israel's manufacturing sector is export-oriented. According to the authorities, over 40% of total manufacturing output is exported, but the export share exceeds 70% for the hi-tech industry. In 2014, 98% of manufacturing exports originated from 1,067 export-intensive enterprises (5% of all manufacturing establishments). The largest manufacturing industries and leading exports come from the hi-tech sector (Table 4.11) and Chart 4.4).

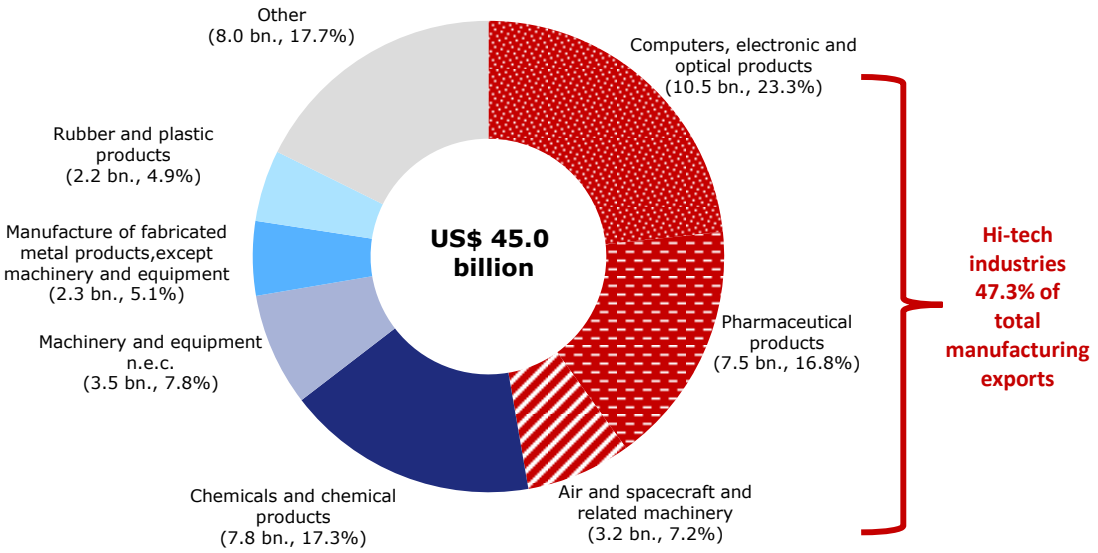
[25] Viewed at: http://energy.gov.il/English/PublicationsLibraryE/REPolicy.pdf.

4.54. The hi-tech sector is one of the main drivers of growth and competitiveness of the Israeli economy. The sector contributed 10.7% to Israel's GDP in 2014, and accounted for 8.0% of total employment. It contributed about half of Israel's manufacturing exports in 2017 (Chart 4.4). The comparative advantage of the hi-tech sector is underpinned by an innovation culture and infrastructure with the world's highest expenditures as a share of civilian R&D, according to the OECD (4.3% in 2015). There are currently about 5,000 start-up companies in Israel, and over 300 foreign R&D centres of multinational companies.

4.55. The main policy initiatives to strengthen the competitiveness of the manufacturing sector include a more favourable tax environment for hi-tech companies within the framework of a reform of the Law on Encouragement of Capital Investment, and increased assistance for R&D. Other policy developments include the sector's greater openness to (duty-free) manufacturing imports, resulting from unilateral trade liberalization and Israel's enlarged network of FTAs. Applied MFN manufacturing tariffs averaged 4.9% in 2017 (down from 6.1% in 2012), with over half of the tariffs set at zero (Table 3.3).

Chart 4.4 Composition of manufacturing exports, 2017

(US$ billion and % of total manufacturing exports)



Note: Excluding diamonds.

Source: Information provided by the authorities.

Table 4.11 Revenue of main manufacturing sectors, 2012 and 2016[a]

Industry (division)	Revenue (NIS billion, current prices)[a]		Employee jobs ('000)[b]		Establishments[b]	
	2012	2016	2012	2016	2012	2016
Manufacturing	**412.6**	**378.6**	**342.5**	**348.3**	**11,861**	**13,125**
Computers, electronic and optical products	82.1	77.2	70.8	67.2	484	495
Food products	60.1	60.5	51.4	55.8	1,627	1,834
Petroleum products, chemicals and chemical products	89.4	54.5	18.7	19.9	257	318
Pharmaceutical products, including homeopathic preparations	31.7	29.4	13.8	13.7	55	49
Fabricated metal products, except machinery and equipment	25.6	26.4	43.7	43.0	2,438	2,439
Rubber and plastics products	19.5	19.3	20.4	21.0	491	495
Machinery and equipment n.e.c.	17.1	18.5	16.7	18.3	379	392
Other non-metallic mineral products	12.7	16.0	9.5	11.1	561	616
Other transport equipment	9.7	11.4	13.2	13.2	34	33
Basic metals	11.3	9.4	6.5	6.4	211	237
Paper and paper products	7.5	8.2	7.6	7.9	141	162
Beverages and tobacco products	7.9	8.0	5.4	5.4	90	133

Industry (division)	Revenue (NIS billion, current prices)[a]		Employee jobs ('000)[b]		Establishments[b]	
	2012	2016	2012	2016	2012	2016
Furniture	6.3	8.0	14.4	15.3	1,798	2,112
Electrical equipment	6.8	6.4	8.8	7.4	207	212
Other manufacturing	24.6	25.3	41.8	42.8	3,088	3,597

a According to the size of revenue in 2016.
b Monthly average.

Source: Central Bureau of Statistics, statistics online information. Statistical Abstract of Israel (Table 20.3).

4.4 Services

4.4.1 Overview

4.56. Israel's specific commitments under the GATS cover 58 out of 160 subsectors. Israel is a signatory of the Fourth Protocol (on telecommunications services) and the Fifth Protocol (on financial services) to the GATS. Under Article II of the GATS, Israel has listed MFN exemptions on film, video, and television programme co-production and distribution; and banking.[26] For the first group, Israel grants differential treatment to persons from countries with which it has co-production arrangements or is engaged in film and video distribution. In banking, Israel retains the right to grant licences only to suppliers from countries that grant Israeli suppliers similar access.

4.4.2 Financial services

4.57. Financial services (excluding banking credits) accounted for 5.9% of GDP in 2015, and 3.3% of employment in 2016 (7.3% of GDP and 4% of employment in 2010), suggesting that labour productivity is almost twice as high as in the rest of the economy. Israel's financial services sector has undergone substantial change in recent years. New players have emerged, consumer credit has expanded, and classic bank intermediation has given way to greater use of non-bank credit, primarily in the corporate business.

4.58. In November 2015, the (then) Capital Markets, Insurance and Savings Department of the Ministry of Finance issued directives such as regulations for the participation of Israeli institutional investors in consortium and syndicated loan transactions, including in the secondary market, and allowing institutional investors to own 20% of the means of control in companies following enforcement of a security interest, even if this exceeds the ownership limits normally imposed on such investors.

4.59. In November 2016, the Capital Markets, Insurance and Savings Authority, under the Ministry of Finance, was relaunched as an independent regulatory body for the insurance industry, pension funds and savings, by separating the respective divisions from the Ministry of Finance.[27] Banks continue to be supervised by the Banking Supervisory Department, an independent entity within the Bank of Israel (BOI). The Israel Securities Authority (ISA) is responsible for supervising the equity market, in particular the Tel Aviv Stock Exchange (TASE), mutual funds, brokers, securities firms, investment advisers, and portfolio managers. The ISA and TASE are both pursuing further reforms to bring Israel's regulations and trading procedures into line with global best practice, thereby encouraging foreign investment.

4.60. In December 2013, the Promotion of Competition and Reduction of Concentration Law, 5774-2013, was enacted to reduce the risks posed by large, complex and leveraged business groups ("pyramids"), and imposed a requirement to limit holding company structures to two tiers of companies, to be met over four to six years, depending on the size of the company. Cross-holdings between major financial and non-financial companies have also been made illegal, with a similar adjustment period for existing holdings.

4.61. The Strum Committee, set up in 2015 by the Minister of Finance and the Governor of the BOI, was tasked to make recommendations to enhance competition in financial services. The

[26] WTO document GATS/EL/44, April 1994.
[27] The Capital Markets, Insurance and Savings Authority replaced the department of the Ministry of Finance that had hitherto held this function.

Committee's recommendations include separating the two credit card companies from the large banks; a more lenient level of supervision over entities that do not take deposits, to make it easier for new entities to compete with banks; providing tools for consumers to facilitate price comparisons; and establishing deposit insurance to help small banks compete for additional customers.

4.4.3 Banking

4.62. The banking sector is composed of five Israeli banking groups (Table 4.12). The two largest groups (Bank Hapoalim and Bank Leumi) have almost 60% of total bank assets (Bank Hapoalim (29%) and Bank Leumi (28.5%).[28] There have been no new entrants in almost half a century, and its cost efficiency is relatively low partly due to high human resource expenses.[29] All of Israel's banks are universal banks, offering both traditional corporate and retail services, while also pursuing capital-market activities.

Table 4.12 Financial system structure, 2013-17

	2013			2015			2017		
	No. of Institu-tions/ funds	Total assets		No. of Institu-tions/ funds	Total assets		No. of Institu-tions/ funds	Total assets	
		NIS billion	% of GDP		NIS billion	% of GDP		NIS billion	% of GDP
A. Banks									
Five major banks, consolidated	5	1,246	118.0	5	1,388	119.4	5	1,478	118.1
Bank Leumi	1	374	35.4	1	416	35.8	1	439	35.1
Bank Hapoalim	1	380	36.0	1	432	37.1	1	450	36.0
Israel Discount Bank	1	201	19.0	1	205	17.6	1	220	17.6
Mizrahi Tefahot Bank	1	180	17.0	1	209	18.0	1	240	19.2
First International Bank of Israel	1	111	10.5	1	125	10.8	1	130	10.4
Other Israeli banks	**3**	**62**	**5.8**	**3**	**64**	**5.5**	**3**	**64**	**5.1**
Foreign bank branches	**4**	**16**	**1.5**	**4**	**17**	**1.5**	**4**	**20**	**1.6**
B. Non-bank financial institutions	**1,254**	**1,390**	**131.3**	**1,396**	**1,586**	**136.3**	**..**	**1,833**	**145.2**
Provident and severance pay funds	75	204	19.3	75.0	212	18.2	67.0	242	19.2
Advanced study funds	..	143	13.5	..	169	14.6	..	207	16.4
Old pension funds	18	348	32.8	18.0	394	33.9	18.0	408	32.4
New pension funds	13	186	17.5	11.0	251	21.5	10.0	336	26.7
New general pension funds	..	2	0.2	..	4	0.3	..	6	0.4
New comprehensive pension funds	..	183	17.3	..	247	21.2	..	331	26.2
Mutual funds	1,247	231	21.8	1,392	229	19.7	1,437	243	19.3
Assured yield life insurance plans	..	78	7.3	..	83	7.1	..	90	7.1
Profit sharing life insurance plans	..	202	19.0	..	248	21.3	..	306	24.3
Total financial system (A+B)	**..**	**2,636**	**248.9**	**..**	**2,975**	**255.6**	**..**	**3,395**	**270**

.. Not available.

Source: IMF Report 17/75; and data provided by the authorities.

[28] The Government holds 5.8% of shares in Leumi Bank.
[29] IMF Country Report 17/75.

4.63. Measures continue to be taken to promote competition and efficiency in Israel's banking sector. To help customers compare the costs of bank services, the BOI has introduced a bank "identification card", which is an easy-to-read annual report from banks on a customer's financial assets, liabilities, loan and deposit rates, and various fees. A national credit register is in the process of being established to broaden access to credit while also reducing the competitive advantage of the major banks[30]; legislation has been enacted to separate credit card companies from the two largest banks; and the BOI has promoted a reduction in banks' operating costs by requesting the banks to provide five-year streamlining programmes.[31]

4.64. The Law for Increasing Competition and Reducing Concentration in the Israeli Banking Market (Legislation Amendments), 2017 ("Strum Law") requires, *inter alia*, that the two largest Israeli banks (Bank Hapoalim and Bank Leumi) sell their credit card subsidiaries by 2020/21. In addition, banks must reduce their holdings in the sole domestic card transactions processor to a maximum of 10%, and SHVA will be permitted to provide services to any person, apart from licensed Israeli banks and bank subsidiaries.

4.65. According to the IMF, Israel's banking system is sound on the basis of indicators for capitalization, loan quality, and profitability (Table 4.13). In March 2012, as part of the preparations for Basel III, the Banking Supervision Department set new capital adequacy targets, under which banks had to post core capital of at least 9% of total assets by 2015. This target was raised to 9.5% for all banks and, reflecting their systemic importance, to 10% for the two largest banks, by January 2017. All these targets have been reached. In addition, the leverage ratio of 6.6% exceeds most advanced economies, and loan-to-deposit ratios below 100% show limited exposure to funding pressures.

Table 4.13 Banking soundness indicators, 2012-17

	2012	2013	2014	2015	2016	2017
Regulatory capital to risk-weighted assets[a]	14.9	14.8	14.3	14.0	14.7	14.5
Regulatory Tier I capital to risk-weighted assets[a]	9.2	9.8	9.7	9.9	10.9	11.1
Non-Performing Loans (NPLs) to total gross loans	3.5	2.9	2.2	1.8	1.6	1.4
NPLs net of loan-loss provisions to capital	12.3	8.9	4.6	3.4	2.2	1.1
Return on average assets (before tax)	0.8	0.9	0.8	1.0	1.0	1.0
Return on average equity (before tax)	12.1	13.3	11.8	14.4	13.9	13.7
Liquid assets as % of short term liabilities	..	25.7	27.7	26.5	..	..
Customer deposits % of total (non-interbank) loans	113.0	113.9	115.8	117.8	121.6	120.1

.. Not available.

a The calculation of capital base follows rules under Basel II.

Source: IMF Report 17/75; and data provided by the authorities.

4.66. The terms and conditions for a deposit insurance scheme have not yet been created. Nevertheless, the BOI will enable the establishment of a new bank with a reduced minimum capital requirement (from NIS 100 million to NIS 50 million).

4.67. There are no restrictions on the establishment (through local incorporation) of banks or on their acquisition by foreign residents, provided prudential requirements on ownership and management, laid down by the Supervisor of Banks, are respected. There are some requirements, mostly prudential, when foreign banks open branches in Israel. Nonetheless, the presence of foreign banks in Israel remains limited, mainly due to the fact that it is a relatively very small and developed banking market. The four foreign banks (HSBC, Citibank, Barclays Bank P.L.C., and State Bank of India) together held 1.3% of bank assets in 2017, and operate mainly in niche markets (e.g. the diamond industry, mergers and acquisitions). However, there is a large presence of foreign banks that are not deposit takers (underwriters, etc.).

4.68. Licensing and supervision of Israeli branches or subsidiaries of foreign banks are based on the "Concordat and Minimum Standards" agreed by the Basle Committee on Banking Supervision.

[30] The BOI is establishing policies to facilitate electronic banking, which would ease account mobility between banks. IMF Country Report 17/75.

[31] These programmes are expected to reduce branch numbers by 20% and staffing by 10%, with the resulting savings to be used to support technological improvements and reduced fees, in addition to raising profits. The associated upfront costs are accommodated by some temporary relief in capital requirements. IMF Country Report 17/75.

The criteria for licensing foreign banks to establish a banking subsidiary in Israel include: stability with respect to capital, and financial soundness of the parent bank; high international rating; supervision on a consolidated basis, and supervisory and control mechanisms for its international operations; compliance with the laws and regulations; consent of the home bank supervisor, and consent of the foreign bank to transfer information; and fit and proper checks on identifiable controllers. The BOI also checks the level of control and regulation in the home country of the foreign bank. These criteria also apply to the establishment of a foreign bank branch in Israel. In this case, the bank provides "endowment capital" to the branch to enable stability restrictions to be applied. The minimum capital requirement for a subsidiary or foreign branch is NIS 10 million. Permitted banking activities include classic banking intermediation, with a focus on commercial banking, e.g. mortgage banking, banking abroad (subsidiaries and branches); credit card activities; pension consulting; trading of securities, including derivative products, exchange-rate and interest-rate instruments and other negotiable instruments; and underwriting.[32]

4.4.4 Insurance

4.69. In 2017, the top five insurers (Harel[33], Migdal, Clal, Phoenix, and Menorah) controlled about 94% of the life insurance market and 57% of the non-life insurance market. As of end-2017, 25 insurance companies were established in Israel, of which 2 were foreign-owned (AIG Israel and ICICI), 3 were branches of foreign insurance companies, and 3 were state-owned.[34] Insurance premiums totalled about NIS 64 billion in 2017 (compared with NIS 43 billion in 2010), split fairly evenly between life and non-life premiums. Insurance premiums in Israel stood at just over 5% of GDP in 2015.[35] The main reason for the relatively low penetration ratio in Israel in comparison to other western countries is that pensions, rather than life insurance, are more important in terms of savings.

4.70. Life insurance represents just over 11% of financial assets held by the public. Regulatory changes to pension funds and asset management over the last few years have increased the relative clout of insurance companies, which now take the central role in managing financial assets, but regulations introduced in 2013 have made insurance annuity schemes relatively less attractive *vis-à-vis* pension funds among long-term savings programmes. Insurance companies also manage pension funds, and therefore have other sources of income.

4.71. Israel's insurance sector recovered strongly in the wake of the global financial crisis of 2008-09, and profitability was restored, mostly through rising investment income but also via an increase in premiums. According to the IMF, Israel's insurance system is sound on the basis of indicators for capitalization (Table 4.14).

Table 4.14 Insurance soundness indicators, 2012-17

	2012	2013	2014	2015	2016	2017
Return on equity	14.4	18.3	11.9	6.7	6.2	12.5
Net premium as % of capital	213.2	201.3	194.3	205.7	257.2	259.6
Capital as % of technical reserves	6.4	6.5	6.6	6.3	5.4	5.4
Surplus capital as % of required solvency 1 capital	32.7	40.4	44.8	53.1	47.3	55.6
Liquid assets as % of total assets	51.9	53.4	53.9	53.8	55.8	55.9

Source: IMF Report 17/75; and data provided by the authorities.

4.72. The regulatory framework for insurance services is based on the Insurance Business Supervision Law of 1981 and the Insurance Contracts Law. The insurance subsector in which the insurer may operate is defined by a license. In order to improve competition and encourage

[32] The list of allowed activities of commercial banks is set out in Article 10-11 of the Banking (Licensing) Law, 5741-1981.

[33] Harel merged with Dikla (a health insurance company) and replaced Migdal as the largest insurance company.

[34] Ashra (formerly an arm of the Israel Foreign Trade Risks Insurance Corporation) is run by the Ministry of Economy and Industry. It offers insurance coverage of up to 95% against political risks, and up to 90% against commercial risks. Ashra specializes in risk insurance for which commercial companies do not provide coverage, primarily for medium- and long-term credit transactions. Inbal, under the Ministry of Finance, mainly provides insurance to some government held properties. KANAT (Insurance Fund for Natural Risks in Agriculture), owned equally by the Government and the Farmers Marketing Boards and Organizations, provides insurance coverage for damages caused by adverse weather conditions, pests and diseases.

[35] Against a European average of about 7%, and much higher than anywhere else in the Middle East.

innovation in the market, the minimum capital requirements for new insurance providers were lowered as follows: for life insurance from NIS 52 million to NIS 15 million; for non-life insurance from NIS 59 million to NIS 10 million; and for companies entering both markets from NIS 89 million to NIS 25 million.

4.73. Israel has adopted the Solvency II directives governing the regulation of insurance companies in the European Union, with a target date for full implementation of end-2024.

4.4.5 Telecommunications and postal services

4.74. Israel's telecoms revenues reached NIS 20,177 million in 2016 (down from NIS 26,296 million in 2012), over 40% of which came from the mobile sector (Table 4.15). The number of cellular subscribers increased from 9.23 million in 2012 to 10.54 million in 2017. Israel's penetration rate for mobile telephone services is high by international standards (120% in 2017). The rate for fixed broadband subscriptions in 2017 was 26%, in line with the OECD average (30%).[36]

Table 4.15 Selected telecommunications indicators, 2012-17

	2012	2013	2014	2015	2016	2017
Distribution of revenues (%)						
Fixed telephony and leased lines	15	16	16	17	17	..
Mobile	50	47	47	45	42	..
International operators	5	5	5	4	4	..
TV: cable/satellite	15	17	17	17	18	..
Internet	15	16	15	17	19	..
Total (NIS million)	26,296	23,389	22,315	21,389	20,177	..
Other selected indicators						
Fixed telephone lines (million)	3.59	3.40	3.43	3.41	3.34	3.24
Fixed telephone lines per 100 inhabitants	47.02	43.95	43.81	43.08	41.61	36.83
Mobile cellular subscriptions (million)	9.23	9.50	9.50	10.57	10.57	10.54
Mobile cellular subscriptions per 100 inhabitants	116	117	115	125	122	120
Percentage of individuals using Internet	70.80	70.25	75.02	77.35	79.78	84.00
Fixed broadband subscriptions (million)	1.94	2.00	2.13	2.17	2.26	2.32
Fixed broadband subscriptions per 100 inhabitants	25.34	25.90	27.24	27.44	28.13	26.00

.. Not available.

Source: ITU online information, "ICT Statistics Database". Viewed at: http://www.itu.int/ITU-D/ict/statistics/; and data provided by the authorities.

4.75. During the review period, the Israeli telecommunications sector has been further liberalized. For example, in May 2014, a policy on network and frequencies sharing was published, which enables operators to share their sites and radio access network (RAN); as from 2015, several fourth-generation mobile international services licenses were granted (see below)[37]; in the fixed market, a wholesale regulation was established in February 2015 in order to facilitate competition in the telecommunication market; and by setting cost oriented tariffs for various wholesale services including Bit Stream Access (BSA) and Carrier Pre Selection (CPS) telephony. Lately, the cable operator ("Hot") began providing the same wholesale services.[38]

4.76. Over the years, Israel has pursued progressive liberalization and privatization of its telecoms market. It began in 1994 with the entry of Cellcom to compete with Bezeq (the incumbent) in mobile telephony.[39] As of January 2018, there were six domestic fixed services operators[40]; six mobile network operators (MNOs)[41]; three mobile virtual network operators

[36] OECD online information. Viewed at: http://www.oecd.org/sti/broadband/4.11.MTRs-2017-06_rev.xls.
[37] The licenses include a requirement to use the frequencies within a specified time frame and minimum coverage requirements.
[38] The incumbent provides BSA services, physical infrastructure services (e.g. ducts, manholes, poles) and dark fibres.
[39] In 2005, the Government sold its controlling interest in Bezeq.
[40] The six domestic fixed services operators are: Bezeq; Hot; 012 Telecom; Cellcom; Partner; and B.I.P.
[41] The six MNOs are: Cellcom; Pelephone; Partner; Hot; Golan Telecom; and Xfone.

(MVNOs)[42]; and eight mobile operators providing international services.[43] In the fixed market, Bezeq and Hot are required to provide telephony and broadband nationwide under a universal service obligation. There are three large Internet service providers (ISPs): Bezeq International, 012 Smile, and Netvision, and about 50 smaller ISPs (at least 6 of whom have over 20,000 subscribers). Foreign ownership restrictions continue to apply for domestic, international, and wireless telecommunications services, considered to be essential infrastructure (Table 2.3).

4.77. The institutional framework for telecoms remained basically unchanged during the review period. The Ministry of Communications is responsible, *inter alia*, for telecommunications policy, regulation, and supervision of the incumbent (Bezeq), as well as other licensed operators. The establishment of an independent regulatory authority for telecommunications is still under consideration by the Government. The Israel Antitrust Authority is responsible for enforcing competition in the sector (Section 3.3.4).

4.78. The licensing scheme is based on six types of "general purpose" licenses for the provision of telecommunications or broadcasting services: fixed line services, including Universal Service Obligations (USO) using copper plant on cable infrastructure; specialized fixed line services without USOs; mobile services providers (MSP); international telephony providers (ITP); broadcasting licenses (B) for cable and satellite subscribers, and multi-channel television; and mobile virtual network providers (MVNO). "Special" and other single services purpose licenses are issued for the provision of, for example, Internet access (ISP license), PABX and private network providers.

4.79. Tariffs for telecom services are not regulated in competitive market segments, e.g. outgoing domestic calls for operators other than the incumbent, outgoing cellular calls, and international calls. In markets with high concentration, the tariff structure is controlled by the Minister of Communications: this includes domestic telephony, where Bezeq has 64.4% of the market share. There is no regulated retail price for multi-channel television. There is one mandatory package regulated by the Ministry of Communications, with less than 2% of multi-channel television subscribers). Content is regulated solely by the Cable and Satellite Broadcasting Council. The Minister of Communications, after consultation with the Minister of Finance, sets prices for telephony fixed line services to private and business consumers by the incumbent, Bezeq (but not for its competitors), sets termination rates, and sets prices of broadband access in the wholesale market (for Bezeq and Hot). Cross-subsidization of competitive services with monopoly services (as defined by market share only) is not permitted. All tariffs by all operators are required to be "reasonable", and are subject to ex-post regulatory intervention if they fail to meet this criteria.[44]

4.80. Interconnection tariffs are fixed by the Ministry of Communications and are not subject to negotiation between operators. The Ministry of Communications reduced mobile interconnection charges from NIS 0.251/minute in 2010 to NIS 0.0609/minute currently.

4.81. In order to promote competition, the Ministry of Communications licensed a third communications infrastructure operator, which is owned mainly by the IEC. A process was launched in 2011 to establish a joint venture between the IEC and a private investor to build a fibre-optic-broadband infrastructure to homes (covering 65% of the country within seven years). Licensing will include a prohibition on cross-subsidization between electricity and communications activities, and a requirement that the joint venture provide infrastructure to service providers in a "carrier's carrier" model (i.e. the company will make its infrastructure available to other operators and provide transmission services).

4.82. The Israel Postal Company (IPC) had annual revenue of about US$524 million in 2017 (US$453 million in 2011). It dominates the market in most segments, excluding courier and expedited delivery services. The company's exclusive privilege (monopoly) is the transfer of postal items of less than 500 g (not including bulk mail). It is also required to provide universal postal services. Plans to privatize the company have been shelved.

[42] The three MVNOs are: Rami Levy; Cellact; and Telzar. A MVNO licensing regime, introduced in 2009, allows market entrants to lease and resell the mobile network capacity of another operator.

[43] The eight mobile operators providing international services are: 012 Smile; Netvision; Bezeq-International; Xfone 018; Telzar; Golan Telecom; Hallo 015; and Hot.

[44] "Reasonableness" is a general clause whereby conditions differ, depending on the situation, which allows the regulator some discretion.

4.83. The IPC operates under a licence issued by the Minister of Communications, which allows it, via the Postal Bank Ltd. (a subsidiary of IPC), to provide a wider range of services, credit products and services, and to issue VISA credit cards (prepaid cards only). In addition, the IPC may offer other services through a subsidiary. Tariffs for the IPC's central services are controlled, on the basis of the recommendations of a public committee, and other tariffs are subject to a reasonableness condition. The IPC may not cross-subsidize between services and segments. The market for courier services and international mail has been deregulated for many years. Bulk mail services have been open to competition since 2006/07.

4.84. Israel maintains foreign-ownership restrictions in telecommunications and broadcasting, mainly for public interest and security reasons (Table 2.3). Under the GATS, Israel has scheduled foreign-ownership limitations on international fixed-telecommunications services (74% foreign-equity cap) and wireless-telecommunications services (80% foreign-equity cap).[45]

4.4.6 Transport

4.4.6.1 Maritime transport

4.85. Israel has three seaports, two of which are mainly operated by state-owned companies (Ashdod Port Company and Haifa Port Company)[46], while the Eilat Port Company was privatized in January 2013. Together, these three ports handle 99% of the volume of Israel's imports and exports. The Israel Ports Development and Assets Company is a state-owned company for the management, maintenance, and development of port infrastructure and real estate. The Shipping and Ports Authority in the Ministry of Transport is the regulator of ports and maritime shipping services.

4.86. Competition between ports tends to be limited, for geographic or logistical reasons. All three ports have several terminal operators: (i) at the Port of Haifa, container throughput totalled 1.34 million TEUs in 2017. The grain terminal is operated by Dagon; the chemical terminal is operated by several operators, including Gadot and Haifa Chemicals; the fuel terminal is operated by TASHAN. Israel Shipyards is competing with other ports on general cargo and grain products; (ii) at the Port of Ashdod, container throughput totalled 1.53 million TEUs in 2017. The chemical terminal is operated by the Israel Chemical Company; and the cement terminal is operated by a private company; and (iii) at the Port of Eilat, the chemical terminal is operated by the Israel Chemical Company.

4.87. Since October 2010, a new port tariff reform has been implemented.[47] The new port service fees are based on operational costs of various services. The new infrastructure fees charged by the Israel Ports Development and Assets Company are determined according to the need to develop the port infrastructure. These infrastructure fees are set according to the goods handled, for example, approximately NIS 360 (January 2017) per imported 20-foot full container and about NIS 400 per imported 40-foot full container. This will decrease to NIS 148 and NIS 162, respectively, by 2019.[48] The tariff reform ended the value-of-good and export/import cross-subsidy based fees.[49] Once fully implemented, this reform will end the cross-subsidization of exports through imports (i.e. lower wharfage fees for exports than imports), and of low-value freight by high-value freight. Israel has had a very low rate of night-time cargo handling (about 12% in Haifa and 7% in Ashod), which decreases port productivity. The new fee structure also provides incentives for ports to operate at night.[50]

4.88. All merchant shipping and transportation lines which use Israeli ports are owned and operated by private local or foreign shipping entities. There are no restrictions on foreign investors regarding the supply of auxiliary maritime shipping services. Foreign companies are present in the supply of most auxiliary shipping services, including maritime agency services and maritime freight-forwarding services. All services are available to users on an equal basis.

[45] WTO document S/DCS/W/ISR, 24 January 2003.
[46] A small portion of Haifa seaport is also operated by Israel Shipyards, a private operator.
[47] Order of Price Control on Goods and Services (Port Services) 2010.
[48] For general cargo, the infrastructure fees depend on the type of cargo.
[49] A cross-subsidy between imports and exports is managed by the Israel Ports Development and Assets Company in a diminishing manner from 2010 until 2019.
[50] NIS 100 reduction per container for trucks entering and exiting ports between 10.00 pm and 6.00 am (the Good Night Project).

4.89. The Government grants annual financial aid of up to NIS 20 million to Israeli flag and Israeli controlled vessels, and up to NIS 4 million to energy ships (tankers, coal carriers, etc.) for employing Israeli officers and cadets on board. Israel imposes no limitations on foreign direct investment in maritime transport. To fly the Israeli flag, a vessel is required to be at least 50% owned by an Israeli entity. However, exemptions are allowed under the approval of the Minister of Transport in certain cases where there is a linkage to Israel. Maritime cabotage by foreign vessels has to be authorized with a special permit issued by the Shipping and Ports Administration.

4.90. Foreign ownership is limited to 49% of Israeli flag vessels, and majority control by Israeli nationals is required for the provision of port services open to international shipping (Table 2.3).

4.4.6.2 Air transport

4.91. There are currently four designated Israeli airlines which operate international air services: El Al, Israir Airlines, Arkia Israel Airlines, and C.A.L. Cargo Airlines. Israir Airlines and Arkia Israel Airlines also operate domestic air services.

4.92. The same criteria apply for the approval of both domestic and international airlines, including national ownership (a minimum of 51% of equity by an Israeli citizen or permanent resident[51]), a minimum aircraft fleet (two Israeli registered aircrafts owned or leased through a long-term financial arrangement), insurance coverage, access to sufficient financial resources, and compliance with International Civil Aviation Organization (ICAO) safety standards. The share of passengers carried by foreign airlines in and out of the country was about 65% in 2017. Except for very extraordinary circumstances, which are not currently applied, no approval by the Civil Aviation Authority (CAA) is required for passenger and cargo fares (domestic flight fares, in line operations, are subject to a maximum price limitation).

4.93. The Israeli Airports Authority (IAA), a statutory public corporation, operates seven airports (two of them are jointly operated with the Israeli Air Force), provides air navigation services, and allocates slots. Some airport services, including ground handling, are operated by private companies which are concessionaries of the IAA. The cargo terminals are operated by private companies, which are also licensed by the IAA. There are no restrictions for foreign companies to provide ground-handling or self-handling services, although in practice foreign airlines are required to use one of the three ground-handling agents that are concessionaires of the IAA.

4.94. In case of operational difficulties at Ben-Gurion International Airport in Tel Aviv, airline companies can choose alternative airports according to their operational considerations.[52] The new airport near the city of Eilat ("Ilan and Assaf Ramon Airport", or "Eilat-Ramon") is due to open by the end of 2018. It will serve as an international airport and, along with its other purposes, also as an alternate airport.

4.95. International passenger volumes and market shares at Ben Gurion Airport during 2012-17 are shown in Table 4.16

Table 4.16 International passenger traffic at Ben Gurion Airport, 2012-17

	2012	2013	2014	2015	2016	2017
Total passenger traffic ('000)	**12,378**	**13,426**	**14,240**	**15,640**	**17,316**	**20,160**
Passenger traffic, domestic airlines ('000)	4,840	5,050	5,430	5,920	6,740	7,055
Arkia, Israir ('000)	750	760	770	920	1,200	1,390
El Al ('000)	4,090	4,290	4,660	5,000	5,540	5,665
Market share of domestic airlines (passengers) (%)	39.2	37.6	38.1	37.8	38.9	35.0
Routes served by three or more airlines	11	12	17	17	18	19

Source: Data provided by the authorities.

4.96. Israel has a number of bilateral air services agreements to allow multiple carriers on scheduled routes, and to allow carriers to determine the capacity and frequency of flights without government approval. Domestic flights between the airports of Ben Gurion, Sde Dov, Haifa, Rosh Pina, and Eilat are subject to a price cap.

[51] Article 18 of the Aviation Law.
[52] Main alternative airports are Larnaca in Cyprus and Amman in Jordan.

4.97. The Government pursues an open skies policy with the objective, *inter alia*, of enabling the designated carriers to determine the capacity of scheduled flights without government approval, up to the third and fourth freedom rights (passengers and cargo). Israel has full open skies agreements with Colombia, the European Union, New Zealand, Turkey and the United States.

4.98. In 2012, the Aviation Services Law (Compensation and Assistance for Flight Cancellation or Change of Conditions), 5772-2012, was enacted. The main objective of the Law is consumer protection, as it defines the conditions and circumstances when the airline company is required to assist or compensate the passenger.[53]

4.99. The Restrictive Trade Practices Law provides for block exemptions for restrictive arrangements between air carriers.[54] Subject to compliance with certain conditions, the block exemptions specify arrangements between airlines where cooperation is not considered to undermine competition, and is likely to be efficient and for the benefit of the public. Airlines are not required to have prior approval from the IAA for those arrangements which are subject to self-assessment by the relevant airlines. Arrangements which are covered by the existing two block exemptions include: technical arrangements (e.g. on aircraft maintenance and repair); arrangements on aircraft leasing; frequent flyer arrangements; connecting flight arrangements (e.g. to allow an airline to offer passengers continuing flights with another airline); and marketing arrangements of seats or freight capacity (e.g. an airline may sell to another airline block space of seats on a flight which it operates on routes that are regulated by the Open Sky Agreement between Israel and the U.S. or by the Aviation Air Agreement between the European Union and Israel). However, the block exemption regime does not grant an exemption from prior approval to any arrangement that may have the effect of reducing competition on routes to and from Israel, and to some types of commercial arrangements between Israeli airlines. The block exemptions apply to new and existing arrangements, and they are granted for a limited period of five years which may extended by the IAA. Any commercial arrangements between airlines regarding domestic air transport are subject to the prior approval of the IAA.

4.100. The Government provides a subsidy of US$197 million annually for security expenses in foreign airports, to enable Israeli airlines to compete with other airlines on a level playing field. According to the authorities, there are no other tax or non-tax incentives for airlines.

4.101. Foreign ownership is limited to 49% of the airline's capital (Table 2.3).

4.4.7 Tourism

4.102. The direct contribution of travel and tourism to Israel's GDP was estimated at 2.5% in 2017 (2.3% in 2010), with receipts totalling about NIS 41 billion. The Ministry of Tourism is responsible for planning, developing, and marketing tourism. During the review period, the Ministry of Tourism has been marketing activities in new emerging markets; providing incentives for investors that have resulted in an increase in the number of hotel rooms from 47,800 in 2012 to 52,900 in 2017; and developing niche tourism (such as medical tourism, bird-watching, wine, and gastronomy). As a result, there were 3.6 million international incoming tourists in 2017 (up from 3.4 million in 2011; figures do not take into account day visitors).

4.103. The main incentives for the tourism sector include: (i) the Law on Encouragement of Capital Investment. Hotels benefit from a 20% grant for investments. A grant is provided for the establishment, expansion or renovation of hotels. In addition, there is a grant of 10% for the establishment of tourist attractions in the priority area; (ii) the Hotel Renovations Fund. The Ministry of Tourism provides grants of up to 20% of eligible expenditures. Given Jerusalem's place as Israel's premier tourism destination, and due to high demand for overnight accommodation with an insufficient number of hotel rooms, an additional grant of 8% is provided for investments in new hotels or expansions; and (iii) exemption from VAT. The tax expenditures (revenue forgone) for the exemption of tourism services were estimated at NIS 920 million in 2016 (NIS 690 million in 2012). Additionally, in Eilat, the Tax Authority provides an income tax credit of 10% for revenue up to NIS 230,000, and Israeli tour guides receive a significant discount on customs duties and purchase tax when importing specially designed vehicles ("Eshkol" type).

[53] Aviation Services Law. Viewed at: http://www.tourism-law.co.il/pdf/AviationServicesLawENG.pdf.
[54] Antitrust Rules (Group Exemption for Arrangements between Aircraft Carriers 5769-2008).

4.104. Tour guides are licensed by the Ministry of Tourism and must be Israeli citizens, for reasons of public relations policy and of supervision. However, there are special permits for foreign tour guides with special language skills.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by group of products, 2012-16

	2012	2013	2014	2015	2016
Total exports (US$ million)	**63,140.6**	**66,781.2**	**68,965.0**	**64,062.2**	**60,570.6**
	% of total exports				
Total primary products	**7.0**	**6.6**	**6.0**	**5.2**	**5.9**
Agriculture	3.9	3.9	3.7	3.4	3.6
Food	3.2	3.3	3.1	2.8	2.9
Agricultural raw material	0.6	0.6	0.6	0.6	0.7
Mining	3.2	2.8	2.3	1.8	2.4
Ores and other minerals	1.0	0.8	0.8	0.6	0.6
Non-ferrous metals	0.4	0.4	0.4	0.3	0.3
Fuels	1.7	1.6	1.1	0.8	1.4
Manufactures	**92.0**	**92.4**	**92.7**	**93.8**	**92.3**
Iron and steel	0.2	0.2	0.2	0.2	0.2
Chemicals	26.8	27.1	26.2	24.0	23.7
5429 - Medicaments, n.e.s.	9.4	8.6	8.1	9.6	10.4
5989 - Chemical products and preparations, n.e.s.	3.5	6.1	6.1	3.3	1.7
5629 - Fertilizers, n.e.s.	2.5	2.2	1.8	1.5	1.5
5913 - Weed-killers (herbicides), anti-sprouting products and plant-growth regulators	0.8	0.7	0.8	0.8	0.9
5822 - Other plates, sheets, film, foil and strip, of plastics	0.8	0.8	0.8	0.8	0.8
Other semi-manufactures	31.3	31.7	33.2	31.2	30.1
6672 - Diamonds (other than sorted industrial diamonds)	27.7	28.5	29.8	27.5	25.9
6956 - Knives and cutting blades, for machines or for mechanical appliances	1.4	1.3	1.5	1.4	1.5
6996 - Articles of iron or steel, n.e.s.	0.3	0.1	0.1	0.4	0.7
Machinery and transport equipment	24.6	24.2	24.0	28.8	27.5
Power generating machines	1.0	0.9	0.9	0.9	0.8
Other non-electrical machinery	4.4	4.1	4.4	4.6	4.7
7456 - Mechanical appliances for projecting, dispersing or spraying liquids or powders	0.6	0.5	0.5	0.6	0.7
7266 - Other printing machinery; machines for uses ancillary to printing	0.5	0.6	0.6	0.6	0.7
Agricultural machinery and tractors	0.4	0.3	0.4	0.4	0.4
Office machines & telecommunication equipment	11.0	11.8	11.3	14.3	11.5
7764 - Electronic integrated circuits and micro assemblies	4.4	6.0	5.6	8.5	5.1
7649 - Parts and accessories suitable for use with the apparatus of division 76 - telecommunications and sound-recording	1.4	1.1	1.0	1.0	1.0
7768 - Piezoelectric crystals, mounted	0.1	0.1	0.0	0.3	0.6
Other electrical machines	4.9	3.9	3.9	3.9	5.7
7787 - Electrical machines and apparatus, having individual functions, n.e.s.; parts thereof	0.5	0.4	0.3	0.3	2.1
7788 - Electrical machinery and equipment, n.e.s.	0.6	0.6	0.6	0.6	0.8
Automotive products	0.3	0.2	0.3	0.3	0.2
Other transport equipment	2.9	3.2	3.2	4.8	4.5
7929 - Parts, n.e.s. of the goods of group 792 - aircraft and associated equipment	2.5	2.8	2.2	3.9	4.0
Textiles	1.2	1.1	1.1	1.2	1.2
Clothing	0.3	0.2	0.2	0.2	0.2
Other consumer goods	7.7	7.9	7.8	8.2	9.4
8722 - Instruments and appliances used in medical, surgical or veterinary sciences	1.0	1.1	1.3	1.4	1.7
8742 - Drawing, marking-out or mathematical calculating instruments	1.7	1.8	1.4	1.1	1.4
8939 - Articles of plastics, n.e.s.	0.3	0.5	0.6	0.6	0.7
Other	**1.0**	**1.0**	**1.3**	**1.0**	**1.8**

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.2 Merchandise imports by group of products, 2012-16

	2012	2013	2014	2015	2016
Total imports (US$ million)	**73,112**	**71,995**	**72,332**	**62,068**	**65,803**
	% of total imports				
Total primary products	**31.5**	**30.2**	**27.9**	**22.9**	**19.5**
Agriculture	8.1	8.5	8.8	9.5	9.4
Food	7.1	7.5	7.7	8.4	8.4
0112 - Meat of bovine animals, frozen	0.6	0.7	0.5	0.7	0.7
Agricultural raw material	1.0	1.0	1.0	1.1	0.9
Mining	23.4	21.7	19.1	13.5	10.2
Ores and other minerals	0.4	0.3	0.4	0.4	0.3
Non-ferrous metals	1.1	1.1	1.1	1.1	1.0
Fuels	22.0	20.2	17.6	11.9	8.8
3330 - Petroleum oils and oils obtained from bituminous minerals, crude	13.0	12.6	11.7	7.3	5.0
3212 - Other coal	2.0	1.6	1.3	1.2	0.8
Manufactures	**67.9**	**69.2**	**71.5**	**76.2**	**79.5**
Iron and steel	2.4	2.4	2.3	2.4	2.1
Chemicals	11.3	11.1	11.3	12.2	11.2
5429 - Medicaments, n.e.s.	1.8	2.0	1.7	1.9	1.8
5416 - Glycosides; glands or other organs and their extracts	0.3	0.3	0.6	0.9	0.9
5157 - Other heterocyclic compounds; nucleic acids	0.9	0.8	0.9	0.8	0.6
5711 - Polyethylene	0.6	0.7	0.7	0.7	0.6
Other semi-manufactures	16.2	17.9	18.4	17.2	16.8
6672 - Diamonds (other than sorted industrial diamonds)	11.2	12.5	12.8	11.1	10.8
Machinery and transport equipment	28.8	28.1	29.2	32.5	37.5
Power generating machines	1.7	1.7	1.8	1.5	1.5
Other non-electrical machinery	7.0	5.3	5.3	6.4	9.0
7284 - Machinery and mechanical appliances specialized for particular industries, n.e.s.	1.4	0.4	0.4	0.7	2.8
Agricultural machinery and tractors	0.2	0.2	0.2	0.2	0.2
Office machines & telecommunication equipment	8.9	8.8	8.9	11.4	10.8
7764 - Electronic integrated circuits and micro-assemblies	2.9	2.6	2.4	4.1	4.2
7643 - Transmission apparatus for radio-telephony, radio-telegraphy, etc.	0.9	1.0	1.1	1.4	1.2
7523 - Digital processing units	0.5	0.5	0.6	0.7	0.7
7522 - Digital automatic data-processing machines	0.6	0.6	0.6	0.6	0.6
Other electrical machines	3.6	3.8	3.9	4.4	4.1
7731 - Insulated wire, cable and other insulated electric conductors	0.5	0.5	0.5	0.5	0.5
Automotive products	5.6	6.6	7.3	7.3	10.2
7812 - Motor vehicles for the transport of persons, n.e.s.	4.0	4.5	5.6	5.0	7.5
7821 - Motor vehicles for the transport of goods	0.9	1.1	0.8	1.2	1.4
Other transport equipment	2.0	1.9	2.0	1.6	1.8
7924 - Aeroplanes and other aircraft, mechanically propelled	0.2	0.3	0.4	0.2	0.7
Textiles	1.0	1.0	1.1	1.2	1.1
Clothing	2.0	2.2	2.3	2.6	2.6
Other consumer goods	6.3	6.6	7.0	8.1	8.2
8722 - Instruments and appliances used in medical, surgical or veterinary sciences	0.4	0.4	0.4	0.5	0.5
8514 - Other footwear with uppers of leather or composition leather	0.4	0.4	0.5	0.5	0.5
Other	**0.6**	**0.6**	**0.6**	**0.8**	**1.0**

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.3 Merchandise exports by destination, 2012-16

	2012	2013	2014	2015	2016
Total exports (US$ million)	**63,140.6**	**66,781.2**	**68,965.0**	**64,062.2**	**60,570.6**
	% of total exports				
Americas	**33.1**	**31.2**	**31.5**	**32.2**	**33.0**
United States	27.8	26.2	26.9	28.3	29.1
Other America	5.3	5.0	4.5	3.9	3.9
Brazil	1.8	1.6	1.3	1.2	1.2
Canada	1.2	1.0	0.9	0.9	1.0
Europe	**31.6**	**33.6**	**33.5**	**30.3**	**30.8**
EU-28	27.3	27.6	27.3	25.1	26.1
United Kingdom	5.7	5.8	5.8	6.2	6.5
Belgium	4.6	4.7	4.8	3.9	4.1
Netherlands	3.6	3.1	3.6	3.4	3.5
Germany	2.6	2.6	2.5	2.2	2.5
France	2.3	2.4	2.4	2.6	2.4
Italy	1.8	1.7	1.6	1.3	1.6
Spain	1.6	1.9	1.5	1.2	1.5
EFTA	1.9	2.2	2.2	2.5	2.5
Switzerland	1.8	2.1	2.1	2.3	2.4
Other Europe	2.3	3.8	4.0	2.7	2.3
Turkey	2.3	3.8	4.0	2.7	2.1
Commonwealth of Independent States (CIS)	**2.8**	**2.8**	**2.6**	**1.8**	**1.9**
Russian Federation	1.7	1.6	1.4	1.1	1.0
Africa	**2.4**	**2.2**	**2.0**	**1.7**	**1.5**
Middle East	**0.3**	**0.2**	**0.2**	**0.2**	**0.1**
Asia	**25.3**	**25.4**	**25.4**	**28.0**	**26.1**
China	4.4	4.3	4.0	5.1	5.5
Japan	1.3	1.1	1.1	1.2	1.3
Other Asia	19.7	20.0	20.2	21.7	19.3
Hong Kong, China	7.7	8.1	8.9	8.3	7.3
India	3.9	3.4	3.2	3.5	4.0
Viet Nam	1.1	1.0	1.0	2.8	2.0
Chinese Taipei	1.2	1.1	1.2	1.0	1.2
Malaysia	1.2	2.2	2.0	2.2	1.0
Korea, Republic of	1.1	0.9	0.9	0.9	1.0
Australia	0.9	0.9	0.9	0.8	0.8
Other	**4.5**	**4.6**	**4.9**	**5.9**	**6.7**

Source: UNSD, Comtrade database.

Table A1.4 Merchandise imports by origin, 2012-16

	2012	2013	2014	2015	2016
Total imports (US$ million)	**73,112.1**	**71,995.0**	**72,331.8**	**62,067.8**	**65,802.7**
	% of total imports				
Americas	**14.7**	**13.4**	**13.6**	**14.8**	**14.3**
United States	12.9	11.3	11.8	13.0	12.3
Other America	1.8	2.0	1.8	1.8	2.0
Europe	**43.0**	**43.5**	**44.6**	**47.7**	**52.4**
EU-28	34.5	33.9	33.4	36.4	41.6
Germany	6.3	6.5	6.4	6.1	6.2
Belgium	4.8	5.3	5.3	5.3	5.9
United Kingdom	3.6	3.4	3.2	3.7	5.6
Netherlands	3.8	3.8	3.3	3.9	4.1
Italy	3.8	3.7	3.8	4.0	4.1
Ireland	1.4	1.3	1.2	2.1	3.1
France	2.3	2.2	2.2	2.6	2.6
Spain	1.6	1.9	2.0	2.2	2.4
Slovenia	0.2	0.2	0.2	0.2	1.1
Czech Republic	0.7	0.7	0.8	0.8	0.9
EFTA	5.7	6.3	7.5	7.4	6.8
Switzerland	5.5	6.1	7.2	7.1	6.5
Other Europe	2.9	3.3	3.7	4.0	4.0
Turkey	2.8	3.3	3.7	3.9	4.0
Commonwealth of Independent States (CIS)	**1.5**	**1.7**	**1.5**	**1.4**	**1.6**
Russian Federation	1.1	1.4	1.3	1.2	1.4
Africa	**0.5**	**0.4**	**0.5**	**0.4**	**0.4**
Middle East	**0.3**	**0.4**	**0.5**	**0.7**	**0.5**
Asia	**20.5**	**20.8**	**22.4**	**24.2**	**26.1**
China	7.3	7.9	8.3	9.3	9.0
Japan	2.4	1.6	1.8	1.9	3.6
Other Asia	10.9	11.4	12.3	13.0	13.6
Hong Kong, China	2.1	2.3	3.0	3.3	3.0
India	2.6	2.9	3.1	3.0	2.7
Singapore	1.1	1.1	1.2	1.3	2.3
Korea, Republic of	2.3	2.1	1.9	1.8	2.0
Chinese Taipei	1.1	1.1	1.1	1.3	1.2
Thailand	0.7	0.7	0.8	0.9	0.9
Other	**19.5**	**19.9**	**16.9**	**10.7**	**4.7**

Source: UNSD, Comtrade database.

Table A2.1 WTO notifications by Israel, 2012-17

Products covered/ subject	Description of notification	Document title	Date
AGREEMENT ON AGRICULTURE			
Notifications under Articles 10 and 18.2			
Export subsidies		G/AG/N/ISR/52	12/6/2013
	2011-14	G/AG/N/ISR/53	21/1/2016
	2015	G/AG/N/ISR/56	1/12/2016
Domestic support		G/AG/N/ISR/48 and Rev.1	29/8/2012 & 22/10/2012
		G/AG/N/ISR/54	27/4/2016
		G/AG/N/ISR/55	28/4/2016
		G/AG/N/ISR/60	31/8/2017
Imports under tariff quotas		G/AG/N/ISR/49	7/11/2012
		G/AG/N/ISR/50	14/2/2013
		G/AG/N/ISR/58	21/2/2017
		G/AG/N/ISR/62	1/9/2017
Special safeguards		G/AG/N/ISR/51	21/2/2013
		G/AG/N/ISR/57	1/12/2016
		G/AG/N/ISR/59	31/8/2017
AGREEMENT ON IMPLEMENTATION OF ARTICLE VI OF THE GATT 1994 (ANTI-DUMPING)			
Notifications under Article 16.4			
Annual and semi-annual reports		G/ADP/N/209/ISR	20/1/2012
		G/ADP/N/216/ISR and Corr.1	23/1/2012 22/3/2012
		G/ADP/N/223/ISR	22/3/2012
		G/ADP/N/230/ISR	1/10/2012
		G/ADP/N/237/ISR	19/3/2013
		G/ADP/N/244/ISR	30/7/2013
		G/ADP/N/252/ISR	2/4/2014
		G/ADP/N/259/ISR	29/8/2014
		G/ADP/N/265/ISR and Add.1	29/1/2015 24/4/2015
		G/ADP/N/272/ISR	6/8/2015
		G/ADP/N/279	18/1/2016
		G/ADP/N/280/ISR	20/1/2016
		G/ADP/N/287	23/6/2016
		G/ADP/N/286/ISR	27/7/2016
		G/ADP/N/289	24/8/2016
		G/ADP/N/292	29/11/2016
		G/ADP/N/294/ISR	7/2/2017
		G/ADP/N/296	24/2/2017
		G/ADP/N/302 and Corr.1	18/7/2017 13/9/2017
		G/ADP/N/300/ISR	19/10/2017
		G/ADP/N/305	19/10/2017
	Competent authorities in WTO Members	G/ADP/N/14/Add.41; G/SCM/N/18/Add.41	22/4/2016
AGREEMENT ON GOVERNMENT PROCUREMENT			
	Questionnaire pursuant to para. 3.2 of the Committee's Decision on a Work Programme on SMEs	GPA/WPS/SME/21	22/6/2016
	Notification pursuant to para. 2 of the Committee's Decision on a Work Programme on Exclusions and Restrictions in Parties' Annexes	GPA/WPS/EXCS/14	22/6/2016
	Thresholds in national currency (*1 April 2012-31 March 2014)*	GPA/W/314/Add.7	4/4/2012
	Thresholds in national currency (2016–2017)	GPA/W/336/Add.8	15/2/2016

Products covered/ subject	Description of notification	Document title	Date
	Thresholds in national currency (*2014–2016)*	GPA/W/325/Add.7	6/2/2014
AGREEMENT ON IMPORT LICENSING PROCEDURES			
Notifications under Articles 1.4 (a) and 8.2 (b)			
		G/LIC/N/1/ISR/2 and Corr.1. G/LIC/N/1/ISR/3	19/10/2012 23/10/2012 8/10/2013
Notifications under Articles 5.1-5.4			
		G/LIC/N/2/ISR/2 G/LIC/N/2/ISR/3	22/10/2012 21/10/2013
Notifications under Article 7.3			
		G/LIC/N/3/ISR/2 G/LIC/N/3/ISR/3	19/10/2012 9/10/2013
AGREEMENT ON SAFEGUARDS			
Notifications under Article 12.1 (b) and (c), and Article 9, footnote 2			
Glass wool and rock wool	Investigation terminated with no measure	G/SG/N/8/ISR/1; G/SG/N/11/ISR/2. G/SG/N/9/ISR/1 G/SG/N/8/ISR/1/Rev.1; G/SG/N/11/ISR/2/Rev.1	9/1/2012 25/10/2013 13/1/2014
AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES			
Notifications under Article 25.11			
Semi-annual reports on CV duties		G/SCM/N/212/Add.1/Rev.2 G/SCM/N/219/Add.1/Rev.2 G/SCM/N/228/Add.1/Rev.2 G/SCM/N/235/Add.1 G/SCM/N/242/Add.1 G/SCM/N/250/Add.1 G/SCM/N/259/Add.1 G/SCM/N/267/Add.1 G/SCM/N/220/ISR/Suppl.1; G/SCM/N/253/ISR G/SCM/N/281/Add.1 G/SCM/N/289/Add.1 G/SCM/N/298/Add.1/Rev.1 G/SCM/N/305/Add.1 G/SCM/N/313/Add.1 G/SCM/N/321/Add.1	26/7/2012 26/7/2012 26/7/2012 24/4/2012 12/10/2012 10/4/2013 18/10/2013 15/4/2014 25/9/2014 24/4/2015 22/10/2015 25/10/2016 21/10/2016 21/4/2017 23/10/2017
AGREEMENT ON TECHNICAL BARRIERS TO TRADE			
Notifications under Articles 10.6 and 10.7			
Certification of products	Guidelines for certification of various products	G/TBT/N/ISR/543-645; G/TBT/N/ISR/476/Add.1/Corr.1; G/TBT/N/ISR/284/Add.2. G/TBT/N/ISR/646-728; G/TBT/N/ISR/555/Add.1 and Corr.1; G/TBT/N/ISR/372-385/Add.2; G/TBT/N/ISR/232/Add.2 G/TBT/N/ISR/729-809; G/TBT/N/ISR/611/Add.1; G/TBT/N/ISR/717/Add.1. G/TBT/N/ISR/810-821; G/TBT/N/ISR/666/Add.2; G/TBT/N/ISR/672/Add.1; G/TBT/N/ISR/707/Add.1. G/TBT/N/ISR/822-940; G/TBT/N/ISR/560/Add.1; G/TBT/N/ISR/666/Add.2.	2012 2013 2014 2015 2016

Products covered/ subject	Description of notification	Document title	Date
		G/TBT/N/ISR/941-972; G/TBT/N/ISR/709/Add.1 G/TBT/N/ISR/946/Add.1 G/TBT/N/ISR/862/Add.1 G/TBT/N/ISR/929/Add.1	2017
AGREEMENT ON TRADE FACILITATION			
Category "A" commitments		WT/PCTF/N/ISR/1	31/7/2014
GENERAL AGREEMENT ON TRADE IN SERVICES			
	Contact and enquiry points - Note by the Secretariat - Revision	S/ENQ/78/Rev.16	22/4/2016
TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS AGREEMENT			
Notification under Article 63.2			
	Laws and regulations Laws and regulations	IP/N/1/ISR/C/11 IP/N/1/ISR/3	15/4/2013 15/4/2013

Source: WTO Secretariat.