



# ADDED VALUE: Israel's Strategic Worth to the European Union and its Member States

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# Introduction

The relationship between the European Union and the State of Israel is often said to be based on common values. Israelis often describe their country as a vibrant democracy that treasures the core Western values of human rights and rule of law, and, in public pronouncements, European policymakers tend to agree.<sup>1</sup> The weight of history – centuries of European anti-Semitism, culminating in the Holocaust – is never entirely absent from the discussion.<sup>2</sup>

Yet, the Israel of today is far more than a Western island surrounded by Middle Eastern dysfunction. The diminutive Jewish state leads the world in start-ups, patents, and rate of scientists per capita; it has more companies on the NASDAQ than any country outside of North America; it has the third-highest rate of entrepreneurship (and the highest among women and people over 55); and it is the world's sixth-largest producer of military technology, and 17th-largest of Nobel laureates.<sup>3</sup>

This report, then, seeks to go beyond questions of values and history, to assess the *strategic benefit* that the EU derives from its ties to Israel. It does so in three key arenas – security, economy, and science and technology – bolstered by interviews with leading European and Israeli opinion-shapers and policymakers.

However, the report does not elide over disagreements in the bilateral relationship. In recent years, the two sides have clashed over the question of West Bank

settlements and the status of Jerusalem, as well as the proportionality of Israeli military campaigns in Gaza and Lebanon.<sup>4</sup>

According to Shlomo Avineri, the former head of both Israel's Foreign Ministry and of European Studies at Hebrew University:

Some Europeans have started looking at ties with Israel through the lens of disagreement, rather than the broad areas of co-operation. Likewise, many Israelis today feel Europe is anti-Israel, because they read in newspapers about disagreement over settlement policy. Most have no idea about the very sensitive security bilateral relations, [or] the scope of the economic relationship and of scientific and scholarly exchange.<sup>5</sup>

The range of those ties was underscored by the EU's 2012 upgrade of relations with Israel in 60 specific activities: from energy to agriculture, and from policing to space exploration. The move, though, fell short of the full upgrade that Israel had sought, and which the EU had withheld after Jerusalem's 2008-09 campaign against Hamas rocket fire from Gaza.<sup>6</sup> However, even if that symbolic gesture was refused, the effect has been nearly the same: links between the EU and Israel are now more extensive than at any time in either's history – a fact not lost on the Jewish state's most committed detractors.<sup>7</sup>

Today, the European bloc's future hangs in the balance. Euroscepticism is on the rise across the Continent; the Eurozone crisis is battering its members' economies; and the Union's role on the

1 For example: "The EU and Israel share the common values of democracy, respect for human rights and the rule of law and basic freedoms", in "EU/Israel Action Plan," Commission of the European Communities (2004), available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2004:0790:FIN:EN:PDF>; see also: Barroso's words, "Europe is also part of you, of your values and of your culture", in "Speech on the occasion of President Barroso's honorary doctorate at the University of Haifa," *European Commission*, 10 July 2012, available at: [http://europa.eu/rapid/press-release\\_SPEECH-12-543\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-12-543_en.htm?locale=en) (accessed 23 December 2013); see also: Author interview with Francesca Traldi, secretary-general of the *Magna Carta Foundation*, 11 December 2013: "I am convinced Israel is part of the West; it was in the past and present, and will be in the future."

2 "Nir Hasson, "European Union project aims to establish network of Holocaust archives," *Haaretz*, 8 November 2010, available at: <http://www.haaretz.com/print-edition/news/european-union-project-aims-to-establish-network-of-holocaust-archives-1.323468>; see also: Angelika Stricker, "Merkel tells Israeli parliament of Holocaust shame," *Reuters*, 18 March 2008, available at: <http://www.reuters.com/article/2008/03/18/us-israel-germany-id-USL1885127220080318> (both accessed 23 December 2013).

3 Aaron David Miller, "Is Israel Doomed?," *Foreign Policy*, 7 November 2013, available at: [http://www.foreignpolicy.com/articles/2013/11/07/is\\_israel\\_doomed?page=full](http://www.foreignpolicy.com/articles/2013/11/07/is_israel_doomed?page=full) (accessed 10 November 2013).

4 Costanza Musu, "The state of EU-Israel Relations: An appraisal from a European perspective," *1957-2009: Israeli-European Cooperation – Stocktaking*, Israeli European Policy Network (2009), available at: <http://www.iepn.org/images/stories/papers/israeli-european%20cooperation%20stocktaking.pdf>; see also: Tsilla Hershco, "Israel – EU Security and Defense Relations – Divergences and Convergences," *Diplomacy & Foreign Affairs*, available at: <http://diplomacyandforeignaffairs.com/israel-cu-security-and-defense-relations-divergences-and-convergences/> (accessed 4 November 2013).

5 Author interview, 20 November 2013.

6 Phoebe Greenwood, "EU move to upgrade relations with Israel," *The Guardian*, 23 July 2012, available at: <http://www.theguardian.com/world/2012/jul/23/israel-eu?newsfeed=true>, (accessed 14 December 2013).

7 See, for example: Bruno Jäntti, "The EU: Israel's Faithful Brother in Arms," *Al Akhbar*, 13 May 2013, available at: <http://english.al-akhbar.com/node/15791>; see also: Arjan El Fassed, "In bed with Israel: EU's close relationship with Israel supports abuse," *The Electronic Intifada*, 11 March 2005, available at: <http://electronicintifada.net/content/bed-israel-eus-close-relationship-israel-supports-abuse/5459>; see also: Ben White, "EU-Israel: One hand whitewashes the other," *Al Jazeera*, 8 August 2012, available at: <http://www.aljazeera.com/indepth/opinion/2012/08/201287194144393945.html> (all accessed 23 December 2013).

world stage remains in question.<sup>8 9</sup> Amid a small but growing campaign to cast Israel as a strategic liability

8 Kathleen R. McNamara, "The Eurocrisis and the Uncertain Future of European Integration," *Council on Foreign Relations*, September 2010, available at: <http://www.cfr.org/world/eurocrisis-uncertain-future-european-integration/p22933> (accessed 20 November 2013).

9 Jose Ignacio Torreblanca and Mark Leonard, "The Continent-Wide Rise of Euroscepticism," *European Council on Foreign Relations* (2013), available at: [http://ecfr.eu/page/-/ECFR79\\_EUROSCPTICISM\\_BRIEF\\_AW.pdf](http://ecfr.eu/page/-/ECFR79_EUROSCPTICISM_BRIEF_AW.pdf) (accessed 20 November 2013).

– one meriting support only in light of Europe's past crimes against Jews – this report asks a simple question: in which ways and to what extent do the EU's connections to Israel serve the bloc's strategic interests and those of its members? Do they make Europeans safer, more prosperous, and/or more influential in the world? Put in starker terms: would Europe be better or worse off if Israel were to disappear?



*Tel Aviv, the hub of Israel's booming start-up sector*

# In Figures: EU-Israel Relations

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**€29.7 billion:** Total bilateral trade in goods (2012)

**€17 billion:** EU exports to Israel (2012)

**€12.7 billion:** EU imports from Israel (2012)

**€4.3 billion:** Trade balance in goods in EU's favour (2012)

**€1.16 billion:** Israeli military-related sales to EU members (2012)

**35%** of Israeli imports come from the EU (Israel's leading import partner)

**27%** of Israeli exports go to the EU (Israel's second-leading export partner, after the US)

**€7.9 billion:** Total bilateral trade in services (2012)

**€1.3 billion:** Trade balance in service sector in EU's favour

**€4.44 billion** (£3.75 billion): UK-Israel trade (2012, up 34% from 2011)

**€5.3 billion:** Germany-Israel trade (2012)

**€2.3 billion:** France-Israel trade (2011)

Average annual growth rate in EU-Israel trade (2008-12):

**4.9%:** EU exports

**3.0%:** EU imports

Top EU-to-Israel exports: Machinery, transport equipment (**38%**); manufactured goods (**21%**); chemicals (**17%**)

Top Israel-to-EU imports: Chemicals (**37%**); machinery, transport equipment (**19%**); manufactured goods (**17%**)

**356:** Israeli participants in European Cooperation in Science and Technology (COST) since 2000 (**34%** of all programmes)

**289:** Israeli participants in European Research Council projects: (**11%** of all projects)

**1,406:** Israeli participants in the EU Seventh Framework Programme for Research and Technological Development<sup>10</sup>

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<sup>10</sup> "European Union, Trade in goods with Israel," European Commission (2013), available at: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113402.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113402.pdf); see also: Nadav Shemer, "UK envoy: Trade boom proves no Israel boycott," *The Jerusalem Post*, 29 February 2012, available at: <http://www.jpost.com/Business/Business-News/UK-envoy-Trade-boom-proves-no-Israel-boycott> (accessed 16 December 2013); see also: "Vom Silicon Valley ins Silicon Wadi" ("From Silicon Valley to Silicon Wadi"), *State of Israel – Ministry of Economy*, 21 June 2013, available at: <http://itrade.gov.il/germany/vom-silicon-valley-ins-silicon-wadi-wirtschaftsminister-rosler-in-israel/>; see also: "Hollande visits Israel amid stalled Iran nuclear talks," *France 24*, 17 November 2013, available at: <http://www.france24.com/en/20131116-hollande-iran-israel-nuclear-netanyahu-palestinian-abbas-france/>.

# The Security Dimension

## Overview

For the past seven decades, most EU states have been blessedly free of the political conflicts that brought the carnage of the World Wars. More recently, with the Cold War over; the US funding three-quarters of NATO spending; and their own economies in crisis, EU states have let their military budgets shrink further still. Today, only the UK and Greece meet NATO's guideline of member states contributing 2% of their GDP to defence.<sup>11</sup>

Israel, by contrast, has been in conflict since the day of its birth, and has accumulated vast operational and counterterrorism experience, which the EU lacks. Through intelligence sharing; arms sales; and joint training exercises, EU members benefit from Israeli expertise, making their borders more secure; their military operations more effective; and their citizens safer.

“Defence budgets all over Europe are dropping, and military R&D budgets as well,” said Brig. Gen. (ret.) Uzi Eilam, who was formerly the Europe director and Head of Science and Research and Development with the Israeli Defence Ministry, and is now with the Institute for National Security Studies (INSS) in Tel Aviv. “Yet, if the threats Europe is facing – particularly in the war on terror – are steeply on the rise, it needs, not only technology, but counterterrorism knowhow; that’s where Israeli companies come in,” he said.<sup>12</sup>

Cyberwarfare, the Iranian nuclear threat, and the rising use of the Mediterranean Basin as a launch pad for terrorism in Europe are all areas of mutual concern;<sup>13</sup> geopolitical instability wrought by the

‘Arab Spring’ is another.<sup>14</sup> Nowhere is this now more evident than in Israel’s neighbour, Syria, which, since the outbreak of civil war in 2011, has become ground zero for violent extremists from around the world. The extremists’ ranks comprise at least 1,000 hard-core Islamists from Europe, including an estimated 300 from the UK alone – extremists whom British intelligence fear will try to launch terror attacks upon their return to Britain.<sup>15 16</sup>

“The Israelis keep a close eye on what’s happening in Syria, including all the European fighters there,” said Daniel Schwammthenthal, director of the Brussels-based *Transatlantic Institute* and former editorial editor at the *Wall Street Journal Europe*. “It’s one area in which there are, no doubt, deep shared interests and concerns.”<sup>17</sup>

## Intelligence sharing

Israeli intelligence is, by necessity, world class, boasting capabilities that former US Air Force intelligence chief Maj. Gen. George Keegan likened to that of “five CIAs.”<sup>18</sup> Less well-documented is the scope of Israeli-European intelligence sharing – links that were redoubled after the major terror attacks that hit Europe over the last decade.

The EU – with its porous interstate borders and often-inadequate immigrant screening – has become an attractive target for terrorists. One-hundred-and-ninety-one people were killed in the 2004 Madrid train bombings, and 52 more the following year (in attacks on London’s public transport). The thwarted 2006 “Liquid Bomb Plot” could have dwarfed even the 9/11 attacks, with as many as 10,000 people killed, had its perpetrators succeeded in exploding 10 planes

11 Steven Erlanger, “Shrinking Europe Military Spending Stirs Concern,” *The New York Times*, 22 April 2013, available at: [http://www.nytimes.com/2013/04/23/world/europe/europes-shrinking-military-spending-under-scrutiny.html?\\_r=0](http://www.nytimes.com/2013/04/23/world/europe/europes-shrinking-military-spending-under-scrutiny.html?_r=0); see also: John Vandiver, “NATO chief urges Europe to spend more on defense,” *Stars and Stripes*, 19 September 2013, available at: <http://www.stripes.com/news/europe/nato-chief-urges-europe-to-spend-more-on-defence-1.242159> (both accessed 19 November 2013).

12 Author interview, 19 November 2013.

13 Author interviews with Oded Eran, Israel’s former ambassador to the EU, and Ben-Gurion University’s Zaki Shalom, security expert, 19 November 2013.

14 Tsilla Hershco, “Israel – EU Security and Defence Relations – Divergences and Convergences,” *Diplomacy & Foreign Affairs*, available at: <http://diplomacyandforeignaffairs.com/israel-eu-security-and-defence-relations-divergences-and-convergences/> (accessed 4 November 2013).

15 Siobhan Gorman, Cassell Bryan-Low, and Maria Abi-Habib, “Jihadists Returning Home to Europe From Syria Pose New Terror Threat,” *The Wall Street Journal*, 4 December 2013, available at: <http://online.wsj.com/news/articles/SB10001424052702303722104579238542737904868> (accessed 8 December 2013).

16 Con Coughlin, “The Syrian civil war is breeding a new generation of terrorist,” *The Telegraph*, 3 December 2013, available at: <http://www.telegraph.co.uk/news/worldnews/middleeast/syria/10491523/The-Syrian-civil-war-is-breeding-a-new-generation-of-terrorist.html> (accessed 8 December 2013).

17 Author interview, 6 December 2013.

18 Cited in Michael Oren, “The Ultimate Ally,” *Foreign Policy*, 25 April 2011, available at: [http://www.foreignpolicy.com/articles/2011/04/25/the\\_ultimate\\_ally](http://www.foreignpolicy.com/articles/2011/04/25/the_ultimate_ally) (accessed 8 November 2013).

after take-off from Britain.<sup>19</sup> Additionally, in 2009, Umar Farouk Abdulmutallab (the 'Underwear Bomber') nearly took down a Detroit-bound jet that was flying from Amsterdam on Christmas Day, an attack that would have killed hundreds.<sup>20</sup>

With their publics reminded of the ever-present threat of terrorism, EU governments have dramatically upgraded security collaboration with Israel – the US Congressional Research Service, for example, notes a significant increase in Germany's intelligence co-operation with Jerusalem, since 9/11.<sup>21</sup> Likewise, Britain regularly receives vital intelligence from Israel, on Iran and other chief state sponsors of terrorism.

Con Coughlin, *The Telegraph's* defence correspondent, has written that Britain is so reliant on Israeli intelligence that it simply "cannot afford a diplomatic rift",<sup>22</sup> and a former top-level Mossad agent observed (immodestly; but, perhaps not inaccurately) that, in the intelligence field, Israel has "more to offer than receive" from the UK.<sup>23</sup>

One of the foremost dangers to Europe's security today is Hezbollah. The Iran-funded Lebanese terror outfit has targeted Europeans for decades: from the 1983 bombing of French barracks in Beirut, killing 55; to a 1985 hijacking of an Athens-to-Rome jet; to more than a dozen bombings in Paris, in 1985 and 1986, that killed 13 people.<sup>24</sup> Other attacks – some successful, others not – targeted Germany, Italy, and Denmark.<sup>25</sup>

In early 2013, the EU voted to finally blacklist the organisation,<sup>26</sup> after it sent a suicide bomber to the resort town of Burgas, Bulgaria,<sup>27</sup> killing a Bulgarian bus driver and five Israeli tourists and injuring 30 more. That same year, Cyprus convicted a Hezbollah operative of planning a similar strike on its soil.<sup>28</sup> The blacklist, regrettably, was not of Hezbollah itself, but of its so-called 'armed wing', despite experts' assessments that no such division within the group exists.<sup>29</sup> Still, Jerusalem reacted to the designation by promising vital intelligence to help the EU enforce the move. Israel, after all, has monitored Hezbollah since its inception in south Lebanon, three decades ago, and has deeper and more actionable intelligence on it than any other country in the world.<sup>30</sup>

According to Yossi Kuperwasser (director of Israel's Ministry of International Relations and Strategic Affairs, and a veteran of the country's intelligence establishment), for several years, Israeli and European intelligence communities have been meeting every few months in Europe, for high-level briefings on European security. "You don't even have to pay us," he joked. "We consider Europe's security to be part of our security; when Europe is insecure, so is Israel – and vice versa."<sup>31</sup> Mark Heller, a veteran security expert at Tel Aviv University, added, "Israel may not have much to provide the EU on the IRA or Corsican separatists; but, it does know quite a bit about radical Islamists."<sup>32</sup>

19 Duncan Gardham, "Airline terror trial: The bomb plot to kill 10,000 people," *The Telegraph*, 7 September 2009, available at: <http://www.telegraph.co.uk/news/uknews/terrorism-in-the-uk/6153243/Airline-terror-trial-The-bomb-plot-to-kill-10000-people.html> (accessed 19 November 2013).

20 "Underwear bomber Abdulmutallab sentenced to life," *BBC News*, 16 February 2012, available at: <http://www.bbc.co.uk/news/world-us-canada-17065130> (accessed 13 December 2013).

21 Paul Belkin, "Germany's Relations with Israel: Background and Implications for German Middle East Policy," Congressional Research Service (2007), available at: <http://www.fas.org/sgp/crs/row/RL33808.pdf>; see also: Shlomo Shpiro, "Intelligence Services and Foreign Policy: German-Israeli Intelligence and Military Cooperation," *German Politics*, Vol. 11, No. 1, April 2002.

22 Con Coughlin, "Britain cannot afford a diplomatic rift with Israel," *The Telegraph*, 3 December 2012, available at: <http://blogs.telegraph.co.uk/news/concoughlin/100192487/britain-cannot-afford-a-diplomatic-rift-with-israel/> (accessed 5 November 2013).

23 Yaakov Lappin, "Politically motivated move, blow to intelligence-sharing," *The Jerusalem Post*, 24 March 2010, available at: <http://www.jpost.com/Israel/Politically-motivated-move-blow-to-intelligence-sharing> (accessed 6 November 2013).

24 Matthew Levitt, "Matthew Levitt: Hezbollah's European enablers," *National Post*, 11 March, 2013, available at: <http://fullcomment.nationalpost.com/2013/03/11/matthew-levitt-hezbollahs-european-enablers/> (accessed 2 December 2013).

25 See: Matthew Levitt, "Hezbollah's European Debut," in *Hezbollah: The Global Footprint of Lebanon's Party of God* (Washington: Georgetown, 2013), pp. 49-74.

26 "EU ministers agree to blacklist Hezbollah's armed wing," *BBC News*, 22 July 2013, available at: <http://www.bbc.co.uk/news/world-middle-east-23397003> (accessed 19 November 2013).

27 "Hezbollah suspected in Bulgaria bus bombing," *Al Jazeera*, 5 February 2013, available at: <http://www.aljazeera.com/news/europe/2013/02/20132515350158754.html> (accessed 8 November 2013).

28 Michael Birnbaum, "Cyprus convicts Hezbollah operative," *The Washington Post*, 22 March 2013, available at: [http://articles.washingtonpost.com/2013-03-21/world/37904215\\_1\\_hezbollah-shiite-militant-group-israeli-tourists](http://articles.washingtonpost.com/2013-03-21/world/37904215_1_hezbollah-shiite-militant-group-israeli-tourists) (accessed 8 November 2013).

29 Matthew Levitt, "On a Military Wing and a Prayer," *Foreign Policy*, 12 February 2013, available at: [http://www.foreignpolicy.com/articles/2013/02/12/on\\_military\\_wing\\_prayer\\_hezbollah\\_europe\\_bulgaria](http://www.foreignpolicy.com/articles/2013/02/12/on_military_wing_prayer_hezbollah_europe_bulgaria) (accessed 2 December 2013).

30 Herb Keinon, "Israel to start supplying EU with intel on Hezbollah," *The Jerusalem Post*, 24 July 2013, available at: <http://www.jpost.com/Diplomacy-and-Politics/After-terrorist-designation-Israel-to-begin-giving-intel-on-Hezbollah-to-EU-enforcement-officials-320878> (accessed 4 November 2013).

31 Author interview, 25 November 2013.

32 Author interview, 19 November 2013. Heller added, "Israel has intensive military relationships with EU states, especially its leading military powers: Britain, France, Germany, and Italy. There are high-level strategic dialogues, which involve annual meetings where analysis is shared and exchanged. There is also, of course, intelligence exchange, mostly to do with counterterrorism. These aren't in the public domain; but, they deal mainly with information and methodology."

## *Sales of weapons and homeland-security systems*

Israel's arms exports jumped 74%, in 2013,<sup>33</sup> making the country of under 8 million people the world's sixth-largest arms exporter – after military-technology heavyweights the US, Russia, France, the UK, and Germany. In 2012, Israel exported \$1.6 billion (€1.16 billion), in military-related technology, to EU states, a figure surpassed only by Israel's arms sales to the US and India.<sup>34</sup>

A representative example is the 'Spike' anti-tank portable missile system, designed by the defence firm, *Rafael*, and sold – in consortium with two German counterparts – as 'EuroSpike'. The UK; Spain; Belgium; Italy; and the Netherlands have all acquired the system in large numbers, and, for years, it has seen extensive use in coalition operations in Afghanistan.<sup>35</sup>

Israeli equipment also enhances Europeans' personal security. Last November's Milipol conference in Paris – the marquee convention for the homeland-security industry – featured dozens of Israeli firms offering everything from cybersecurity tools, to emergency management, to aviation and transportation security.<sup>36</sup>

Few Europeans are aware that Israeli technology safeguards such iconic symbols as Buckingham Palace, Heathrow Airport, the Eiffel Tower, and the Vatican.<sup>37 38</sup>

## *Joint training and NATO*

Israel conducts joint training exercises with European militaries nearly every year. In November and December 2013, it hosted the German; Italian; Polish; and American air forces, near Eilat, for its latest international exercise. Codenamed 'Blue Flag', the drill involved hundreds of aircraft and a thousand crew members simulating both asymmetric (counterinsurgency) operations and traditional air-to-air combat.<sup>39</sup> Other recent drills have included special-forces training with the Czech Republic,<sup>40</sup> as well as long-distance air-force bombing runs with Greece; Italy; the Netherlands; and Germany.<sup>41 42</sup> The bulk of EU-Israel joint training, however, is conducted within the NATO framework.

All but two of NATO's 28 member states are situated in Europe, and, naturally, a significant portion of the EU's military co-operation with Israel occurs under NATO auspices. The NATO-Israel relationship has expanded significantly over the last decade. In 2005, Jaap de Hoop Scheffer became the first NATO chief to visit Israel, and, the following year, Israel participated in 'Operation Active Endeavour' – NATO's signature counterterrorism and counter-trafficking drill in the Mediterranean.<sup>43 44</sup>

Shortly after, the two sides approved a long-term plan for co-operation in 27 areas, making Israel the first non-European country to reach such an agreement. That co-operation was upgraded further, in 2008, allowing for "an exchange of intelligence information

33 "Peak Defence' on Horizon as US, UK & Europe Erodes Competitive Edge," *IHS*, 24 June 2013, available at: <http://press.ihs.com/press-release/country-industry-forecasting/peak-defence-horizon-us-uk-europe-erodes-competitive-edge> (accessed 9 November 2013).

34 Gili Cohen, "Overtaking China and Italy: Israel ranks as the world's sixth largest arms exporter in 2012," *Haaretz*, 25 June 2013, available at: <http://www.haaretz.com/news/diplomacy-defense/.premium-1.531956>; see also: Alon Ben David, "Israel Among Leading Arms Exporters In 2012," *Aviation Week*, 5 August 2013, available at: [http://www.aviationweek.com/Article.aspx?id=/article-xml/AW\\_08\\_05\\_2013\\_p76-600058.xml](http://www.aviationweek.com/Article.aspx?id=/article-xml/AW_08_05_2013_p76-600058.xml); see also: "The Arms Trade between EU Member States and Israel – Briefing Paper," Quaker Council for European Affairs (2009), available at: <http://www.qcea.org/2010/12/bp-eu-israel-arms-trade/> (all accessed 17 December 2013).

35 "EuroSpike GmbH," *EuroSpike*, available at: <http://www.eurospike.com/index.html> (accessed 1 November 2013).

36 "Israel at Milipol Paris 2013," *Israel Export Institute*, 19-22 November 2013, available at: <http://www.export.gov.il/files/publications/milipol2013-e-book/milipol%202013%20ppt.html> (accessed 3 November 2013).

37 "Israel: Homeland Security Industry," *The Israel Export & International Cooperation Institute* (2012), available at: [http://www.export.gov.il/uploadfiles/11\\_2012/cyber%20security\\_pages.pdf](http://www.export.gov.il/uploadfiles/11_2012/cyber%20security_pages.pdf) (accessed 2 November 2013).

38 See: Itai Smuskowitz, "Israeli company to secure Vatican," *Ynet*, 20 November 2008, available at: <http://www.ynetnews.com/articles/0,7340,L-3626206,00.html>; see also: Andrea Tornielli, "The Vatican invests in cutting edge technology and regular bug-clearing operations," *Vatican Insider*, 31 October 2013, available at: <http://vaticaninsider.la.stampa.it/en/the-vatican/detail/articolo/vaticano-datagate-29162/> (both accessed 8 November 2013).

39 "Five Air Forces to Participate in Israel's 'Blue Flag' Air Combat Exercise," *Defense Update*, 4 November 2013, available at: [http://defense-update.com/20131104\\_five-air-forces-participate-israels-blue-flag-air-combat-exercise.html](http://defense-update.com/20131104_five-air-forces-participate-israels-blue-flag-air-combat-exercise.html) (accessed 19 November 2013).

40 "Czech Republic discusses joint military training with Israel," *Azeri Press Agency*, 17 May 2013, available at: <http://en.apa.az/news/193008> (accessed 5 November 2013).

41 Tsilla Hershco, "Israel – EU Security and Defence Relations – Divergences and Convergences," *Diplomacy & Foreign Affairs*, available at: <http://diplomacyandforeignaffairs.com/israel-eu-security-and-defence-relation-s-divergences-and-convergences/> (accessed 4 November 2013).

42 Yoav Zitun, "IAF holds distant-strike exercise," *Ynet*, 11 February 2011, available at: <http://www.ynetnews.com/articles/0,7340,L-4142862,00.html> (accessed 6 November 2013).

43 "NATO/Israel Cooperation in the framework of the Mediterranean Dialogue," *NATO*, 16 October 2006, available at: <http://www.nato.int/docu/pr/2006/p06-123e.htm>; see also: Shlomo Ben-Ami, "Israel and NATO – Between Membership and Partnership," *Project Syndicate*, 5 January 2010, available at: <http://www.project-syndicate.org/commentary/israel-and-nato--between-membership-and-partnership#cvHWA69BkIP3HVJ.99> (both accessed 13 November 2013).

44 Rick Rozoff, "Israel: Global NATO's 29th Member," *Centre for Research on Globalization*, 17 January 2010, available at: <http://www.globalresearch.ca/israel-global-nato-s-29th-member> (accessed 13 November 2013).

and security expertise on different subjects, an increase in the number of joint Israel-NATO military exercises and further cooperation in the fight against nuclear proliferation.”<sup>45</sup>

Israel's experience in dealing with terrorism and guerrilla groups has been a boon to NATO members. In 2009, NATO's Science for Peace and Security programme sponsored a three-day course in Haifa, for dealing with emergency procedures in mass-casualty situations.<sup>46</sup> The same year, Adm. Giampaolo Di Paola – then-chairman of NATO's Military Committee – visited Israel, to study IDF tactics to apply to NATO operations in Afghanistan. Di Paola was particularly interested in Israeli specialised armour against Improvised Explosive Devices (IEDs), as well as intelligence gathering and tactics for fighting terror in civilian-populated areas.<sup>47</sup>

This visit came just weeks after the issuance of the infamous Goldstone Report – which alleged that Israel had committed war crimes by deliberately targeting civilians in Gaza (though Goldstone himself later disavowed that contention).<sup>48</sup><sup>49</sup> The contrast was striking: within weeks of the European Parliament endorsing the report, the European chair of NATO's military committee was visiting Israel, for the third time in four years,<sup>50</sup> to study ethical methods for dealing with terror insurgencies without causing undue harm to civilians.

Israel also plays an integral strategic role in Europe's nuclear defences. In 2008, US European Command

(or EUCOM, the US military command which includes Europe and Israel) installed an X-band missile-shield radar base in Israel's Negev desert. The base, along with a similar one in Turkey, is part of the 'Aegis' US-NATO missile-defence system, designed to protect Europe from ballistic missiles of the type that Iran is believed to be developing.<sup>51</sup>

The same year, details emerged of secret German-Israeli co-operation on a project for detecting incoming nuclear-tipped missiles. Codenamed 'Project Bluebird', it is designed to detect nuclear-tipped missiles among a cluster of decoy missiles that could be launched against Europe in the event of nuclear war. The project is likely just the tip of the iceberg of bilateral anti-nuclear efforts, most of which remain highly classified.<sup>52</sup>

In addition, for the last decade, Israel and the US have staged large biennial missile-defence drills, nicknamed 'Juniper Cobra'. The 2012 iteration – by far the largest-ever US-Israeli drill of any kind – was joined by Germany and the United Kingdom,<sup>53</sup> and top US-military officers overseeing the operation confirmed that insights gleaned from it would be applied to strengthening the missile shield for Europe.<sup>54</sup>

This tight co-operation has led a number of high-level European decision-makers to call for Israel to be granted full NATO membership. Spain's former prime minister, José María Aznar, has said that he is “fully convinced” that Israel ought to be included in the alliance, a move that would help thwart Iran's nuclear-weapons drive and stem the tide of radical Islam: “If Iran sees and feels that Israel is an integral part of the West, I think our deterrence posture will

45 Barak Ravid, “NATO okays pact to boost security, political ties with Israel,” *Haaretz*, 2 December 2008, available at: <http://www.haaretz.com/news/nato-okays-pact-to-boost-security-political-ties-with-israel-1.258681> (accessed 13 November 2013).

46 “NATO helps prepare emergency response professionals for mass casualty situations,” *NATO*, 16-18 November 2009, available at: [http://www.nato.int/cps/en/natolive/news\\_59390.htm?mode=news](http://www.nato.int/cps/en/natolive/news_59390.htm?mode=news) (accessed 13 November 2013).

47 Yaakov Katz, “NATO chief comes to study IDF tactics,” *The Jerusalem Post*, 20 November 2009, available at: <http://www.jpost.com/Israel/NATO-chief-comes-to-study-IDF-tactics> (accessed 13 November 2013).

48 “European Parliament backs Goldstone report,” *The Associated Press*, 3 October 2010, available at: <http://www.ynetnews.com/articles/0,7340,L-3860934,00.html> (accessed 13 November 2013).

49 Ethan Bronner and Isabel Kershner, “Head of U.N. Panel Regrets Saying Israel Intentionally Killed Gazans,” *The New York Times*, 2 April 2011, available at: <http://www.nytimes.com/2011/04/03/world/middleeast/03goldstone.html> (accessed 20 November 2013).

50 Yaakov Katz, “NATO chief comes to study IDF tactics,” *The Jerusalem Post*, 20 November 2009, available at: <http://www.jpost.com/Israel/NATO-chief-comes-to-study-IDF-tactics> (accessed 13 November 2013).

51 Jonathan Masters and Greg Bruno, “What is the ballistic missile threat from Iran?,” in “U.S. Ballistic Missile Defense,” *Council on Foreign Relations*, 1 May 2013, available at: <http://www.cfr.org/missile-defense/us-ballistic-missile-defense/p30607#p6>; see also: “Aegis Ballistic Missile Defense,” *Missile Defense Agency – U.S. Department of Defense*, available at: [http://www.mda.mil/system/aegis\\_bmd.html](http://www.mda.mil/system/aegis_bmd.html) (both accessed 18 November 2013).

52 Yaakov Lappin, “Israel, Germany develop nuclear warning system,” *The Jerusalem Post*, 17 November 2008, available at: <http://www.jpost.com/International/Israel-Germany-develop-nuclear-warning-system> (accessed 19 November 2013).

53 Tony Capaccio, “U.S.-Israeli Military Exercise Sending Message to Iran,” *Bloomberg Businessweek*, 15 October 2012, available at: <http://www.businessweek.com/news/2012-10-15/u-dot-s-dot-israeli-military-exercise-sending-message-to-iran> (accessed 13 November 2013).

54 Dan Williams, “U.S. sees Israel drill helping Europe missile shield,” *Reuters*, 22 October 2009, available at: <http://www.reuters.com/article/2009/10/22/us-israel-usa-iran-idUSTRE59L3GC20091022>; see also: Michael Barajas, “US-Israel drill may shape European missile shield,” *The Associated Press*, 27 October 2009, available at: [http://seattletimes.com/html/nationworld/2010146317\\_apmlisraelmissileexercise.html](http://seattletimes.com/html/nationworld/2010146317_apmlisraelmissileexercise.html) (both accessed 13 November 2013).

be strengthened [...] The West cannot fight this radical tide without Israel.”<sup>55</sup>

### *UAV technology*

In the 1970s, Israel became the first country ever to produce Unmanned Aerial Vehicles (UAVs); today, it is their leading exporter worldwide, accounting for 40% of all sales globally.<sup>56 57</sup> UAVs are now a critical tool of modern warfare; counterterrorism; and law enforcement, and experts believe that demand for them will quadruple over the next decade.<sup>58</sup>

Of all Israeli UAVs exported, half go to Europe – chiefly Britain, Germany, Poland, the Netherlands, and Spain.<sup>59</sup> *Israel Aerospace Industries'* ‘Heron’ (known in France as ‘Harfang’) is but one example of an

Israeli UAV that has saved the lives of European troops,<sup>60</sup> contributing extensively to French military operations in Afghanistan;<sup>61</sup> Libya;<sup>62</sup> and Mali.<sup>63</sup>

Another is the ‘Watchkeeper WK450’, developed jointly by Israel’s *Elbit* and France’s *Thales*,<sup>64</sup> which has logged at least 70,000 hours of surveillance (the equivalent of eight years’ non-stop flying) in Afghanistan, for the British Army.<sup>65</sup> The UK Ministry of Defence and its ground commanders in Afghanistan have described the aircraft as “vital” for protecting British troops in the country’s volatile Helmand Province.<sup>66</sup>

55 José Maria Aznar, “Israel and NATO,” *Congress Monthly* (2007), available at: [http://www.ajcongress.org/site/DocServer/Jose\\_Maria\\_Aznar.pdf?docID=3041](http://www.ajcongress.org/site/DocServer/Jose_Maria_Aznar.pdf?docID=3041).

56 “Israel – an unmanned air systems (UAS) super power,” *Defense Update*, 3 May 2013, available at: [http://defense-update.com/20130503\\_israel-as-unmanned-air-systems-super-power.html](http://defense-update.com/20130503_israel-as-unmanned-air-systems-super-power.html) (accessed 2 November 2013).

57 “‘Peak Defence’ on Horizon as US, UK & Europe Erodes Competitive Edge,” *IHS*, 24 June 2013, available at: <http://press.ihs.com/press-release/country-industry-forecasting/peak-defence-horizon-us-uk-europe-erodes-competitive-edge> (accessed 9 November 2013).

58 Charles Levinson, “Israeli Robots Remake Battlefield,” *The Wall Street Journal*, 13 January 2010, available at: <http://online.wsj.com/news/articles/SB126325146524725387> (accessed 8 November 2013).

59 Gili Cohen, “Israel is world’s largest exporter of drones, study finds,” *Haaretz*, 19 May 2013, available at: <http://www.haaretz.com/news/diplomacy-defense/israel-is-world-s-largest-exporter-of-drones-study-finds.premium-1.524771> (accessed 8 November 2013).

60 Tsilla Hershco, “French-Israeli Security Cooperation in the Twenty-First Century (Hebrew),” *Begin-Sadat Center for Strategic Studies*, 1 July 2013, available at: <http://besacenter.org/mideast-security-and-policy-studies/french-israeli-security-cooperation-in-the-twenty-first-century-hebrew/>.

61 Tech. Sgt. John Jung, “French unmanned aircraft protect Bagram Airmen, coalition forces,” *US Air Force*, 13 July 2009, available at: <http://archive.is/20120720012659/http://www.af.mil/news/story.asp?id=123158417> (accessed 9 November 2013).

62 Zach Rosenberg, “France deploys Harfang over Libya,” *Flightglobal*, 25 August 2011, available at: <http://www.flightglobal.com/news/articles/france-deploys-harfang-over-libya-361301/> (accessed 9 November 2013).

63 “French Harfang UAV logs 2,000 flight hours in Mali,” *Shephard Media*, 5 September 2013, available at: <http://www.shephardmedia.com/news/uv-online/french-air-force-harfang-logs-2000-flight-hours-ma/> (accessed 9 November 2013).

64 Lewis Page, “UK MoD reveals Watchkeeper spy-drone numbers,” *The Register*, 15 June 2007, available at: [http://www.theregister.co.uk/2007/06/15/watchkeeper\\_numbers\\_revealed/](http://www.theregister.co.uk/2007/06/15/watchkeeper_numbers_revealed/) (accessed 4 November 2013).

65 “Hermes 450 reaches 70,000 hours in Afghanistan,” *UK Ministry of Defence*, 19 September 2013, available at: <https://www.gov.uk/government/news/hermes-450-reaches-70000-hours-in-afghanistan> (accessed 9 November 2013).

66 *Ibid.*



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*The Vatican – a European icon secured by Israeli technology*

# The Economic Dimension

## Overview

Europeans and Israelis alike tend to be unaware of the sheer scale of EU-Israel commercial ties. “There is no country outside the European continent that has this type of relationship that Israel has with the European Union”, according to the EU’s ex-foreign-policy chief, Javier Solana, while Brussels’ ambassador-designate to Israel affirmed that “the EU has developed its relations with Israel more than any other non-European country in the world”.<sup>67</sup>

Furthermore, though the EU dwarfs Israel in population and combined GDP, the bilateral relationship is neither – as those wishing to delegitimize Israel contend – lopsided nor based on charity. Rather, EU-Israel ties are based on a 1994 European Council decision that Israel’s high level of development means that it should enjoy “special status”, on the basis of reciprocity and common interest, with the EU.<sup>68</sup> A closer look at that economic partnership demonstrates the strategic advantage which it yields to Europe.

## How Europe benefits from growing bilateral trade

The EU is Israel’s largest source of imports (35% of its total) and second-largest destination for exports (27%), barely edged out by the United States.<sup>69</sup> Israel, for its part, is a leading EU trading partner in the strategically pivotal Eastern Mediterranean. All told, Israel’s trade links with the EU amounted to €29.7 billion in 2012, over 50% higher than its total with America.<sup>70 71</sup> The EU also enjoys a positive balance

of trade with Israel, amounting to €4.3 billion in 2011. Some 84% of EU exports to the Jewish state are in its crucial manufacturing sector – half of them in the subset of machinery and transport equipment.<sup>72</sup>

Over the past year, a particular spike was seen in Israel’s trade with Spain, and even more so with the UK. Israel is Britain’s second-largest trading partner in the Middle East (after Saudi Arabia), and Britain is Israel’s second-largest export market (after the US).<sup>73</sup> The increase in trade with both European countries has been prompted primarily by the chemical and pharmaceutical industries: the *Israel Chemicals* conglomerate, for example, owns potash mines in Spain and the UK, and exports agricultural chemicals Continent-wide.<sup>74</sup> In the pharmaceutical arena, *Teva* – the Israeli firm that is the world’s leading maker of generic drugs – owns production facilities in Spain; the UK; Germany; Italy; Ireland; and a handful of Eastern European countries.<sup>75</sup> Israel’s outsized presence in Europe’s pharmaceutical market led to the 2010 Agreement on Conformity Assessment and Acceptance of Industrial Products (AACA), which co-ordinates European and Israeli pharmaceutical standards (to make for easier sale and manufacture on both sides).<sup>76</sup>

In October 2013, European Commissioner for Industry and Entrepreneurship Antonio Tajani visited Israel, accompanied by 65 industry associations and companies. A European Commission memorandum released at the visit’s end affirmed that the trip’s purpose had been to link European entrepreneurs with Israel, “one of the most competitive economies in the world”, in order to enhance European industry’s global reach.<sup>77</sup>

[http://www.export.gov.il/uploadfiles/09\\_2013/developmentsandtrendsinisraeliexport\\_summaryoffirsthalf2013.pdf](http://www.export.gov.il/uploadfiles/09_2013/developmentsandtrendsinisraeliexport_summaryoffirsthalf2013.pdf) (accessed 4 November 2013).

- 72 “European Union, Trade in goods with Israel,” European Commission (2013), available at: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113402.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113402.pdf).
- 73 Lord Green, “Seeing for myself what has made Israel the genuine Start-Up Nation,” *The JC.com*, 15 March 2013, available at: <http://www.thejc.com/comment-and-debate/analysis/103387/seeing-myself-what-has-made-israel-genuine-start-up-nation-0> (accessed 17 December 2013).
- 74 “Israel Chemicals Ltd,” *Bloomberg Businessweek*, available at: [http://investing.businessweek.com/research/stocks/snapshot/snapshot\\_article.asp?ticker=ICL:IT](http://investing.businessweek.com/research/stocks/snapshot/snapshot_article.asp?ticker=ICL:IT) (accessed 11 December 2013).
- 75 “Trade,” *Delegation of the European Union to Israel*, available at: [http://eeas.europa.eu/delegations/israel/eu\\_israel/trade\\_relation/index\\_en.htm](http://eeas.europa.eu/delegations/israel/eu_israel/trade_relation/index_en.htm) (accessed 5 November 2013).
- 76 “European Parliament approves EU-Israel agreement to simplify trade,” *Delegation of the European Union to Israel*, 25 October 2012, available at: [http://eeas.europa.eu/delegations/israel/press\\_corner/all\\_news/news/2012/20121025\\_en.htm](http://eeas.europa.eu/delegations/israel/press_corner/all_news/news/2012/20121025_en.htm) (accessed 23 December 2013).
- 77 “Building on long-standing ties, EU and Israel explore new opportunities for growth and innovation,” *Europa*, 21 October 2013, available at: [http://europa.eu/rapid/press-release\\_MEMO-13-912\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-912_en.htm) (accessed 29 October 2013).

67 Lars Faaborg-Andersen, “Delegitimizing Europe?,” *The Jerusalem Post*, 13 November 2013, available at: <http://www.jpost.com/Opinion/Op-Ed-Contributors/Delegitimizing-Europe-331654> (accessed 18 November 2013).

68 “ENP Progress Report – Israel,” *EUR-Lex*, 4 December 2006, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SEC:2006:1507:FIN:EN:HTML> (accessed 4 November 2013).

69 “European Union, Trade in goods with Israel,” European Commission (2013), available at: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113402.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113402.pdf), p. 9.

70 “Countries and regions – Israel,” *European Commission*, 3 May 2013, available at: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/israel/> (accessed 29 October 2013).

71 “Developments and Trends in Israeli Exports: Summary of First Half 2013,” *The Israel Export & International Cooperation Institute* (2013), available at:

## *Israel as a prime target for EU commerce*

Israel's economy is not only one of the world's most dynamic, but has weathered the global economic crisis far better than most other Western economies. New York's MSCI index ranked Israel 3rd, out of 24 developed countries, in terms of projected growth.<sup>78</sup> Unsurprisingly, European investors have taken notice. European foreign direct investment in Israel reached €7.5 billion in 2011, up nearly half a billion euros from the year before, and the European Commission places Israel sixth worldwide – in terms of protecting investors.<sup>79</sup>

In 2010, Israel was included in the latest round of new members to the Organisation for Economic Co-operation and Development (OECD). Today, it is the only country in the Middle East and North Africa admitted to that grouping of advanced developed economies (which began its life as the Organisation for European Economic Co-operation).<sup>80</sup> Visiting Israel in December 2013, OECD secretary-general Angel Gurría remarked:

Israel's growth rates are the envy of much of the rest of the OECD. Unemployment is at record lows. Inflation is under control. And [the country's] high-tech sector continues to attract admiration worldwide. All the building blocks of a strong economy are present and accounted for, but its [sic] gas production that could be the real game-changer.<sup>81</sup>

## *Energy*

Israel has discovered large natural-gas fields, in recent years, which could have enormous consequences for a Europe eager to wean itself off energy from unreliable, authoritarian regimes like Russia (from which it receives a third of its gas and oil)<sup>82</sup> and the Persian

Gulf states.<sup>83 84 85</sup> The Tamar offshore gas field is the largest private infrastructure project in the country's history,<sup>86</sup> generating 300 million cubic feet of gas a day, but significantly smaller than the still-untapped Leviathan field.<sup>87</sup> Indeed, Russia's state-run giant, *Gazprom*, has already signed an initial agreement to export gas from Tamar, and Western markets must act fast to keep Moscow from making the Eastern Mediterranean its private filling station.<sup>88</sup>

Natural gas is fast surpassing coal as the world's leading source of electricity production,<sup>89</sup> and a proposed underwater electric cable (the world's longest) could soon link Israel to the EU, through Cyprus and – potentially – Greece.<sup>90 91</sup> As Solomon Passy, Bulgaria's former foreign minister, said, "The recent agreements between Israel and Cyprus and Greece show there's no reason Israel can't be better integrated in the EU in other fields. Nowadays, energy policy is key to foreign policy; you can't have one without the other."<sup>92</sup> Schwammenthal, the Brussels-based analyst, said that Greek leaders have begun to realise the tremendous strategic advantage, across the Mediterranean, provided by the Jewish

78 "Trading with Israel," *UK Israel Business*, available at: [http://www.ukisraelbusiness.co.uk/?page\\_id=104](http://www.ukisraelbusiness.co.uk/?page_id=104) (accessed 29 October 2013).

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83 Joshua Hammer, "Israel: IEF's Land of Oil and Money," *Fast Company*, 8 August 2011, available at: <http://www.fastcompany.com/1769210/israel-icis-land-oil-and-money> (accessed 8 November 2013).

84 "Israel emerges as energy power," *Financial Times*, 6 November 2013, available at: <http://video.ft.com/2808621410001/Israel-emerges-as-energy-power/Companies>, (accessed 6 November 2013).

85 John Reed, "Israel set to become major gas exporter," *Financial Times*, 6 November 2013, available at: <http://www.ft.com/intl/cms/s/0/82e01bda-4518-11e3-b98b-00144feabdc0.html?siteedition=intl#axzz2jr5Zp7yU> (accessed 6 November 2013).

86 Roby Nathanson and Ro'ee Levy (eds), *Natural Gas in the Eastern Mediterranean: Casus Belli or Chance for Regional Cooperation?* (Tel Aviv: Friedrich-Ebert-Stiftung and the Institute for National Security Studies, 2012), p. 52.

87 Karl Vick, "Tapping the Promised Land: Can Israel Be an Energy Giant?," *Time*, 30 April 2013, available at: <http://world.time.com/2013/04/30/can-israel-become-as-oil-rich-as-saudi-arabia/> (accessed 7 November 2013).

88 See: Keith Johnson, "Putin's Mediterranean Move," *Foreign Policy*, 27 December 2013, available at: [http://www.foreignpolicy.com/articles/2013/12/27/putin\\_s\\_mediterranean\\_move#sthash.NGNc6z8M.nJyhJJVe.dpbs](http://www.foreignpolicy.com/articles/2013/12/27/putin_s_mediterranean_move#sthash.NGNc6z8M.nJyhJJVe.dpbs); see also: Jonathan Ferziger, "Israel Gas Riddle Has Woodside, Gazprom Hanging: Israel Markets," *Bloomberg Businessweek*, 30 December 2013, available at: <http://www.businessweek.com/news/2013-12-29/israel-gas-riddle-has-woodside-gazprom-hanging-israel-markets> (both accessed 8 January 2014).

89 "Electricity Generation," *U.S. Energy Information Administration*, 5 December 2012, available at: [http://www.eia.gov/forecasts/aco/er/early\\_elecgen.cfm](http://www.eia.gov/forecasts/aco/er/early_elecgen.cfm) (accessed 20 November 2013).

90 Michele Kambas, "Cyprus group plans Greece-Israel electricity link," *Reuters*, 23 January 2012, available at: <http://uk.reuters.com/article/2012/01/23/electricity-mediterranean-cable-idAFL5E8CN25B20120123> (accessed 6 November 2013).

91 Katie Carnie, Cleve Jones, Peter Feeney and John Reed, "Options for exporting Israeli gas," *Financial Times*, 6 November 2013, available at: <http://www.ft.com/intl/cms/s/0/b62ba372-463c-11e3-9487-00144feabdc0.html#axzz2jr5Zp7yU> (accessed 6 November 2013).

92 Author interview, 11 December 2013.

*Shimon Peres, President of Israel, left, with Herman Van Rompuy, President of the European Council*



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state: “the Greeks and Cypriots are beginning to speak of Israel as an incredible strategic asset”.<sup>93</sup>

Traditionally resource-poor, Israel is also poised to become a major player in the oil market. Harold Vinegar – a legendary, flamboyant former chief scientist at *Shell* – moved to Israel from Houston, in 2008, determined to develop the oil-shale deposits in Israel’s Shfela Basin.<sup>94</sup> That basin is estimated to hold 250 billion barrels of oil; if all of that oil were brought to market, Israel would become the world’s third-biggest oil exporter, behind Saudi Arabia and Venezuela.<sup>95</sup> As the *Financial Times* recently observed, “Israel is on the threshold of becoming a major energy power in the Middle East – with potentially game-changing consequences for geopolitics and economic relations in a volatile region”.<sup>96</sup>

European critics of Israel have long contended that working too closely with Jerusalem harms EU grand strategy by undermining links to the Arab world. Yet, in 2013, the United States overtook Saudi Arabia as the world’s top oil exporter,<sup>97</sup> and, given Israel’s own

energy potential, Europeans may soon no longer need to tolerate Arab instability and authoritarianism for the sake of their fuel economies.

Those same critics insist that the moral duty to oppose any Israeli activity past the Green Line (the pre-1967 armistice line) outweighs any strategic or economic benefit that Europe reaps from working with the country. That argument, too, is hollow: hundreds of thousands of Palestinians work in Israeli enterprises in the West Bank, where they earn double what they would in the Palestinian economy.<sup>98</sup>

In December 2013, Vitens, the largest Dutch water company pulled out of its contract with *Mekorot*, the Israeli national water carrier, because the latter operates beyond the Green Line.<sup>99</sup> The timing was highly unfortunate: a day earlier, Israel had signed an agreement at the *World Bank*, for water co-operation with Jordanians and Palestinians – an agreement in which *Mekorot* was, naturally, a key signatory.<sup>100</sup> As Uri Rosenthal, the former foreign minister of the Netherlands, remarked, “The Western European countries think they’re rendering the Palestinians a service; but they might want to think again.”<sup>101</sup>

93 Author interview, 6 December 2013.

94 David Horovitz, “Should Israel get oil out of Vinegar, for an energy revolution?,” *The Times of Israel*, 8 September 2013, available at: <http://www.timesofisrael.com/should-israel-get-oil-out-of-vinegar-for-an-energy-revolution/> (accessed 20 November 2013).

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96 John Reed, “Israel set to become major gas exporter,” *Financial Times*, 6 November 2013, available at: <http://www.ft.com/intl/cms/s/0/82e01bda-4518-11e3-b98b-00144fabc0.html?siteedition=intl#axzz2jr5Zp7yU> (accessed 6 November 2013).

97 “U.S. surges past Saudis to become world’s top oil supplier,” *Reuters*, 15 October 2013, available at: <http://www.reuters.com/article/2013/10/15/us-oil-pira-idUSL1N0151X20131015> (accessed 10 November 2013).

98 Khaled Abu Toameh, “Palestinians working in settlements earn double,” *The Jerusalem Post*, 22 April 2011, available at: <http://www.jpost.com/Middle-East/Palestinians-working-in-settlements-earn-double> (accessed 23 December 2013).

99 “Israel slams Dutch company for cutting water ties,” *The Associated Press*, 12 December 2013, available at: <http://english.alarabiya.net/en/business/economy/2013/12/12/Israel-slams-Dutch-company-for-cutting-water-ties.html> (accessed 18 December 2013).

100 “Israel, Jordan, Palestinians ink water-sharing deal,” *AFP*, 9 December 2013, available at: <http://uk.news.yahoo.com/israel-jordan-palestinians-sign-red-sea-dead-sea-080752216.html> (accessed 18 December 2013).

101 Author interview, 17 December 2013.

# The Scientific and Technological Dimension

## Overview

Over the past 20 years, Israel has grown into a scientific and technological dynamo; barely a month goes by without news of an Israeli start-up's acquisition by a Silicon Valley behemoth.<sup>102</sup> Europe, by contrast, has struggled to stay competitive with the worldwide tech hubs of America and Asia, and has increasingly turned to Israel for guidance.<sup>103</sup>

In Solana's words, "I'd like to emphasize and underline, with a very big, thick line [that Israel participates] in [dealing with] all the problems of research and technology".<sup>104</sup> Similarly, as European Commission President José Manuel Barroso said in 2012, "A continent such as Europe, that invests heavily in innovation, needs to have close links with a 'start-up nation',<sup>105</sup> like Israel."<sup>106</sup>

## Galileo, European Space Agency, and CERN

Israel is a world leader in satellite technology, and, since 2005, has been a key player in 'Galileo', Europe's attempt to rival America's Global Positioning System.<sup>107</sup> For the last decade, the country

has also been a member of the EU's space agency, and, two years ago, it signed an agreement allowing closer co-operation in the future. Israeli space technology has been integral in projects from the famed Hubble space telescope, to the Cluster and Huygens spacecraft.<sup>108</sup>

In 2012, scientists at the European Organization for Nuclear Research (also known as CERN) discovered the elusive Higgs boson, the so-called 'God particle' that gives mass to subatomic particles and allows the universe as we know it to exist. The 2013 Nobel Prize for Physics went to Britain's Peter Higgs and to François Englert, a Belgian who has enjoyed close ties with Tel Aviv University for three decades.<sup>109</sup> In December 2013, CERN members voted unanimously to make Israel to make the first non-European member state, and the Jewish state formally joined the club the following month.<sup>110</sup>

## Framework Programmes

Since 1996, Israel has also been the only non-European country associated with the Framework Programmes – the overarching blueprint for European scientific research, whose current iteration, the seventh, is better known as 'FP7'.<sup>111</sup> As of December 2012, some 1,400 Israeli participants have participated in 'FP7' programmes, more than double the Israeli contingent in its predecessor, 'FP6'.<sup>112</sup> Israeli contributions to 'FP7' have ranged from limiting infections in hospitals, to combating climate change, to natural-disaster relief.<sup>113</sup>

<sup>102</sup> See, for example: Julie Bort, "The 20 Hottest Startups From Israel," *Business Insider*, 7 May 2013, available at: <http://www.businessinsider.com/the-20-hottest-startups-in-israel-2013-5> (accessed 23 December 2013).

<sup>103</sup> Author interview with Oded Eran, 19 November 2013.

<sup>104</sup> Raphael Ahren, "Solana: EU has closer ties to Israel than potential member Croatia," *Haaretz*, 21 October 2009, available at: <http://www.haaretz.com/news/solana-eu-has-closer-ties-to-israel-than-potential-member-croatia-1.5700> (accessed 30 October 2013).

<sup>105</sup> Dan Senor and Saul Singer, *Start-Up Nation: The Story of Israel's Economic Miracle* (New York: Twelve, 2011).

<sup>106</sup> "Speech on the occasion of President Barroso's honorary doctorate at the University of Haifa," *European Commission*, 10 July 2012, available at: [http://europa.eu/rapid/press-release\\_SPEECH-12-543\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-12-543_en.htm?locale=en) (accessed 23 December 2013).

<sup>107</sup> "Cooperation between the EU & Israel on GALILEO: The European Global Positioning Service under Civilian Control," *Israeli European GNSS Info Centre*, available at: <http://www.israel-gnss.co.il/category.aspx?id=17709> (accessed 1 November 2013).

<sup>108</sup> "Israel signs cooperation agreement," *European Space Agency*, 31 January 2011, available at: [http://www.esa.int/About\\_Us/Welcome\\_to\\_ESA/Israel\\_signs\\_Cooperation\\_Agreement](http://www.esa.int/About_Us/Welcome_to_ESA/Israel_signs_Cooperation_Agreement) (accessed 31 October 2013).

<sup>109</sup> "Francois Englert, Tel Aviv U. prof and Holocaust survivor, shares Nobel for physics," *JTA*, 8 October 2013, available at: <http://www.jta.org/2013/10/08/news-opinion/world/tel-aviv-u-professor-one-of-physics-nobel-prize-winners> (accessed 11 November 2013).

<sup>110</sup> "Israel Admitted As Full Member of Nuclear Physics Lab CERN," *JTA*, 12 December 2013, available at: <http://forward.com/articles/189203/israel-admitted-as-full-member-of-nuclear-physics/>; see also "Israel raises flag at CERN," *CERN*, 15 January 2014, available at: <http://home.web.cern.ch/about/updates/2014/01/israel-raises-flag-cern> (both accessed 17 January 2013).

<sup>111</sup> "FP7: the future of European Union research policy," *European Commission*, 9 July 2012, available at: [http://ec.europa.eu/research/fp7/index\\_en.cfm](http://ec.europa.eu/research/fp7/index_en.cfm) (10 November 2013).

<sup>112</sup> For a full listing of Israeli contributions to FP7, see: "List of Projects in 7th Framework Programme", *Delegation of the European Union to Israel*, available at: [http://eeas.europa.eu/delegations/israel/documents/cu\\_israel/list\\_of\\_projects\\_7th\\_rtd\\_framework\\_programme\\_en.xls](http://eeas.europa.eu/delegations/israel/documents/cu_israel/list_of_projects_7th_rtd_framework_programme_en.xls) (accessed 2 December 2013).

<sup>113</sup> For details of specific research projects, see: "Bar Mitzvah – 13 years of success," *The Israel-Europe R&D Directorate* (2010), available at: [http://www.iserd.org.il/\\_Uploads/dbsAttachedFiles/Iserd\\_magazine\\_English.pdf](http://www.iserd.org.il/_Uploads/dbsAttachedFiles/Iserd_magazine_English.pdf) (accessed 20 November 2013).

Moreover, among 289 research projects approved by the European Research Council in 2013, 32 – a staggering 11% – went to young Israeli scientists, behind only the United Kingdom and Germany.<sup>114</sup> As Hebrew University's Prof. Isaiah Arkin remarked, "The Europeans aren't doing Israeli researchers any favour. They judge the research proposals objectively. They invest in the best."<sup>115</sup> Passy, the Bulgarian former foreign minister, agreed, adding, "That sense of innovation is something we desperately need here in the EU."<sup>116</sup>

The EU and Israel are now working to reach a compromise to allow the latter to join the newest Framework Programme (called 'Horizon 2020'), in light of a recent EU directive against funding Israeli research activity in the West Bank.<sup>117</sup> "The question of 'Horizon 2020' is important to Israel," said Dr Avineri. "But equally crucial to Europe, because it has such a keen interest in Israeli high tech."<sup>118</sup>

Israel is an active member of the *EUREKA* industrial R&D network (serving as president from 2010 to 2011),<sup>119</sup> as well as the Competitive and Innovation Framework Programme for information technology and energy efficiency,<sup>120</sup> and is the only non-European member of the European Cooperation in Science and Technology (COST) programme. Since 2000, Israel has participated in more than one-third of all of COST's activities – 356 of a total of 1,048 – an astounding number for a country its size. Israel is also currently chairing COST's social-science research into the phenomenon of femicide in Europe (including so-called 'honour killings').<sup>121 122</sup>

## ***Britain and Israel: High tech***

Britain-Israel bilateral trade was £3.75 billion in 2012, or 34% higher than the previous year.<sup>123 124</sup> Much of that growth is now concentrated in one critical field: high technology. In 2011, Chancellor George Osborne inaugurated a tech centre, the UK-Israel Tech Hub, at the British Embassy in Tel Aviv – the only such facility sponsored by a government and located at its embassy, in the world.<sup>125</sup> That same year, Prime Minister David Cameron appointed a tech envoy to Israel, the UK's first-ever anywhere, and the government issued a White Paper naming Israel as a "key" strategic partner.<sup>126</sup>

In November 2013, London hosted its second annual *Innovate Israel* summit, which included senior figures from *Facebook*; *Microsoft*; *Google*; and *Virgin*.<sup>127</sup> As Matthew Gould, London's Ambassador to Israel, said, "If we could just persuade a portion of the Israeli companies that see their future in Silicon Valley to come to London, it would be great for the British economy".<sup>128</sup> Or, as Alex Hoye, CEO of *Latitude Digital*, lamented, "we don't push ourselves like the Israelis. We want and need more of the Israeli innovative spirit in Britain".<sup>129</sup>

114 "RDI in Israel News," Delegation of the European Union to the State of Israel (2013), available at: [http://ceas.europa.eu/delegations/israel/documents/eu\\_israel/290\\_en.pdf](http://ceas.europa.eu/delegations/israel/documents/eu_israel/290_en.pdf) (accessed 5 November 2013).

115 Ibid.

116 Author interview, 11 December 2013.

117 Shlomo Cesana, "Israel and EU move closer on Horizon 2020 project," *Israel Hayom*, 24 October 2013, available at: [http://www.israelhayom.com/site/newsletter\\_article.php?id=12809](http://www.israelhayom.com/site/newsletter_article.php?id=12809) (accessed 20 November 2013).

118 Author interview, 20 November 2013.

119 "Eureka Member > Israel," *Eureka*, available at: <http://www.eurekanetwork.org/israel/about> (accessed 10 November 2013).

120 "Competitiveness and Innovation Framework Programme (CIP)," *European Commission*, 8 November 2013, available at: [http://ec.europa.eu/cip/index\\_en.htm](http://ec.europa.eu/cip/index_en.htm) (accessed 10 November 2013).

121 "European Cooperation in Science and Technology (COST)," *Weizmann Institute of Science*, 16 June 2013, available at: [http://www.weizmann.ac.il/RGP\\_open/postdoc/EU-COST.html](http://www.weizmann.ac.il/RGP_open/postdoc/EU-COST.html) (accessed 2 November 2013).

122 "Femicide across Europe," *European Cooperation in Science and Technology*, available at: [http://www.cost.eu/domains\\_actions/isch/Actions/IS1206](http://www.cost.eu/domains_actions/isch/Actions/IS1206) (accessed 2 December 2013).

123 Hugo Bieber, "I will boost Israel trade across the UK," *The JC.com*, 14 July 2013, available at: <http://www.thejc.com/business/business-features/109454/i-will-boost-israel-trade-across-uk> (accessed 16 December 2013).

124 Nadav Shemer, "UK envoy: Trade boom proves no Israel boycott," *The Jerusalem Post*, 29 February 2012, available at: <http://www.jpost.com/Business/Business-News/UK-envoy-Trade-boom-proves-no-Israel-boycott> (accessed 16 December 2013).

125 "The UK Israel Tech Hub celebrates two years of success," *British Embassy Tel Aviv*, 7 October 2013, available at: <https://www.gov.uk/government/world-location-news/the-uk-israel-tech-hub-celebrates-two-years-of-success> (accessed 10 November 2013).

126 "Trading with Israel," *UK Israel Business*, available at: [http://www.ukisraelbusiness.co.uk/?page\\_id=104](http://www.ukisraelbusiness.co.uk/?page_id=104) (accessed 29 October 2013).

127 "Innovate Israel," *Innovate Israel*, available at: <http://innovateisrael.evolero.com/> (accessed 23 December 2013).

128 David Shamah, "High-tech diplomacy puts Israel and UK on the same page," *The Times of Israel*, 30 October 2012, available at: <http://www.timesofisrael.com/high-tech-diplomacy-puts-israel-and-uk-on-the-same-page/> (accessed 5 November 2013).

129 Ibid.

# Conclusions and Recommendations

Given the benefits that accrue to Europe, from its relationship with Israel, the question becomes how to further deepen those ties. The 2012 upgrade in relations was an essential step; but, a full upgrade in relations would grant an official, symbolic imprimatur to the growing Europe-Israel relationship.

At the moment, the EU's business community would support a full upgrade, as would many of its member states' top officials. The European Parliament has a history of inflammatory, but ultimately non-substantive, anti-Israel resolutions;<sup>130</sup> but, it too could be swayed, if the evidence of benefits to the EU is sufficiently compelling (as it was surrounding the pharmaceutical agreement of 2012).

It is also essential to push back against attempts – still small, but determined and growing – to boycott Israel in certain fields of European commerce, academia, and culture. The hypocrisy and double-standards of such boycott calls must be highlighted; after all, no similar demands exist to boycott Turkey over its occupation of northern Cyprus, or of Morocco over Western Sahara, and the EU conducts business as usual with both.<sup>131</sup>

Roland Freudenstein, deputy director of Brussels' *Centre for European Studies*, said that European policymakers realise that the Israeli-Palestinian issue is but one of many conflicts in the Middle East: Sunni vs. Shia, Islamist vs. liberal, Arab vs. Persian, and innumerable local enmities. Debunking the false notion that resolving 'the conflict' would usher in a new era of peace and prosperity for a troubled region would go far towards a more realistic assessment of the Middle East's present and future. The 2012

EU-Israel pharmaceutical agreement, he said, represented a "decoupling" of bilateral ties from 'the conflict', and that a similar approach ought to be taken for other Israeli industries which serve Europe's interests. "It's about what benefits Europeans," Freudenstein said. "It's that simple."<sup>132</sup>

Dr Avineri, who also holds a visiting professorship at Budapest's Central European University, lamented that EU Mideast policy often has more to do with posturing than practicality:

The EU has not been very powerful in affecting Israeli-Palestinian relations: first, because it lacks the clout of the United States; and, second because there isn't one EU Mideast policy, but many [...] So it's easy for [the] EU to make symbolic gestures or declarations which don't really change facts on the ground, but do change atmospherics. The EU hasn't been able to solve conflicts on its perimeter, such as Cyprus; Kosovo; or Bosnia. I've often told them, "Once you've solved Nicosia [contested by Greek and Turkish Cypriots] and Srebrenica [contested by Bosnians and Serbs], come tell us how to solve Jerusalem".<sup>133</sup>

It's precisely these atmospherics – questions of tactics rather than strategy – on which the EU and Israel tend to differ. However, when considering the full picture of the strategic relationship (including not just diplomacy, but the equally critical realms of security; economy; and science) the close nature of the EU-Israel relationship becomes clear. Not only is Israel's relationship with the EU and its member states closer than commonly portrayed, but, in the final analysis, it represents a strategic asset to the European bloc and its constituent states.

At this critical juncture in its history, the European Union will be unable to emerge safe; prosperous; innovative; and influential without strong state-to-state relations at home, and healthy alliances with strategic partners in its neighbourhood. It should start by further recognising and enhancing its critical strategic relationship with the State of Israel.

<sup>130</sup> For example, a European Parliament resolution accused Israel of "creating an institutional and leadership vacuum in the local Palestinian population"; see: "European Parliament resolution of 5 July 2012 on EU policy on the West Bank and East Jerusalem", *European Parliament*, 5 July 2012, available at: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0298+0+DOC+XML+V0//EN&language=EN> (accessed 16 December 2013).

<sup>131</sup> Raphael Ahren, "Why is this occupation different from all other occupations?" *The Times of Israel*, 25 December 2013, available at: <http://www.timesofisrael.com/why-is-this-occupation-different-from-all-other-occupations/> (accessed 8 January 2014).

<sup>132</sup> Author interview, 8 December 2013.

<sup>133</sup> Author interview, 20 November 2013.



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