Regulatory Trade Barriers in Israel Part III: Import Model – How Israel Fails to Adopt the European Import Model

By: Ran Fitoussi, Tirtza Attia and Moshe Gorin

The first two papers in this series review importation regulation and enforcement; this paper is a comparative study of the differences between the regulation apparatuses in Israel and in the European common market. This paper seeks to present the European importation model as well as the regulatory risk management model it is based on, and to further demonstrate the dissimilitude between Europe and Israel.

The **first chapter** presents the European common market model, from the first phase of formulating the regulation until its enforcement.

The **second chapter** examines the implementation of reforms in Israel in light of the European model, with the **third chapter** focusing on the "Cassis" reforms, looking at official standards, cosmetics, foodstuff, and the Swiss model, and laying out recommendations.

Summary:

Israel is an outlier in its regulation of importation due to the strictness of its requirements, a large portion of which continues to be imposed through untransparent, internal regulations. Market entry isn't free as it is in Europe, but rather contingent on import licensing. The regulator itself, and not private institutions, inspects products and personnel. The Standards Institution of Israel has a monopoly on all inspections; thus inspection is non-competitive and government run. Israel's use of sanctions is broader than what is common in Europe and reflects mistrust and lack of cooperation between the regulator and the regulated. Reform attempts have failed because Israel did not adopt the entire model of free imports but retained import licensing, the Standards Institution of Israel's double function and specialized exceptions to European regulation. **Adopting European regulation only partially or restrictedly does very little to actually change Israel's problematic model**, leaving the country with an island economy.

Problems remain in all phases of the Israeli model:

Shaping importation regulation and market entry. The State of Israel performs **no regulatory risk management** in the phases of formulating regulation and determining the entry of a product to the market. In contrast to Europe, where most products are freely imported, **a large portion of the importation procedures in Israel are prerequisites to import**. Around 70% of the import value to Israel is contingent on legal certifications such as licenses.

The regulator and the inspection bodies. These agencies **do not operate with a systemic, broad outlook under an efficient risk management program**, thus wasting resources. The Ministries grant import licenses themselves, and **redundant regulation occurs**. Not only are **products in Israel inspected at port before entry** rather than in the market as is the norm in Europe, but **these inspections** also **lack competition**, with the **Standards Institution of Israel having a government monopoly** on all inspections.

Enforcement. All **enforcement in Israel is in the form of sanctions** and not cooperation.

Failed reforms. **The 2021 "Cassis" reform** was an attempt to apply European regulation, but it **failed** to adopt regulatory optimization and left **pre-licensing, specialized regulation and specialized inspections** in place, as well as **unique Israeli standards** and **the double function of the Standards Institution of Israel** as the agency both setting and inspecting standards.

The later **cosmetics and foodstuff reforms** also **left barriers in place** – pre-licensing, specialized regulation, import licensing and restrictions on import types. Only 23% of food imports can even be included in the reform.

Release from port. There are also **barriers in releasing shipments at port**, which is particularly vital in the foodstuffs trade. Release times are longer than the European recommendations - Europe seeks to release foodstuffs either immediately, based on declaration, or within three days.

Recommendations:

A. **Transfer to the European common market regulation** and regulatory risk management model. This should be adopted **in full**, with no exceptions, in all phases of regulation: formulation, product entry, inspection and enforcement.
B. **Establish regulatory risk management mechanisms for exceptions** – many regulators argue for Israel's unique circumstances, for example, as regards security. A data-based mechanism for risk management should be established, compiling annual reports to certify such exceptions. We recommend the regulator oversee this.

C. Consider the **adoption of the Swiss model**, whereby importers who prove that a product is marketed in the European common market are exempt from unique Swiss requirements. For the Swiss, this change led to an increase in importation.

Full Hebrew paper