



FOUNDATION FOR EUROPEAN  
PROGRESSIVE STUDIES  
FONDATION EUROPÉENNE  
D'ÉTUDES PROGRESSISTES



# EUROPE-ISRAEL RELATIONS IN THE DIGITAL ERA

*INSIGHTS FROM THE CONFERENCE ON  
ISRAEL-EUROPE RELATIONS IN THE DIGITAL ERA:  
ECONOMICS, SECURITY, AND POLITICAL ENGAGEMENT*

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The views expressed in this publication are not necessarily those of the Foundation for European Progressive Studies, The Macro Center for Political Economics, the Karl-Renner-Institute and the Fondation Jean Jaurès

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# FOREWORD

## FOREWORD

DR. ERNST STETTER

SECRETARY GENERAL, FOUNDATION FOR EUROPEAN  
PROGRESSIVE STUDIES

The November 2018 conference was the fourth annual conference that we have organised in Israel and the third at the INSS, and I would like to affirm - as in all previous years - how delighted and proud the Foundation for European Progressive Studies (FEPS) is that it was possible to set up such a wonderful conference in Israel.

This would not have been possible without the incredible support of:

- The Macro Center for Political Economics and its Director General Roby Nathanson, who is also a member of the FEPS Scientific Council
- Our hosts, the Institute for National Security Studies (INSS)

And, of course, two of the most active members of FEPS,

- The Karl-Renner-Institut represented by its director Maria Maltschnig and its former President and former Chancellor of Austria, Alfred Gusenbauer.
- The Fondation Jean Jaurès, which is represented by Mr. Laurent Cohen, who is the Foundation's Deputy Director General.

We have chosen to focus this year's conference on something

positive, on something that binds the relations between EU and Israel closer together rather than keeping us further apart.

This was a conscious choice with a clear aim of trying to find positive elements, elements of convergence and agreement at a time when not only in our bilateral relationship, but, on so many other levels and in so many other respects, the conversation we are engaging in seems to be turning in a negative direction globally.

For Europe and for Israel, I strongly believe that the starting point of this discussion is the core of our common identity - our democratic nature. The citizens of both our countries can shape their future, and can live freely, knowing that they have rights that will not be trampled upon.

As we discussed in all the previous years, this is not a given, this is not a linear process. We have to try, and try we must every single day.

And this is precisely why we selected as this year's focus a whole set of issues related to what we call the digital agenda, or, more specifically, the need to ensure that the ongoing transition to the digital age is fair, and does not jeopardise our democracies and our individual and collective rights.

This is a big question mark that hangs over Israel - with many reports that its amazing 'start-up nation' trajectory is slowing down, with cyber security issues being a vital part of the everyday discussions, and with digital public diplomacy gaining in importance day by day, raising questions about how technology interacts with democracy.

But it is also a tremendously important question for Europe as well; we must ensure that this digital transition and its presumed win-win nature are not confined to the technology industry but

filter through to everyone else.

Both in Israel and across Europe, our democracies, our economies, and our societies need to be able to give a convincing answer to this overarching question.

The stakes are extremely high and, here, Europe can learn from Israel, and Israel can learn from Europe. In the midst of all other problems, thorny issues and unresolved difficulties, we can try to find common solutions that harness the potential and tackle the challenges brought about by the digital transition: In the field of the economy, in security terms, and in terms of political engagement.

First of all, we need strong economies that can guarantee decent jobs for all. Only then will our citizens continue to support the democratic model. However, every day, we read about jobs being replaced through automation, and about impending mass unemployment. And already now, we see that the gap between digital winners and the rest is widening.

- What innovation policy do we need to ensure artificial intelligence and other technologies support the creation of quality jobs?
- Are we doing enough to stimulate entrepreneurship?

In that sense, Israel, and specifically the tech hub of Tel Aviv, could serve as an interesting example.

Second, and crucially, citizens need to feel protected, and states need to be able to defend themselves, if democracy is to survive. How can we do that in the online environment? Of course, we are all focused on the daily data leaks, theft of intellectual property, the spread of viruses, and cyber-attacks by state and non-state actors. For example, ransomware attacks are ballooning, with an

estimated 638 million attacks in 2016. But should we not look beyond that? Much of our online infrastructure has been designed without security in mind, and many of the online services we use most rely on the hoarding and exploitation of our personal data. Hence, data leaks and security breaches do not seem to be a bug, but a feature of the system we have, where selling is prioritized over security.

In addition, many of the responses cannot be limited to national boundaries, as the Westphalian model of territorial sovereignty seems ill-suited for the digital era: the Internet is a global network. A lot of work has to be done, to secure our infrastructure and to create norms for cyberwarfare. On an optimistic note, authorities are working to catch up with some of these challenges, and therefore I am very happy to have Paul Nemitz with us, a Member of the FEPS Scientific Council, who was instrumental in the creation of the European Union's new personal data protection regime that 'went live' this year.

Third, for a democracy to work, public debate, information and communication, the oxygen of our democracies, need to be genuine and free from manipulation. There is a plethora of talk of filter-bubbles, fake news, and even the hacking of elections. How can we prevent undue influence, from within and without? At the same time, the way we relate to one another, the way we communicate, has changed tremendously through digital technology, especially social media. People are constantly communicating, constantly connected. But our 'democratic machinery', that is elections and, in some cases referenda, are incredibly old, and largely static instruments.

- How can we cater to people's need to become more involved in policy-making?
- And how can digital tools play a role in this?

I know countries such as Iceland and Estonia are experimenting with online platforms that give citizens direct influence in policy-making, by proposing and voting on laws, policies and budget measures. Is that a way forward? Is it scalable?

These are all questions we will be focusing on today with the intention of finding common avenues and a common code of communication.

# ECONOMIC AND SOCIAL POLICY

## RECOMMENDATIONS FOR DECISION

### MAKERS IN THE DIGITAL ERA

DR. ROBY NATHANSON

DIRECTOR GENERAL, THE MACRO CENTER  
FOR POLITICAL ECONOMICS

In recent years, digitalisation and automation processes have become a key issue in any discussion about the future labour market. Leading economists, as well as senior political advisors, claim that automation processes in the labour market influenced the results of the 2016 American presidential elections as well as some of the most controversial issues at the heart of social, economic, and political discourse. This includes, among others, Brexit, free-trade policies, the level of responsibility of social networks for the content being published on their platforms, taxation, and labour force participation rate.

Ever since the industrial revolution, in addition to progress and prosperity, technological advancement has created fear and concern among people who feared that this advancement would oust them from positions of power and from the labour force. With respect to the latest events in global politics, researchers have found that potential victims of the digital revolution are more likely to support radical political change. For example, U.S. districts in which a higher proportion of jobs are at risk of being lost to automation processes were significantly more likely to vote for Donald Trump. Given that, the 2016

U.S. presidential elections could be considered as a riot against machines by democratic means.<sup>1</sup>

While in the past, computers managed to assist workers in routine and daily activities, in recent years much more complicated algorithms, using big data, have started to dominate other non-routine cognitive activities in the labour market. This is likely to change the labour market and while it creates new opportunities, it also poses new challenges to the labour market. Recent estimates show that 47% of the total U.S. employment is in the high-risk category – meaning that these are jobs that could be automated relatively soon over the next two decades. One of the biggest potential threats is polarization in the labour market. Workers that have creative and social training or occupations are more likely to adapt to the new and changing labour market.<sup>2</sup>

Across the Atlantic, in Europe, the process is also taking place at an accelerated rate. In the UK, a recent survey found that in manufacturing sectors that are most likely to be affected by Brexit due to trade barriers, 34% of managers have considered automation elements that would replace labour. It is also believed that many employers would outsource some of the positions outside of Europe.<sup>3</sup> All across the West the real income of most people has stagnated and inequality has been exacerbated due to automation and outsourcing.<sup>4</sup> Other researchers claim that in Europe, while automation doesn't impact labour force participation, it is

1 Berger, T., Chen, C., Frey, C. B. Political Machinery: Automation Anxiety and the 2016 U.S. Presidential Election (2017). [https://www.oxfordmartin.ox.ac.uk/downloads/academic/Political%20Machinery-Automation%20Anxiety%20and%20the%202016%20U\\_S\\_%20Presidential%20Election\\_230712.pdf](https://www.oxfordmartin.ox.ac.uk/downloads/academic/Political%20Machinery-Automation%20Anxiety%20and%20the%202016%20U_S_%20Presidential%20Election_230712.pdf)

2 Frey, C. B., Osborne, M. A. The future of employment: How susceptible are jobs to computerization? (2017). *Technological Forecasting & Social Change* 114, 254-280

3 Woolfson, C. The Politics of Brexit: Progressive Nationalism, European Free Movement of Labor and Labor Standards. [https://www.researchgate.net/publication/316878223\\_THE\\_POLITICS\\_OF\\_BREXIT\\_PROGRESSIVE\\_NATIONALISM\\_EUROPEAN\\_FREE\\_MOVEMENT\\_OF\\_LABOR\\_AND\\_LABOR\\_STANDARDS](https://www.researchgate.net/publication/316878223_THE_POLITICS_OF_BREXIT_PROGRESSIVE_NATIONALISM_EUROPEAN_FREE_MOVEMENT_OF_LABOR_AND_LABOR_STANDARDS)

4 Ingelhart, R. F., Norris, P. Trump, Brexit, and the Rise of Populism: Economic Have-Nots and Cultural Backlash (2016). Faculty Research Working Paper Series, Harvard Kennedy School.



reducing labour's share in value added – and much more rapidly in the 2000s.<sup>5</sup>

In Israel, in research conducted by The Macro Center for Political Economics, it has been estimated that 39% of the occupations are at high risk of being automated. Nonetheless, the public discourse in Israel on the topic is not as evolved as in other Western countries.

The most closely related discourse is on the dual economy in Israel – on the one hand, a growing high-tech sector that enjoys high labour productivity, large capital investment, entrepreneurship and creativity; on the other hand, the rest of the economy that suffers from low labour productivity and stagnation. This, alongside prolonged neglect of the ultra-Orthodox and Arab populations in Israel is what makes Israel one of the Western countries with the highest rates of inequality. Vocational education and training for those sectors is an essential ingredient, not only to reduce inequality, but also to prepare the Israeli market for automation processes that are most likely to affect its labour market.

Nonetheless, the impacts that automation and digitalisation processes have on the labour market are only one set of impacts that those processes have on society. Other equally important issues are the impact that they have on the building of knowledge, public discourse, and the news industry. Today, more than ever, people acquire their knowledge about world events and develop opinions and ideologies based on the information they see on social media. However, unlike traditional media outlets, social media are not held to the same regulatory requirements for the content that they host, although they have the ability to reach millions of people quickly.

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<sup>5</sup> Autor, D., Salomons, A. Is automation labor-displacing? Productivity growth, employment, and the labor share (2018), Brookings Papers on Economic Activity, BPEA Conference Drafts, March 8-9.

It has been suggested that distribution of incorrect information, in an unregulated manner through social media channels, has had a large impact on election results in the U.S and Europe in the last couple of years. Circulation of what has now become known as 'fake news' had an effect on the election of Donald Trump as well as influencing the strengthening of right-wing populist movements all across Europe – the Brexit vote in the UK, the strengthening of Marine Le Pen in the French presidential elections, the formulation and strengthening of the Alternative for Germany party as well as other similar parties in the Netherlands, Sweden, etc.

Many claim that Russia is heavily involved in circulating fake news through social media in order to weaken the West and in order to divide societies. In connection with those results, as well as the growing demand for privacy security of users, governments have begun to increase their regulation of the digital giants such as Google, Facebook, and Amazon. There has been an increased call for creating a mechanism in which social media would accept larger responsibility for the content produced through their platform.

During the past year Facebook as well as other social media platforms have been the focus of public criticism. Many claim that they are not doing enough to self-regulate content that is being published through the platform. Facebook CEO Mark Zuckerberg said himself 'These steps by themselves won't stop all people trying to game the system. But they will make it a lot harder for anyone to do what the Russians did during the 2016 election and use fake accounts and pages to run ads.'

Yet, many claim that expecting self-regulation from those companies is naive and not enough. Governments should take a much more active role in regulating content spread through those companies. In Europe, the General Data Protection Regulation (GDPR) was implemented in May 2018. The main goal of the GDPR is to

better protect personal data of users and create a level playing field for business.

In November 2018, a conference about Europe-Israel Relations in the Digital Era – Economics, Security, and Political Engagement was held in Tel Aviv, Israel. During that conference these topics, as well as some other aspects of Israeli-European relations, were discussed extensively. The main policy recommendations that can be inferred following the discussions are as follows:

### **Automation and the Labour Force**

The conference highlighted the fact that, unlike the political and strategic dialogue, the economic and technological relations between Israel and Europe are flourishing. The fact that both sides see the relationship as important and mutually beneficial constitutes an addition to the fact that the two sides have similar views on matters of corporate responsibility in terms of users' privacy and regulation in the digital era. This similarity could lead to better cooperation between Israel and Europe in terms of preparing the labour market for the future challenges.

The first and most important step that has to be taken, especially in Israel, but also in Europe, is to widen the scope of vocational training and education and to update their curricula so as to make them better suited to the labour market changes. In Israel, there are large groups in the population that do not have even a basic level of training or capabilities to integrate into the labour market in a competitive manner. This has to be changed. As automation processes come into effect, low skilled workers are expected to find it even more difficult to close the gap with more skilled workers. Without massive intervention in the form of training and education, they will find it even harder to compete in the labour market. The future labour market is going to disproportionately reward workers with advanced sets of capabilities and to discard unskilled workers.

**Much more effort should be invested in Israel in order to provide the 'left behind' populations such as the Jewish ultra-Orthodox and Israeli Arabs with the required skills to integrate into the future labour market. A key component in achieving that goal is to widen the scope of vocational education.**

Vocational education and training should not include training only for professions that are associated with a low set of capabilities. Training should also provide workers with the skills to function in a highly digitalized working environment and to integrate in a way that adds value to automation processes. To achieve this, both in Israel and in Europe the curricula of such programmes should be updated, while the low prestige associated with such professions should be ameliorated.

As professions that are at low risk of going through automation processes include creative and social capabilities, those programmes should provide a large set of soft skills that can assist workers – creative and critical thinking, human relations, team work, thinking outside the box, negotiation, management skills, etc. Building such programmes should be done by governments in combination with experts from local industries, trade unions, academic experts, and senior policy makers and politicians. Only through full cooperation of all the parties in the market can such programmes be relevant, up-to-date, and overcome negative prejudices.

Government should not only support the participation of people with low sets of skills who are usually part of the low socio-economic scale, but also people from the middle class with a medium set of capabilities. By providing better security for workers with both low and medium skill levels, governments would increase their job security and reduce the proven tendency of people who are more concerned about the future of their work to support political parties that call for radical changes in society.

Vocational training and education is not the only way to tackle this issue. Another important way to cope with those changes, which was also discussed at the conference, is by changing the taxation system. Production is becoming more capital oriented. Workers are the first to be affected – stagnation of salary levels and potential layoffs are a constant issue for many. Another issue in which government could address this is by taxation. Some of the suggestions include universal basic income. Others support reducing the burden of income tax on labour and replacing it with taxation on robots and other machines, or simply raising corporate tax.

In addition, most analysts agree that one of the key issues in taxation is the fact that the big multinational corporations, such as Google and Facebook, are hardly paying any tax at all. For example, the headquarters of both Facebook and Google are located in Ireland, where corporate tax is low (about 12.5%). Even there they enjoy tax benefits and eventually their tax rate is just a few percent. The taxation debate is far from being decided; economists and policy makers make logical arguments for each direction.

However, one thing is clear – automation and digitalisation call for rethinking the way the taxation system is structured in many advanced and Western economies. The tax liability that workers are burdened with should be lowered. The way this tax reduction could be financed is by introducing new taxation on automation processes.

## **Social Media Regulation**

As was explained earlier, another important issue that digitalisation is creating is the need to regulate social media. In this matter there are two aspects that have to be dealt with – users’ privacy and liability of social networks for content being published on their platforms. While these are two different aspects, they do have similarities. Social networks use users’ data to provide them

relevant content, a feature that is being used among other things for the distribution and publication of political content, including what is being referred to as ‘fake news’.

With regard to users’ privacy, it is recommended to adopt policies such as the GDPR that would ensure the privacy of users on different digital platforms. In addition to this, it is important to increase transparency among those companies so users could better understand what is being done with their personal data, who is advertising the content that they are receiving and what is the reason they are seeing specific ads.

According to Facebook, country-specific instructions for political advertisers exist in the U.S., U.K., and Brazil. Instructions include confirming the identity of the advertiser, linking all accounts and signing different terms and conditions for any political advertisement. This is just a first step. The EU and Israel should create their own checklist that social media networks such as Facebook and Twitter will be obliged to follow. In addition, as the Cambridge Analytica case has shown, governments should better regulate the possibilities for such companies to sell users’ personal data to other private companies.

Nonetheless, it is important to note that regulation of social networks should be sensibly executed – it is not suggested that content should be regulated in a drastic manner that infringes on freedom of expression. It is also not suggested that any harm should be caused to entrepreneurship. The only thing that regulation should focus on is regulating the ability to make improper use of users’ private information, and to increase transparency of the way in which our data is being used.

Regarding the liability of social networks for content that is being published on their platform, it is suggested that those networks ought to do more to prevent the spread of incorrect and mislead-

ing information via the networks' platforms. Following the lessons learned from past elections, and in order to prevent this from recurring, more pressure should be put on those companies to better manage suspicious accounts.

## KEYNOTE SPEECH

YOSSI VARDI

ISRAELI HIGH TECH PIONEER

The great success of the Israeli high-tech sector is constantly accompanied by the question of whether it will be possible to sustain this success over a long period of time, or whether Israel would eventually lose its relative advantage. In order to be able to fully address this question, it is important to better understand Israel's real advantage and the level of its stability.

The high-tech industry in general and the start-up sector more specifically, has been revealed to be a most suitable industry for Israelis. It provides opportunities for a large portion of people with advanced abilities to express and demonstrate their talents both creatively and economically. It is important to understand that economic success is only one of the goals that many young adults in the high-tech industry set for themselves. What motivates growth in that industry is the passion and creativity of the people employed in it. Many of the initiatives in the industry are a direct result of a creative impulse that start-ups have, and if economic success is also achievable, that is all the better.

The number of start-ups in Israel is disproportionately large compared to the size of the population. Even in absolute numbers it is very high. Israel is unique in that aspect. For different reasons, Israel possesses a much higher proportion of people with entrepreneurial and creative abilities compared to other countries. Many of them are willing to leave solid professions and steady incomes in order to give expression to that creativity. This is a remarkable feature that has become one of Israel's largest relative

advantages, and has brought Israelis to the most influential positions in the global high-tech industry.

## **Why Israel?**

The answer to the question 'what caused this reality?' is not in the technological sphere, but in the cultural sphere. The reason for the success of Israeli high-tech is based on a very specific Israeli culture. Technology and digital knowledge have a significant role, but this knowledge is available in many countries – Japan, Germany, France, England, Korea, China and India. Nonetheless, the high-tech and start-up incidences in Israel are much stronger. This is taking place in Silicon Valley and in Cambridge too, but a close look at the proportion of people working in this industry nation-wide shows that Israel is unique.

First and foremost, it is the desire to be unconventional, to be a rebel and a nonconformist. Israelis are known for their improvisation abilities, and they don't take no for an answer. While in other countries people would give up on failing projects, Israelis will try new, original and creative ways to make it work, until the problem is solved.

## **How the Israeli ethos was designed**

The Israeli society as a whole is the melting pot into which all the different cultural backgrounds of Jews were cast – each person received different influences from his childhood and adulthood. This created a very specific and unique cultural DNA that characterises Israeli high-tech companies. Each human initiative is created from more than one person.

The roots of this culture did not arise in the internet era, and not even in the electronic era. They are far older. They go all the way back to the Jewish Diaspora and to the places in which Jewish

culture sometimes flourished and sometimes barely survived. The advantage of the Israeli high-tech industry is the unique cultural basis of each Israeli – as a team member and as a community member.

The young Israeli is shaped in three different places – home, school, and the youth movement. For his or her first 18 years, the future start-up entrepreneur is 'brainwashed' by his parents, teachers, and instructors. They pass on to him the cultural and historical Israeli and Jewish 'DNA'. They explain the importance of education, curiosity, and knowledge - key components of social mobility. Other key components in the Israeli cultural DNA are the importance of cooperation, mutual aid, standing up for your beliefs, developing critical opinions, and not always submitting to hierarchy.

## **The role of the government**

Luckily, the contribution of the high-tech industry to the Israeli economy has been extensively acknowledged and the government shares this acknowledgment. Therefore, ever since the 1970s the government has been supporting the industry and cooperating with it. This is happening unconnected to political affiliation. The government has initiated many different tools in order to promote the industry; among others it assists by creating incentives, both in taxation and in financing different projects.

## **Israel's economic advantage**

High-tech companies change during their life cycle. The characteristics required in a company's early stages are completely different from those required in a well-established large high-tech company. What are the characteristics that best suit the Israeli relative advantage? China probably can produce better and more efficiently and on larger scale compared to Israel. Indians can

probably write better code after they receive the exact definitions of the product.

Israel's expertise is in the first stages of forming a company. First, Israelis are good at thinking of an idea that could become a new product or an improvement on an existing one. Israelis are also very good at proof of existence, in building prototype for the product, initial fund raising, establishing a team and beginning manufacturing. Israelis are very good at initiating processes, working fast, improvising, accepting responsibility and daring.

As the company grows, and many opportunities arise, new challenges also face the company. The focus of the company shifts from development to other aspects. As Israel is a small country with a small local market, many Israeli companies struggle to move from a small start up to a large-scale high-tech company. The larger you want your company to be the larger your risks become.

## **The role of multi-national companies**

Over the years, a symbiotic relationship between the small Israeli start-ups and the large-scale multi-national technological companies evolved. Those companies discovered the Israeli advantage. Up until a few years ago, Israel also enjoyed the advantage of a relatively cheap labour force. Today the salaries are higher and are similar to those in other advanced Western countries. Nonetheless, the quality of the manpower and its commitment are still attracting multi-national companies to Israel. This is the reason that Israel has become a pilgrimage site for them. Google, Facebook, IBM and other companies have established their centres of excellence in Israel.

Multi-national companies are looking for two things – an innovative idea combined with execution capabilities. Usually those companies leave the initiative in Israel, and the multi-national

absorbs the knowledge. The financing and advertising abilities of the multi-national companies enlarge the high-tech industry in Israel. They have a long term interest. The Israelis that established the company leave after a while to establish new start-ups, and the multi-national companies keep buying new start-ups. This is like selling tomato seeds at tens of thousands of dollars per kilo, instead of selling tomatoes for just a few pennies per kilo. The unique position of Israel in the food chain is to produce and sell seeds. Israelis sell seeds of knowledge and that's why they receive the maximum return on their investment.

Nonetheless, multi-national companies enhance the demand for high quality workers. At the moment, Israel is suffering from a shortage of supply of this type of worker. This signals to the local labour market that it would be beneficial to gain knowledge in those aspects. However, the local market supply is limited. One way to improve the quality of manpower in Israel is by training more ultra-Orthodox Jews and the Arab population. This could also enhance social inclusion of those populations in Israeli society. This is a very long process and is limited in the number of people that could be trained. Another possible solution is to out-source some of the positions to Eastern Europe and India, while keeping the core business in Israel.

There's an ongoing discussion in Israeli society about whether selling local companies to multi-national ones is the right thing to do. An alternative approach could be to develop the start-up into a large company locally. Nonetheless, an Israeli company with foreign ownership can grow much faster, employ more people, and would probably be much more stable. In addition, an independent Israeli company eventually has to raise capital in the stock exchange. As most of the holdings are those of institutional investors, they do not have the inclination to go through long processes, to be employers or to suffer through hard times at companies. This could be very risky for local companies in times of crisis.

## **A bit about the problems in the Israeli high-tech sector**

While Israeli society benefits greatly from the high-tech industry, the industry also poses some challenges for Israel. The biggest challenge is that even though the percentage of people employed in the high-tech sector in Israel is the largest in the world, 8%, this is still not a large portion of the labour market. A large portion of the public doesn't share in the prosperity from the Israeli high-tech sector. This creates large social inequalities, one of the biggest among the advanced economies. Israel has to find a way to increase the share of people employed in that sector. The potential sources are well known – women, ultra-Orthodox Jews, Israeli Arabs and more people from the periphery. In the long term, this requires a better engagement of the education system.

Another challenge is how to harness the digital and advanced technology in the traditional industry. There's a great need in the traditional industry to integrate advanced technologies in all aspects – logistics, production management, services and grants, customer support, etc. Addressing this challenge would increase employment not only in the high-tech areas.

## **KEYNOTE SPEECH**

ADV. SHARON SHEMESH

HEAD OF INTERNATIONAL AFFAIRS, THE PRIVACY PROTECTION AUTHORITY, MINISTRY OF JUSTICE, ISRAEL

### **Preamble**

In Israel, according to the Basic Law on Human Dignity, 1992, the right to privacy is a basic human right that enjoys constitutional protection, and therefore the principles of balancing conflicting interests and proportionality with regard to the right of privacy are part of our values and are rooted in our institutions.

Our Privacy Act, which was enacted in 1981 and has been amended from time to time, is one of the first privacy acts in the world, and it regulates data protection as well. The Act applies to both public and private sectors.

The Israeli Privacy Protection Authority (PPA) enforces the provisions of the Privacy Protection Act with regard to data protection, and has the power to demand information, carry out unannounced onsite inspections and conduct criminal investigations for breaches that constitute a criminal offence.

Since Israel and the EU share similar values, and the legal protection that both frameworks give to the right to privacy resemble one another, Israel received an adequacy decision from the EU in 2011.

Given the prominent role that data protection plays in building trust in the digital economy, and in light of the rapid technological changes and the effect of internet giants on our economy and our

society, it has become very clear, worldwide, that the challenges to privacy are increasing and therefore privacy protection must be increased accordingly.

This brought about the GDPR in Europe, and prompted changes in privacy legislation worldwide. In Israel, this led to two major changes:

## **New data security regulations**

New data security regulations came into effect on May 18th 2018 – the Privacy Act obligates controllers to secure data using reasonable means. The new regulations provide a robust methodology to manage data security in organizations. The regulations are based on common acceptable international standards and make them mandatory, contrary to most jurisdictions in which those standards are not legally binding.

The new regulations include a variety of provisions that set up new obligations with regard to breach notification, accountability, and keeping records of processes; log ins, securing communications, encryption obligations, access controls, physical security, and more. It should be noted that some of the mechanisms, such as breach notification and accountability mechanisms which aim is to increase data security are also included in the GDPR.

## **Strengthening the DPA**

Another significant change that took place in Israel in the past year and a half was the increase of the resources of the PPA. In order to advance and improve the Israeli Privacy Protection Authority's capabilities in coping with future challenges to data protection, and in order to strengthen the PPA and enable it to fulfil its tasks in an environment that is exposed to far-reaching and ongoing developments in the digital space, the authority went through a

significant strategic change that includes a re-organization of its structure and modifying and re-prioritizing its aims.

In order to implement the changes, it was necessary to increase the PPA's budget and team. The government increased the PPA's budget by more than 100% (the initial budget grew from NIS 8 million to NIS 16.5 million) and its staff increased by 25%. The PPA's staff includes lawyers, computer engineers, and data security professionals.

The PPA's investigatory powers are broad. The PPA is empowered to conduct criminal and administrative investigations. The PPA may issue fines and terminate the activities of databases that infringe the Privacy Protection Act. The PPA conducts its investigations using a 'top of the line' forensic laboratory which is operated by its professionals.

## **How can common challenges bring EU and Israel together?**

In the digital economy, data protection is a global mission. Data processed in one jurisdiction may affect data subjects in other jurisdictions. Given the global nature of such activities, jurisdictions need to cooperate in order to mitigate risks. Cooperation may take effect in joint enforcement activities, sharing best practices and harmonizing standards and working procedures. The PPA maintains close relations with its European counterparts. Israel's level of protection has been determined to be adequate and it invests efforts to maintain this adequacy decision. Israel engages with Europe in a variety of joint activities in order to harmonize data protection standards and in order to cooperate in enforcement.

Israel is active in the GPEN (Global Privacy Enforcement Network) committee, through which it shares its expertise in forensics



investigations with its international counterparts. Israel invests in updating its standards, (guidelines, data portability, data security regulations, etc.) in order to increase data protection and in order to meet the highest international standards.

### **Technology as part of the solution**

We have already established the fact that the challenges of the digital economy are global and we are all facing the same problems. In order to build trust in the digital economy, jurisdictions amend their data protection rules and increase the obligations that apply to controllers.

We do this because we want to protect our citizens, and we do this because we want to reach global markets, and in order to reach them, players need to respect the rules of the countries they trade with.

We always tell the industry here in Israel that our new regulations and the GDPR that came into effect at the same time are an opportunity. The new obligations can be fulfilled with new technologies that can assist in their implementation. There are companies here in Israel that develop new privacy enhancing products, with which compliance with the GDPR may be achieved.

## **EUROPE-ISRAEL RELATIONS IN THE DIGITAL ERA**

DR. ALFRED GUSENBAUER

FORMER CHANCELLOR OF AUSTRIA AND FORMER  
PRESIDENT OF THE KARL-RENNER-INSTITUT

Despite some differences and disputes over the last couple of years, Israeli and European relations remain strong and are in a relatively good position. The day to day cooperation, the working level dialogue, and the economic ties continue to flourish.

Nonetheless, it is important to note that in some aspects; especially on the Iranian and the Palestinian issues, the Israeli-Europe cooperation and relations expose some disputes. The stagnation in the peace process with the Palestinians, as well as the Israeli involvement in the American decision to withdraw from the Joint Comprehensive Plan of Action (JCPOA) with Iran, are considered critical in Europe.

However, not all is doomed for Israel - Europe relations. In many other economic and technological issues the ties are strengthening and demonstrate our joint aspiration for deepening the cooperation. While many focus on the downside and on the broken relations between Israel and Europe mainly with regard to the Iranian and Palestinian aspects, emphasizing only the negative aspects, the problems and challenges in the relations are counter-productive.

If the goal is to improve the ties, even with respect to issues that are currently under dispute, focusing only on what's broken would probably distance us from the desired result. Under the current

climate, what European leaders have to do at the moment is to promote and create a political momentum for a renewed dialogue between Israel and the Palestinians.

When one examines the economic relations between Europe and Israel a very different picture arises. This is not apparent on the European level as a whole, but rather on the individual country level and on the companies' level, as mentioned above, where the economic and technological relations continue to flourish. That type of cooperation has never been better. Israelis have an effective presence within the European business sector and there is a large financial and economic movement between Israel and EU countries.

It is fascinating to see that Israel has become a 'Start-Up Nation' without the base of a well-established public sector. But it is the combination of academia, government and army which makes Israel a unique model of a progressive and a capitalist country. It's the significant attention that is paid to research which makes Israel successful.

### **On the future of global economy**

The temporary labour market is in the midst of a digital revolution that is likely to change it completely. In the future most of today's economic sectors will be guided or supported by robots and machines.

However, the future digitalisation of the economy will not be able to replace economic sectors in which human knowledge and life experience are required. Economic sectors in which people are still irreplaceable are sectors in which emotional intelligence plays a large role.

This transformation would most certainly change the way government works. The State will impose more taxes on pollution and wealth, but not labour. Work should be tax free.



## ENSURING A SAFE DIGITAL TRANSITION: SECURITY, PRIVACY, AND PROTECTION

MARIA MALTSCHNIG

DIRECTOR, KARL-RENNER-INSTITUT

One should not only discuss the potential gains of digital technologies, and how we can use them to boost our economies. These gains will only be realised if citizens trust the online environment, and states can guarantee their security.

For the moment, this is not a given. The threat landscape is constantly changing, and the upcoming challenges are formidable. For example, in 2020, there will be an estimated 20 billion connected devices, linked together in a vast 'Internet of Things'. That means 20 billion targets, many of which have not been designed with security in mind. Now, when connected toilets got hacked in 2013, this was still considered funny, but with autonomous cars and connected medical devices, the stakes are high.

And it is not just consumer products. Whereas in the early days, cyberspace was limited to communication, and later e-commerce, it has now expanded to cover our critical infrastructure, including our health systems, energy grid, water supply and transportation networks. And although cybersecurity and privacy are issues of public concern, most of these crucial infrastructures are privately owned. It is clear that there needs to be a public role to align incentives, to ensure all take cybersecurity seriously.

A quick survey of recent events shows that threats are real and that a lot of work still needs to be done. This year, we have witnessed, among many others:

- The Cambridge Analytica scandal where personal data from over 80 million Facebook profiles was illegally harvested and sold for the purposes of political advertising; Facebook received a £ 500,000 fine for its role in this last week in the UK. Given its last quarter profit of \$ 5.1 billion, it would take them 15 minutes to offset the impact of the fine on their earnings.
- Very recent allegations that China infiltrated US companies and government agencies' networks by selling them infiltrated hardware, thereby corrupting the international technology supply chain;
- The attempt of Russian intelligence services to hack into the network of the Organisation for the Prevention of Chemical Weapons in The Hague, the Netherlands. This attempt stood out, because it failed and perpetrators were caught red-handed. That is rare.

Therefore, it is extremely timely that we have discussed in this panel, how we can ensure such a safe digital transition, and what common venues exist for cooperation between the EU and Israel to strengthen our efforts.

We have seen a lot of data breaches this year, but, on a more optimistic note, it is also clear that public authorities are slowly rising to the challenge, and that cybersecurity is very high on the political agenda. It is no longer a niche IT concern. A good example is the European Council, which concluded last month that measures are needed to combat cyber and cyber-enabled illegal and malicious activities and build strong cybersecurity. In addition, it called for the European Commission's proposals on election cooperation networks, online transparency and fighting disinformation campaigns to undergo rapid examination and follow-up.

There is awareness now, at the highest political level in Europe, that the nature of online threats is changing very quickly, and that the EU needs to take urgent steps to update and enlarge its toolbox to protect itself, especially ahead of the upcoming European elections.

In addition, earlier this year, we saw the entry into force of the General Data Protection Regulation (GDPR) in the EU. I am sure that all participants from the EU can still remember the flood of emails you received with privacy policy updates. But not only EU citizens, people across the world noticed this, as many firms changed their practices not just in the EU, but globally.

And that underscores a crucial point I want to make: in the online environment, there is a clear need to work together. The Westphalian divide of the world into different states is difficult to maintain online, or comes at significant cost (i.e., China). Regulatory initiatives in one country are bound to spill over and affect citizens beyond its territorial borders. In that sense, it is interesting to note that Israel has also updated its laws related to data security this year, with, I understand, almost identical timing, and at times even stricter requirements.

Both Israel and the EU are now among the front-runners when it comes to data protection and online security, with mandatory disclosure of data breaches, considerable fines, and strict rules on the use of personal data. Earlier, I mentioned the Cambridge Analytica scandal. Under the new rules of the General Data Protection Regulation, the maximum fine for Facebook's involvement in the Cambridge Analytica data breach would have been 4% of its global turnover, instead of £500,000. Perhaps, helped by these laws, our companies will start to see strong cybersecurity and data protection measures not as a cost, but as a means to stand out in the market.

# THE FUTURE OF THE LABOUR MARKET

## FROM A PROGRESSIVE PERSPECTIVE

DR. MAX NEUFEIND

POLICY FELLOW, PROGRESSIVES ZENTRUM,  
BERLIN, CO-AUTHOR OF FEPS BOOK “THE 4TH  
INDUSTRIAL REVOLUTION: OPPORTUNITIES  
AND THREATS TO WORK AND WELFARE

There is currently a lack of progressive narrative and frame for the future of work. Developing such a narrative is one of the major tasks for progressive parties all across Europe and in Israel. On looking back at the labour movement, it is apparent that originally, it was basically about fighting the exploitation of workers. Nowadays, our fight as progressives might not be about exploitation, but about people who fear that they may become irrelevant.

Therefore, nowadays, the question is: ‘How does one fight becoming irrelevant?’ There are currently two camps that provide different answers to that question. The first camp is about ‘income without work’. That is the universal basic income camp. People in this camp argue that we have enough wealth in our society to distribute it and once a basic income is guaranteed to everyone we are basically fine.

The second camp is the ‘work without income’ camp. People in this camp take the technologically induced transformation of the economy and labour relations as something inevitable, implicitly accepting ever-decreasing income shares for a majority of the population.

Progressives have to be in between these two camps. This means fighting for - to some extent - freeing people from work, but at the

same time guaranteeing work and freedom in work for as many people as possible. This is to say: the challenge we are facing at the moment is not only about how to secure decent material provision for all citizens; it is very much about issues of identity and meaning in people’s lives.

Let’s think again of the heydays of the labour movement: posters showed the ordinary worker as the hero or heroine of the working class and its struggle for a better future. Nowadays, the man of the future depicted in a Netflix series is rather a start-up guy. To address issues of identity and meaning we have to provide a concrete picture of how ordinary blue- and white-collar workers can become agents within processes of technological change - and not only objects of these processes.

## ISRAEL-EUROPEAN UNION RELATIONS

AMB. DR. RODICA RADIAN-GORDON

VP FOR ISRAEL-EUROPE RELATIONS AT THE  
ISRAELI MINISTRY OF FOREIGN AFFAIRS

The relations between Europe and Israel have always been unique because of their intertwined (and very long) history, their shared core values and the democratic tradition – all of which helped in creating like-mindedness of culture in its broadest sense. For Israel, Europe is the immediate neighbour and point of reference, hence the intensive economic, trade and cultural exchange. Another common denominator is the entrepreneurial and innovative spirit.

Nonetheless, Israel finds itself in a very complex geo-political reality. It is being menaced by Iran with a growing regional presence and influence (in addition to its nuclear program). In addition, Israel has the need to combat non-state players and extremist Islamic movements. By confronting all the above, Israel, in reality, acts as a shield against the penetration of those elements into European territory.

In parallel, Israel continues to be a vibrant and dynamic country with a thriving economy. Its excellence in innovation, ICT, cyber security etc., is attracting more and more European companies, and a growing number of European countries are choosing to open industrial R&D centres in Israel. Germany, Denmark, Sweden, the Czech Republic, Ireland and France are just a few examples. The Israeli start-up scene and eco-system have become role-models for many European entrepreneurs.

In this complex reality, Europe – both at the member state level as well as at the European Union level – should recognize that Israel

is a real asset and ally. This notion is more important especially at a time when Europe finds itself at a historic crossroads regarding its future identity and unity.

When examining the current relations, the weakest pillar of the bilateral exchange is that of the political dialogue, whose potential is far from being exhausted, the major reason being Europe's lack of ability to de-link between relations with Israel and the Israeli-Palestinian conflict. To my mind, this is where ongoing attention and effort are needed. We need to broaden our political exchange as well as revisit some of the agreements we have in order to update them to fit our digital era.

This is easier said than done, not least because attention is focused elsewhere both in Europe (in view of the nearing events of Brexit and EU parliamentary elections) and in Israel (elections due in early April). Nonetheless, neither of us can afford to let go of one another. Since I believe both sides share this insight, I remain optimistic. Certainly, we need to fortify and foster the bridges that connect us. In this sense, the B2B and people to people relations seem more intensive and viable than ever. We should put our best efforts here, and today's seminar certainly conveys this message and spirit.

## **‘FAKE NEWS’, SOCIAL MEDIA TECHNOLOGIES AND REGULATION**

JUSTIN NOGAREDE

DIGITAL POLICY ADVISOR, FEPS

In the EU as well, ‘fake news’ is high on the agenda. A high-level group set up by the European Commission recently narrowed down ‘fake news’ to online misinformation and disinformation, and provided recommendations to tackle it. In addition, we have seen the publication of a code of practice by industry, and, at national level, Germany has introduced and France aims to introduce laws that touch upon the ‘fake news’ debate. Finally, the European Council identified online disinformation as a threat, especially ahead of the EU elections. In general, the focus is on malicious actors that aim to destabilize democratic societies and democratic processes.

Now, I am not saying this is not a real issue. But I do believe it is misguided to blame the sickly state of our democracies and our public debate on malign foreign actors. I think it is more fruitful to look at our online communication and information infrastructure. Crucial online communication and information services on which we have come to rely, such as social media like Facebook, and means to gather information like Google Search, are delivered and controlled by commercial parties. We say ‘social media’ companies, but it would be more accurate to call them advertisement companies, because advertisement is Facebook and Google’s principal means of making money.

And in order to maximise their profits, these firms aim to do two things. First, they have to make sure you stay as long as possible on their platform, so they can show you more ads, and second,

they have to gather as much data about you as possible, so that they can provide more targeted ads, which bring in more revenue. This model has some obvious consequences, which are detrimental to a healthy online public sphere.

For example, to make sure you stay as long as possible on their platform, they have to feed you interesting content that captures your attention. Ideally that would be quality content, but in practice that means sensationalist and extremist content that evokes strong emotional reactions or that confirms pre-existing biases. In addition, the personalised newsfeeds and ads that are made possible by collecting your data undermine the idea of the public sphere. When each individual receives different information, an informed debate on a common set of facts becomes very difficult.

Instead of addressing these issues, the default response from European regulators is to co-opt the platforms. They outsource hitherto public tasks to these platforms; when it comes to removing extremist content, hate speech, copyright infringement, and more. And although there is something to be said for holding the platforms to account for content posted on their platforms, the de facto result is to further cement their market power and their influence over the way we communicate and gather information.

However, this is not inevitable. If we look at the past, we see that crucial information and communication services, such as postal delivery, were and often are to a large extent publicly provided. In addition, for TV broadcasting, apart from public channels, there are strict regulations for commercial provision of such services, with clear limits on the length, frequency and content of advertisement. But somehow we have never managed to establish such rules for the online environment, seeing ‘cyberspace’ as beyond the realm of regulation.

For instance, what if we decided that citizens’ personal data could

not be freely used for personalised ads, but that Facebook would have to pay for it? It would probably lead them to adopt some form of subscription model, where people would pay a modest fee for using the platform. This in turn would discourage the huge numbers of fake accounts, as the creation of such a 'troll' army would now suddenly cost money.

This is just a small example, but we could make sure that crucial information services are not completely driven by commercial interests, and that there are clear limits to what can be done with personal data. In that respect, the recent entry into force of data protection laws in both the European Union and Israel is a promising sign of change.

But it is not enough. In the end, if we fear that people living in our democracies are more likely to believe propaganda from foreign autocrats than our own politicians, then I think we have a problem for which the fight against 'fake news' is not the solution. It reveals a fundamental lack of trust. And although this distrust bubbles more easily to the surface online, because of the anonymity and lack of content moderation, it is not just a digital phenomenon.

In a time in which global business and the rich funnel their wealth via a complex network of tax havens, whereas public services are squeezed, it is no surprise that people lose trust. When inequality is rising, and politicians have no clear answers, then it is to be expected that people will become frustrated. When experts and politicians fail to foresee economic meltdowns, or come up with appropriate responses, citizens are right to be angry, and will look for alternatives. Our biggest mistake, I think, would be to try and label this expression of discontent as 'fake news'.





# **POLITICAL DECISION-MAKING IN AN ERA OF FAKE NEWS AND SOCIAL MEDIA TECHNOLOGIES**

VASSILIS NTOUSAS

SENIOR INTERNATIONAL RELATIONS POLICY ADVISOR, FEPS

In today's fiercely contested information environment, the challenges that have arisen do not necessarily come from outside; they very much also concern the inner workings of our societies. The world we live in now is one where having a smartphone can essentially render anyone a media aggregator and broadcaster. On the one hand, this constant creation of content and information in near-infinite quantity and variety has meant greater and faster access to information. On the other hand, however, this has also come at price - not only when it comes to data protection and privacy, but also regarding our access to pluralist and reliable information and our analytical capacity to assess whether the information presented to us is real or manipulated.

In the last editorial of the print edition of the Independent newspaper, it was rightly noted that 'the truth is hard, expensive and sometimes boring, whereas lies are easy, cheap and thrilling'. Usually disguised as legitimate and trustworthy content, fake news has often exploited the viral power of social media and the echo chambers that digital liked-minded communities often operate within, at times leading to much higher and broader distribution rates than actual news. It has thrived on the polarisation many of our societies are facing, and it has served to entrench further these echo chambers and amplify misinformation. As many commentators have observed, it has also had the (un)intended

consequence of systematically blurring the boundary between what is real and what is not, serving to bend or weaken objectivity.

These are all discussions that are being intensely conducted both in Israel (where the Prime Minister is under immense pressure from reality and from facts based on his deeds) but also in Europe (where we too often lament the fact of how undefended we are with respect to these trends).

In light of this, there are important questions to be asked and answered in a progressive manner.

- How do we conduct politics in this era? How is the move towards the digitalisation of (public) diplomacy affecting EU-Israel relations?
- How are the rapid changes in information and communication technology shaping political models or patterns of behaviour?
- Are fake news and misinformation fundamental problems for our democracy? And if so, how can they best be tackled?

These are fundamental questions not only for the current political status quo and for the meaningful political battles that are being fought right now, but, perhaps more so, for the kind of politics and the kind of democracies we will be functioning within in the years and decades to come.

## ACTIVITY REPORT

YANAI WEISS

RESEARCH DIRECTOR, THE MACRO CENTER  
FOR POLITICAL ECONOMICS

The global economy is in a period of rapid changes affecting the labour market. While the impact of processes such as globalization and the aging population is rather clear and has been studied quite a bit, there is still much debate about the impact of digitalisation on the economy, the growing importance of cyber security, and the implications on the labour market in general and on social rights more specifically.

One of the biggest concerns is that a high proportion of workers could lose their jobs to machines and automation processes. Nonetheless, many claim that automation processes do not pose such a big threat to labour markets as these would eventually adapt to digitalisation. In light of this discussion, there is an ongoing debate about the future of the welfare state and the wellbeing of workers in advanced economies.

The prevailing expectation was that most of the jobs that will be lost following the digital turnaround will be those that require low-skilled workers. However, actually the mid-skilled jobs are those that are in the greatest danger, while the demand for high-skilled and especially creative jobs, as well as non-repetitive low-skilled jobs, will rise. In other words, jobs that machines cannot perform or where it does not pay to replace human work with a machine are expected to survive.

Digitalisation will continue to shape the labour market and affect social rights of workers. Signs of this can already be seen with the growth of the gig economy, reflected in an increase in rates for

self-employment and part-time or temporary work. When considering the state welfare policy in many European countries and the EU as a whole, the rapid change in the labour market could have a meaningful impact on society and security in the near future. The debate on wellbeing, redistribution and revenue sharing is gaining popularity and might impact the economic status in the continent.

The middle class, which has been seen as the bedrock of post-war stability in the Western world, is in retreat in most countries and if the trend towards the demand for highly skilled workers and low-skilled workers increases while the demand for medium skilled workers decreases, inequality will increase and the social gaps will grow.

Knowledge-intensive industries, in general, and high-tech industries, in particular, are mainly based on human capital. In the past few decades, the volume of economic activity of these industries has been growing in the developed world and as a result, they now include some of the companies with the highest market capitalizations around the world.

As mentioned above, nowadays, Israel is considered one of the world's high-tech and cyber security powers, especially in relation to its size. It is in the exceptional state it is today, as a result of synergy between five key factors: The continuous high level of scientific higher education; substantial government investment in R&D; streamlining processes in the military industry that led to a massive movement of highly qualified engineers and scientists to the private sector; at the same time, mass immigration of many highly skilled workers from the former Soviet Union; and finally, and perhaps the most essential, the Israeli human capital - characterized by creativity, flexibility, and innovation.

In this context, an international conference on the subject of

'Europe-Israel Relations in the Digital Era: Economics, Security and Political Engagement' was held jointly, for the second consecutive year, by the Foundation for European Progressive Studies (FEPS), The Macro Center for Political Economics and the Israeli Institute for National Security Studies (INSS), in cooperation with the Jean-Jaurès Foundation and the Karl-Renner-Institut, in order to explore the real impact digitalisation has on the European and Israeli labour market, on EU-Israeli relations, as well as possible implications for cyber-security, political engagement, discourse and engagement.

Approximately 25 distinguished politicians, public officials and other decision makers, diplomats, academic scholars, journalists and high ranking experts from leading think tanks participated in the seminar and contributed to a series of very interesting sessions. This chapter will briefly review the main contributions of the respected figures who participated in the conference.

### **Kick-Off Dinner**

The opening dinner, on November 3rd 2018, moderated by **Dr. Roby Nathanson**, Director General of The Macro Center for Political Economics, was aimed at introducing the distinguished participants of the event to the main themes to be touched upon during the conference. The keynote speakers focused on the wider perspective regarding a number of international and regional developments.

Participants were greeted by **Maj. Gen. (Ret.) Amos Yadlin**, Executive Director of the Institute for National Security Studies (INSS) and by **Dr. Ernst Stetter**, Secretary General of the Foundation for European Progressive Studies (FEPS).

The keynote speech of **Yossi Vardi**, an Israeli high-tech pioneer, investor and entrepreneur, focused on the Israeli high-tech

industry, the unique atmosphere that led to its success and his international and vast experience both in the public and the private sector. He has helped build over 85 high-tech companies. Dr. Vardi also focused on the period in which he was in charge of the economic negotiations with Jordan and as the Director General of the Ministry of Energy. He noted that the process of digitalisation will lead to greater socio-economic inequality. Therefore, public authorities in different countries must focus on training low-income individuals so they can acquire the necessary skills that would make them more competitive in advanced and digital labour markets.

## **International Conference**

### ***Greeting and Opening Remarks***

During this introductory session, the initial greetings *inter alia* addressed the rationale behind this event. The labour market is undergoing dramatic changes due to advanced digitalisation processes. Those changes have dramatic effects on the welfare state, the political arena and engagement as well as on privacy and cyber security.

At the opening of the conference, **Dr. Ernst Stetter**, Secretary General of the Foundation for European Progressive Studies (FEPS), welcomed the participants and provided an introduction to the topic of the conference and provided his own insights regarding Israeli-European relations in the digital era, focusing on the different topics of the conference – economics, privacy, cyber security, and political engagement.

**Amb. Dr. Emanuele Giaufret**, Head of the Delegation of the European Union to the State of Israel, pointed out that cooperation

between Israel and the EU is very positive and economic relations are thriving and mentioned that the EU is Israel's main economic partner, the EU's research & innovation programme Horizon 2020 has provided outstanding opportunities for EU-IL innovation cooperation, there is visa-free travel to the EU for Israelis, and there is good cooperation in many other areas including climate change, energy, student exchanges, and cyber security. In that regard, he stressed that the Digital Economy is another promising area for cooperation.

The ambassador emphasized that in order to realize Europe's potential to be a leader in innovation and entrepreneurship, the Commission has proposed the Digital Single Market strategy and put forward a number of (regulatory) initiatives to boost Europe's competitiveness in this area and to generate trust in the digital economy. The goal is a human-centred approach to digital technology that works for all, which requires a competitive industry, but also acceptance by citizens across all Member States. This is the European approach to the Digital Economy - and there is huge potential for cooperation in this area between the EU and Israel.

**Dr. Radica Radian-Gordon**, Deputy Director General, Western Europe Department at the Israeli Ministry of Foreign Affairs referred to the current situation of Israeli-European relations. She mentioned the valuable and flourishing ties on the economic level; nonetheless she mentioned that the weaker part of the relationship lies on the political level.

### ***First Session: Are the EU-Israel Relations in Crisis?***

**Chair: Dr. Oded Eran – Former Israeli Ambassador to the EU and Jordan, and Senior Research Fellow at the Institute for National Security Studies (INSS).**

This first session was aimed at providing a tour d' horizon of the

current EU-Israeli relations. The session examined both the economic and technological cooperation and the political and strategic dialogue. As Ambassador Dr. Emanuele Giaufret stressed, the speakers in the session agreed that the economic cooperation is very positive and even strengthening. Nonetheless, all speakers agreed that on the political and strategic level, EU-Israel relations are the coldest they have ever been.

The cooling of the relations is mainly a result of two situations – the deadlock in the peace process with the Palestinians and the Israeli involvement in the American decision to withdraw from the Iranian nuclear agreement. Nonetheless, all speakers expressed some level of optimism about the future – the strategic and political dialogue could be improved as the two entities have common interests and values that allow them to continue to cooperate.

### **Keynote speeches and inputs:**

**Dr. Alfred Gusenbauer**, Former Chancellor of Austria, stressed that despite some differences and assessments the EU-Israeli relations are good. He stressed that focusing only on the negative aspects of the relations, such as the Iranian issue, would be counter-productive. The main goal of the EU should be to promote an agreement between Israel and the Palestinians and to regain a momentum in that direction. In addition, it is worth mentioning that alongside the relations with the EU, Israel maintains relations with individual countries and companies, and that those relations are flourishing.

Stressing a point about the digitalisation process, Dr. Gusenbauer mentioned that his assessment is that in the near future most of today's economic sectors would be guided or supported by robots and machines. This transformation would probably change the way government works – taxation on pollution and wealth should rise while labour taxation should be reduced.

MK Ofer Shelah, Chairman of the Yesh Atid political party mentioned that there is no dispute that Europe-Israel relations are the coldest they have been in a quarter of a century, but that Israel still views Europe as an important ally. He mentioned that one of the biggest challenges for Israeli-EU relations is the fact that a large part of the Israeli public views the EU as irrelevant, especially as the Israeli public perceives the EU as favouring Iran in the JCPOA. On the Palestinian issue, Shelah pointed out that the EU can become an honest broker once again if it teams up with the United States in their attempt to seek regional stability and to fight radical Shiite Islam.

### ***Second Session: Charting a Common Course in the Digital Economy: AI, Innovation, Entrepreneurship and the Future of Work***

**Chair: Dr. Roby Nathanson – Director General of The Macro Center for Political Economics**

This session focused on the future economic relations of Israel and Europe in light of the digitalisation process and its impact on the labour market. In addition, the session addressed the course of artificial intelligence, innovation, entrepreneurship and the future of work in light of the dramatic changes in recent years. Among the main questions that speakers had to address are how technology can become a driver for greater EU-Israel economic collaboration, including boosting the economy, expanding services and creating more jobs. How can we mobilise and make better target investments in the digital economy (artificial intelligence, high performance computing, mobile connectivity) to unlock innovation in both Europe and Israel? And what lessons are there to be learnt from the experiences on both sides regarding the vast transformations that labour is undergoing?

**Dr. Roby Nathanson** began by referring to the fact that the economic situation in Israel is blooming. Unemployment is at an all-time low, growth is positive and steady, and inflation and debt are low. Nonetheless, on the social issue Israel is divided – inequality is high compared to other advanced economies and there is a big gap between the high-tech labour market and the labour market for the rest of the economy. The session focused on the ways that innovation and entrepreneurship should be directed in the digital era to address the challenges both in Israel and in the EU.

### **Keynote speeches and inputs:**

**Prof. Andrea Renda**, Senior Research Fellow and Head of Global Governance, Regulation, Innovation and the Digital Economy at CEPS recognized that this is a defining moment for Europe, with respect to its place in the digital space. He noted that artificial intelligence poses a formidable challenge. This is not because of alarmist accounts about the imminent advent of artificial general intelligence, which he said was about as far removed from the current state of artificial intelligence as astrology was from astronomy. Instead, he noted that with the introduction of current AI applications, inequalities in the labour market may well rise. With the internet, there has been a wealth of information which has received a paucity of attention. Those who have conquered attention have become our leaders. With the challenges that Europe is facing, it is looking at how it can compete and spur the development of AI, but he mentioned that it could be more fruitful to look at it the other way around: how can AI be used to benefit our society and citizens. Professor Renda believes that Europe needs to be braver and take technology on, giving it a bigger role, and that Israel can be a part of this technological transition if it becomes proactive.

**Prof. Daphna Aviram-Nitzan** is the Director of the Center for Governance and the Economy at the Israel Democracy Institute. Prof. Nitzan mentioned that her assessment is that due to digitalisation and automation processes the labour market is about to undergo far-reaching shifts. About 30-50% of current occupations will disappear, and other occupations will change the skill set that they demand of those employed in them. This change will affect certain sectors including in education as they must prepare for these new desirable skills upon entering the workforce. Prof. Nitzan is currently working in order to submit an action plan to the government within the year so Israel can prepare the younger generation for future employment opportunities.

**MK Michal Biran** from the Zionist Camp political party stated that progress could not be stopped in the long run, and that decision-makers and policy-makers must accept that our society is becoming more digitalised. Therefore, the actions required from decision makers are not to fight this natural process, but to prepare for this change and to adopt policies that would better prepare the labour market for the inevitable changes. One of the biggest concerns that we should deal with is the fact that as the access to digital innovation grows, the socio-economic gaps will probably expand as well. Thus, what we should focus on is on how we prepare to train those in the lower socio-economic classes so that they too can enter the labour force and remain competitive in an advanced digitalised labour market.

The last speaker in this session was **Dr. Max Neufeind**, policy fellow at the Progressives Zentrum in Berlin and co-author of the FEPS book 'Work in the Digital Age: Challenges of the Fourth Industrial Revolution'. He also spoke about the challenges that societies will face regarding the digital age, especially when it comes to man versus machine. There are three main points that he wanted the audience to take away. The first is to embrace multiplicity, the concept of both man and machine working in

the digital age. The second is that there will be a bumpy transition phase that society must prepare for, especially for people who lack the right skills for this new era. Thirdly, one must also prepare business models and venture capital for this shift.

### ***Third Session: Ensuring a Safe Digital Transition: Security, Privacy and Protection***

**Chair: Maria Maltschnig, Director of the Karl-Renner-Institut**

Building on the discussions of the first two sessions that focused more on Israeli-Europe relations and the possible consequences of the digitalisation and automation processes for the labour market, the third session shifted the spotlight to the cyber-security and privacy domain of those changes. As the digitalisation process goes deeper, the process raises security issues as well as ethical and legal questions about the privacy of users, hacking, and misuse of social networks and so on. The main questions that were discussed in this session are how common privacy and security challenges could affect the digital front and bring the EU and Israel closer. What synergies can be found to ensure our citizens' and our states' security and data protection in the new digital era? In what ways can digital technology be part of the solution and ensure increased protection in Europe and Israel?

### **Keynote speeches and inputs:**

Paul Nemitz is a Principal Advisor at the Directorate-General for Justice and Consumers at the European Commission and Member of the FEPS Scientific Council. He noted that the European model for security and data privacy is sustainable, and that Europe is investing in research, innovation and engagement when it comes to making privacy-friendly applications. However, he mentioned that the promotion of legislation and enforcement on this issue is only taking place in the wake of several data breaches and privacy

debacles, and never in advance. As the private sector now controls large quantities of personal data, governments need to play a more active role in setting rules for digital users and regulating those private firms that possess such data.

**Adv. Sharon Shemesh** is the Head of the International Affairs at the Privacy Protection Authority, at the Israeli Ministry of Justice. Adv. Shemesh, pointed out that Israel and Europe share common values when it comes to privacy, and their legal frameworks are very similar. Furthermore, Israel is facing the same challenges as Europe. However, Adv. Shemesh explained that Israel must re-examine its privacy protection system, as they have to include implications of new data security initiatives. As Israel increases its presence in the digital economy space, it must adhere to regulations and the European General Data Protection Regulation (GDPR) to maintain its presence. According to the Israeli progress on the legal front and with regulation aspects, Adv. Shemesh claimed that she is optimistic about the current path. While the digitalisation process poses some challenges for Israel, there are also new opportunities for the high-tech market to provide privacy enhancing mechanisms.

**Col. (Ret.) Gabi Siboni** is the Head of the Cyber Security research program in the INSS. According to him, the invasion of privacy in the digital space is on the radar screen of the authorities, but we are doing nothing about it as a collective. If policymakers want to put constraints on these big companies, they have the power to do so. In Israel's digital security space, there is a lot of tension regarding privacy and preventing terrorism. In terms of Israeli-European cooperation it is important to push together for stronger privacy regulations to make sure that civilian data is used in a proper way.



## ***Fourth Session: Political Decision-Making in an Era of Fake News and Social Media Technologies***

**Chair: Vassilis Ntousas, Senior International Relations Policy Advisor for FEPS**

The fourth session aimed at providing a discussion about the implication of the digital economy on the political arena and political engagement. One of the most pressing issues is the possible implication of social media on political discourse, the broader media environment and fake news. This session provided case studies that demonstrated the process by which fake news is constructed, used and promoted in order to polarize society. Key questions included how the move towards the digitalisation of (public) diplomacy is affecting EU-Israel relations, How are the rapid changes in information and communication technology shaping political models or patterns of behaviour? And are fake news and misinformation fundamental problems for our democracy? And if so, how can they best be tackled?

### **Keynote speeches and inputs:**

Nadav Eyal, Chief International Correspondent for Channel 10 News opened the session with a personal case study on George Soros. Certain groups on social media are claiming that he is funding Iranian activity. As he began investigating the origins of this news source, he soon realized that the original source had been wrongly interpreted and massively distributed. This erroneous and misleading interpretation played into the hands of Israeli Prime Minister Benjamin Netanyahu's audience. It was used as propaganda against the left-wing in Israel as it falsely accused a left-wing Jewish tycoon of funding Iranian terror activity. This kind of distribution of fake news does not require any decision-making, and only serves the purpose of motivating certain political camps. It is very difficult to have a political discourse in this era if the pub-

lic is constantly dealing with falsehoods - especially if they can't agree on actual facts.

**MK Merav Michaeli**, from the Zionist Union political party opened her speech by stating that very little is done in Israel in order to try and regulate social media in order to tackle fake news, especially since the resources for politicians to do this are very limited. In addition, she mentioned that the Israeli public is very sensitive to the debate around censorship of hate speech versus freedom of expression. From her own personal experience she mentioned a case in which she was on an Australian radio show, and groups with right wing affiliations distributed an edited version of her words where it seemed that she was calling for issues she did not stand for. Given this very concrete example where her political and public profile was undermined by the spread of fake news, she emphasised the importance of providing accurate reporting to the public.

**Justin Nogaredo**, the Digital Policy Advisor for FEPS mentioned that many receive their news via social media, and that these platforms are making their revenue via advertising. This creates an incentive structure that leads social media companies to favour personalised, biased and extremist content, because that is more addictive and brings higher revenue. He underlined that this is detrimental to informed democratic debate. Public authorities are aware that social media companies enable the distribution of fake news and hate speech, but their solution – giving private platforms the responsibility to police all content – does not do justice to the inherently public quality that these information and communication services possess.

### **Concluding Session: Closing Remarks**

The concluding session, with the participation of **Dr. Ernst Stetter**, **Dr. Oded Eran** and **Dr. Roby Nathanson** summarized the main



insights and points of interest at the conference and stressed the importance of a continued dialogue between Israel and Europe in such meetings.

## PARTICIPANTS



**Daphna Aviram-Nitzan** is the Director of the Center for Governance and the Economy at the Israel Democracy Institute. She is the former head of the migration research unit at Aharon Meir Center for Banking and Economic Policy at Bar-Ilan University and the former director of the economic research division at the Manufacturers Association of Israel (MAI).



**MK Michal Biran** is a MK from the Zionist Camp political party. Biran is currently promoting a draft law to lower management fees in pension funds in order to reduce the wage gaps in the market. She is also overseeing many groups of employees, leading their protracted fight against the wrongs of mental health reform. Biran is member of the Labour, Welfare and Health Committee and an alternate member of the Finance Committee. She chairs the Lobby for Fair Pension in conjunction with MK Omer Barlev, chairs the Lobby for the Promotion of Youth Movements as well as the Lobby for the Struggle Against Racism. Biran holds an M.A. with honors in Political Science from Tel Aviv University.



**Dr. Oded Eran** is a Senior Research Fellow at the Institute for National Security Studies (INSS). He served as director of INSS from 2008 to 2011, following a long career in Israel's Ministry of Foreign Affairs. He served as the Secretary General of the Israel Branch of the World Jewish Congress, as Israel's ambassador to the EU (covering NATO as well, 2002-2007), Israel's ambassador to Jordan (1997-2000), and head of Israel's negotiation team with the Palestinians (1999-2000). He is an advisor to the Knesset Subcommittee on Foreign Affairs. He holds a PhD from the London School of Economics.



**Nadav Eyal** is the chief international correspondent for Channel 10 news. His writing has appeared regularly in Maariv Daily, Al Monitor, Liberal Magazine, Ha'aretz, and Foreign Affairs. He holds an LLB degree from the Law Faculty at Hebrew University in Jerusalem and a Master's degree in global politics from the London School of Economics.



**Amb. Dr. Emanuele Giaufret** has been Head of the Delegation of the European Union to the State of Israel since September 2017. In 2007 he was appointed Head of Section of the EU Delegation to the UN in New York. From 2011 he was Assistant to the Managing Director for North Africa and the Middle East. In 2013 he was appointed Head of Division for Democracy and Electoral Observation for the European External Action Service. He has a PhD in History of International Relations from the University of Florence (Italy) and a Master's degree in European Affairs from the College of Europe (Bruges, Belgium).



**Dr. Alfred Gusenbauer** is the President of the Karl-Renner-Institut. He was Austria's 11th Federal Chancellor, serving between 2007 and 2008 and the leader of the Social Democratic Party of Austria (SPÖ) from 2000 to 2008. Since then he has pursued a career as a consultant and lecturer, and as a member of supervisory boards. He studied political science, philosophy and law at the University of Vienna, where he obtained a PhD in political science. He holds an honorary doctorate from the Interdisciplinary Center Herzliya (Israel) and is an Honorary Senator of the European Academy of Sciences and Arts.



**Maria Maltchnig** studied Socio-Economics in Vienna. After working for the Austrian Chamber of Labour and the Federal Ministry of Finance, she was an Assistant to the CEO of the Austrian Federal Railways. After that she became head of the cabinet of the Austrian Chancellor. Since the end of 2016 she is the director of the Karl-Renner-Institute.



**Dr. Roby Nathanson** is the Director General of The Macro Center for Political Economics. He served as Director of the Histadrut's (Labour Federation) Institute for Economic and Social Research and has been active in preparing programmes aimed at socio-economic structural reform. He has taken part in negotiations on the future of the Israeli economy within the framework of strategic planning teams and think tanks. He holds an MA and a PhD in Economics, specialising in international trade and development, from the University of Köln (Germany).



**Paul Nemitz** is the principal advisor to the Directorate-General for Justice and Consumers, European Commission and a member of FEPS Scientific Council. He also served as the Director responsible for fundamental rights and Union citizenship, the lead Director for the reform of the EU data protection legislation, the 'Snowden' follow up, the negotiations of the EU - US Privacy Shield and the EU Code of Conduct against Hate Speech on the internet.





**Dr. Max Neufeind** is a policy fellow at the Progressives Zentrum and co-author of Foundation for European Progressive Studies (FEPS) Book, 'Work in the Digital Age: Challenges of the Fourth Industrial Revolution'. He also worked as a research assistant at the Center for Organizational and Occupational Sciences at ETH Zurich.



**Justin Nogarede** is the Digital Economy Advisor at the Foundation for European Progressive Studies (FEPS). He previously worked as policy officer in the Secretariat-General of the European Commission. He started in the Directorate for Better Regulation, and then proceeded to take on the digital policy portfolio in the President's and Vice-President's Briefing Unit. After that, he became a policy coordinator working on digital and single market policy files. Justin holds a Master's degree in European Competition Law and Regulation from the University of Amsterdam, as well as Bachelor's Degrees in Law and International Relations from the University of Groningen.



**Vassilis Ntousas** is the Senior International Relations Policy Advisor at the Foundation for European Progressive Studies (FEPS), where he coordinates various international projects and activities and conducts political research. He received his MSc in International Relations from the London School of Economics in 2011, specialising mainly in foreign policy analysis and international security issues. He had previously received a First Class Honours for his BA in International Relations and Politics from the University of Sheffield in 2008.



**Amb. Rodica Radian-Gordon** has been deputy director general for European affairs, Israel Ministry of Foreign Affairs (MFA) since August 2016. She was Israeli ambassador to Mexico, director of the Arms Control Department in the Division for Strategic Affairs, Israeli ambassador to Romania, and director of the Economic and Strategic Aspects Department of the Center for Political Research

Amb. Radian-Gordon is a trained biologist with a PhD in biochemistry from the Hebrew University of Jerusalem (1987). She completed the Diplomatic Academy at the MFA and obtained an MA in National Security Studies at Haifa University (2001). In 2018 she attended the Wexner Senior Leadership Program at Harvard Kennedy School.



**Prof. Andrea Renda** is senior research fellow and Head of Global Governance, Regulation, Innovation and the Digital Economy at the Centre for European Policy Studies (CEPS). He is currently a non-resident Senior Fellow at Duke University's Kenan Institute for Ethics, and was Adjunct Professor of Law and Economics at Duke Law School. Since September 2017, he has held the 'Google Chair' for Digital Innovation at the College of Europe in Bruges. Prof. Renda holds a PhD in Law and Economics from Erasmus University Rotterdam.



**Dr. Tal Sadeh** is senior lecturer at the Department of Political Science in Tel Aviv University and ex-Co-President of the Israeli Association for the Study of European Integration (IASI). He holds a PhD in International Relations and an MA degree, cum laude, in Economics, both from the Hebrew University of Jerusalem. His research and teaching interests include international political economy, and the political economy of the EU, in particular the single currency and EU-Israeli relations, as well as international institutions and governance structures.



**MK Ofer Shelah** is the Chairman of the Yesh Atid party. Until he joined Yesh Atid, Shelah was a journalist and analyst. MK Shelah holds a BA, cum laude, in Economics and English Literature from Tel Aviv University and an MA in Literature and Creative Writing from New York University.



**Adv. Sharon Shemesh** is the Head of International Affairs at the Israeli Privacy Protection Authority (PPA) in the Israeli Ministry of Justice. She is a professional leader of regulation and enforcement in technology driven sectors. Sharon is responsible for the creation and maintenance of Strategic Alliances with policy makers and regulators around the world, in order to promote cooperation in enforcement and harmonization in policy making. Prior to her work at the PPA, Sharon held various positions focusing on regulation and policy making, in the Israeli Council for Cable and Satellite Broadcasting and the Israeli Ministry of Communications, including serving as an advisor to the Director General of the Ministry. Sharon was also a lecturer on Communications Law at Tel Aviv University and the Eilat Campus of Ben-Gurion University. She is a graduate of Tel Aviv University holding L.L.B. and L.L.M degrees in Law.



**Dr. Tehilla Shwartz Altshuler** is a senior fellow at the Center for Democratic Values and Institutions. In addition she is a board member of the National Press Council and lecturer at the Federmann School of Public Policy and Government at the Hebrew University. She is a former head of the research department at the Israeli Second Authority for Television and Radio, a former research fellow at the John F. Kennedy School of Government at Harvard University, and a visiting scholar at Harvard's Center for Middle Eastern Studies.



**Col. (Ret) Dr. Gabi Siboni** is a National & Cyber Security Specialist, the Director of Military and Strategic Affairs and Cyber Security Programs at the Tel Aviv University's Institute for National Security Studies (INSS). Dr. Siboni is also the editor of the Military and Strategic Affairs Journal. In his extensive IDF career, he served as Golani Division's chief of staff and as a senior strategic and operational planner for the IDF. He is the founder and CEO of G. Bina, a Cyber Security consulting firm providing top-to-bottom services for ICT and Cyber Security risk assessment and capacity building. Dr. Siboni holds a B.Sc. and M.Sc. in engineering from Tel Aviv University and a doctorate in geographic information systems (GIS) from Ben-Gurion University.



**Dr. Ernst Stetter** is the Secretary General of the Foundation for European Progressive Studies (FEPS) since 2008. He is also a regular commentator on EU affairs in the media and visiting fellow at University of Greenwich, London. He is an economist and political scientist. He studied in Tübingen and Heidelberg (Germany) focusing on international trade, finance, economic and social policy and development issues. From 2003 to 2008 he was the Director of the EU Office of the Friedrich Ebert Stiftung in Brussels. In 2003 he received the French decoration of Chevalier de l'Ordre National du Mérite.



**Yanai Weiss** is the Research Director of The Macro Center for Political Economics. Yanai is actively involved in research related to improving the socio-economic status of different sectors in the Israeli society. Yanai holds a B.A degree with honours in the Interdisciplinary Excellency PPE program (Philosophy, Political Science, Economics and Law) from Tel Aviv University and is currently a graduate student in economics in the joint research program of Tel Aviv University and the Hebrew University of Jerusalem.



**General (ret.) Amos Yadlin** has been the Executive Director of the Institute for National Security Studies (INSS) since 2011. Following a term as head of Military Intelligence, he retired in 2010 from the IDF after more than forty years of service. Among his previous positions, he served as deputy commander of the Israel Air Force, Israel's military attaché in Washington, and commander of the IDF Military Colleges and the National Defense College. He has written on national security, force development, intelligence, civil-military relations, and the military ethics of fighting terror.



The international conference on the subject of Europe-Israel Relations in the Digital Era Economics, Security, and Political Engagement, which took place on November 4th, 2018 in Tel Aviv, Israel, was jointly organized, by the Foundation for European Progressive Studies (FEPS), in collaboration with the Jean-Jaurès Foundation and the Karl-enner-Institut and the Institute for National Security Studies, the Macro Center for Political Economics.

A group of distinguished decision makers and experts debated the impact of the digital era on relations between Israel and Europe, what are the main opportunities as well as the main risks. The discussion topic ranged from the future of work, automation and digitalization to cybersecurity and the impact of new digital platforms such as social media platforms has no 'fake news'.

This book contains the speeches delivered by several key participants, as well as enriching concepts and important conclusions which arose from the conference.

- This book is edited by FEPS and the Macro Center for Political Economics with the financial support of the European Parliament.
- ISBN number 978-2-930769-22-6