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Ministry of Economy and Industry

Aspects of the Government's Handling of Imports

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Background

The issue of the cost of living in Israel has an impact on all households and the standard of living of its citizens. Consequently, addressing this issue is of considerable importance. One approach to coping with the cost of living is to enhance competition within the domestic market, which can be achieved, in part, by increasing imports. A substantial portion of the products consumed in the State of Israel is not produced domestically and must be imported from other countries; however, trade with neighboring countries is constrained, and Israel's economy is thus characterized as an "island economy". The country imports an array of products across various sectors, including energy, raw materials, diamonds, investment products[1], and consumer goods[2], all of which exert a direct influence on consumers due to their status as finished products intended for immediate sale and use.

The existence of trade with other countries affects productivity and price levels; the higher the degree of exposure to imports, the more it contributes to increased competition within the domestic market and enhances local efficiency. Nevertheless, excessive reliance on imports may jeopardize national interests, including security interests, the protection of local production as a source of livelihood, food security for the populace, and the safeguarding of public health and safety. Consequently, Israel implements a policy of regulatory and tariff barriers designed to limit the exposure of its economy to imports.

In 2014, the Lang Committee[3] was established to assess import barriers in Israel and propose strategies for enhancing competitiveness and diminishing price discrepancies for consumer goods in relation to OECD countries. The Committee identified several barriers influencing the cost of living, including opening the market to imports; stringent customs pre-clearance inspections; bureaucratic obstacles; and prolonged waiting times for the release of goods from ports. In response to these barriers, the Committee recommended the formulation and implementation of a new import policy, the principal components of which include: aligning the policy with international standards by transitioning from pre-clearance customs inspections to market-based inspections; expanding the importer’s responsibility alongside reliance on declarations; enhancing enforcement measures, and increasing penalties; adjusting legal import requirements in Israel to be consistent with those in developed nations; implementing a mechanism for a new import policy; preventing anti-competitive practices by

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1 Investment products are machinery, medical equipment, generators, vehicles for business needs, etc.

2 Consumer goods are products and services purchased by the final consumer for personal or household use. These products are designed to meet daily needs and are divided into the following categories: (a) Durable goods – products that have a long lifespan and are purchased for continuous use such as furniture, appliances and vehicles. (b) Fast-moving consumer goods (FMCG) – products that are consumed quickly such as food, beverages and personal hygiene products.

3 The Committee for Increasing Competition and Removing Barriers in the Import Sector, November 2014, headed by the then Director General of the Ministry of Economy, Mr. Amit Lang. The Committee's recommendations were adopted in Government Resolution No. 2318, "Increasing Competition and Streamlining Regulatory Processes in the Import Sector" (December 11, 2014).

prohibiting restrictive arrangements between foreign manufacturers and direct importers[4] aimed at undermining competition; and ensuring transparency and access to information for the general public, importers, and regulatory bodies.

Furthermore, the Lang Committee found that major areas of the import sector in Israel are characterized by high levels of concentration and a limited number of exclusive importers handling the products of international manufacturers. The Committee acknowledged the substantial role that parallel imports could play in fostering intra-brand competition.

The Lang Committee report and subsequent State Comptroller’s reports on the subject, including the report published in 2024[5] concerning the state's handling of the concentration in the food and consumer products industry, underscored the high concentration prevalent in these sectors within Israel. Consequently, heightened exposure to competition from the import of consumer products is deemed significant for facilitating a reduction in concentration through increased diversity, enhanced competition between importers and local manufacturers, and ultimately a lowering of consumer prices and the cost of living.

A 2025 OECD report[6] that reviewed the Israeli economy addressed, among other things, trade barriers within Israel and pointed out that such barriers, alongside bureaucratic challenges and insufficient competition, contribute to elevated prices. Furthermore, the report highlighted that the reduction of trade barriers, achieved through implementation of the new reforms, may lead to an increase in competition and a subsequent decrease in prices. It also posited that a policy aimed at opening the domestic market was likely to also engender increased productivity and a sustained reduction in the price level.

4 According to the Economic Competition Law, 1988, a direct importer is a person for whom one of the following applies: (1) He imports goods into Israel or distributes goods that have been imported into Israel, in accordance with an arrangement with the manufacturer of the goods in a foreign country; (2) He manufactures goods in Israel, by virtue of an arrangement with a person in a foreign country.

5 The State Comptroller, Annual Report 75A (2024), "The State's Response to Concentration and Monopolies in the Food and Consumer Goods Sector".

6 OECD Economic surveys: Israel 2025.

Key Figures

Only 26.9%

The import rate out of Israel's GDP for 2023 is significantly lower than the OECD countries' average of 51.9%. The scope of goods imports in 2023 stood at approximately $90.4 billion[7]

222

The number of product categories imported into Israel in 2023 compared to an average of 245 in OECD countries

4%–226%

The price gap found in a November 2024 comparison between a sample of products from parallel imports and identical products from direct imports that are more expensive

20%–130%

The price gap found in a February 2025 comparison between a sample of products from personal imports and identical products in the local market, which are imported and are more expensive

3.15 times increase

An increase from approximately 16.7 million packages in 2020 to approximately 52.8 million packages in 2024, imported through personal import with a value of up to $75

Only 2%

Collection rate of financial sanctions imposed by the Commissioner of Standardization in 2024[8] (approximately NIS 93,000 out of NIS 4.2 million)

Understaffing of more than 50%

As of November 2024, 9 out of 16 positions in the enforcement branch for import control within the Standards Administration are unstaffed upon the reform's entry into effect, and 7 out of 32 positions in the enforcement branch for market supervision are unstaffed

Only 2.9%

The market share of parallel imports in the automotive industry, which focuses mainly on luxury vehicles, for 2023

7 The rate of monetary imports of consumer goods in 2023 was 25% of all imports of goods, with a monetary scope of $22.7 billion.

8 Before further legal steps are taken by the Enforcement and Collection Authority.

About NIS 14 billion	About 60%	35% increase	21
The state's revenue from vehicle purchase tax in 2023. The vehicle imports value was approximately NIS 30 billion	The market share of the four largest importers in the automotive industry	Real increase in profit of the 12 largest direct importers in the automotive industry in 2022 compared to 2021. Total financial profit of NIS 5 billion in 2022 compared to NIS 3.7 billion in 2021	Number of car brands represented by the eight largest direct importers through import licenses, 10 of which will expire in 2025–2026

Audit Actions

From August 2024 to April 2025 (the audit end date), the Office of the State Comptroller conducted an examination of the actions undertaken by government ministries to eliminate barriers to imports and parallel imports. This examination included the following topics: the implementation of import reforms; adherence to the relevant legal provisions associated with these reforms; international comparisons; assessment of the enforcement mechanisms pertaining to standardization;, governmental actions for dismantling barriers to parallel imports; the barriers and competitiveness within the automotive industry. The audit was conducted at the Ministry of Economy and Industry (Ministry of Economy), the Competition Authority, the Ministry of Health – including the National Food Service and the Cosmetics Department, the Ministry of Energy and Infrastructure (Ministry of Energy), the Ministry of Communications, the Israel Tax Authority, and the Standards Institution of Israel (Standards Institution). Supplementary meetings were conducted with the Regulatory Authority within the Prime Minister's Office, as well as with stakeholders such as customs agents, importers in the consumer goods sectors, retailers, and the Association of Chambers of Commerce (Stakeholders).

Key Findings

In 2023, goods valued at approximately $90 billion were imported to the State of Israel, according to the following distribution: 43% in raw materials (approximately $39 billion); 25% in consumer goods (approximately $22 billion); 16% in investment goods (approximately $14 billion); 12% in energy materials (approximately $11 billion); and 4% in diamonds (approximately $4 billion).

Of the estimated $22 billion scope of imported consumer goods, the predominant import categories were as follows: furniture and household electrical appliances (20%), food and beverages (17%), vehicles (16%), and clothing and footwear (13%).

Israel's import-to-GDP ratio, which stood at 26.9% in 2023, is notably lower than the OECD countries' average of 51.9% for the same year.

Implementation of Import Reforms

The Regulatory Reform ("Cassis de Dijon") of 2022

- To simplify the import process and reduce its costs, the government initiated the regulatory reform known as "Cassis de Dijon". Prior to the introduction of this reform in June 2022, the majority of products imported to Israel (approximately 80%) fell under Group 1 – out of three groups – which is characterized by the most stringent regulations. This classification significantly impacted competition and the cost of living in Israel, as products in this group underwent the longest, most bureaucratic import process, incurring high costs ultimately shifted onto the end consumer.

- The standards reform included an amendment to the Standards Law which effected the following modifications: (a) the reassignment of hundreds of standards from Import Group 1 to Import Groups 2 and 3, which operate under a less stringent regulatory framework, thereby eliminating the laboratory testing requirement for approximately 80% of imported consumer products; (b) the introduction of a Cassis track, allowing goods to be imported into Israel based on a declaration of conformity to international standards, along with the provision that any new official standard would automatically be classified under the Cassis track.

The audit revealed that the Ministry of Economy's implementation of the reform, along with the many accompanying tracks (Green, Gold, Diamond, Alpha, and foreign chains), generated confusion among customs agents and importers and ultimately did not realize the full potential in the importation of goods into Israel by reducing regulation and reducing the cost of living. Thus, for instance, complications arose with the declaration track regarding baby and children's products, bicycles, and certain pharmaceutical items, due to unique Israeli requirements, which included necessary adjustments for the local market in accordance with diverse regulations and laws, or due to the failure of manufacturers to satisfy the requirements of authorized foreign laboratories, thereby lacking the requisite references for utilizing the declaration track. In the case of "dishwasher liquid" no reduction in import costs was observed due to these unique Israeli requirements. Furthermore, the reform did not promote competition from parallel imports, as existing barriers persisted, including difficulties in providing manufacturer references from abroad in compliance with the requirement for a declaration of standard conformity.

The "No Stopping at the Port" Reform of 2024

- In January 2024, an amendment to the Import and Export Ordinance (No. 6), 2024 was enacted with the objective of eliminating barriers to the importation of goods subject to an official standard, thereby decreasing costs for importers. The Ministry of Economy estimated these costs to be approximately 9% of the import value, which could potentially translate to lower prices for consumers.

- The practical implications of the amendment entail severing ties between importers and testing laboratories, and clearing goods in Import Groups 2 and 3 without delay at port gates, upon the submission of an import declaration affirming that the product complies with the requisite Israeli or European standards. The intended outcome was to facilitate unrestricted importation, thereby minimizing delays at ports and laboratories related to the testing and approval of thousands of products, including baby bottles, toys for children aged three and older, furniture, and household electrical appliances.

It was found that importers and customs agents face difficulties in the implementation of the reform, primarily due to insufficient information regarding the operations of the Commissioner of Standardization in relation to import processes, as well as an overall lack of adequate information concerning the reform itself. For example, gaps have included a lack of clarity regarding storage instructions prior to sampling and the omission of information pertaining to importation reliefs and the availability of necessary certificates and annexes. Additionally, during the audit conducted by the Office of the State Comptroller, there was an absence of a dedicated and professional call center within the Commissioner of Standardization capable of addressing inquiries and concerns from the public.

"What's Good for Europe is Good for Israel", January 2025

- The reform entitled "What's Good for Europe is Good for Israel", which was implemented in January 2025, represents the second phase of the comprehensive reform that commenced in July 2024. This reform aims to facilitate the import of products available in Europe or those compliant with European regulations into Israel without the necessity of undergoing testing at an accredited testing institute. The reform significantly reduces the evidentiary threshold required from importers, and the requirement in Import Groups 2 and 3 is based primarily on a declaration of product compliance with standards. The objectives of the reform are the reduction of barriers and bureaucracy, enhancement of business efficiency, and the lowering of consumer prices. According to the Ministry of Economy, this reform encompasses approximately 90% of consumer products available in the Israeli market and is projected to yield savings of 8% to 16% in import costs, potentially reducing annual product expenses by approximately NIS 6,000 per household.

It should be noted that the reform is taking effect in eight phases: from January to July 2025 five phases were implemented for products such as electrical appliances, baby products and products coming into contact with food, medical and health products. Three additional phases will be implemented starting from July 2026 until January 2028.

The audit revealed that according to Ministry of Economy data, the reform had led to a 44% increase in the import of consumer goods in different categories, and had even led to a decrease of over 30% in consumer prices (for example, in bicycle import). Furthermore, the number of importers in the various categories had increased, and new importers had been added to the list of tens of leading importers in several categories. Notwithstanding, it was found that importers are not familiar with the importation processes, and the Commissioner of Standardization at the Ministry of Economy has not disseminated a document outlining his enforcement policy. This lack of clarity is liable to jeopardize the objectives of the reform, and diminish the number of importers and the volume of imports, while also delaying shipments. Furthermore, although the Ministry of Economy is supposed to submit a report to the Economy Committee regarding the impact of these laws on import costs, in relation to price levels and competition, the assessment is limited to a sampling.

Standardization

Personnel in the Standards Administration at the Ministry of Economy

- The Supervision and Enforcement Branch of the Standards Administration is responsible for the enforcement of standards within Israel. This enforcement is undertaken at both criminal and administrative levels by 62 inspectors, controllers, and field managers.

- Within the framework of the "Cassis de Dijon" standards reform (declaration track), and acknowledging the significance of a robust enforcement system alongside the concessions afforded to importers, the Enforcement Branch of the Standards Administration was augmented to enhance its enforcement activities in the markets. To improve enforcement and in anticipation of the "No Stopping at the Port" and "What's Good for Europe is Good for Israel" reforms, it has been determined that the Commissioner of Standardization shall conduct additional inspections at port gates to prevent the ingress of products that fail to satisfy regulatory requirements.

The Enforcement Branch at the Standards Administration was understaffed prior to the implementation of the "What's Good for Europe is Good for Israel" reform. Approximately 22% (7 out of 32) of the positions designated for market supervision remain unstaffed, and over 50% (9 out of 16) of inspector positions are also vacant, in addition to 3 vacant positions for field managers in the Enforcement Branch and 4 vacant professional positions. The disparity in workforce and enforcement is pronounced in light of the outcomes of enforcement operations in the markets between June 1, 2023, and June 1, 2024. Within the framework of these operations, 424 products were sampled, with the majority (approximately 57%) identified as noncompliant with the prescribed official standard. Furthermore, in control operations at the ports, it was found that 39% of the product files reviewed did not adhere to the requirements set by the Commissioner of Standardization, and deficiencies were observed in 36% of the inspections conducted on shipments at the port gates concerning their compliance with established standards.

Competence of Testing Laboratories for Enforcement Purposes

- Market enforcement is conducted by obtaining a product from a retail store shelf and submitting it for testing at a recognized laboratory. As of the audit end date, there exist 61 approved laboratories that have received recognition from the Commissioner of Standardization pursuant to Section 2J of the Import and Export Ordinance. Each laboratory specializes in specific standards, thus not every laboratory can test a product's conformity to a given standard.

- It was also found that Section 10E of the Standards Law mandates that testing conformity with the requirements of European regulation should be conducted in accordance with the corresponding European standard. Nevertheless, the Standards Administration at the Ministry of Economy had not conducted a comprehensive mapping of the testing capabilities of laboratories in Israel in accordance with the European regulation, as a result of which Israeli laboratories operating under the Standards Law may not have the necessary capacity for examining compliance with the European standard. Additionally, it was observed that three months following the introduction of the "No Stopping at the Port" reform, the Ministry of Economy ceased the transfer of products for laboratory testing for a duration of 60 days due to the non-renewal of the Ministry's contract with the laboratories. Furthermore, for approximately six months in 2024, only 10 products were submitted for testing by the Standards Institute for the control of shipments at the port gates.

The Commissioner of Standardization's Enforcement Measures

- The Standards Law delineates the administrative enforcement measures that the Commissioner of Standardization must employ in the execution of enforcement activities. A salient instrument for effective enforcement, as stipulated in the Standards Law, is the implementation of financial sanctions against violators. An inspection conducted by the Office of the State Comptroller revealed that in 2024, the Enforcement Branch of the Commissioner of Standardization opened 618 enforcement files, which are currently in varying stages of processing. Nonetheless, in the same year, financial sanctions were applied and administrative notices were dispatched in only 47 enforcement files (some of which were opened prior to 2024), with the aggregate amount of the financial sanctions in those cases totaling NIS 4.2 million (not final).

- Regarding data on collections – it was found that in 2024, financial sanctions to the sum of NIS 4.2 million had been imposed, prior to the reductions granted to offenders in 47 enforcement files, some of which had even been reduced before 2024. The collection rate from the financial sanctions imposed stood at 29% (some NIS 93,000). The Ministry of Economy pointed out that due to personnel limitations in the sanctions branch and the work volume, the examination and determination of claims was prolonged. In addition, in light of the war waging in Israel since October 2023, many offenders reported a genuine difficulty in exercising their right to a hearing. In 2024, definitive financial sanctions to the sum of NIS 83,000 were transferred to the Center for Fines Collection, of which NIS 69,000 were collected. In 2025, definitive financial sanctions to the sum of NIS 494,000 were transferred to the Center for Fines Collection and by August 2025 NIS 756 had been collected.

Online Personal Import

- Personal import refers to the import of goods by an individual, not via a dealer; the goods are not intended for purposes related to supply, production, or the provision of services, and are imported in reasonable quantities for the personal or household use of the individual importing them. In accordance with a government resolution adopted in 2011, which was part of the implementation of the recommendations put forth by the Trachtenberg Committee, the Tax Authority established an order that exempts personal imports of goods from customs duties under certain conditions. Per the Customs Tariff and Exemptions and Purchase Tax on Goods Order, 2012, shipments containing goods with a cumulative value not exceeding $75 are entirely exempt from import taxes (VAT, purchase tax, and customs duties)[9]. For shipments valued between $75 and $500, VAT and purchase tax shall be paid, while customs duties are exempted. If the value exceeds $500, VAT, purchase tax, and customs duties are applicable in accordance with statutory regulations.

- Notwithstanding the considerable expansion of online commerce, from approximately 16 million packages valued at up to $75 in 2020 to an estimated 52 million packages in 2024 (a 3.25-fold increase), and its significance to consumers resultant from the tax exemption on purchases valued at up to $75, there have not been substantial reductions in consumer prices across many essential product sectors. This is particularly evident in markets dominated by exclusive importers possessing considerable market power.

9 The exemption does not apply to tobacco products, alcohol, or intoxicating products.

Imports in the Food and Cosmetics Sectors

Importing Sensitive Food

- On July 24, 2024, the Knesset sanctioned the reform entitled "What's Good for Europe is Good for Israel", which incorporated amendments to the Public Health Law. Pursuant to Amendment No. 10, 44 European regulations were adopted, including with respect to specific sensitive foods, such as olive oil, honey, and chocolate. Additionally, Section 3A of the Public Health Law was revised to facilitate the swift and uncomplicated integration and updating of changes made in Europe in the original legislation adopted, into Israeli legislation. This aims to ensure that Israeli legislation is contemporaneous and aligned with European regulatory updates to the greatest extent possible. The objective of adopting these European regulations is to streamline the importation process of food products into Israel, obviating the need for compliance with local regulations.

- It was found that the Food Service at the Ministry of Health, at the time the reform was implemented in January 2025, had failed to translate or publicly disseminate 40 out of the 44 European regulations adopted under the "What's Good for Europe is Good for Israel" reform, as mandated by Amendment No. 3A to the Public Health Law in conjunction with Amendment No. 10 aimed at making the import of food to Israel easier for importers. This failure is liable to hinder importers' comprehension of the requisite conditions, attributes, and characteristics that sensitive foods must satisfy. Furthermore, it was found that the Food Service had not yet compiled industry guides pertaining to the areas affected by the reform.

Enforcement in Markets in the Food Sector

- Enforcement within markets in the food sector is an integral part of the reform, since importing via the green track as outlined above heightens exposure to the risks associated with food products, whether regular or sensitive, that fail to meet regulatory requirements, thereby potentially endangering the consumer population. Chapters 9, 10, and 11 of the Public Health Law address the enforcement of the law's provisions. These chapters were adapted to address enforcement within markets and were further expanded in Amendment No. 10 to the law. Among other provisions, these chapters discuss the certification processes for inspectors, their powers, and the enforcement procedures at both criminal and administrative levels, which include the authority to impose financial penalties, issue administrative warnings, make import licenses conditional, designate an importer as "violating trust", and additional measures.

- The National Food Service within the Ministry of Health has published enforcement policies and procedures applicable to the food industry. Nonetheless, when the reform took effect in January 2025, the Ministry of Health had not yet finalized the establishment of an enforcement system for implementing the "What's Good for

Europe is Good for Israel" reform, including a dedicated computerized system, and actual enforcement had not commenced. The implementation of the reform, and the change inherent in it, without a robust enforcement system to effectively assess the goods on the markets is liable to jeopardize public health and impede the expansion of the reform in the sector.

Importing Cosmetics

- Cosmetics[10] include products such as hair dyes, sunscreens, and toothpastes. In November 2021, as part of the Economic Plan Law, the Knesset ratified a regulatory reform pertaining to imports, which established various conditions for the import of cosmetics. This reform instituted two primary import tracks: a basic marketing notification track (the basic track) and a parallel import track for cosmetics, predicated on a certificate of conformity to a reference cosmetic (import track based on a reference cosmetic). The "What's Good for Europe is Good for Israel" reform, which entered into effect on January 1, 2025, introduced an additional import track and implemented several modifications to the existing tracks (the basic track and the import track based on a reference cosmetic).

- However, it was found that as of 2021, the market share of the five largest companies in the cosmetics sector stood at approximately 53%, while the nine largest companies accounted for around 67% of the cosmetics market. This indicates that the cosmetics market in Israel remains concentrated.

Enforcement in the Cosmetics Industry Markets

- Enforcement within the cosmetics industry markets is an integral part of the reform, as the import of products based solely on a declaration and marketing evidence may expose consumers to unsafe products. Representatives from the Ministry of Health have reported instances of cosmetics marketed in Europe that failed to adhere to established European standards.

- It was found that when the reform came into effect in January 2025, the Ministry of Health had not yet initiated the establishment of an enforcement system for implementing the "What's Good for Europe is Good for Israel" reform, including a dedicated workforce, procedures for imposing financial sanctions and issuing administrative notifications, and the establishment of a specialized computerized system for the use of enforcement agencies. The implementation of the reform and the change inherent in it, particularly the provision for importing products based

10 Cosmetics are "any substance or mixture of substances intended to come into contact with the external parts of the human body, for the primary or exclusive purpose of cleaning it, perfuming it, changing its appearance, protecting or preserving it, or improving body odors, except for a preparation, medical device, solid soap, or perfume; for this purpose, 'external part of the human body' – the outer layer of the skin, hair, nails, lips, teeth, mucous membranes of the oral cavity, and the external genitalia".

solely on a declaration, without an enforcement system for effectively evaluating market goods, pose a threat to public health.

Parallel Import of Consumer Goods

- **The Actions of the Competition Authority to Promote Parallel Imports –** The examination conducted by the Office of the State Comptroller found substantial price disparities between parallel imports and direct imports, varying from 4.8% to 226%. In practice, these disparities translate into savings that can amount to hundreds of shekels due to competition between products imported directly and those imported in parallel. The examination further revealed that following the implementation of Amendment No. 23 to the Economic Competition Law in June 2023, the Competition Authority has undertaken proactive measures to impede the obstruction of parallel imports[11]. Moreover, the Authority has engaged with 13 importers across the food, cosmetics, and electrical and electronics sectors, requesting comprehensive data and information to identify potential violations post-Amendment No. 23. Additionally, claims presented by parallel importers during the audit reveal that the number of applications submitted to the Competition Authority by parallel importers from 2022 to 2024 has been limited (only 13), in relation to the extent of the phenomenon of obstruction reported by sources in the sector. This statistic may reflect a partial lack of awareness among parallel importers regarding the legal changes and their entitlement to approach the Competition Authority on this matter. The identified violations disclosed to date in the investigation of the Competition Authority, which encompass actions that obstruct and adversely affect direct importers of parallel imports in contravention of the law, such as contacting foreign manufacturers to provide details about locally sold products so as to obstruct the supply source of parallel imports, have resulted, in at least one instance, in the imposition of a financial penalty, even more than a year after the legal amendments came into effect, which may indicate a partial deterrent effect against direct importers.

- **The Local Market Structure as a Barrier to Parallel Imports –** The concentration level, marketing and distribution capabilities, and structural characteristics of certain industries within the local market, including full or partial integrations (for example, in the electrical and electronics sector where the importer is also likely to hold a retail chain), are liable to adversely affect the potential influence of the "No Stopping at the Port" and "What's Good for Europe is Good for Israel" reforms on parallel imports.

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11 In June 2023, Amendment No. 23 to the Economic Competition Law was adopted, aimed mainly at preventing the inhibition or reduction of competition from parallel imports or personal imports by a direct importer. In addition, the Competition Authority initiated the amendment to the Economic Competition Rules (Class Exemption for Exclusive Distribution Agreements) (Temporary Provision) (Amendment), 2023 (Exemption for Exclusive Distribution). The purpose of the amendment is to prevent a situation in which a foreign supplier (manufacturer) and distributor agree between themselves that the distributor will refuse a parallel importer's request to sell him products for their distribution in Israel, thereby preventing parallel imports of products.

Import of Private Vehicles

Competition Among Car Importers

- The Automotive Services and Professions Licensing Law, 2016 (the Automotive Services Law), was enacted with the objective, among others, of promoting competition within the automotive industry. In pursuit of this goal, the law established a framework of provisions and conditions that created a structural change in the vehicle import sector. The law defines the categories of importers and the scope of their operations. Furthermore, it extends various reliefs and exemptions to indirect, small, and personal importers, particularly concerning the prerequisites for obtaining a vehicle import license, capital requirements, obligations related to the provision of repair services, and the supply of spare parts (see Article C of the Automotive Services Law, Commercial Importer Liability). Notably, it also permits the personal importation of a used vehicle within two years of its manufacturing date.

- It was found that eight years into the implementation of the Automotive Services Law, and despite the concessions afforded to indirect, small, and personal importers, no substantial competition had emerged between these importers and direct importers. As of 2023, direct importers accounted for approximately 97.4% of the market share in private vehicle imports (with the total import value of vehicles reaching NIS 27.4 billion in 2022 and approximately NIS 30 billion in 2023, reflecting a real increase of 5.2%). Additionally, it was found that the proportion of vehicles imported through indirect channels since the enactment of the Automotive Services Law until 2023 averages only about 3% of total imports. This raises significant concerns regarding the efficacy of the Automotive Services Law in enhancing the volume of parallel vehicle imports.

Import of Vehicles from Vehicle Manufacturers Not Yet Represented in Israel

- In recent years, a significant transformation has been occurring within the global automotive sector, primarily relating to the shift toward electric vehicles. Israel has also experienced considerable changes in its automotive market in recent years, mainly in the transition to electric vehicles powered by rechargeable batteries, which present advantages over vehicles utilizing internal combustion engines (gasoline and diesel). These developments have led to the emergence of new automobile manufacturers in Israel, introducing brands that have not previously operated within the market. This situation represents a unique opportunity to effect substantial modifications in the structure of the private vehicle import market in Israel, with the potential to diminish market concentration by granting the import licenses of new concerns to small importers or to those currently not active in the industry.

- It was found that six large direct automobile importers had obtained import licenses from the Ministry of Transport as direct importers for new automobile manufacturers. The market share of electric vehicles has markedly increased from 1% in 2020 to 24.8% in 2024, equating to approximately 67,000 vehicles of which the majority are new Chinese brands (46,000), thus positioning electric vehicles as the second largest segment within the automotive industry. This may testify to a high level of substitutability from a consumer perspective between gasoline and diesel vehicles and electric vehicles. The allocation of licenses to large importers has the potential to exacerbate the concentration of the large direct car importers and diminish competition in the sector, countering the opportunity presented by market changes and the introduction of new manufacturers producing electric vehicles to enhance competitiveness within the automotive market.

Profitability of Direct Car Importers – The pre-tax profits of the twelve largest importers have reached the highest level recorded by the Chief Economist's Department in the past two decades. In 2022, the aggregate profit of these twelve largest direct importers amounted to NIS 5 billion, reflecting a real increase of 35% in comparison to 2021. Concurrently, in 2022, the pre-tax profit margin, in relation to sales turnover (net of purchase tax) for the twelve largest importers, soared by 16.3% – an increase of 5.5 percentage points relative to 2021.

Barriers to Vehicle Imports

- Parallel importers do not acquire vehicles directly from manufacturers; rather, they purchase them from the secondary market, specifically from car dealers and franchisees. This indirect importation mechanism occasionally presents opportunities to procure vehicles in countries where prices are lower or from car dealers conducting sales promotions for various reasons, such as the desire to allocate equity towards the acquisition of vehicles from the forthcoming model year. These sales campaigns occur towards the end of the calendar year.

- It was found that the consumer in Israelis sometimes deterred from purchasing vehicles that parallel importers acquire from overseas car-dealer sales campaigns, since parallel importers, particularly the small ones, find it hard to adhere to the timeframe for transporting and selling these vehicles within a year of their manufacture. If 12 months have passed since the date of the vehicle's manufacture without the ownership registration being transferred to the customer’s name, the vehicle will be registered in the importer's name. From this point forward, the importer is registered as the first owner of the vehicle, and any subsequent purchaser acquiring the same vehicle from the importer will be classified as purchasing a "second-hand" vehicle, despite the fact that the vehicle is generally brand-new.

Import Volume Restrictions for Small Importers – A small importer license is constrained by an import limit of up to 20 vehicles per annum (volume restriction). The importation of 20 vehicles fails to enable generating income on a scale that can offset operating and marketing expenses, even within the context of a small enterprise. This volume restriction represents a barrier to the growth of their businesses and, from an economic standpoint, redirects small importers towards the importation of luxury vehicles, thereby inhibiting competitive dynamics among various automotive brands.

Registration of Vehicles from Indirect Imports Barrier – In November 2024, the Ministry of Transport transitioned to registering vehicles imported by indirect importers based on the date of their technical registration with overseas vehicle agencies. This practice has prompted disparities in the registration timelines of new vehicles between those imported by direct importers and those imported by indirect importers, leading to a diminution in the profitability of indirect importers. This decline in profitability can be attributed, in part, to the depreciation of vehicles acquired through indirect imports as compared to equivalent vehicles sourced from direct importers, given that the date of road use has a direct influence on the vehicle's market value. Furthermore, it was found that despite the recommendations made in 2012 by the previous Committee for Increasing Competitiveness, which advocated for the elimination of the additional 'ownership' registration requirement for zero-kilometer vehicles, these recommendations were not actualized, resulting in "first-owner 0-kilometer" vehicles being classified and sold as second-hand as at the audit end date.

Implementation of the "No Stopping at the Port" and "What's Good for Europe is Good for Israel" Reforms – The Minister of Economy and the Ministry of Economy took measures to implement the reforms, including modifying the import system; applying the principle of adopting European regulations; switching to the importation of products marketed in Europe or meeting European standards based on proof of marketing. These reforms are aimed at facilitating competition within the local market and reducing the cost of living.

Initiatives Undertaken by the Competition Authority to Promote Parallel Imports – The Competition Authority enacted an amendment to the Economic Competition Law (No. 23) and subsequently published Opinion 2/23, elucidating the implications of the amendment. The primary aim of this amendment is to prevent the obstruction or diminishment of competition resulting from parallel imports or personal imports by direct importers. Additionally, the Authority sought to amend the rules governing economic competition, specifically concerning exemptions for exclusive distribution agreements, to avert scenarios wherein a foreign supplier (manufacturer) and a foreign distributor concur that the distributor will deny a parallel importer's request to sell them products for distribution in Israel, thereby obstructing parallel imports. The intent of these initiatives is to enhance competition afforded by parallel imports.

Key Recommendations

- It is recommended that the Ministry of Economy, within the framework of the report to the Economy Committee, expand its examination and assess the impact of the "No Stopping at the Port" and "What's Good for Europe is Good for Israel" reforms on competition and price levels in selected markets, in collaboration with the Competition Authority. Additionally, it is recommended that the Commissioner of Standardization at the Ministry of Economy enhance the accessibility of information regarding the reforms for the I community of importers, increase coordination with importers and customs agents to bridge existing gaps, and ensure that all materials required in the import process are published on the Standards Administration website, which should already have been accessible to the community of importers for some time, upon the implementation of the reform.

- The Ministry of Economy should take measures to recruit personnel for unstaffed positions within the enforcement branch of the Standards Administration to enable the full implementation of the reform, while ensuring public safety. Furthermore, it must sustain functional continuity with testing laboratories, examine the supervision and enforcement procedures to enhance efficiency, and reduce the timelines for examining arguments and rendering decisions, as well as monitor the actual implementation of collecting financial sanctions to uphold deterrence.

- The Ministry of Health should expeditiously proceed with the establishment of a unified enforcement system for the protection of public health, which is a key element in deterring non-compliant importers who market products that fail to meet the requisite public health standards.

- It is recommended that all ministries pertinent to the "What's Good for Europe is Good for Israel" reform – the Ministry of Health, the Ministry of Economy, and the Ministry of Energy – collaborate with the Ministry of Finance and the Competition Authority to assess the implementation of the reform across various sectors. This assessment should consider its effects on competition, consumer prices, parallel imports, and the removal of any remaining barriers. Furthermore, it is advisable to examine the extension of the reform to additional markets with considerable exposure to imports, such as the United States, which ranks as the third largest source of goods imported into Israel, to the value of NIS 32 billion in 2024 (12%).

- It is recommended that the Competition Authority evaluate the ramifications of the "No Stopping at the Port" and "What's Good for Europe is Good for Israel" reforms on parallel imports. This evaluation should encompass the scope of parallel import and their distribution of parallel-import products within major food chains and markets. If deemed necessary, the Competition Authority should take proactive measures in conjunction with the Ministry of Economy, each operating within their respective domains, to promote the distribution and marketing of products derived from parallel imports.

- It is recommended that the Ministry of Economy and the Ministry of Finance, in consultation with the Competition Authority, consider increasing the import tax exemption on online imports for products and sectors characterized by market failures or abuse, as well as excessive pricing by monopolies or exclusive importers wielding considerable market power. This should be balanced with the necessity of safeguarding specific segments of the Israeli retail sector and preventing the diversion of economic activity abroad.

- It is recommended that the Ministry of Transport, in collaboration with the Competition Authority, delineate the obstacles hindering the entry of additional parallel importers and the expansion of existing ones. It should also provide concessions wherever possible, such as broadening the scope for importing used vehicles or by other means that facilitate an increase in the proportion of vehicles imported through parallel importers. Parallel import is likely to enhance the diversity of suppliers for specific brands and enable certain intra-brand competition and the restraint of price increases imposed by direct importers.

- It is proposed that the Ministry of Transport, in conjunction with the Competition Authority, evaluate the possibility of increasing the import volume restriction applicable to small importers or establishing restrictions based on vehicle types to promote economic viability in the development of their businesses as competition drivers. This aims at encouraging the import of non-luxury vehicles and bolstering competition across additional vehicle categories.

- It is recommended that the Ministry of Transport, in coordination with the Competition Authority, leverage the opportunities presented by the significant transformations within the automotive market, and in light of the electric vehicle revolution. They should exercise their statutory authority to enhance competitiveness in order to enable the entry of new importers into the automotive sector, thereby reducing the existing market concentration, as mandated by the provisions of the Automotive Services Law. They should also take measures to allocate the ten import licenses due to expire in 2025 to new or small importers, thereby reducing concentration, while monitoring and evaluating the conduct of importers in response to the regulatory changes, to enhance competition within the automotive industry.

Price Differences Found Between Parallel Imports and Direct Imports in Selected Products

Branded product name		Direct importer price (NIS) (exclusive of promotional sales)	The lowest parallel importer price (NIS)	Price Difference
Colgate Optic White – Charcoal		to 75 ml 36.8	to 125 ml 18.9	226%
Gillette – shaving cream		to 200 ml 20.1	to 200 ml 10.9	84%
Listerine – Cool Mint		to 500 ml 28.1	to 500 ml 10.9	158%
Nespresso Essenza Mini		398	300	32.70%
Samsung Galaxy S24 256GB 8GB RAM		2,890	2,594	11.40%
Xiaomi Redmi Note 13 PRO 5G 512GB 12GB RAM		1,500	1,255	19.50%
Ninja Food Health Grill AG301		938	748	25.40%
Samsung TV 65 UE65CU7000		2,846	2,590	10%
Washing machine 9 kg Bosch WAN28293		3,190	2,970	7.30%
Refrigerator bottom freezer LG 601-liter GRB718MB		7,990	7,623	4.80%

* Through an examination conducted by employees of the Office of the State Comptroller in retail establishments and on the ZAP price comparison website in November 2024. Pharmaceutical products were examined in designated stores. Promotional sale prices were not taken into account. Data for electrical products were sampled from websites showcasing the lowest prices displayed on the ZAP website, encompassing both parallel and direct imports. Certain differences may exist in the ancillary services offered by direct importers as compared to parallel import.

Summary

The issue of the cost of living in Israel impacts every household; it is therefore very important to addressing it. A short-term strategy to address this concern involves promoting import competition in the domestic market, since the issue of imports directly correlates with price levels and plays a crucial role in enhancing competition and consumer welfare. Parallel imports also foster intra-brand competition, enabling consumers to acquire identical products in the domestic market at substantially reduced prices. An examination conducted by the Office of the State Comptroller in November 2024 revealed price discrepancies between products from parallel imports and identical products from direct imports, with the latter being approximately 4.8% to 226% more expensive. Alongside parallel imports, personal imports represent another mechanism to mitigate the cost of living, whereby consumers procure products directly from abroad at competitive prices. Here too, an examination by the Office of the State Comptroller in February 2025 identified price differentials between products obtained through personal imports and those acquired via commercial imports, with the latter being approximately 20.6% to 130.3% more expensive.

In July 2024, the "No Stopping at the Port" reform was implemented, intending to modify the import system so that goods categorized under Import Groups 2 and 3, which are subject to less stringent regulations, will not experience delays at port gates and will gain entry into the Israeli market based solely on a declaration by the importer. Supplementing this reform is the "What's Good for Europe is Good for Israel" reform, which became effective in January 2025, entailing the adoption of European regulations and the importation of products marketed in Europe or compliant with European standards, contingent upon proof of marketing in Europe and without necessitating a product portfolio, which is also likely to lead to an increase in the volume of parallel imports into Israel.

It is recommended that the Minister of Economy conduct an examination of the implementation of the "No Stopping at the Port" and "What's Good for Europe is Good for Israel" reforms, while addressing the inconsistencies between Israeli law and the stipulations of European regulation. Furthermore, it is advised that the Minister utilize the authority granted to him under the Standards Law to enact secondary legislation aimed at resolving these contradictions, as deemed necessary. Additionally, it is recommended that the Minister of Economy ensure that the Standards Authority and the associated enforcement mechanisms are prepared for the optimal implementation of the reform. The Minister should also assess, in collaboration with the Competition Authority, the impact of the reforms on markets and parallel imports, making the necessary adjustments to eliminate any persisting barriers. Moreover, it is recommended to investigate the potential expansion of the reform to encompass imports from additional countries, such as the United States.

It is recommended that the Minister of Health verify that all requisite systems for the implementation of the reform are fully established and operational, particularly an

enforcement system. Furthermore, it is advisable to evaluate the reform's implementation and, if required, enact adjustments to eliminate any remaining barriers.

Expenditures on vehicles represent one of the most significant categories of consumer spending among households in Israel. The four largest direct car importers account for approximately 60.3% of the total vehicle imports (the eight largest direct importers collectively constitute around 87.7% of the market). An examination conducted by the Office of the State Comptroller revealed that in 2022, there was a notable increase in the profits of importers, despite an increase in their expenses and a decline in the volume of vehicle sales. In November 2024, the recommendations from the Committee for Increasing Competitiveness in the Automotive Industry were presented to the Minister of Transport and the Minister of Economy, with the objective of fostering competition within the automotive sector. Recent years have seen a revolution in the global automotive industry, primarily driven by the transition to electric vehicles. These developments have facilitated the entry of new car manufacturers into Israel, introducing brands that have not previously operated in the country, presenting a unique and unprecedented opportunity to induce substantial alterations in the structure of the private car import market in Israel, potentially reducing market concentration by issuing import licenses on new concerns to small importers or those not currently engaged in the industry. Such changes could engender heightened competition in the sector, leading to reduced prices and enhanced purchasing conditions.

It is recommended that the Ministry of Transport and the Competition Authority leverage the opportunities presented in the automotive market, in light of the significant transformations within the industry and the electric vehicle revolution. They should act in accordance with their legal authority to enhance competitiveness, facilitating the entry of new importers into the automotive market in a manner that diminishes existing concentration, while monitoring and evaluating the conduct of importers in response to the regulatory changes. Concurrently, the allocation of the ten import licenses expiring in 2025 to new or small importers is recommended, thereby reducing concentration and fostering competition within the automotive sector.

It is recommended that the Minister of Transport ensure the comprehensive implementation of the recommendations put forth by the Committee for Increasing Competitiveness in the Automotive Industry from 2024. Necessary adjustments should be ordered to eliminate remaining barriers while simultaneously emphasizing the encouragement of parallel imports. The Minister of Transport is also advised to actively work toward reducing concentration in the automotive industry, capitalizing on the opportunities arising from the ongoing changes within the sector, and enabling the access of new manufacturers by facilitating the entry of new or small importers.