

The European Union has dealt a harsh blow to the Israeli settlement enterprise in a directive that insists all future agreements between the EU and Israel must explicitly exclude Jewish colonies in the West Bank or East Jerusalem.

The move, described by an Israeli official as an "earthquake", prompted furious criticism from the Israeli prime minister over "external diktats".

But it was hailed by Palestinians and their supporters as a significant political and economic sanction against settlements.

The EU guidelines will prohibit the issuing of grants, funding, prizes or scholarships unless a settlement exclusion clause is included. Israeli institutions and bodies situated across the pre-1967 Green Line – including the Golan Heights, occupied by Israel in 1967 and later annexed — will be automatically ineligible.

In order to secure agreements with the EU in the future, the Israeli government will be required to concede in writing that settlements in the West Bank and East Jerusalem are outside the state of Israel.

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