

Israel

Land of Spirituality, Diversity, and Ingenuity



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Land, Geography, Climate (13)

Tucked away along the coast of the Mediterranean Sea, there lies a country only a little larger than the state of Massachusetts. Yet despite its size, Israel is the gateway between three continents, Africa, Asia, and Europe. Located amidst the Middle East, Israel has neighbors of Egypt, Gaza Strip, Jordan, Lebanon, Syria, and the West Bank. It also

possesses an expansive range of geological features from the heights of the Samaritan and Judean mountain ranges to the lowest elevation on earth, the Dead Sea.

To the west coast Israel has an amazingly fertile plain along the Mediterranean Sea and in the southeast, desert.

Israel's climate is as diverse as its terrain. Summers in the coastal plain are hot and humid, in the hills summer is dry and warm, and hot and dry in the Jordan valley.

Sandstorms may also occur during the spring and summer months (11). Winter leaves the coastal plain wet and mild, pleasant winters in the Jordan valley, and in the hills, its cold with rain and even



(11)

occasional snow. Then there is the south, which has semi-arid conditions throughout the entire year. Overall, Israel's climate is defined by its abundance of sunshine complete with a rainy season of November to April. However, one downfall of Israel's landscape is its lack of fresh water sources. The Sea of Galilee is one source of fresh water; however,

much of the water is transported from the north by means of aqueducts, pipes, canals, and etcetera (13). Not to mention, there are occasional droughts and/or earthquakes (11). One will find this little strip of land to be one of great diversity and natural variety.

History, Religion, and Political Environment (13)

For one to truly understand Israel, one must understand its history which dates back nearly 4000 years. Israel was originally known as Canaan and received its place in the world when the father of three of the world's largest religions, Abraham, settled there. Later the land was renamed Israel, the name of Abraham's grandson, Jacob, after his name was changed. Israel is the birthplace of the Jewish people, which would later give way to the Christian and Muslim religions of today. Jerusalem was made Israel's capital by King David sometime around 1000 B.C. King David's son Solomon later built the temple to the One True GOD in Jerusalem giving the city its spiritual significance. However, it was not long before Israel had been invaded and Babylonians destroyed the Temple. Shortly after the Jews freedom from Babylon, the Temple was rebuilt; nevertheless, the Babylonian invasion was a part of a long pattern of Israel's battle in and out of captivity. In 70 A.D. while under a Roman rule, the Jews in their desire to return to their religious practices despite their captivity, revolted. This triggered the Romans to once again destroy the Temple with the only piece left standing being the Western Wall which still stands in Jerusalem today. By 135 A.D., efforts had been made to suppress any Jewish connection with the land of Israel even to the point of renaming the land Palaestina and few Jews remained in Israel. The Jews were dispersed throughout the earth

and left without their country; however, their desire to return to their promised land, Zion, another name the Jews use for Israel, never diminished.

It was not until Hitler and Nazi Germany of World War II that the Jews were able to return to their homeland. When Hitler massacred six million Jews, the world began to take notice of the Jews and their strong desire for Israel. Throughout the 20th century, the British had begun laying the ground work for the Jews to return to Israel and in 1948 opportunity resulting from world politics allowed the Jews to take control, and the Jewish National Council declared the State of Israel. Nevertheless, this effort was not without resistance. Arabs, who had settled in the land that the Jews had been absent from for so long, were not ready to let go; especially regarding their attachment to Jerusalem as their holy land as well. Before they could get settled, the next day the Arabs of Egypt, Jordan, Syria, Lebanon, and Iraq opened fire on Israel. Nonetheless, in the midst of the fighting Israel increased its territory by 50%. This type of fighting between nations has continued until today. However, in the last 60 years Israel has aggressively worked to make peace with several of its neighbors. Peace treaties have been signed with Egypt and Jordan. However, wars with Lebanon have been common place and attacks by Arab terrorist groups such as the Hamas and Hezbollah have changed intensity with every political change of leadership in Lebanon. The U.S. has played an active role in Israel's peace negotiations and fighting since its statehood in 1948 (10).

From understanding Israel's history, it is no surprise that 76.4% of Israel's people are Jewish, 16% Muslim, 1.7% Arab Christians, 1.6 % Druze (an off-shoot of Islam), .4% other Christian, and 3.9% yet to be specified (11). Israel is a country with religious freedom for all, as declared in the Declaration of the Establishment of the State of Israel.

Each of the three of Israel's main religions has been given its own courts and councils to adhere to each religion's individual beliefs which are backed by government support. The religions also have their own places of worship and religious authority has been given over their many holy places. Worship is held in a Synagogue, Mosque, or Church by the Jews, Muslims, or Christians respectively and prayer may take place one to five times a day depending on an individual's specific religion. Holy places are many and are throughout all of Jerusalem. Jews revere the Kotel, the remaining Western wall of the second Temple; the Temple mount itself; Rachel's (one of Israel's wives) tomb; the Tomb of the Patriarchs, in Hebron, of Rabbi Shimon Bar Yohai, in Meron, and of Maimonides (Rambam), in Tiberias. Muslims hold dear to the Haram ash-Sharif, Dome of the Rock, and Al-Aska mosque on the Temple Mount; as well as the Tomb of the Patriarchs, in Hebron; and the El-Jazzar mosque, in Akko. Continuing the list of major places, Christians find places of Jesus' passion and crucifixion to be sacred such as: Via Dolorosa, the room of the Last Supper; the Churches of the Holy Sepulcher, the Nativity, and Annunciation; The Mount of Beatitudes; Tabgha; and Capernaum. Druze and Baha'i religions have their own holy places of Nebi Shueib (tomb of Moses, father-in-law); Baha'i world center; and the Shrines of Bab and of Baha'ullah (the founder of the Baha'i faith). Two other peoples who also hold seemingly separate religious beliefs would be that of the Karaites and Samaritans both which align themselves with the Jewish religion. Nevertheless, the Karaites have their own religious courts and the Samaritans live in two distinct communities within Israel and regard Mount Gerizim in Samaria as their holy place. Once again when looking at Israel, one sees a landscape of diversity not only geographically but culturally. When giving consideration to Israel's religious beliefs one

should be careful to consider history, politics, who, and where he/she is in this tiny county (13).

People, Population, and Language (13)

6,426,679 people have made Israel home. However, when looking simply at Israel's population numbers one begins to see the diversity that is Israel. 187,000 of that number are Israeli settlers in the West Bank, 20,000 in the Golan Heights, and under 177,000 in East Jerusalem. Israel's ethnicity heavily reflects their religious beliefs with 76.4% Jewish, and 23.6% non-Jewish of which are mostly Arab. Hebrew is the official language with Arabic being officially used for the Arab minority and English is Israel's most spoken foreign language to the point of even being taught in schools. Nevertheless, one cannot ignore the diversity of the Jews themselves. Of the 76.4% of the population, 67.1% were born in Israel, 22.6 % born in Europe or America, 5.9% in Africa, and 4.2% in Asia (11). This influx of immigrants has been a result of Zionist movement (the yearning of the Jews to return to Israel) and Israel's political independence. Not to mention, Zionism sparked Israel's law which grants citizenship to every Jew wanting to settle in the country. Jews come from every corner of the world to return to Jerusalem driving the population from the 650,000 figure of 1948 to the 6 million number of today with many of them being Holocaust survivors and immigrants from North Africa and the Middle East (13).

Despite the fact that the Jewish identity that has remained throughout the centuries, their attempts to live and blend with the countries of which they dwelt in resulted in the turning away from many of the traditional Jewish practices. Jewish beliefs

now range from the super-observant Haredim to those who label themselves as secular Jews. The majority adhere to some kind of traditional Jewish traditions combined with their own personal choices and the remaining fall to one extreme or the other. This has driven a sort of confusion in regards to true Jewish culture, Israeli nationalism, and the definition of a true Jew. Israel has no real separation of religion and state. Currently all Jewish holidays are observed as national holidays, but other issues of identity, schooling, and sovereignty have yet to be resolved. Many argue over the as to what degree religious adherence should play into Israel as a nation and their opinions drive not only the way they live and worship, but how they participate politically, in their choice of education for the schooling of their children, and in the voting booth. The Jews, formally a people without a land, now find themselves to be a people with and land of diverse peoples, thoughts, and ideals (13).

Calendar and Special Dates (22, 14)

Israel has a rather diversified approach to keeping time as well. The official calendar of Israel as established at its statehood is the Hebrew or Jewish calendar. At the time determined to be an agricultural calendar, it finds its roots in the Jewish religion. Many of the months were set forth by God in the Torah; however, throughout the Jews long history of captivity, the calendar was subject to secular influence. The calendar is lunisolar in basis, meaning it is based on the revolution of the moon, consisting of twelve months of 29 or 30 days that each start with the new moon, which makes it eleven days short of our Gregorian solar based calendar. Using a series of seven leap years over the course of nineteen years the two calendars align themselves. Weeks, however, do consist of the traditional seven days as set forth in the creation story in Genesis. Nevertheless, the

Jews view the day from sun down to sun down following the pattern of evening to morning set forth at creation as well. Nonetheless, if in Israel one would not necessarily need to understand the Jewish calendar as secularist in Israel have increasingly accepted and conduct business according to the worldwide accepted Gregorian calendar (which is also used in the United States). Yet, as with most things in Israel there is a great controversy surrounding the use of the Gregorian calendar and there are few of the highly religious that use solely the Jewish calendar. Hybrid calendars combining both calendars are found in many households (22).

However one will want to pay particular attention to the Jewish calendar regarding holidays and special days. Sabbath (Shabbat) begins at sunset Friday night and continues until sunset on Saturday each week. Most businesses will be closed for the Sabbath; as well as, during holidays as well. Each of the holidays follows the evening to morning observance and dates are set according to the Jewish calendar. Holidays to watch for are: Rosh Hashanah, the beginning of the Jewish new year occurring in September or October; Yom Kippur, the day of the atonement and the holiest of all Jewish holidays ten days after Rosh Hashanah; Purim, a joyous religious celebration, is not a holy day therefore most businesses are open, but banks and schools are closed; Pesach or Passover, a major Jewish holiday celebrating the Jews freedom from Egypt occurs in March or April; Lag ba-Omer occurring on the second day of Passover is a day of remembrance; Sukkot, the Feast of Booths a pilgrimage holiday occurring in mid-October; Holocaust remembrance day, one week after Passover most businesses are open, but all entertainment is closed; Yom Hazikaron, a day of remembrance of fallen soldiers occurs two weeks after Passover; Independence day, occurs in April or May;

Jerusalem day in mid-May; Shavuot, a Jewish celebration and agricultural holiday; and Tisha B'Av marks the destruction of the temple and is a fast day similar to the day of atonement. Israel's mix feelings regarding the record of time may appear confusing; nevertheless, one traveling or doing business must be careful to understand the dates correctly as to make the most of his/her business trip (14).

Dress (7)

Due to Israel's cultural diversity, large immigration from Europe, and trade with Europe and the United States, Israeli dress has a large American and European influences. However, dress is heavily informal both in casual living and the business world. When entering the business world, one should lean towards the more formal wear with men wearing pants and a long sleeved shirt and in some cases even a jacket and tie. Nevertheless, it is a rare occasion for an Israeli man to wear a tie. Israeli's look to a person's dress as a sign of respect and seriousness of business intent. Once first impressions have been made it is not uncommon to dress casually to sequential meetings. Summers are hot and winters have a tendency to be chilly enough to wear a sweater or overcoat; some high elevation areas and those farther from the coast, may require a hat and gloves. For women modesty is a must, especially when visiting religious sites. High necklines, sleeves at least elbow length, skirts or dresses (which are preferred) with ankle length or minimally below the knee length hemlines, and if one should choose pants they should have a baggy or boxy look. Women should strive for clothing that covers well and hides a woman's figure. Immodest dress in places such as Bnie Brak and Mea Sharime may result in loud, open, criticisms. Despite this, one may find many women dressed as

revealing as those in Europe or the U.S., especially in larger cities. Overall, if in doubt dress formal and modest until one learns otherwise.

Entertainment (12, 14)

When looking for something to do in Israel one will want to focus his/her attention on history, a diverse cultural experience, and the great outdoors. Israel is widely known for its outdoor attractions; its variety of landscapes ranging from mountain tops to the coast of the Mediterranean Sea beckon one to explore. Not to mention, that the holy places of three of the world's largest religions are the focus of many travelers attention. For treasure seekers, Israel's long and deep history has left behind many archeological finds. One can find artifacts from paths that JESUS walked, to the remains of ancient Rome. If looking to step even deeper into history, one can visit any of Israel's numerous museums. Rich in health benefiting resources, the Dead Sea drives Israel's "healthy" approach to tourism. The country offers a variety of spas and resorts which focus on therapeutics and relaxation; not to mention, the hot springs of the Sea of Galilee (12). Do not be fooled, Israel provides the typical range of cultural attractions with art and theater that has roots in the Jewish religion, but has had heavy influence from the east as well as the west and impact from immigrants from Europe to Africa. Two orchestras and an opera company set a musical backdrop, with Israeli dance receiving much recognition in recent past, but not incorporated within the essence of Israeli life. Entertainment would not be complete without looking at Israel's sports. Maccabi is Tel Aviv's Champion basketball team and both basketball and soccer can be watched throughout Israel. For the visitor, there are skiing, tennis, and golf centers to enjoy.

Lastly one cannot forget food. Israel's food has been dramatically impacted by the culture of its immigrants and neighbors. Food from just about any country is served here; however, the diet of the Mediterranean basin and Arabic influences dominate. In fact, Israel's three most popular dishes Falafel, Humus, and Shawarma all come from Arab influence and have a theme of vegetables, pita bread, olive oil, and a pickled side. Nevertheless, a major note while eating in Israel is the idea of kosher foods. Only kosher foods are permissible under Jewish dietary laws. Visitors are not required to abide by these laws, but many food places throughout Israel only sell kosher products. For example, pork is banned under Jewish law and dairy products and meat can not be served simultaneously. Drinks can be found common to most of those in the United States. Water is a must in Israel's hotter places and fruity drinks are in abundance during the summer. Coffee can be found most anywhere. Alcoholic drinks are not popular in Israel, but quality wine and beer can be purchased at bars and small boutiques through out the country. Israel provides an experience with much to learn and a variety of things to try (14).

Healthcare (13)

Israel's healthcare system began at the beginning of the 19th century, while the British administered the country. When diseases such as dysentery, malaria, and typhus were heavily prevalent, several European Jewish communities set up free clinics which would later develop into hospitals. These clinics became the foundation of Israel's entire healthcare system. Currently Israel sees the benefits of a well established healthcare such as an infant mortality rate of 6.72 deaths per 1000 births and an average life expectancy

of 79.59 years (11). Medical staff consists of 32,000 physicians, 9,000 dentists, and 51,000 nurses 68% of which are registered. With training offered at twenty nursing schools, four medical, two schools of dentistry, and two pharmaceutical schools where much of Israel's medical research is conducted. Israelis also enjoy world recognized medical facilities. Currently, hospitals are owned largely through private entities; nevertheless, non-profits also run a considerable number as well as the government and sick funds overseeing a small portion. Hospitals practice numerous highly advanced services such as invitro fertilization, brain surgery, and organ transplants. The Ministry of Health regulates the medical industry and works as a health agency for preventative and environmental medicine. Healthcare is funded primary through insurance. The National Health Insurance Law requires that all Israeli residents join in one of Israel's four major insurance providers. Providers are not allowed to bar applicants for any reason including health status and age and are required to provide a specific "standardized basket" of services such as preventative medicine and hospital care.

Education (13)

The Education system existed well before the establishment of the Israeli state by the pre-state Jewish community. Roughly 8-10% of Israel's gross domestic product funds the education system. Hebrew became the official language of education and Jewish principles the basis of much teaching. However, Israeli schools must deal with the continually changing and diverse country of Israel. Therefore children are prepared to take part in the democratic society by driving a love for the land, liberty, and tolerance

with emphasizes on scientific and technological skills to support Israel's highly skilled workforce and overall Israel's growth.

School starts as young as two or three with daycare and kindergarten at no charge. However, school becomes mandatory for children ages 6-16 and is free till age 18. One may send their children the public state schools, a private school, a religious state school which teach more Jewish based principles, or possibly a one of the Arab or Druze schools. Israel's secondary education consists of grades 10-12 and Israeli children are given a choice between Agricultural, Military, Yeshiva (Jewish religiously based), or Comprehensive (broad vocationally based) schools to focus their studies. Children choosing not to attend any of these schools must work at an apprenticeship program through a vocational school according to Israel's Apprenticeship law. Students are mandated to join the military; three years for men and roughly two years for women. After military service has been completed, higher education may be pursued at any one of Israel's several universities. Colleges allow students to study close to home and then transfer to a larger university to complete their education. Overall, Israel has a high literacy rate with 97.1% of the population over the age of 15 capable of reading and writing (11).

Communications (11)

Communications in Israel are broad with internet, cellular and land phones, television, and radio. Israel has the most highly developed telephone system in the Middle East with four-privately owned mobile-cellular providers with countrywide coverage and 130 mobile-cellular phones per 100 people. There are just over three

million main telephone lines in use and over eight million mobile-cellular phones. Three million radios pick up 23 AM signals, 15 FM, and 2 shortwave. 17 stations broadcast to the 1.69 million Israeli televisions and approximately 1.899 million Israeli's utilize the internet supplied by Israel's 21 internet providers. Country codes are .il for the internet and 972 for phone. Overall despite Israel's short time to grow, they once again prove to be a rather advance country even in the way of communications.

Transportation (14)

Israel's small size makes travel easy. Trains provide the fastest cheapest means of transportation; however, buses are also a convenient way to travel as well. Students may also receive discounts on some transportation and railways do not run on Shabbat and Jewish holidays. Taxis also offer a more customized yet expensive means of getting around; however, there are a few precautions one should take before boarding a taxi. Within the cities taxis must abide by rates according to the meter set by the Ministry of Transportation with rates jumping 25% between 9:00 pm and 6:00am and on Sabbaths and holidays. Travelers should never get into a taxi without first verifying the rate. Service taxis are cheaper than the typical taxi act similar to buses. They have no set schedule, instead they leave the station once they are full and have set stops; however, they are willing to make additional stops on the along the route. Additionally, Israel has 53 airports with 30 of them paved and 3 heliports. Internal flights are available. Nevertheless, one should not forget Israel's marine ports and terminals in Ashdod, Elat, Hadera, and Haifa (11). Travel in Israel is simple, convent, and plenteous.

Natural Resources and Industry (11, 13)

Due to Israel's size, it is limited in natural resources; nevertheless, Israel is a source of timber, potash, copper ore, natural gas, phosphate rock, magnesium bromide, clays, and sand (11). Israel finds strength through its focus on research and development. 4.8% of Israel's gross domestic product is spent on research and development, more than anywhere else in the world. In fact, not only do they do a lot of research, but its quality has been perceived by U.N. experts amongst the highest in the world.

It is through Israel's focus on innovation and the cooperation of farmers that has allowed Israel to not only produce nearly all of its food needs within its borders, but also export more agricultural products than it imports, all in despite of its ever present water shortage problem. Grain acts as Israel's main agricultural import with a few others such as oilseeds, meat, coffee, cocoa, and sugar; nevertheless, Israel produces a range of farm products such as poultry, dairy, fruit, vegetables, and various flowers. Not to mention, its relatively warmer climate in the winter months opens the doors for European exports of products such as citrus fruit and flowers.

Overcoming their lack of water is not Israel's only innovative accomplishment; Israel has also overcome its shortage of natural resources by utilizing a highly-skilled workforce in manufacturing and technological advancement. Of the public budget for research and development roughly 90% is allocated for high-tech industries (13). The high technology sector has increased by approximately 5% each year since 2003; Israel's total economy in 2007 grew roughly 5.4%. This technology includes, but is not limited to aviation, communications, computer-aided design, and fiber optics. Additionally, Israel's service sector makes up a large majority of its gross domestic product and labor force.

Amongst Israel's other big industries are diamond cutting, construction, textiles, wood and paper products (11).

As a whole, Israel has a trade deficit. Its main imports are raw materials, military equipment, investment goods, rough diamonds, fuels, grain, and consumer goods. On the other hand, Israel's main exports are machinery and equipment, software, cut diamonds, agricultural products, chemicals, textiles and apparel. Exports generate \$48.6 billion for Israel with 38.4% coming from U.S. consumers. Imports cost Israel \$52.8 billion, again with the U.S. being Israel's largest import partner at 12.4%. Foreign loans assist Israel in covering its deficits, approximately half of which come once again from the U.S. Israel's ingenuity and size have driven it to become a very foreign trade focused country with a growing economy (11).

Currency (11)

Israel's currency is the new Israeli shekel, abbreviated NIS, with an International Organization for Standardization (ISO) code of ILS. The new Israeli shekel has an exchange rate of one U.S. dollar per 4.14 shekels. Recently, the shekel has had the highest value in comparison with the U.S. dollar in four years with the exchange rate being 4.565, 4.4877, 4.482, 4.5541 shekels per dollar for the years 2006, 2005, 2004, and 2003 respectively (11).

Economic Statistics, Trends, and Outlooks (13, 11, 5)

It has been Israel's ingenuity that has allowed this sixty-year-old country to flourish. The Israelis have had to overcome huge obstacles to simply stay alive in a country in the midst of constant political turmoil. Such obstacles include: developing their agriculture industry, despite a scarce supply of water; learning to utilize a skilled workforce, rather than the natural resources they do not have; and pouring extensive research and development into technological advancement. Once established as its own state, in the 50's and 60's Israel first focused its efforts toward agriculture. Traditional manufacturing operations such as textiles and plastic, made up most of the country's output during the 70's and in the 90's when the number employed in most developed countries fell, Israel's continued to grow. Yet, over the course of the last twenty years Israel has set its focus to the growing technological industry and diamond cutting (13).

Israel's ability to adapt and cope with challenges as well as its free market economy has resulted in Israel's \$184.9 billion or \$28,800 per capita GDP of purchasing power and GDP official exchange rate of \$132.5 billion. Not to mention a 5.1% GDP real growth rate with a .4% rate of inflation of consumer prices. Israel invests approximately 17.9% of its GDP. Its budget consists of \$57.08 billion in revenues and \$57.81 billion in expenditures. 82.7% of Israel's GDP equals its share of public debt with \$87.43 billion in external debt, most of which is owed to the United States. Exports from Israel total \$48.6 billion, while imports cost Israel \$52.8 billion. In foreign exchange and gold, Israel holds \$30.99 billion. As for the stock market, Israel's market value of publicly traded shares equals \$173.3 billion, with \$34.89 billion stock of foreign investment abroad and \$47.49 billion at home. Finally, Israel's current account balance is \$5.941 billion (11).

The future for Israel is somewhat uncertain. Political issues may cause the 2010 change of government authority to come as early as 2008 and thus jeopardizing the Palestinian peace process. This could have questionable effects on the economy. Nonetheless, there are plans to keep the government budget deficit below 3% and inflation between 1-3% of GDP with a fiscal deficit below 2%. Real GDP is expected to decline but still remain at a 4.3% growth rate and the current account is predicted to remain in a surplus of 2% of GDP. Israel's focus is to strengthen its central bank and provide better fiscal management to keep the budget in check. A strong currency and Israel's export focus will cause Israel to benefit tremendously from world trade and grow despite a slow in the economy of its largest trading partner, the United States. Exports are expected to increase in Israel. On a whole, Israel is a new country already with a history of economic success. While its future is uncertain, the outlook is one of favor (5).

Labor Force (11)

Of Israel's nearly 6.5 million people population and growing at a rate of 1.154, it employs roughly 2.88 million with an unemployment rate of 7.6%. Nearly 50% of the workforce is in service occupations, again with Israel focusing on people rather than natural resources. Of the remaining half, 23.7% are employed by industry, 18.5% in agriculture, and 7.8% in other fields. Israel's poverty line is \$7.30 per person per day, of which 21.6% of the population fall beneath. These numbers reflect the people, economics, and industry of Israel.

Consumer Spending/Behavior (13)

Israel has been an extremely rapid growing economy. While Israeli standards of living rose dramatically, so did its rate of inflation jumping from single to triple digit numbers in the first three decades. In fact, prices increased so rapidly in Israel that the government had to implement emergency stabilization programs which drove inflation down from 185% in 1985 to 21% in 1989. Inflation continued to drop to 0% in 2000 and in the negatives in 2003. Rates have since risen up to roughly 2%. Much of Israel's price increases were the result of massive public expenditures which were funded by a heavy tax burden. Taxes at one point reached 44%, recent changes in the tax system and Israel's place in the global market has resulted in a decreasing tax rate.

Nevertheless, private consumer spending has risen at an average of 6% since the country's beginnings. Additionally, the savings to income ratio has also remained steady always above 21% currently around 26%. However, despite Israel's large savings, it has been no match for the enormous amount of investing done by the growing economy; therefore, the country turned to foreign investors. Foreign investments have and currently do play a large roll in Israel's economy. Investments reached \$22.1 billion in 2005 with 10.8 billion supplied by foreign investors. As Israel works to make its mark in the world, it faces a unique set of challenges to not only survive, but thrive as a country.

Greetings (16)

When comes to greetings, Israel is not all that different from the United States. They like to make their guest feel as though they are at home as is evident by their casual

way of dress. However, it is important that guests be careful not to dress offensively (see the section on dress). Nevertheless, when meeting with an Israeli they should know that they prefer to be close to others. Israelis are often touchier than most others are comfortable with, so when meeting with them one should not be afraid to show some sort of physical contact and smile. Israelis look at these two things as being very important when meeting others. If an Israeli invades one's space, do not back away because that will send a bad signal. Foreigners must accept this invasion of privacy because that is part of the Israeli way of life. Lastly, formal titles will be used upon meeting one another; nevertheless, one should let their Israeli host know that they may address a him/her by his/her first name. This will allow the relationship to evolve into a more friendly, honest, and intimate relationship between the two. These simple first impression items help a foreign business person to avoid ruining a potential relationship due to simple misunderstandings before it begins.

Communicating (2)

Israeli communication is low context (meaning that what is said is more important than how it is said) and monochromatic (direct) in nature, similar to the U.S.; however, the Israeli speech extremely direct and explicit in nature (18) As a foreigner in a new country, one may perceive Israelis' as "aggressive communicators;" nevertheless, this is a common misconception. For starters, Israeli speech has a more forceful sound compared to others; this is highly due to the nature of the Hebrew language and the accent carried by most Israelis. Additionally, Israelis are also known for interrupting in the middle of someone's thought and speech. This is something that Israelis people have been doing

for centuries. When they are talking to their guests, they are not speaking their native language thus giving them a lower hand. In order for them to comprehend all that is being said, they have to exert greater listening skills to better understand the words being spoken. In deep concentration about another person's thoughts, Israelis may fall behind while trying to comprehend and listen, and get lost in the heart of the conversation. If an Israeli feels they have come lost in what a person is saying, they will try to address the situation as fast as they can. They often fear that the conversation will take a turn and the other person will move on to a different point. Therefore, to understand the whole conversation they will often interrupt the speaker to have them re-explain or elaborate on a point. One should be cautious to not speak too fast, slow down and stop periodically just in case something was misunderstood and needs to be re-explained. Lastly, Israelis often have a tendency to move slowly and take large amounts of time to ponder or consider a situation; however, they have a direct way of doing business and communicating and desire to quickly finish a task and move on to the next, for example rushing through an introduction.

Also, Israelis are often accused of hiding what they say from their guests. Israelis love to talk. It is not uncommon for them to, accidentally switch from speaking English to Hebrew just because they are used to it. One should not be afraid to ask them to keep conversations in English if he/she begins to feel uncomfortable. They will gladly accommodate to individuals' requests. Listeners should not be scared to ask for an Israeli to repeat or reword what was said if they themselves should begin to feel lost. Guests should inform Israelis that they may stop the conversation to ask questions at anytime if something is unclear. Highly technical words, business talk, or idioms should be

avoided for these words are more easily misunderstood. Simple effective words will help an individual best communicate his/her message. Overall, open, clear, concise, conversation is the best way to communicate with Israelis.

Nonverbal Communication (2)

Communication happens everywhere, all the time. As many know, communication can even take place when no words are spoken. People can take in others' actions and judge thoughts by how people react. Making gestures about what is taking place to expressing a person's thought about an issue. As one goes into another country, nonverbal communication becomes more important. It is this way because if a verbal message becomes unclear, one looks at nonverbal cues to make sense of what is being said. Israelis look at other things that can tell them a person's thoughts without a word being spoken. A person's eyes are like windows to their soul, people can see a lot through them. Expressions, space, and pure silence are a couple other aspects that can be looked at. For instance in Israel, if an Israeli steps into one's bubble, if that person backs away they will frown upon that. People in Israel like to invade one's space but they do not do it on purpose, it is just what has always been done. These things are not wrong, just different and people have to adapt. Even when a person says nothing at all, it says so much.

Conversation (2)

Conversation makes things happen. Americans will be relieved to discover that Israelis enjoy talking about many of the same topics that interest them. Travel, sports,

and shopping are just some of the well talked about areas. Since Israelis love to talk, they are not biased to what people have to say and look forward to associating with foreign people. Israelis welcome talk from their guests about their homes, family, and the differences between Israelis and their guests. When guests are speaking though, they should adapt their way of talking to best blend with the Israeli they are speaking with. When foreigners are in the country of Israel, they should use caution when talking about geopolitics, religion, and history because these are very touchy subjects. If a person is going to speak of these things they should research them heavily ahead of time so that they do not over step his/her bounds, appear to be critical or judgmental, and are able to sympathize and relate with Israelis about these issues. By taking these things into consideration, a foreigner will gain the Israelis' respect. Lastly, a compliment given at the right time is prized and accepted by Israelis. In the end, Israelis are a lot like us in the way that we hold conversations with others. Do not look down or deal with Israelis differently because they are not American, but talk with them in a way that is becoming of a friend.

Gift Giving (2)

Who does not enjoy getting a gift? Israelis are open to receiving gifts, when it comes from the right place. Not to mention, Israelis enjoy indulging their guests with gifts and even have an industry specified to promotion and deliverance of gifts. Guests wishing to present gifts to an Israeli, should choose gifts with tastefulness and great thought. Gifts in Israel are cherished for their thoughtfulness. However, if a gift greatly exceeds what is usually given, that person's reasoning behind the gift will be questioned.

For people traveling to Israel to simply visit, gifts of chocolate, wine, or a nice arrangement of flowers will suffice. On the other hand, gifts brought from one's home indicate to the Israeli that they are an acquaintance of yours. People everywhere like to see who others' friends are and where people have been, what better way to show them than with a gift from a friend.

Dining Etiquette (6)

When it comes to dining in Israel one may have to adjust to different mealtimes. Business breakfasts are becoming more and more common in Israel. One can expect to go to breakfast anywhere from 6:30-9:30 am. During the time of the Sabbath, most of the restaurants in Israel are closed from Friday night when the sun sets till Saturday night, along with other kinds of Jewish festivals. However, a lot of the cafes and some restaurants have begun to stay open during this time, especially in Tel Aviv. A guest in Israel should never invite his/her host out to socialize during the Sabbath or other Jewish festivals unless they find out before hand what religion they practice. Additionally, unless told otherwise, assume that the hosts observe Kashrut. This is the eating of kosher food, which prohibits a person to eat foods like; pork, shellfish, and the mixing of milk and meat products. For example, one would not want to ask for butter for your bread because this is inappropriate. When one is invited to another's home for a meal, a gift of appreciation is acceptable. Such gifts like flowers or wine would be appropriate. Men and women all come together for a meal and the hosts of the meal sits at the head the table. Usually the male will be seated at the head, while the woman is seated at the foot of the table. When a woman arrives at a dinner party, men will stand but they do not

necessarily stand when she leaves. Also, when going over to a person's house for a meal, one should not make plans for later on in the evening because the meal will last all night. Business talk is unacceptable when at an Israeli's home because table conversation is generally informal.

Dining in Israel will give a person a variety of ethnic foods to pick from. In the United States a lot of restaurants offer a wide variety of food in a buffet-style service, but in Israel this will not be seen unless it is an official function of a wedding. As one sits down to eat, they will notice that napkins are always provided. One can do with that napkin as they please, but if they put it in their shirt; others will find it funny and laugh. Israeli's will not think twice about food left on one's plate. Guests should feel free to leave food they do not like on their plate. Often times Israelis will push people to eat and eat, if an offer of food is made and one does not want to eat it simply decline politely. When going to another's home, it is ok to inform them of dietary restrictions, for example if one is lactose intolerant. During a meal, it is acceptable to politely ask where the restroom is if one needs to use it. Also, when declining to drink alcohol, all one has to say is something similar to, "thank you but I will pass." When alcohol is served at a toast, "lechaim," meaning to life, will be said. Other than that, toasts are normally made during formal occasions or when contracts are signed. At these times, cognac or wine will be given to individuals and a "Lechaim" toast will be said by all. Lastly, when a host takes a person to a restaurant, the visitor should offer to pay the bill, but this offer is usually declined. Once a bill is delivered, see if the service was included on the bill, if not a 12% tip should be given. As with most aspects in Israel dining involves diversity, open communication, and good understanding of the Jewish religion.

Prosperous Entertaining (2)

Israel enjoys showing people a great time. Many of the cities in Israel “come alive” when nighttime comes around. Many entertainment based businesses are open far longer than businesses would be in the United States, often times open and going until early hours in the morning. People in the United States usually go out Friday and Saturday nights to have fun, but in Israel they enjoy Thursdays and Fridays as their main entertainment nights. Israelis usually kick back and relax during the day and head out for the night life around 10 p.m. and enjoy many of the same activities enjoyed in the United States. Places of entertainment are bright in color with color everywhere so there is never a dull moment. When it comes to eating, there food is much like night life, never dull. Israel has quick food service similar to McDonalds, as well as ethnic and formal dinner restaurants for people to pick from. Food changes from place to place offering food flavors from American, to Chinese, and even more exotic cuisine for those that are a little daring. Since Israelis go out late at night, lunch is usually the heavy meal. If an Israeli invites a person to dinner, this is used more for socializing with one another. Although there is a wide variety of food in Israel, many restaurants are considered Kosher. Kosher is a based on religious Jewish laws regarding eating and include regulations such as not mixing meat and dairy products and pork is a hard find. Alcoholic beverages are served at many of the restaurant establishments. When a person walks into a restaurant people are expected to use manners and be courteous in the way that many Euro-Americans do. Lastly, Israeli’s like to take trips for a day. These trips are usually planned for weekends when people can visit different areas of the country. Getting excited and making others

excited about taking trips is something that puts a smile on an Israeli's face. This is a wonderful way to get out and see sights that would have otherwise been missed.

Negotiating (2)

As is true for any country one might visit, the best approach to negotiating with Israelis is to first make sure you have a strong understanding of Israelis as a whole. Knowing or having someone who, knows the language well is key to negotiating with Israelis as Hebrew is the official language of Israel; however, English is commonly spoken throughout the country, amongst business people, and taught in the schools. In addition, one should come to the negotiating table well prepared and willing to listen as much as talk, this is as true to Israel as it is to any negotiating setting. Since Israelis are big on doing business with others, they rarely are disturbed by what goes on during a negotiation. They are willing to compromise if necessary to settle the deal in an appealing way for all. If for some reason people lose composure and become angry during the process, a person's best bet would be to insinuate a cool down period for everyone. After this time has passed, relocate with one another to a less formal location where the two will be able to talk about issues or concerns they might have. At this point the negotiation can be finalized or require further negotiation by breaking everything down into parts and reconsidering each of the most important issues individually. If need be, do not hesitate to bring in others that can influence the opposed party. Finally when all is said and done and everyone agrees to the finalized dealings, a contract should be drawn up. These contracts should be put into English and be understood by all. When writing up parts like conditions or stipulations, people should make sure that everything

is said clearly, not over worded and easy to read and understand. Lastly, the foreign person should put in the contract that if there is to be any kind of lawful procedure to be done that it will be handled in the visitor's home country. Once all of this has been handled the negotiating process is final.

Appointment Alert (2)

People sometimes hear the saying, "there is a time and place for that." When it comes to Israel, this is not so true. Israel does not have too many rules set in place for business dealings. They are very similar to the United States. By following the many ways that the United States does things a person will be set in Israel, but they should pay attention to seemingly small differences such as local aspects that may not always be obvious to the naked eye. Unless a person will be meeting someone from a top level job or a well known individual, they may dress in informal relaxing clothing. As said before there is no written rule as what to wear but if a person would like to know how to dress they may ask their host to define the line. It is a good idea to write up a schedule that lets the Israeli know what objective is being sought along with timetables to depict in what order certain aspects should be completed. If an appointment has been set up beforehand it is always good to reconfirm that the two of you will be able to meet. This serves as a reminder to the party your meeting with and spares wasting anytime due to a missed, delayed, or an unexpectedly rescheduled meeting.

Additionally, Israeli people celebrate national holidays and have a work day schedule that they adhere to. Typically business hours are from 8'o clock in the morning till 5'o clock at night. Their work week is Sunday through Thursday because Friday is set aside for personal time, similar to our Saturday-Sunday weekends in the United

States. If need be, business meetings can take place in the morning on Fridays but they would rather not.

When a meeting is scheduled, be on time or a positional beverage might be given up. A person should plan to leave early to give time to travel to meetings incase of unexpected heavy traffic. When speaking, balance speech flow and how sentences are worded accordingly. Hand shaking is a common gesture used when meeting people, along with handing out business cards to those a person interacts with. Visual ads may be used in meetings, just ask if there is access to ones that may not be common. As a person enters a meeting, they will find drinks readily available because it shows hospitality in Israeli culture. When coming into a meeting, it is not uncommon to bear a gift in appreciation for your company. Due to the fact that lunch is the large meal of the day, lunch is taken for 2 hours in the early afternoon. When having lunch with someone from a different area Israelis know people enjoy food they are accustomed to. Do not be afraid to let them know what foods are appreciated.

Israelis are glad to say where they are from and show a person around. By joining them on tours of their country and learning about such things like; heritage, history, and the land will show them that an individual is interested in knowing them better. This may communicate to Israelis a personal interest in relationships as well beyond simply getting a deal and thus better the overall business deal. After all is said and done, it is a good idea to send a thank-you card to let them know that the company enjoyed doing business with them. Send this card separate from business documents. When meeting with Israeli's one should consider religious obligations, time, and work to build relationships as well as sales.

Attitudes Toward Foreigners And Nationalism (2)

Israelis enjoy being around people. They look forward to seeing and meeting new people including those from a different country. Due to the large population of immigrants within Israel, Israelis are familiar and comfortable with foreigners and diversity. People from Israel desire friendship with just about anyone who wants to befriend with them. Being a good host and delighting their guests is important to Israelis, they desire to make their guest feel as though they are home. They do this by finding out what their guests enjoy and making it available for them when they come to their country. Israelis like to show off the people they know to other friends as relationships are highly valued in Israel. Friends are treated like family which is a major part of their hospitable personable culture. It is not uncommon for an Israeli to invite people into his/her home and talk about personal issues with people that are their friends. Again an Israeli delights in pleasing their guests.

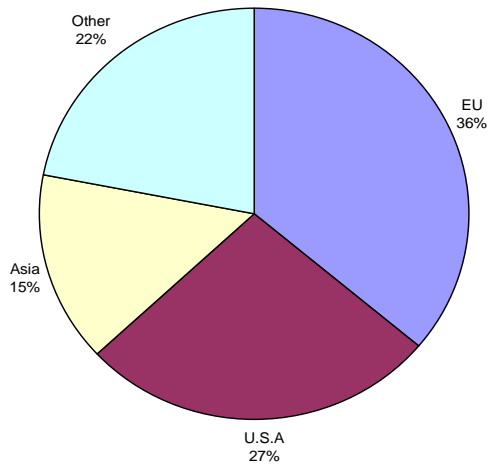
When it comes to nationalism, Israeli's take great pride in their home country and are very loyal to their home. Israelis, more than other countries, look to their roots when performing tasks. They look back on their country's history and issues that affect what goes on in their society. When it comes to talking about the past or religion, take great care in what one says because to Israelis these are two very sensitive subjects. Even though it is apart of the past, the past is not something one should bring up unless they are going to use their words carefully. One could lose out on a deal for not respecting the way one feels about the country they live in. Israel's view their country with not only a great deal of pride, but with a deep spiritual reverence.

Foreign Trade (17)

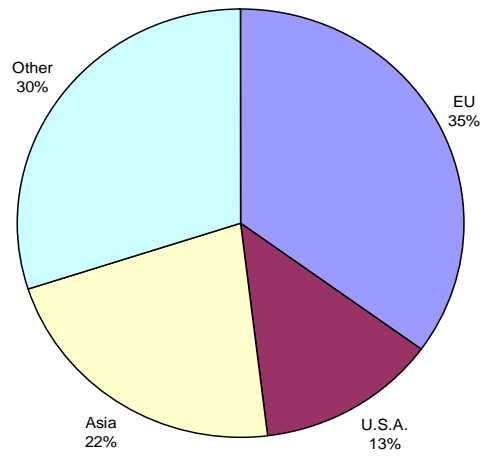
“Israel has the most diversified economy of the Middle East, and has a high level of modernization.”(15) International trade plays very vital role for Israel. The economy is heavily dependent on foreign trade because of lack of natural resources. Israel has free trade agreements with the United States and European Union. (1) They are Israel’s two largest trading partners. Moreover, Israel’s commercial relationship with the United States has developed rapidly since Israel had signed the Free Trade Area Agreement (FTAA) in 1985; and in 1995 all tariffs on trade between the United States and Israel have been eliminated, (19) although some tariff and non-tariff barriers continue to affect a certain portion of U.S. agricultural exports. In Israel’s short time as a country, it has become the only country in the world to have free trade agreements with Turkey, the Czech Republic, Poland, Hungary, Canada, Slovenia, the USA, the European Union and the EFTA. Not to mention Israel has currently is negotiating free trade agreements with many other EFTA nations as well as the tax treaties they have with industrialized countries such as Germany, France, Japan, the US, UK , and more. (17)

“The top three export partners are: the U.S.A., Belgium and China. Israel mainly exports precious stone (diamonds, cultured pearls... represent 37.3% of its exports), high-tech products, and pharmaceuticals. Its top three import partners are: the U.S.A., Belgium and Germany.” (8)

Exports of Commodities (excl. diamonds)



Import of Commodities (excl. diamonds)



“In April 2007, import of goods totaled \$4.0 billion, export of goods totaled \$3.0 billion and the trade deficit totaled \$1.0 billion. In April 2007, manufacturing exports (excluding diamonds) constituted 73% of all export of goods. Export of diamonds constituted 22%, and the remaining 5% was agricultural exports. (20)

“In February 2008, import of goods totaled \$5.1 billion, export of goods totaled \$4.8 billion.”(21)

Imports and Exports:

Primary Imports (in thousands)

Raw Materials	13,000
Rough & Polished Diamonds	7,300
Consumer Goods	4,200
Fuels	3,700
Industrial Machinery/Equip.	5,200

Primary Exports (in thousands)

Polished Diamonds	5,600
Chemicals & Refining Petroleum, Excl. Pharmaceuticals	3,500
Elec. Communication Equip.	2,400
Rough Diamonds	2,200
Equip. for Control/Supervision	2,200

Source: Israel Central Bureau of Statistics and US Dept. of Commerce National Trade Data

Trade Regulations and Standards (17)

In Israel, as with any other country in the world, there are trade regulations and standards. It is very significant and important for domestic companies, as well for foreign investors, to carefully study (explore) the market in a country which investors are planning to enter to.

➤ Tariffs

Under the 1985 Free Trade Agreement, the United States and Israel agreed to eliminate duties on all products by January 1, 1995. Israel removed duties on U.S. non-

agricultural products according to the FTA, but some tariffs remain on some U.S. agricultural products.

➤ Tax incentives for foreign investors

The Israel government enacted laws and regulations, in order to attract investment capital to Israel and to stimulate economic growth. The tax benefits for an “Approved Enterprise” are granted for a period of 7 years, for companies which held by foreigners 10 years.

An “Approved Enterprise” should be owned by one of the following:

- An Israeli company
- A foreign company registered in Israel
- An Israeli cooperative
- A foreign limited partnership registered in Israel, whose Israeli partners are other than individuals
- A registered partnership of some or all of the above
- Other entities approved by the Investment Center Board

The incentives and benefits are:

Tax rate

	Not an "Approved Enterprise"	An "Approved Enterprise"			
		Percentage of Foreign Control			
		0 – 49	49 – 74	74 – 89	90 - 100
Taxable Income	100	100	100	100	100
Corporate Tax	34	25	20	15	10
Balance	66	75	80	85	90
Tax on Distributed Dividends	16.5	11.25	12	12.75	13.5
Total Tax Burden	50.5	36.25	32	27.75	23.5

1. Financial Incentives.

Cash Grants - are made available only to 'approved enterprises" located in development areas, and can be utilized for investments in fixed assets and capital equipment, at up to 24% of the projects approved investment.

Government Guarantees - Government guaranteed loans are available from banks, financial institution, etc., for all "approved enterprises" independent of geographical location in Israel. Together with or independent of the cash grants they can total up to 66.7% of the projects approved investment amount.

2. Income Tax Benefits.

Low tax rates are available to companies which are owned at least 25% by foreigners. “The tax rate is gradually lowered as foreign equity increases so that at foreign equity a position of at least 90% the company tax rate is only 10%.”

3. Other Incentives and Benefits:

Accelerated Depreciation.

Exemptions from Import Taxes (for exported goods).

Deferred VAT Payments (for exporters).

Various Export Financing Guarantees and Insurance.

Employment Incentive Payments.

R & D grants, financing and tax incentives

➤ Custom regulations

Israel is a contracting party to the General Agreement on Tariffs and Trade (GATT).

Israel also is a party to several trade/ countries organizations, such as

- ✓ The European Union (EU) was ratified in 1976. The agreement allows for all industrial products and major agricultural products to be duty free and also provides for economic cooperation between the various member states and Israel;
- ✓ The U.S.A. that was ratified in 1985. This agreement allows for all industrial products to be duty free;

- ✓ European Free Trade Association (EFTA) was ratified in 1993. This agreement allows for all industrial products and certain agricultural products to be duty free;
- ✓ Jordan. This agreement was ratified in 1995 between Israel and Jordan. It is a free trade and economic cooperation agreement between these countries;
- ✓ Canada. This agreement was ratified in 1997. This agreement exempt almost all industrial products from custom duties;
- ✓ The Czech Republic and Slovakia. It is free trade agreement between these countries. All industrial products are exempt from customs duties and tariff-rate quotas have been imposed on certain agricultural products.

➤ Exports

Israel prohibits “direct export to countries that do not allow trade with Israel or that have no diplomatic relations with Israel.” Israel may impose “trade embargoes under provisions of international agreements and complies with United Nations’ resolutions with respect to trade embargoes.”

Israel regulates export through the Free Export Order. The Free Export Order permits the export of goods if they are not prohibited. Many times exporters are exempt from some direct taxes; not to mention, they may also benefit from duty concessions on imported raw materials, capital goods, and inputs.

➤ Imports

Most products from the U.S.A., the EU, and the European Free Trade Association receive “duty-free status in the Israeli market.” Israel has eliminated most of its import quotas except for those imposed on a few agricultural products.

➤ Product Labeling

Imported food products face rigid labeling requirements in Israel. For many products, the labeling required by Israel is far more detailed than that required in the United States. Labeling is regulated by the Consumer Protection Order. According to this document making, packaging, and labeling must be done “printing, engraving, stamping or any other means (other than in handwriting).”

The marking must include the following details:

- the name of the products and their commercial name;
- the registered trade mark;
- the name and serial number of the model;
- the manufacturer’s name and address; the importer’s name and address; the content;
- the weight and volume in metric units.

While Hebrew must be used in all instances, labels in English may be added, provided that the printed letters are not larger than those printed in Hebrew. Special labeling requirements apply to imports of some consumer goods, paper products, handbags, musical recordings, fertilizers, insecticides, chemicals, pharmaceuticals, some food products, seeds and alcoholic beverages. Prior to 1995, marketing and labeling requirements had to be complied with prior to the shipment of products to Israel.

However, in 1995 the Ministry of Industry, Trade and Labor allowed products to be labeled in Israel (with the exception of cigarettes and tobacco).

Top 10 Industrial Groups (17)

Israel's major types of industry are as follows:

- Agriculture
- Electronics
- Biotechnology
- Diamonds
- Chemicals, Rubber, and Plastics
- Information Technology
- Clothing and Textiles
- Construction
- Tourism
- Energy

Israel's Top 10 Companies

Name of Firm	Company Type
Teva	Pharmaceuticals
Bezeq	Telephone service
Hapoalim	Banking
Leumi	Banking
IDB Development	Holding Companies
Discount Inv.	Holding Companies
Israel Chemicals	Chemicals
IDB Holdings	Holding Companies
Clal Industries	Holding Companies
Migdal Insurance	Insurance

Source: Jerusalem Report.

Teva Pharmaceutical Industries Ltd. is a global pharmaceutical company specializing in the development, production and marketing of generic and proprietary branded pharmaceuticals as well as active pharmaceutical ingredients. Teva is among the top 20 pharmaceutical companies and among the largest generic pharmaceutical companies in the world. Teva has production facilities in Israel, North America, Europe and Latin America. (<http://www.tevapharm.com/>)

Bezeq The Israel Telecommunication Corp, Limited leading Israel into the new era of communications based on the most advanced technologies and services. Bezeq and its subsidiaries offer the full range of telecommunication services including domestic, international and cellular phone services; broadband Internet and other data communications services; multi-channel television; leased lines, and corporate networks. (<http://www.bezeq.co.il/cultures/en-us/bezeq>)

Bank Hapoalim is Israel's leading financial group and largest bank. The Bank continues to expand its substantial global presence by opening new branches and through mergers and acquisitions. Bank's Hapoalim's worldwide reach encompasses 44 overseas branches, subsidiaries and representative offices in most of the world's major financial centers. In 2006 the Bank enjoyed record profits of \$795 million compared to \$632 million in 2005. (<http://duns100.dundb.co.il/2007/600003370/index.asp>)

Bank Leumi le-Israel looms large as one of Israel's largest financial institutions. The company offers a full complement of financial services, including traditional retail banking products, mortgages, trust services, asset management, offshore accounts, online securities trading, and merchant banking. Israel's government owns about 20% of Bank Leumi after selling a 10% stake to a unit of Deutsche Bank in 2005. (http://www.hoovers.com/bank-leumi-le-israel/--ID__56523--/free-co-profile.xhtml)

IDB Development Corp Ltd., part of the IDB Holding Corporation Ltd., is an Israel-based investment company. Its main investment interests lie in the communications, technology, industry, insurance and the capital market, real estate, retail trading and tourism. The Company's portfolio includes a range of companies, in which IDB aims to maintain a significant ownership. (<http://www.idb.co.il/>)

Discount Investment Corporation Ltd., part of the IDB Holding Group, is a holding company based in Israel. The Company invests in companies and business enterprises in a variety of sectors. It also assists investment companies to raise capital in the Israeli and international capital markets. The Company's investment areas include cellular communications, advanced technologies, retail and food, real estate and paper and related

products. Major holdings of the Company include Cellcom, Kur, Super-Sol, Property and Building Corporation, Netvision and American Israeli Paper Mills in the local market.

(<http://www.dic.co.il/>)

Israel Chemicals (ICL) is one of the world's leading fertilizer and specialty chemical companies. With exclusive concessions to extract high quality, low cost minerals from Israel's Dead Sea and rights to mine the Negev Desert, ICL is a major producer of potash, compound potash and phosphate fertilizers, food grade phosphoric acid, elemental bromine, magnesium and a major player in specialty chemical high margin niche markets. (<http://www.icl-group.com/Pages/default.aspx>)

IDB Holding Corporation Limited is a holding company involved in diversified investment, financial and related operations. The company is the largest business enterprise in the private sector of the Israel economy. (http://wrightreports.ecnext.com/coms2/reportdesc_COMPANY_C37661410)

Clal Industries & Investments (CII) is a conglomerate that divides its investments into three distinct segments: core industrial holdings, venture capital, and biotechnology. The company's industrial holdings include American Israeli Paper Mills and ECI Telecom as well as the funds operated by Millennium Materials Technologies, which specializes in high-tech materials manufacturers. (http://www.hoovers.com/clal-industries/--ID__56575--/free-co-profile.xhtml)

Migdal Insurance & Financial Holdings Ltd. insures approximately 800,000 private and corporate clients with a range of products, services and insurance solutions. Products include life assurance, provident funds management, pension funds management, general insurance and health insurance. It also engages in various general insurances, such as

motorcar insurance, homeowners and personal accidents and corporate insurance for businesses. (<http://finance.google.com/finance?q=TLV:MGDL>)

Foreign Direct Investment (3,17)

“Foreign Direct Investment (FDI) is defined as any long-term private investments in which the business is controlled from abroad, incorporating both ownership and managerial involvement.” (McCartney)

Israel has “a positive and open attitude toward” Foreign Direct Investment. Israeli government encourages investment by both domestic and foreign companies. Foreign investments are welcomed by both the private sector and the public sector in Israel. Government is provided “investment incentives to industries that increase the country’s exports and create jobs.” Foreign investors do not have any restrictions in which sector to invest except where “there are defense considerations.” Prior approval is needed only for investment in heavily regulated industries such as banking and insurance. But also Israeli laws ban investment, commercial, or financial dealings with any country deemed an enemy of Israel ,with any countries Israel does not have diplomatic relations, or into countries that prohibit import of Israeli goods. Foreign trade is extremely crucial to Israeli business because of the small domestic market in country. Also, foreign investors are viewed as Opportunities for advancement and market expansion not a competitive threat.

Because Israel’s heavy reliance on foreign trade they offer many benefits to investors. The Israeli government encourages foreign investment by providing R&D grants in accordance with the provisions of the R&D Law. There are some exceptions for example, Israel offers larger tax reductions to foreign owned companies in comparison

with domestically owned; not to mention, tax exempt status is given to income of foreign investors held by Israeli banks.

Israel's main tools used to regulate foreign investors are the Encouragement of Capital Investment Law and the R&D Industrial Encouragement Law which provide investors with grants of 20% -66% of the total costs of a project.

According to The Federation of International Trade Association (FITA), Foreign Direct Investment inflows in Israel are:

FDI inflows	2003	2004	2005	World rank 2005
FDI inflows (USD million)	3 941	1 753	5 587	63/141

“World Rank is UNCTAD Inward FDI Performance Index. It is a measure of extend to which a host country receives inward FDI relative to its economic size. It is calculated as a ratio of the country's share in global FDI inflows to its share in global GDP.” (8)

Seven Reasons to do Business in Israel (17, 9)

Israel is very attractive place to do business because of “its innovation.” Israel is a world leader of highly educated and trained engineers. “The unique blend of technological know-how and government support has enabled Israel as a world leader in technology.”

➤ Economy

Israel has a developed mixed market, highly competitive economy despite its small size and limited resources. Israel's economy can be described as “resilient, global-

oriented, and advanced technology-based.” Recently the World Economic Forum (WEF) compared 131 economies and ranked Israel 17th in its 2007 Global Competitive Index. The Israeli economy functions similar to Western Europe.

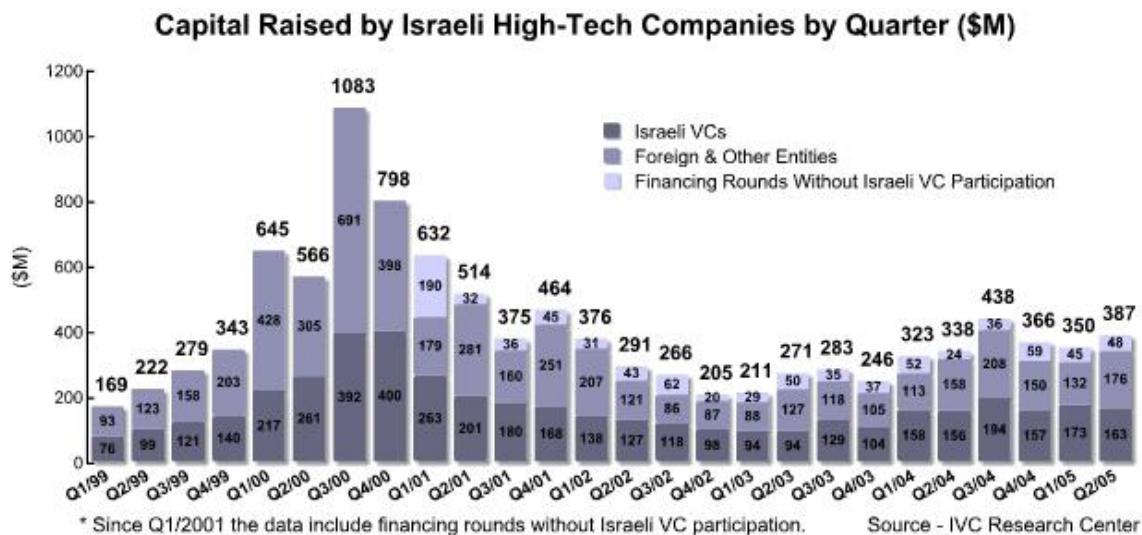
Israel is one of the largest centers in the world for start-up enterprises with more than 2,500 start-ups recorded. Not to mention, the over 160 biotechnology companies that employ over 4,000 employees, and more than a thousand Israeli companies seeking foreign partnerships. On the American Stock Exchange, Israel is second behind Canada in the number of foreign companies traded. Also, in comparison with its neighbors Israel has roughly five times the purchasing power per capita as displayed in the chart below.

Country	Per Capita GDP*
Egypt	\$4,400
Israel	\$22,300
Jordan	\$4,800
Lebanon	\$5,300
Syria	\$3,400

Above figures are Purchasing Power Equivalent adjusted for 2006 according to CIA figures.

➤ Venture Capital in Israel

Many major multinational companies invest in Israel, such as Hewlett-Packard (HP), TimeWarner Inc., Sony, Cisco, and etc. In 2004 foreign funds represent over 55% of the total dollars invested. Israel’s venture capital funds have increased over \$ 8.7 billion. Also, Israel has the highest Venture\$/GDP rate in the world. Success of Israel’s venture capital is explained by “the impressive entrepreneurial culture that exists.”

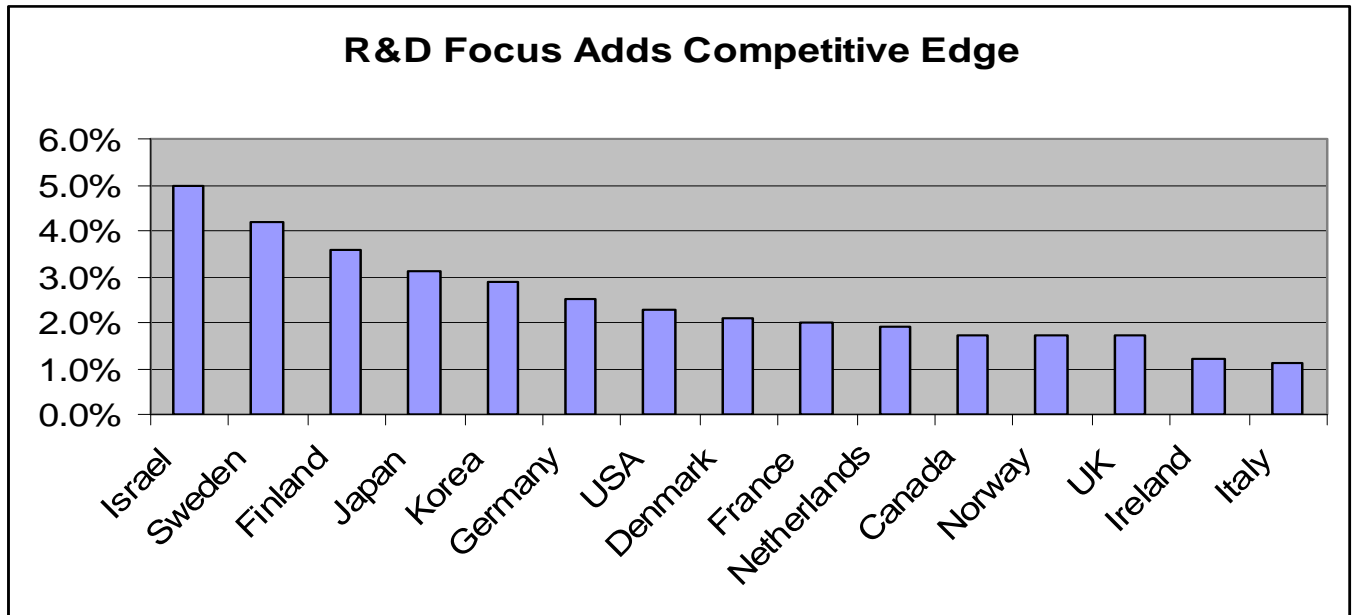


➤ Language

The official languages in Israel are Hebrew and Arabic. Israelis are multilingual. But English, Russian, and French are widely spoken there. Even though English is not an official language; it is studied as a required course in most schools. Also, English is the business language, commerce language. Public signs and street names are in Hebrew, Arabic, and English as well.

➤ Constantly Innovating

Israel is one of the most technology advanced countries in the world. In Israel there are more engineers per capita than in other countries. Also, it is at the forefront of biomedical and technical innovation. Israel has the highest rate of R&D investment per GDP in the world. Deeply committed to nurturing entrepreneurship and innovation, Israel's twenty three high-tech incubators support young companies with 200 active projects and 735 graduated projects in the last ten years. International giants companies like Microsoft, IBM, Motorola, Intel and other have R&D centers in Israel.



At 4.8% of GDP, Israel has the highest rate of R&D investment in the world.

Source: OECD and Central Bureau of Statistics

Israel is “internationally recognized as a leader in cutting edge agricultural advancement.” Israel has a high level of development because of “the close cooperation between scientists, extension advisers, farmers, and agriculture-related industries.” Agricultural export reached \$1.4 billion, 4.1 % of the Israel’s total export in 2004. “Israel is important to our goal because it has historically been a hotbed of new raw technology and scientific developments.” (Matthew I. Growney, managing Director Motorola Ventures, September 2003)

➤ Incentives and benefits

There is supportive business environment. International companies that are doing business in Israel have different types of incentives:

- Conditional grants (up to fifty percent) of the approved R&D budget

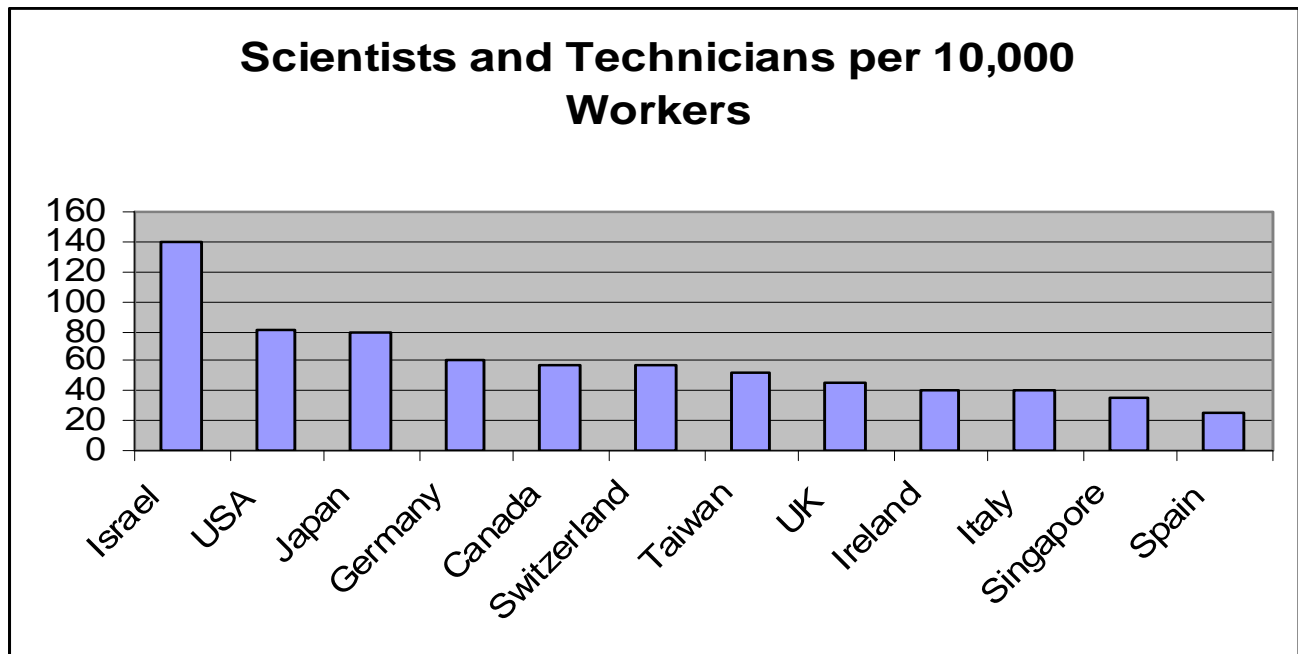
- Grants for foreign companies which subcontract R&D work in Israel
- Worldwide taxation and customs treaties
- Tax benefits for an “Approved Enterprises” over a period of seven years
- Multinational funds
- Protection of trademarks, patents, and other intellectual property
- Comprehensive legal protection of foreign companies
- Liberalization of foreign currency
- Privatization of government companies
- Competitive government assistance for R&D projects
- Tax holidays for up to ten years for foreign investors

➤ Trade Agreement

Israel is a member of WTO (since 1995), GATT (since 1962), and OECD. Also it has free trade agreement with the United States, the European Union (EU), Canada, Turkey, Hungary, Poland Slovenia, Mexico, Bulgaria, Romania, Slovakia, and Czech Republic. In addition, Israel has bilateral R&D agreements with Belgium, Germany, Italy, Sweden, India, Finland, France, Holland, Portugal, China, Taiwan, Ireland, Spain, and Hong Kong.

➤ Human Resources

Israel has one of the most highly educated, motivate, and dynamic workforces in the world that adapts itself to changes. There is the highest percentage of scientists and technicians per capita in the world. Also, Israel has the highest ratios of universities degrees and academic publications per capita. During the last several decades, Israeli entrepreneurs have started many high-tech companies that “have enjoyed impressive success in the technology and finance areas, and thus have attracted the attention of the international markets.”



Appendix

Israel's Ranking in Global Competitiveness Report

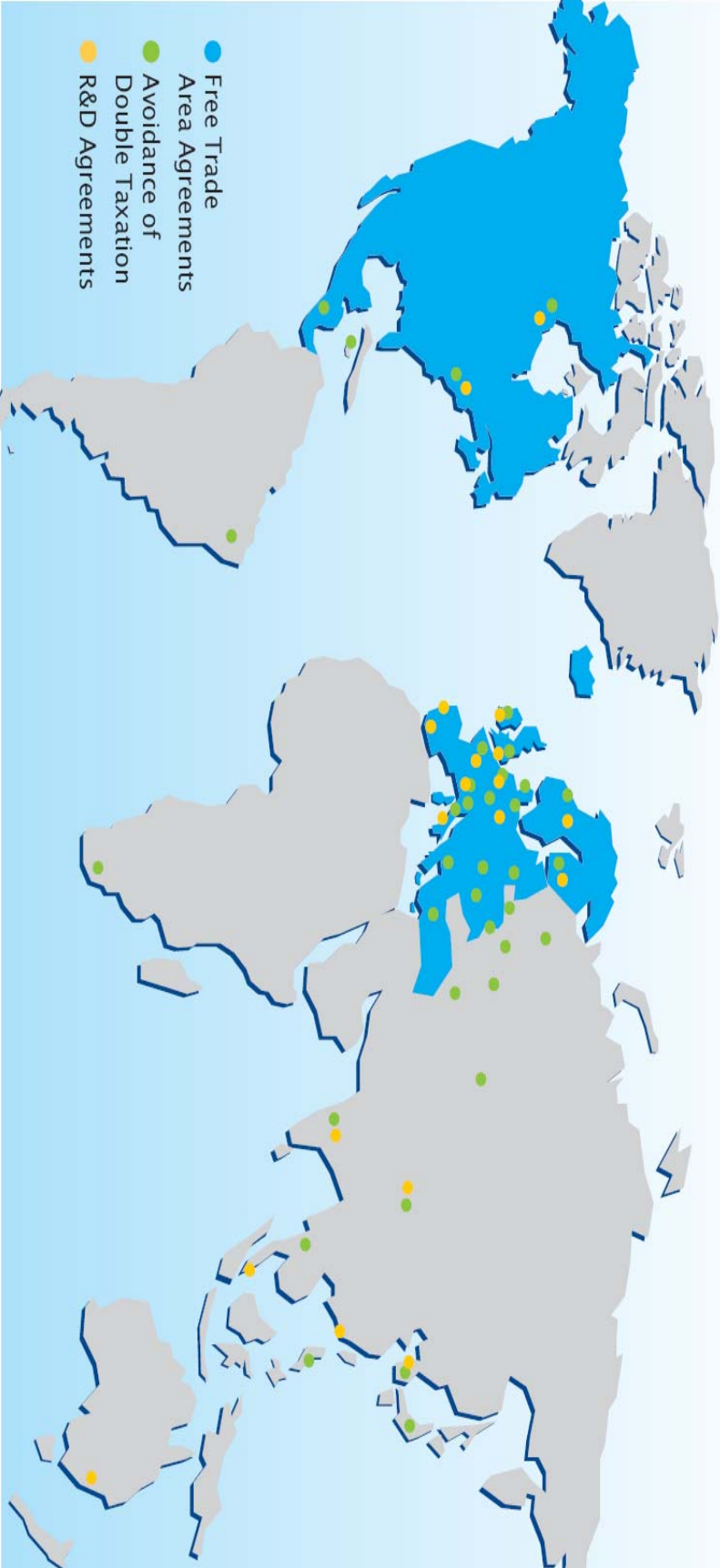
	1st	2nd	3rd	4th	5th
Availability of scientists and engineers	Israel	Japan	Finland	India	France
Venture capital availability	U.S.A	Israel	Netherlands	Finland	U.K
Judicial independence	Germany	Netherlands	Israel	New Zealand	Norway
Technological readiness	Sweden	Singapore		Iceland	Switzerland
Quality of research organizations	Switzerland	U.S.A	U.K	Israel	Japan
Technology absorption	Iceland	Japan	Sweden		Taiwan
Utility patents	U.S.A	Japan	Taiwan	Finland	Israel

Source: World Economic Forum Global Competitiveness Yearbook 2006-2007

Israel's International Trade and Economic Agreements

Two major environmental factors that brought us to Israel and have allowed us to expand here dramatically over the last 30 years: One is the educational infrastructure and the availability of a talented workforce. The second is the positive attitude of the government that we faced over the last 30 years.

Dr. Craig R. Barrett,
Chairman of the Board, Intel
2005



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