



Doing Business in Israel

2013 Country Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business In Israel](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations, Customs and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

Chapter 1: Doing Business in Israel

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)
- [Market Fact Sheet link](#)

Market Overview

[Return to top](#)

- The U.S. is Israel's largest single country trade partner. Since signing a Free Trade Agreement in 1985, Israel–US trade has grown eight-fold. Since 1995 nearly all trade tariffs between the U.S. and Israel have been eliminated.
- In 2012, GDP growth decreased to 2.9%, from 4.6% in 2011 and 5.7% in 2010.
- Israel's GDP in 2012 was \$246.8 billion.
- In 2012, Per Capita GDP increased slightly to \$32,200 compared to \$32,200 in 2011. In 2010 it was \$31,200.
- Israel's 2012 inflation rate remained at 2.1%, as in 2011. In 2010, the inflation rate was 2.7%.
- Israel's 2012 unemployment rate increased to 6.3%, compared to 5.6% in 2011 and 6.7% in 2010.
- Exports of U.S. goods (not including diamonds) to Israel in 2012 were \$8.92 billion. In 2011: \$8.02 billion. In 2010, exports of U.S. goods to Israel totaled \$6.8 billion.
- U.S. imports from Israel (not including diamonds) in 2012 were \$13.9. In 2011: \$13.8 billion. U.S. imports from Israel in 2010 totaled \$13.2 billion.

Market Challenges

[Return to top](#)

- Israel is a mature market in many sectors and U.S. companies will face significant local and international competition.
- Agriculture trade regulations, IPR protection weaknesses, certain technical standards and regulatory uncertainties in the natural gas sector are non-tariff barriers. US Export Control regulations for re-exports are perceived as a challenge by Israeli manufacturers.
- The political and security environment is tense because of the geopolitical neighborhood.
- The business environment and style will seem familiar to Americans, though dress may seem more informal and personal relationships sometimes play a greater role.

Market Opportunities

[Return to top](#)

- Hi-tech and defense dominate Israel's trade numbers, and Israel remains a global center for hi-tech design and R&D. Hi-tech continues to provide opportunities for U.S.-Israel commercial partnerships, specifically in ICT technologies, safety and security equipment and services, renewable energy technologies, defense

equipment, medical technologies and biotechnology products. Power generation and education/training also represent good opportunities.

- U.S.-Israeli commercial linkages often consist of U.S. firms providing electronic inputs which Israeli firms integrate into final products destined for re-export.
- Road technology and infrastructure projects could offer millions of dollars' worth of export opportunities for U.S. firms over the next five years, especially since Israel adopted U.S. standards in intelligent transportation systems.

Market Entry Strategy

[Return to top](#)

Distribution methods vary by type of product.

- Commissioned Agents: used mainly for industrial equipment, raw materials and commodities.
- Non-Stocking Agents: used mainly by manufacturers.
- Stocking Agents: used mainly for high volume items.
- Importers/distributors: used often for consumer goods.
- Franchising: since its introduction to Israel in the mid-1980s, franchises have increased in popularity. ACE Hardware, Office Depot, Re/MAX, McDonalds, Toys-R-US, UPS, and FedEx all operate in Israel.

Direct marketing is fairly common.

- Door-to-door salesmanship is uncommon in Israel and is considered a nuisance.
- Cable and satellite TV offer shopping channels.
- Direct marketing is common through mail order booklets that are distributed monthly by credit card companies and through the Internet. An "opt-in" spam law was introduced to Israel in late 2008. Companies can only send individuals spam if the individual agrees in advance. Political and charity mailings are exempt.
- Telephone marketing is increasingly common, but with mixed results.
- Internet use in Israel is widespread and represents a good marketing avenue.

The Government of Israel encourages both joint ventures and licensing.

- Joint ventures are the most popular method of cooperation for Israeli firms, especially in technology-related industries.
- Israeli businesses prefer obtaining five-year licensing agreements with automatically renewable clauses that extend the agreement for another five years.
- A Commercial Agents Law became effective in 2012. The law specifies advance notice of termination of a relationship related to the duration of the supplier/agent contract and monetary compensation of the agent for the loss of potential profits.
- Manufacturing under licensing agreements is common in Israel.
- Israeli businesses prefer licensing agreements in which the licensor takes equity with the licensee.
- The norm for royalties is 4-5% of turnover. Higher rates are common for luxury articles, author's fees and specialized machinery.
- A 10-15% withholding tax on royalties and fees is often deducted at the source.
- Licensees may repatriate royalties through an authorized bank, and are entitled to claim an income tax deduction on royalties and fee payments.

- U.S. companies should seek advice from a respected law firm and accounting firm when figuring tax liabilities.
- The United States and Israel have signed a [tax treaty](#) to avoid double taxation.

[Return to table of contents](#)



COUNTRY FACT SHEET: ISRAEL

PROFILE

Population in 2011 (Millions): 8
 Capital: Jerusalem
 Government: Republic

ECONOMY

	2009	2010	2011
Nominal GDP (Current Billions \$U.S.)	195	218	244
Nominal GDP Per Capita (Current \$US)	27,024	29,539	32,351
Real GDP Growth Rate (% change)	0.84	5.7	4.6
Real GDP Growth Rate Per Capita (% change)	-1.3	3.5	2.4
Consumer Prices (% change)	3.3	2.7	3.5
Unemployment (% of labor force)	9.4	8.3	7.1
Economic Mix in : N/A			

FOREIGN MERCHANDISE TRADE (\$US Millions)

	2009	2010	2011
Israel Exports to World	47,935	58,413	67,796
Israel Imports from World	47,363	59,194	73,526
U.S. Exports to Israel	9,559	11,294	13,936
U.S. Imports from Israel	18,744	20,982	23,039
U.S. Trade Balance with Israel	-9,185	-9,688	-9,103
Position in U.S. Trade:			
Rank of Israel in U.S. Exports	22	23	24
Rank of Israel in U.S. Imports	19	20	23
Israel Share (%) of U.S. Exports	0.91	0.88	0.94
Israel Share (%) of U.S. Imports	1.2	1.1	1.0

Principal U.S. Exports to Israel in 2011:

1. Miscellaneous Manufactured Commodities (44%)
2. Computer & Electronic Products (13.8%)
3. Transportation Equipment (8.8%)
4. Machinery, Except Electrical (7.4%)
5. Chemicals (5.5%)

Principal U.S. Imports from Israel in 2011:

1. Miscellaneous Manufactured Commodities (41.5%)
2. Chemicals (29.4%)
3. Computer & Electronic Products (9.2%)
4. Machinery, Except Electrical (4.2%)
5. Transportation Equipment (3.9%)

FOREIGN DIRECT INVESTMENT

	2009	2010	2011
U.S. FDI in Israel (US \$Millions)	9,007	9,337	9,562
FDI in U.S. by Israel (US \$Millions)	8,122	8,538	15,007

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 38 of 185
 Heritage/WSJ 2012 Index of Freedom Rank: 48 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. Israel Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

[Return to table of contents](#)

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of Israel, please click on the link below to the U.S. Department of State Background Notes.

Specific country link for Israel:

<http://www.state.gov/r/pa/ei/bgn/3581.htm>

The following is the new link to the Background Notes countries index:

<http://www.state.gov/r/pa/ei/bgn/index.htm>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

Using an Agent or Distributor

[Return to top](#)

Partnering with a local representative who has good industry contacts, proven reliability, loyalty, technical skills and after-sales service capabilities is important for selling and maintaining a continued presence in Israel. U.S. companies need to be aggressive in their pursuit of business opportunities and maintain an active in-country presence.

Israeli industry generally prefers to purchase goods through an agent that will be able to provide after-sales service. Government and government-owned buyers will often require an agent in Israel. The majority of agents have exclusive representation rights because of Israel's small size. Most U.S. heavy industrial equipment exporters to Israel use a commission agent who conducts promotional campaigns and active buyer calls.

The most common approach used by exporters of light industrial equipment and consumer goods is to obtain a local importer/distributor. Distributors will import on their own account, and carry sufficient stock to satisfy ongoing demand or use for demonstration, maintaining their own sales organization, supplying spare parts and, if applicable, maintaining a service division. Local representatives often provide legal support for ongoing operations.

In concluding a representation agreement U.S. companies should be sure to include:

1. Contract duration;
2. Exclusivity (if applicable);
3. Compensatory amount as a function of contract duration in case of termination of exclusivity;
4. Promotional input by agent and volume of sales; and

5. Dispute settlement mechanism, either by arbitration, or by assigning a tribunal (preferably U.S.).

In January 2012 the Knesset (Israel's parliament) passed legislation regulating the termination of supplier-agent/distributor relationships.

Advance Notice of Termination:

According to the law, the supplier must notify his agent in advance of the intended termination of the relationship between them as follows:

- A two week advance notice for a relationship that lasted up to six months;
- A one month notice for a contract signed 6-12 months earlier;
- A two month notice to terminate an agency contract signed 12-24 months earlier, etc.
- Up to a maximum advance notice of six months for a relationship that lasted 6 years or longer.

Financial Compensation:

The compensation paid to the commercial agent upon termination must be commensurate to the size of the business developed as a result of the agency agreement. The compensation shall be in the amount of the average monthly profits resulting from sales of the supplier's goods/services over the last three years of the agency relationship multiplied by the number of years the relationship lasted. The compensation cannot exceed 12 months of the average monthly profits. The agent shall not be entitled to compensation from the supplier if the termination is due to breach of contract by the agent. In case of legal action, the Courts have the right to reduce the amount of compensation or deny compensation entirely if the Courts find justification to do so.

For additional information about the Israel Contract Agency Law please visit the U.S. Commercial Service website

at: http://export.gov/israel/doingbusinessinisrael/eg_il_058074.asp

and: http://export.gov/israel/doingbusinessinisrael/eg_il_058061.asp

Establishing an Office

[Return to top](#)

U.S. firms can operate in Israel as a foreign company, a foreign partnership or by establishing a branch office. There are no restrictions on foreign ownership of Israeli companies or securities, however, the [Israel Antitrust Authority](#) may review and object to ownerships that would result in a cartel or market monopoly. Israel allows repatriation of foreign investment capital and profits. Prior to establishing an office in Israel, U.S. firms should evaluate tax ramifications under the [U.S.-Israel Agreement on the Prevention of Double Taxation](#). Possible higher corporate and income taxes in Israel should be weighed against other expenditures and marketing advantages.

U.S. businesses interested in establishing an office in Israel are required to register with the [Registrar of Companies](#) at the Ministry of Justice. The business must file a copy of documents certifying that it is incorporated in the United States, state its objectives and rules, and list its directors and the name of its Israeli representative. If these documents are in English, they must be accompanied by a Hebrew translation. There is no requirement for the managers or directors of the company to be Israeli citizens or

residents. However, U.S. representatives assigned to manage the Israel office must first obtain work permits from the Employment Service Division of the Ministry of Industry, Trade & Labor. Authorization from the Ministry and, if applicable, the Investment Center, is necessary before the Ministry of Interior can issue a visa. U.S. businesses establishing an office in Israel are advised to consult with a local accounting or law firm.

Franchising

[Return to top](#)

Many well-known American brands are present in Israel under a franchise agreement, including Payless Shoes, Forever 21, American Eagle, the Gap, Cinnabon, Subway, McDonalds, Bobby Brown, Steve Madden, Tommy Hilfiger, Ralph Lauren, Nine West, and others. Express and Urban Outfitters are expected to open their first stores in Israel during 2013. Israel's franchise industry has been developing rapidly in recent years. The annual growth rate stands at 20% and has remained constant for the past 6 years. There are more than 100 foreign franchises currently in Israel, of which 60% are European and 30% American.

Approximately 38% of the total franchises operating in Israel operate in merchandising, 80% in the apparel/fashion industry, include many American brands that have successfully positioned themselves in the Israeli market; brands such as Tommy Hilfiger, Ralph Lauren, Nine West, Gap and others have been well recognized by Israelis.

The food industry represents 12% of foreign franchises. American popular food-chains have taken a prominent place in the Israeli market, including McDonald's, Pizza Hut, Domino's Pizza and others. 14% of the total franchises are gathered from general services such as, real-estate and brokerage and educational institutes. Most common are: Re/Max, Realty Executive, ERA and Century 21, Wall Street English, Berlitz and others. Israel has no official centralized legislation for franchises. The industry's rules and regulations are primarily derived from Israeli contract law and intellectual property legislation. In 2006, the Franchise Promotion Center, a public institution that promotes franchising in Israel, published a 'Code of Ethics' for the franchise industry. Though not a binding law, but a voluntary code, many franchisors have already provided their support and have used it to set new standards in the franchise industry. For more information about the 'Code of Ethics' please visit: www.franchise.org.il

Direct Marketing

[Return to top](#)

Direct marketing in Israel picked up significantly in 1992, with the introduction of cable TV and a home-shopping channel. Direct marketing is common also via mail order inserts distributed by credit card companies and through the Internet. Door-to-door sales are uncommon in Israel and considered a nuisance, while telephone marketing is rare and has had disappointing results. Israeli consumers enjoy shopping as a popular pastime; however, direct marketing and Internet sales play a small role in relation to total retail sales. Multi-level marketing (MLM) companies find prosperous grounds in Israel, mainly among Russian speaking population who help expand the brand to East Europe. Many of the local MLM leaders play key marketing roles in other Russian speaking markets.

Joint Ventures/Licensing

[Return to top](#)

Joint ventures are one of the most popular methods of cooperation for Israeli firms, especially in technology-related industries. Manufacturing under licensing agreements is also common in Israel. The Government of Israel encourages both methods of operation. Chapter 6 of this guide provides further information on investing in Israel. Israeli businesses strive to obtain licensing agreements for a five-year period, with an automatically renewable clause that would last for another five years. They prefer agreements in which the licensor takes equity with the licensee.

The norm for royalties is 4-5% of turnover, although higher rates are common for luxury articles, author's fees, and for specialized machinery. A 10-15% withholding tax on royalties and fees is often deducted at the source even though the actual payment of this amount of tax by the representative is not clear. The licensee may repatriate royalties through an authorized bank by producing a statement from a certified accountant. The licensee is entitled to claim an income tax deduction on royalties and fee payments. It is advisable to seek advice from a respected law firm and accounting firm when trying to calculate tax liabilities. The U.S. and Israel have signed a treaty to avoid double taxation.

Selling to the Government

[Return to top](#)

Israel is a signatory to the WTO government procurement code. Under the 1993 Public Procurement Law, all Government of Israel (GOI) entities and government-owned companies are required to procure goods or services by issuing a tender. In 1995, the Knesset approved the Preference for Israeli Products regulations and the Mandatory Commercial Cooperation regulations.

The "Preference for Israeli Products" regulations stipulate that a 15% preference be given to Israeli manufacturers for certain items exempted by the WTO and for products with at least 35% Israeli content and with a value not exceeding US\$500,000. Israeli manufacturers in "National Priority Zones" receive an additional 5-15% advantage. "Mandatory Commercial Cooperation" requirements are an integral part of each international tender document valued at \$5,000,000 or more. The regulations require foreign companies to enter into offset agreements. For civil contracts the value of the offset commitment is 20% of the contract value for companies in countries that are signatories to the Government Procurement Agreement (GPA) of the WTO and 35 percent for other companies. The offset for defense contracts is 50% of the contract value. While the foreign firm is required to make every effort to fulfill its offset obligations, there is no penalty connected with a failure to do so. However, due to the importance the GOI attaches to commercial cooperation, failure to fulfill one's obligations may result in a lack of success in future tenders.

[The Industrial Cooperation Authority \(ICA\)](#), a division of the Ministry of Industry, Trade & Labor, is responsible for negotiating and monitoring the implementation of offset agreements. The agreements may be for local subcontracting, investment in Israel, technology transfer, R&D contracts, or procurement of Israeli products. The first four options are preferred because of their potential long-term impact on the Israeli economy. By court ruling, the use of industrial cooperation as a factor in the award process is not allowed. However, in the competitive Israeli market, the industrial cooperation arrangements made by foreign companies play a decisive role in the competition. U.S. companies interested in selling to the GOI are strongly advised to

appoint a well-connected local agent to assist in dealing with the Israeli bureaucracy. In public tenders for large projects, in which the public entity is looking for involvement of foreign companies, the tendering party has several tender options:

- Open International Tender, requiring the foreign bidder to partner with a local firm, or use local subcontractors.
- Closed International Tender, following an open or closed pre-qualification process.
- Open or Closed National Tender, requiring Israeli prime bidders to team up with foreign companies.

As a result of this bidding process, foreign companies will not always be aware of major tenders. U.S. companies are advised to contact the [U.S. Commercial Service in Tel Aviv \(Tenders\)](#) to obtain information on upcoming projects and how best to position themselves.

Distribution and Sales Channels

[Return to top](#)

Distribution methods vary by type of product. For industrial equipment, raw materials and commodities, manufacturers use non-stocking commissioned agents, while stocking agents represent high volume items. Agents will often insist on exclusivity due to the small size of the country. Most consumer goods are sold through importers and distributors, but increasingly large retail chains and department stores import directly without intermediaries. In most cases, distribution firms serve the entire country.

Roughly 40% of Israel's 8 million people are concentrated in the greater Tel Aviv metropolitan area, Israel's commercial and financial center. Other major concentrations of the population are the Haifa metropolitan area (15%), a major port city and center for the petrochemical and high tech industries, and Jerusalem (11%). Almost all goods are imported through Israel's two Mediterranean ports, Haifa in the north and Ashdod in the south, and through Ben Gurion International Airport. These ports have good transportation links to the rest of the country. While most companies are headquartered in the Tel Aviv or Haifa metropolitan areas, a growing number of firms maintain branches, showrooms, or service facilities in Jerusalem and Be'er Sheva.

Consumer malls and shopping centers are popular in Israel. Over 200 malls and shopping centers exist and others are planned. Many American specialty shops, chain stores, and franchises have their outlets in malls and shopping centers. Key to success is offering an increasing variety of new products and services to the Israeli consumer.

Selling Factors/Techniques

[Return to top](#)

For first-time exporters to the market, it is important to note that distinct cultural differences between Israel and the United States may in some cases dictate changes in selling, advertising, and marketing. Although many strategies used by firms in the United States can be equally effective in Israel, U.S. companies are advised to not automatically assume that selling in Israel is the same as selling in the domestic U.S. market. Companies should carefully research the implications of promotional activities prior to their implementation in Israel.

Electronic Commerce

[Return to top](#)

Internet use in Israel is widespread and increasingly used for marketing and sales. An estimated 5.2 million Israelis, or 70% of the population, regularly accesses to the Internet. Like in other developed countries, e-Commerce is represented by a balance of B2B and B2C sites. Israel has a variety of B2C online stores, banking and bill payment sites and increasingly, government services. Companies are using B2B models to exchange documents, catalogues, and even complete deals. Major e-Commerce categories include travel services (36%), entertainment electronics (30%), computers & electrical products (29%), photos, books and games (23%), and digital software and various files (19%). The Internet is also heavily used by Israelis for social networking, information gathering and news.

Trade Promotion and Advertising

[Return to top](#)

Aggressive product promotion and advertising are effective tools in Israel, especially for consumer goods, where brand image is important and U.S. products face fierce competition from local and European suppliers. There are several effective means of advertisement; through commercial television and radio. Channel Two is a commercial Israeli TV station broadcasting nationwide and is permitted by law to carry private TV commercials, while state-owned Channel One carries sponsored advertising by public corporations. Some Israeli and internationally broadcast cable stations also carry advertisements. The state-owned Kol Israel (the Voice of Israel) radio station broadcasts commercial ads via two of its channels. In addition, 13 privately owned and authorized regional radio station operators accept commercial ads. Digital printing and commercial graphics are widely used in Israel, including billboards that cover entire building facades.

Pricing

[Return to top](#)

Israel is a highly competitive market and price is a key factor in purchasing decisions by Israeli companies and consumers. Presenting U.S. products as high quality at fair market prices is a good long-term sales strategy. Distributors prefer exclusivity and a special pricing clause should be incorporated into representation contracts. Israel's VAT is 16%. The VAT is charged on virtually all services and products, including imports, sold in Israel (except fresh fruits and vegetables). The VAT on imports is levied on the CIF landed cost plus purchase tax. VAT is recovered by the importer upon resale of the goods and is ultimately paid by the consumer. Israel levies purchase taxes on many consumer goods. The GOI reduced or eliminated the tax on more than 600 items since 2000, including televisions, washing machines, electrical appliances and cosmetics. Rates that had ranged from 25-85% were reduced to 5-45%. Some rates were further reduced in 2003. Purchase tax on standard vehicles with combustion engines is 83%. Hybrids 30% and Electric vehicles 10%.

Sales Service/Customer Support

[Return to top](#)

The Ministry of Industry, Trade & Labor requires that all businesses provide adequate after-sales service and customer support. Regulations exist that oblige local distributors to provide customers with full technical support for a period of up to ten years. To increase competitiveness in Israel, U.S. businesses should include a clause related to after-sales service and client support in their contracts with local representatives.

U.S. firms should ensure that their local representatives receive adequate and ongoing customer service training and technical support. The time between a product failure and the time to repair is one of the main issues affecting purchasing decisions by Israeli companies and government-owned entities. Providing reliable, long-term, after-sales service is the key to successful sales of most products and services.

Protecting Your Intellectual Property

[Return to top](#)

Israel is a member of the WTO and the World Intellectual Property Organization (WIPO). It is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention, the Paris Convention for the Protection of Industrial Property, and the Patent Cooperation Treaty. Israel was obligated to implement the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000. The United States continues to encourage Israel to accede to the WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty (commonly known as the WIPO Internet Treaties), particularly in view of the importance of Israel's high-technology software and telecommunication industries.

In February 2010, Israel reached agreement with the U.S. to modify its Intellectual Property laws to address shortcomings in its treatment of new pharmaceutical products related to data exclusivity, patent term extension and publication of patent applications. Israel has amended its data exclusivity and patent publication laws in a manner compliant with the agreement but has yet to enact corrective legislation addressing the remaining areas of its IP laws - patent term extension. Draft legislation is before the Knesset Legal Committee. It is anticipated the law will be presented to the full Knesset in the summer of 2013.

The current patent term extension law, passed in 2005, curtailed existing pharmaceutical patent term adjustments granted to compensate for delays in obtaining regulatory approval of a drug, weakens protections for intellectual property of research-based pharmaceutical companies in Israel. The law creates numerous bureaucratic obstacles for patent holders who wish to apply for a patent term extension and also applies retroactively to all pending applications for patent term extensions and already granted patent term extensions.

As a result of Israel's intellectual property regime deficiencies, it was on the Special 301 "Priority Watch List" from 2005 until 2012 and also for 12 of the past 16 years. The other four years - including the past year - it has been on the Watch List. Once legislation on the remaining area of Israel's IP law which is compliant with the 2010 agreement is enacted by the Knesset, Israel will be removed from the Special 301 Watch List to the Watch List. When the subject legislation is fully implemented and passed through the Knesset, Israel will be moved off the Special 301 list altogether.

Israel has increased its budget, educational, police, and judicial resources devoted to the enforcement of the country's copyright and trademark laws. In addition, Israel passed amendments to its copyright laws that should make it easier for law enforcement officials, prosecutors, and judges to pursue, prosecute, and punish copyright crimes. Please see the Investment Climate Statement (Chapter 6) for more up to date information, specifically on the ongoing negotiations between Israel and the USTR on patent term extension.

Protecting Your Intellectual Property in Israel:

Several general principles are important for effective management of intellectual property (“IP”) rights in Israel. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Israel than in the U.S. Third, rights must be registered and enforced in Israel, under local laws. Your U.S. trademark and patent registrations will not protect you in Israel. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Israeli market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Israel. It is the responsibility of the rights’ holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Israeli law. The U.S. Commercial Service can provide [a list of local lawyers](#) upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Israel require constant attention. Work with legal counsel familiar with Israeli laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Israel or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)

- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. State Department has positioned IP attachés in key markets around the world. The IP attaché in Israel can be contacted at:

DeWitt Conklin
 Trade and Economic Officer
 U.S. Embassy Tel Aviv
 Office: +972- 3-519-7547
 Email: conklindc@state.gov

Due Diligence

[Return to top](#)

American firms interested in doing business in Israel are advised to perform due diligence before concluding any kind of business deal in the market. Due diligence can include, but is not limited to, checking if the company or contact is listed on the Internet. Several marketing firms in Israel publish lists of companies and contacts. The U.S. Commercial Service in Tel Aviv also provides a list of [local business service providers](#) on their website. Many Israeli companies are increasingly developing their own websites and this information can be very useful to an American company's research.

The U.S. Commercial Service in Tel Aviv can provide background information on companies and individuals via the [International Company Profile \(ICP\) service](#). An ICP provides information about a local company or entity, its financial standing, reputation in the business community and includes a site visit to the local company and a confidential interview with the company management.

Most American banks correspond with the leading Israeli banks, such as Bank Leumi and Bank Hapoalim, and can provide due diligence information. It is advisable, especially when working with new clients, to seek verification from a corresponding U.S. bank on the authenticity of documents stemming from the Israeli banking system.

Local Professional Services

[Return to top](#)

Please see the list of local "Business Service Providers" on CS Israel's website: <http://export.gov/israel/businessserviceproviders/index.asp>

Web Resources

[Return to top](#)

[Ha'aretz](#)
[The Jerusalem Post](#)
[Globes](#)
[The Jerusalem Report](#)
[Industrial Cooperation Authority](#)

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- [Travel & Tourism](#)
- [Healthcare Technologies](#)
- [Educational Services](#)
- [Automotive Aftermarket Parts & Equipment](#)
- [Intelligent Transportation Systems](#)
- [Telecommunications](#)
- [Electronic Components](#)
- [Energy](#)
- [Homeland Security](#)

Agricultural Sectors

- You can click through to the [U.S. Department of Agricultural \(USDA\) comprehensive Exporter Guide](#) for U.S. agricultural companies

Travel & Tourism

Overview

[Return to top](#)

The Israel outbound travel market accounted for over 3.6 million departures by Israelis by air during 2012. The U.S. market share was only 8.5% with 309,000 departures. This market offers a considerable room for growth. To attract more Israeli travelers to the United States, U.S. destinations and travel service providers should engage in dedicated marketing and promotion of their products to local consumers. Israeli travelers to the United States spend an estimated \$1.5 billion per year on travel-related services, not including airfare. The average expense per traveler per day in the United States is \$250 including lodging, meals and shopping. The average length of stay is 12 days.

According to recent survey by the U.S. Department of Commerce, the majority of Israelis who travel to the United States are visiting family (44%). Business travelers account for 25%. Leisure, recreation and holiday travelers account for 25%. Conference attendees account for a small fraction of all arrivals from Israel. The most popular activity participation while in the United States are shopping and dining, followed by art gallery/museum, sightseeing in cities, visit historical places and amusement and theme parks. Only 20% of Israeli visitors to the United States stated they are interested in touring the countryside, visit national parks or nightclubs. At least 65% of Israeli travelers to the United States plan their trip weeks in advance. At least 50% of travelers still rely on a travel agency as a primary source of information for their trip planning.

El Al Airlines, United Airlines, U.S. Airways and Delta Airlines operate 10 daily, direct flights from Tel Aviv to New York, Philadelphia and Los Angeles. Most European airlines offer competitive prices and routes to the U.S. via Europe. Over 500 travel agents and about 20 wholesale tour operators work in the Israeli outbound travel market. Operators and airlines advertise special packages and seasonal deals on a daily basis. The high seasons for travel occur around the July-August summer vacation and the High Jewish holidays in September, October and April. Tour operators specialize in market segments rather than in specific destinations, and most operators are conservative in selecting new travel products.

Best Prospects/Services

[Return to top](#)

The most popular activity participation while in the United States are shopping and dining. Israelis are also attracted to specialty accommodations such as boutique hotels and bed & breakfast in exotic sceneries. Wine tours that include specialized culinary experience, topped by outlet shopping would make a highlight of any trip.

Opportunities

[Return to top](#)

Boutique hotels, culinary tours, outlet shopping, music festivals and family travel destinations may find opportunities in Israel, especially by offering new travel products and a high level of services. For promotion and market information, please contact Commercial Specialist Yael Torres: email: yael.torres@trade.gov

[U.S. Dept. of Commerce Office of Travel & Tourism Industries](#); [Israel Central Bureau of Statistics](#); [Israel Ministry of Tourism](#)

Healthcare Technologies

Overview

[Return to top](#)

Israel is a lucrative market for advanced healthcare technologies. In 2011 Israeli distributors imported medical and pharmaceutical products in the amount of \$2.2 billion. The U.S. share was only 14.5% at \$318 million. Germany and other EU countries are the major competitors of total sales, however, U.S. products outranked the EU competition in medical imaging equipment (37% of total imports), in medical instruments (29% of total imports) and in clinical diagnostics (28% of total imports). Characterized by a technologically advanced market economy, Israel has a public healthcare system that ensures a universal healthcare coverage to its entire population via four health management organizations and a network of hospitals and doctors.

Israeli doctors and healthcare facilities are modern and quickly adopt to new, cost effective technologies and procedures. Many Israeli doctors received training in the United States and maintain personal and professional relationships with colleagues at major U.S. medical centers. In addition, easy market-entry conditions and receptiveness to buy U.S. technologies and services make Israel an ideal destination for U.S. healthcare exports.

U.S. medical device companies interested in exporting medical equipment to Israel need to appoint a local distributor, agent or other legal representative to register their products with the Israel Ministry of Health (MOH). The device registration should be accompanied by one of the following documents: 510(k), Pre-Market Approval (PMA) or an Investigational Device Exemption (IDE). Implantable medical devices require mandatory labeling in the patient's file for tracking and surveillance purposes. Market access is fairly clear for U.S. FDA and CE Mark-approved medical products.

Best Prospects/Services

[Return to top](#)

A growing awareness for preventive medicine during 2011 opened the market to advanced diagnostic procedures. This shift includes public campaigns for early detection of breast and colon cancer and inclusion of standard, age-based diagnostic procedures in the universal healthcare reimbursement list. Imports of diagnostic products to Israel increased by 15% between 2010 and 2011 (Table¹). Israel's elderly population is growing and life expectancy is high among OECD countries. Therefore, demand for hospital beds, nursing aids and homecare products remains high. **Wound care** continues to be a high priority in preventive care. In addition, a well-developed private sector health care in the areas of **dental, eye laser surgery and plastic/aesthetic surgery** keep up the demand for advanced medical instruments and appliances.

Additional best sales prospects exist for U.S. manufacturers of FDA-approved, innovative technologies in many medical fields, including **smart implants**, medical imaging and **minimally invasive** image guided technologies, preventive medical treatments, cardiology equipment, equipment and supplies for plastic surgery, dental instruments, equipment and technologies for pain management, physiotherapy, ozone & oxygen therapy, OR equipment, point of care diagnostic kits and wound management technologies.

Table ¹ - Imports of Medical Equipment and Pharmaceutical Products to Israel, 2010-2011

Tariff Code	Description	Total imports in 2010	Imports from the U.S. & U.S. market share of total imports	Total imports in 2011	Imports from the U.S. & U.S. market share of total imports in 2011	Major Competition
9018	Medical Instruments	\$334 M	\$108 M (32%)	\$365 M	\$107 M (29%)	Germany (16.5%)
9021	Orthopedic Appliances including implants	\$127 M	\$ 21 M (16.5%)	\$158M	\$21 M (13%)	Germany (23%)
9022	Imaging Equipment: Medical, Surgical and Dental	\$129 M	\$41 M (32%)	\$151.5 M	\$ 56.5 M (37%)	Japan (15%) Germany (11%)
3003-3004	Medicaments	\$1.2 B	\$75 M (6%)	\$1.35 B	\$ 91 M (7%)	Switzerland (26%) Germany (11%) The U.K. (10%)
3005	Wadding, gauze, bandages and similar articles	\$19.5 M	\$3.9 M (20%)	\$23 M	\$4 M (19%)	China (33%)
3006	Pharmaceutical goods	\$36 M	\$6.9 M (19%)	\$41 M	\$6.3 M (15%)	Ireland (17%)
3822	Diagnostic or Laboratory Reagents	\$103 M	\$22 M (21%)	\$115 M	\$32.3 M (28%)	Germany (35%)
GRAND TOTAL		\$1.9 B	\$277.8 M (14%)	2.2 B	\$318 M (14.5%)	

Source: Israel Central Bureau of Statistics, Foreign Trade Data

Opportunities

[Return to top](#)

The U.S. Commercial Service at the U.S. Embassy in Israel helps American exporters enter the market through partner search and trade promotion programs. For additional information, please contact Commercial Specialist Yael Torres:
email: yael.torres@trade.gov

Web Resources

[Return to top](#)

[Israel Central Bureau of Statistics, Foreign Trade Statistics](#)
[Israel Ministry of Health, Department of Medical Device Registration](#)

Educational Services

Overview

[Return to top](#)

At the end of the 2011/12 academic year, 257,365 Israeli students attended accredited universities and colleges. The growth rate has slowed down to less than 4% annually in the last decade, compared to 8% a year in the 1990s, when higher education became more accessible to the general public. There are 65 institutions of higher learning in Israel. Of the 257,365 students registered in state and public colleges, 194,020 (75.4%) were at the undergraduate level. Post-graduate students taking masters' degrees numbered 52,730 (20.5%) of the student body. PhD students numbered 10,615 (4.1%) of the student body. The total excludes the 46,100 students studying at the Open University. The [Council for Higher Education](#) accredits all new institutions and programs and authorizes them to award academic degrees. The growing number of students entering private colleges has changed the landscape of the Israeli higher education system. The growth in the student population has led to the establishment of new colleges to meet the demand of qualified students. These colleges are accredited and must offer the same standard of education provided by state universities. Undergraduate students are entering these institutions in ever-increasing numbers (19.3% of all undergraduate students in 2011/12), thereby allowing the eight public universities to focus more on graduate and research level studies. Today, institutions of higher education in Israel number 8 universities, 8 regional colleges associated with universities, 23 other regional colleges, 22 teacher training colleges, 12 institutions that offer a diploma recognized by the Ministry of Education, 11 art schools, and 59 technological colleges and 1 Open University. In 2012, revenues of the top 20 local universities and community colleges exceeded \$2 billion. Around thirty foreign universities run local campuses in Israel.

Best Prospects/Services

[Return to top](#)

Courses of Study

Israeli students typically apply for law, psychology, medicine, and veterinary medicine, engineering-and fields that are not offered as BAs in Israel such as hotel administration, advertising, art and therapy. Short-term or non-degree study includes fields such as English language, culinary arts, sound engineering, jazz or acting, architecture and institutions offering sports scholarships. Popular majors include: business administration, law, clinical psychology, industrial/organizational psychology, culinary arts, film, music, video editing, advertising, East Asian studies, international relations, computer sciences, engineering, architecture, social work, mass communications, pre-med, and life sciences. Increasingly popular is ecology, environmental sciences, make-up artistry, image consulting, drug and substance abuse counseling, and various expressive therapies.

Exchange Programs and Cooperative Agreements

In recent years there has been a growing trend by US schools to sign cooperative agreements with selected Israeli universities and colleges in an effort to attract graduate and post doctoral students to their institutions and to work on collaborative research and development projects in areas of common interest.

Energy Sector Workforce Requirements for Israel

Israel's offshore natural gas reserves are estimated around 30 trillion cubic feet; however the nation has few formal or vocational education programs to rapidly and efficiently develop this resource. This creates an opportunity for educators to train these individuals. Universities offering degree programs focused on hydrocarbon development at both the undergraduate and graduate level, can capitalize on this opportunity.

Opportunities

[Return to top](#)

Today, attention in Israel has turned to secondary study and relevant accreditation, be it degree, diploma or certificate. Israelis are looking to broaden their horizons both professionally and personally and are investigating opportunities to study overseas. According to the Graduate Management Admission Council (GMAC), 2447 Israeli students took the GMAT in the academic year 2011-2012, more than double from 10 years ago. Even more impressively, Israel has the second highest number of GMAT takers per capita of any country in the world, and provides the seventh largest number of takers of any country in the world, ahead of France and Germany. Best prospects for U.S. educational institutions are to offer a degree integrated with practical work experience. According to 2012 statistics, a total of 25,000 Israelis requested information and showed interest in study programs in the States. In 2011/12 there were 2,490 Israeli students studying in the United States. (Breakdown: 760 under-graduate, 1,322 graduate and 140 non-degree, 268 OPT).

If you are interested in tapping into this market, you are welcome to participate in the annual recruiting fair organized by CS Israel. For additional information, please contact Commercial Specialist Alan Wielunski; email: alan.wielunski@trade.gov; Phone: +972-3-519-7390

Web Resources

[Return to top](#)

[Central Bureau of Statistics](#) , [Council for Higher Education](#)

Automotive Aftermarket Parts & Equipment - Israel

Overview

[Return to top](#)

The Israeli automotive industry is solely dependent on European and Asian imports having no manufacturing base of its own. Industry sources predicted that from 2011, the number of motor vehicle deliveries would average 240,000 units per annum, but this did not materialize. In 2012 only 204,939 units were delivered, a decrease of 9% over 2011. Of the 2.6 million cars on Israeli roads, U.S. market share has remained flat at 3.7%, but U.S. manufacturers are making serious inroads in the market place with the introduction of smaller more fuel efficient vehicles such as the Ford Focus. The balance of vehicle imports come from Europe (45.9%) and Asia (50.4%) - Japan 39.1% and South Korea 11.3%. The top four brands in Israel are Hyundai, Ford, Toyota and KIA. The average age of vehicles is 6.9 years and rate of motorization 342.4 vehicles per. 1,000 residents.

In April 2013, the GOI (Government of Israel) approved the Ministry of Transportation's proposal, which is based on the Zelekha Committee recommendations from 2012. The bill sets out regulations governing the operation of parallel importers that are unassociated with the vehicle manufacturers, and the sale and trade of used vehicle parts. The new bill also allows personal importers the possibility of importing up to 20 vehicles a year including vehicles that have already been registered overseas, and temporary regulations (until 2015) which allows a business or individual to import two vehicles a year for business or personal use.

Despite the Ministry of Transportation's efforts to reduce costs, the cost of car ownership has been steadily rising in Israel. It increased by an average of 0.5% every year between 1999 and 2009, and now averages NIS 1,458 (\$394) a month. Part of the reason costs are so high, are the high taxes on vehicles and gasoline, and the high cost of replacement parts and repairs. Despite OECD directives, taxes on new cars in Israel are among the highest in the world (83%) and soon-to-be 18% VAT, which industry sources blame as the main factor preventing the car market from reaching its full potential. In 2011, the GOI introduced tax incentives on imports of electric vehicles and hybrids in order to help reduce carbon emission gases, but in a move to raise declining state revenues, the Ministry of Finance has "raised the bar" on discounts allowed for more fuel-efficient 'green cars', meaning cars that previously qualified will no longer qualify under the new regulations, further raising the price of cars.

Total imports of aftermarket products reached \$445 million in 2012. The bulk of these imports came from Germany, Japan and Asia. Imports from the U.S are estimated at \$25 million annually.

Access to the Israeli market by US exporters is best achieved through any of the 600–700 importers of aftermarket products. There are about 45 firms that produce and supply original equipment for global car manufacturers (GM, BMW) and subcontractors, and a further 20 that are involved in design and design development, measuring and diagnostic systems, and cutting and engraving that are used by the car industry.

Best Prospects/Services

[Return to top](#)

- Car security and anti-theft devices: anti-theft electronic systems, locking devices,
- Car body: bumpers, radiator grills, hood and trunk lids, wings, front and rear lamps (i.e. the parts most vulnerable in car accidents).
- Service parts: disc brake pads, shock absorbers, front suspension parts, filters for oil and lubrication, air conditioning parts,
- Replacement service parts: tires, fan belts, water hoses, water pumps, brake components, engine and transmission components, electrical components, undercarriage items that need replacing at the end of the warranty period.
- Vehicle accessories: car care products, polish, wax, upholstery spray
- Water-coolants (Glycol) for radiators
- Electronic accessories: TV screens for the rear seats, GPS systems, sound systems etc.
- Universal lubricants: well-known brand names of high-grade oils, lubricating, glycol, wax. The market demands well-known brand names.

Opportunities

[Return to top](#)

Israeli importers are always on the lookout for quality products at competitive prices – usually in that order. For additional information, please contact Commercial Specialist Alan Wielunski; email: alan.wielunski@trade.gov; Phone: +972-3-519-7390.

Web Resources

[Return to top](#)

[Central Bureau of Statistics; Industry Sources](#)

[Israel Vehicle Importers Association](#)

[Federation of Israeli Chamber of Commerce](#)

Intelligent Transportation Systems

Overview

[Return to top](#)

Intelligent Transportation Systems (ITS) is a broad-based term that describes a wide range of communication and computing technologies used to improve various transportation systems. Innovation in ITS is moving Israel towards an all-encompassing computer coordinated transportation system that will improve every source of transportation, from trains to roads, buses and even bike paths. Not only do these improvements make transportation more convenient and efficient, but also allow increased safety. Improvements in traffic management, driver assistance technologies, navigation aids, freight management dispatch systems, multi-modal transport information, rescue systems and environmental management provide users with significant reductions in total costs and travel time and increased safety. In 2010, Israel adopted the US standard for ITS architecture which is expected to take 10 years to fully implement across all transit authorities operating in the country.

Total planned transportation infrastructure spending in Israel is planned to reach \$16 billion in the medium term (2008-2015). Highway spending alone could reach approximately \$6.4 billion over the next five years. In 2011-12, the Israel National Roads Company (INRC) will embark on the development, implementation and operation of a national traffic management system as part of its comprehensive traffic management program in order to proactively manage the road network, optimize existing capacity, reduce congestion, enhance safety and improve air quality. ITS spending by the Israel National Roads Company (INRC) may reach as high as \$40 million.

Best Prospects/Services

[Return to top](#)

Roughly 40% of the ITS budget is allocated to procuring hardware components such as; cameras, electronic signage and detectors. This product group alone is expected to reach \$18.6 million in the next five years.

Opportunities

[Return to top](#)

U.S. manufacturers of ITS products and services are encouraged to take advantage of the opportunities in the Israeli market. For additional information, please contact Commercial Specialist Alan Wielunski; email: alan.wielunski@trade.go; Phone: +972-3-519-7390.

Web Resources

[Return to top](#)

[Israel National Roads Company](#)
[Ministry of Transport](#)

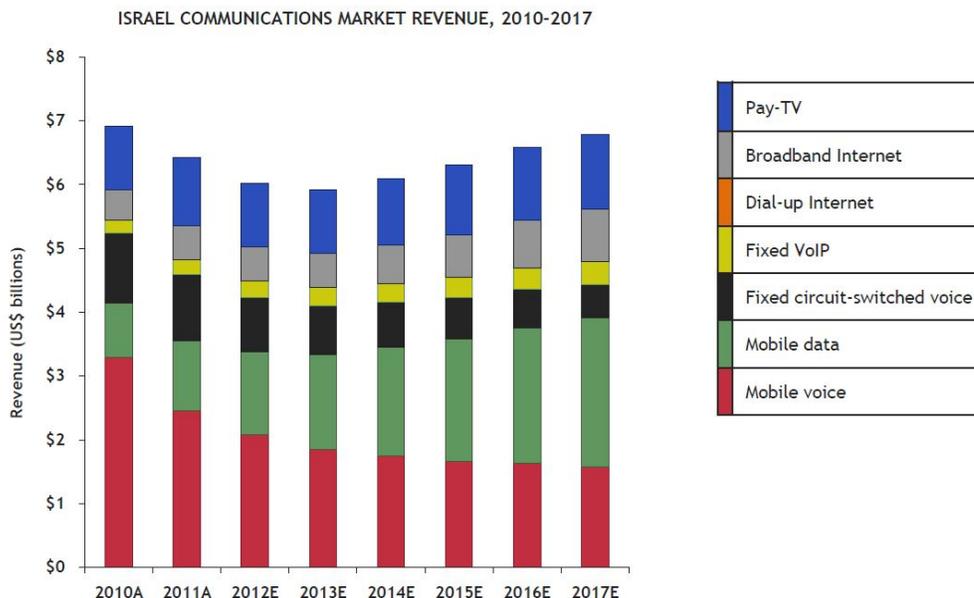
Telecommunications

Overview

[Return to top](#)

In 2012, the telecommunications sector in Israel had revenues of over US\$ 6 billion, representing about 4% of the GDP. Israel has the most competitive and dynamic telecommunications market with one of the highest mobile penetration rates in the world and one of the highest household broadband penetration rates. Growth in the market will rely on a combination of new services and networks rather than increasing number of subscribers. Over the next four years, the majority of growth in the Israeli telecom market will arise from fixed and mobile broadband, VoIP, and pay-TV. "As the ability to offer multiplay services becomes more important in the Israeli market, operators look for mergers or partnerships that will allow them to expand their product ranges. Looking forward, the market is expected to grow as a result of demand for data and data-related services. This trend will be driven by an increase in competitiveness in both the fixed and mobile segments following a number of government reforms, including LLU and the introduction of a number of new MNOs and MVNOs.

Over the next five years, the majority of growth in the Israeli telecom market will arise from fixed and mobile broadband, VoIP, and pay-TV. "As the ability to offer multiplay services becomes more important in the Israeli market, operators look for mergers or partnerships that will allow them to expand their product ranges. Differentiation through discounted bundles and value-added services becomes vital. With 85 percent of households having fixed broadband access and the proliferation of 3G networks by all mobile players, the market is ripe with opportunities for convergence and multiplay offers



Sources: Pyramid Research, operators

Israel's very high broadband penetration rate provides great potential for triple play and digital media technologies. Another area of development is the Fixed Mobile Convergence (FMC) market. A market survey conducted by BBDO Consulting shows that over 65% of fixed and mobile operators will have implemented FMC services into their products over the next three years. There are a number of Israeli companies offering FMC solutions allowing for dual-mode handset service.

In the fixed broadband market healthy infrastructure competition exists between DSL and cable. Bezeq announced in early 2013 it was bringing fiber closer to customers, moving beyond Fiber-to-the-Curb (FttC) towards Fiber-to-the-Home (FttH). HOT has already implemented DOCSIS 3.0 technology to offer speeds of up to 100Mb/s. A proposal to introduce a new FttH fiber operator backed by the incumbent power utility, Israel Electric Corporation (IEC), is underway although the government has struggled to find willing investors.

The majority of Israeli households subscribes to cable or satellite TV, provided by HOT and YES TV respectively. Free-to-Air (FTA) programming is also available via a Digital terrestrial TV (DTTV) network. The Ministry of Communications is keen to break up the HOT/YES duopoly by introducing IPTV-based competition, with estimates that competition could reduce tariffs by over 60%.

Israel's mobile communications market is served by five mobile network operators in a saturated market. Previous competition led the mobile network operators to engage in a round of merger and acquisition activity with fixed line players to offer integrated services. The established mobile network operators are building on these past developments by planning to diversify into the pay TV market as a revenue growth opportunity. Another growth opportunity is mobile broadband, with 3G/HSPA networks launched.

Competition in the mobile and internet markets has received a welcome boost following the licensing of two new 3G mobile network operators and a host of mobile virtual network operators. The existing players were cutting prices and unveiling 'unlimited call' schemes ahead of the May 2012 launches of HOT Mobile and Golan Telecom and this is reflected in lower ARPUs. While this move benefits consumers, operators' margins are under pressure and - in order to contain costs – operators such as Partner have begun laying off staff and streamlining their operations. Partner was itself put up for sale in 2012, but Hutchison Whampoa ultimately decided not to complete the deal based on Partner's current valuations. Regulatory moves to cut interconnection and roaming rates will further weigh on operators and consolidation remains a distinct possibility.

The five cellular operators in Israel who provide digital technology countrywide coverage and modern 3G (third generation) services. Pelephone, the oldest operator, has rolled out a UMTS network. The second operator, Cellcom, still operates the American IS-136 TDMA technology as a legacy second-generation network, but uses European DCS 1800 and UMTS for third generation services. Orange (Partner Communications), the third operator, uses GSM technology DCS 1800 and UMTS. Two new operators entered the market in 2010: Hot mobile, which uses third-generation UMTS technology alongside a legacy iDen network acquired along with small operator Mirs Communications, while Golan Telecom uses UMTS technology exclusively. Both

Golan Telecom and HOT mobile have concluded national roaming agreements which allow for nationwide coverage while they build their networks.

The mobile market continues to search for new and innovative applications such as value added services for its customers. Israel is a highly urbanized, technologically-literate society. Israelis are used to having world-leading technology in many fields, and mobile phones are no exception.

Opportunities

[Return to top](#)

Growth in the market will rely on a combination of new services and networks rather than increasing number of subscribers. Over the next four years, the majority of growth in the Israeli telecom market will arise from fixed and mobile broadband, VoIP, and pay-TV.

The established mobile network operators are building on these past developments by planning to diversify into the pay TV market as a revenue growth opportunity. Another growth opportunity is mobile broadband, with 3G/HSPA networks launched. The Ministry of Communications and a number of mobile network operators are keen to break the current pay TV duopoly by launching IPTV-based services

The government of Israel seeks the establishment of a privately held third communication infrastructure company. In January 2013 then Minister of Finance Yuval Steinitz signed the permit for [Israel Electric Corporation \(IEC\)](#) (TASE: [ELEC.B22](#)) to engage in telecommunications and provide 1-Gbps Internet access speed. The permit, which will come into effect when Minister of Energy and Water Resources Silvan Shalom also signs it, is the final step in the government's plan to establish a nationwide fiber optic network with unprecedented access and quality. Deployment of the fiber optic network is scheduled to begin in late 2013, when the ministries finish their work and the tender process is completed.

Also, the Ministry of Communications reached an agreement with the Ministry of Defense to vacate frequencies which mobile carriers will use for 4G networks. The mobile carriers will need to have 4G frequencies, as their networks are overloaded. Industry sources believe that within a year, some networks are liable to stop functioning because of the demand for mobile Internet.

Despite the agreement, 2013 is shaping up as another lost year for 4G in Israel, because of the time needed to prepare the tender and complete the discussions between the companies and the Ministry of Communications on the frequencies' allocation.

For additional information, please contact Commercial Specialist Sigal Mendelovich: email: sigal.mendelovich@trade.gov; Phone: +972-3-519-7491.

Web Resources

[Return to top](#)

[Ministry of Communication](#)
[Israel Association of Electronics & Software Industries](#)

Electronic Components (ELC)

Overview

[Return to top](#)

	2009	2010	2011	2012 (-3%) Est.
Total Market Size	656 (-21%)	997	1,1	1,0
Total Local Production	1,081	1,513	1,664	1,605
Total Exports	1,033	1,446	1,590	1534
Total Imports	608	930	1.0	965
Imports from the U.S.	169	250	275	265

Units: Millions of U.S. dollars. Source: www.technologies.co.il

Israel's electronic components industry, valued at more than \$1 billion, has been slightly affected by the global economic slowdown and estimated to decrease by approximately 3% in 2012. This market segment represents 14.7% of the Electronics & Information industry. Most components are imported, integrated into various types of systems or subsystems and generally exported. Israeli companies purchase electronic components from Europe (44%), the U.S. (44%) and Asia (22%). In 2012, imports from the U.S. alone reached more than \$260 million. Companies outsource their purchasing activities using subcontractors for supplying them with the components they need.

Israel's leading sectors remain the defense and medical industry, which showed stability even in difficult times. Sectors that are showing a healthy recovery are the solar energy and safety & security market. There is an increased demand for passive components and RF.

Israel is a major importer of electronic components. Total imports totaled \$970 million, with nearly 30% coming from the U.S. Although the U.S. remains one of Israel's main components suppliers, Asian companies are proving tough competitors. Numerous multinational corporations have also taken advantage of Israel's technical expertise by establishing R&D facilities and manufacturing plants in the country. These include Applied Materials, General Electric, HP, IBM, Intel, Microsoft, National Semiconductor, Jabil and Vishay.

There are three key points that influence competition in the Israeli electronic components market:

- **Product's technical features** - Demand for the most updated innovative technologies components is very high. Israeli companies always look for components that can enhance their products' technical features.

- **Technical support** - Providing technical support is very important for the Israeli customer. Bad technical support assistance has negative influence on recurring purchasing decisions.

- **Price** - When quality is not an issue, Israeli companies prefer to purchase cheap components from Asian countries. That is the case of mass production. Prices of

electronic components imported from the U.S. are more expensive and therefore local companies tend to purchase American components when they need to produce reliable systems for defense, safety and security systems.

Best Prospects/Services

[Return to top](#)

As a developed technology market, Israel is always looking for innovative technologies and components to enhance product technical features. Developments in the Israeli telecom, defense and homeland security markets have had a positive effect on the increased demand for electronic components. Israel's purchasing nature is based on two main factors, price and technical support.

Opportunities

[Return to top](#)

Israel offers opportunities for U.S. exporters of active components, RF & microwave, power amplifiers and semiconductors. There are a large number of Israeli companies that represent U.S. firms in this sector, always looking for new-to-market U.S. companies with good service and competitive prices that they can represent. For additional information, please contact Commercial Specialist Sigal Mendelovich: email: sigal.mendelovich@trade.gov; Phone: +972-3-519-7491.

Web Resources

[Return to top](#)

[Israel Association of Electronics & Software Industries Technologies Group](#)

Energy

Overview

[Return to top](#)

Since 2009, Israel has discovered over 800 Billion Cubic Meters (BCM) of offshore natural gas. Noble Energy and its local partners are supplying gas from the Tamar field. The future of the Leviathan field and Israel's ability to develop the potential of its natural gas resources will in large part be determined by the outcome of the debate on the country's export policy for natural gas. The 2012 Zemach Committee recommended an export quota of over 50%. These recommendations have not been adopted and there is ongoing debate within the Israeli government regarding quantities to be reserved for the domestic market versus allowed for exports.

Israel plans to use the gas to leverage the development of a gas-based auxiliary industrial sector. The country is rapidly developing a gas based electricity sector and the regulator has issued dozens of licenses for IPP's including combined cycle plants. The government is awaiting the conclusion of an economic feasibility study regarding the use of gas for the transportation sector including the construction of a GTL plant and the production of methanol. There are opportunities in pipeline infrastructure development and in training and education.

Israel Electric Corporation (IEC)

IEC is Israel's state-owned electricity utility company. The company owns, maintains and operates 17 power stations sites, including 5 sites for steam driven power stations, and the national transmission and distribution systems. At the end of 2012, [Israel's installed capacity supplying electricity to the grid was 13,750 MW of which IEC owned 13,250 MW](#), and private producers approximately 500 MW. IEC's \$14m 5-year investment plan for 2013-2017 will require significant procurements for upgrades and maintenance of its generation, transmission & transformation and distribution systems. The company plans to build an additional coal fire power station "project D" in Ashkelon in 2018-19. As a state-owned company, IEC is included in Israel's WTO/GPA agreement requiring it to use public tender procedures. While some projects are tendered out in open tender procedures, in most cases, a selective tendering process requires potential suppliers to pre-qualify to be included in IEC's approved suppliers' list.

Independent Power Producers (IPP)

The Electricity Law provides the framework for the increase of IPPs from less than 0.5% to 20% of Israel's installed generating capacity. With the ongoing construction of the natural gas transmission and distribution networks, many major industries have been connected or will soon be connected to the gas supply. The Public Utility Authority for Electricity has granted dozens of conditional generation licenses for stand-alone and combined cycle IPP's to produce over 4,000 MW. Several stand-alone IPP's are due to come on-line in the near future: the 140-megawatt OPC combined cycle power station in Rotem, the 840 MW Dorad plant near Ashkelon, and the 880 MW Dalia Power Energies IPP at Tzafit. The large number of projects in various planning stages offers good opportunities for U.S. manufacturers, in particular of cogeneration equipment.

Renewable Energy

In 2009, the Israeli government established a target for renewables to reach 10% of the country's generating capacity by 2020. The local industry, in particular the solar sector, started to grow at a faster pace, focuses mainly on small and medium-size prospects. However, by 2013, renewables have reached just over 200 MW, accounting for less than one percent of Israel's electricity production. According to in [Ernst & Young's most recent index rankings](#), Israel ranks 17th in solar energy attractiveness and 37th in overall renewable energy attractiveness, behind Chile and the UAE. Bureaucratic bottlenecks, cumbersome regulations, and lack of land are often cited as factors explaining a lower than expected use of solar energy.

Israel has numerous technology firms developing renewable energy technologies. Many of these companies are focused on markets outside of Israel. US-Israeli cooperation and joint R&D in the renewable sector is growing. The [BIRD Foundation](#) provides a good platform for joint U.S.-Israel commercial R&D in renewable energy and energy efficiency. The bi-annual [Eilat Renewable Energy conference](#) and exhibition offers an opportunity for U.S. renewable energy companies to present their technologies and network with Israeli companies and government officials.

Natural Gas Pipelines

The state owned [Israel Natural Gas Lines company](#) (INGL) awarded the last leg of the national pipeline transmission infrastructure to Italian company ENI in (name month and year). INGL awarded two franchises for the construction and operation of regional distribution networks in (name month and year). With extensive investment in pipeline construction, there are ongoing opportunities for U.S. equipment suppliers and engineering consultants.

Best Prospects/Services

[Return to top](#)

Electrical Power Generation, Transmission and Distribution Equipment; Pipeline Equipment and Consulting Services

Opportunities

[Return to top](#)

Israel Electric Corporation is operating under an emergency plan, making substantial investments in expansion and improvements to its generation, transmission and distribution systems. To meet projected future electricity demand, Israel Electric is investing almost \$3 billion annually. Good opportunities exist also in the IPP sector. The Public Utility Authority for Electricity, the regulatory body, has issued numerous licenses for IPPs including to Dorad, OPC and Dalia and for combined cycle plants at major industries and desalination plants over the past few years. Israel remains a good market for U.S. suppliers of equipment and services to the energy sector. Opportunities also exist for pipeline engineering and consulting services to the recently awarded franchisees.

For additional information, please contact Commercial Specialist Irit van der Veur: email: irit.vanderveur@trade.gov; Phone: +972-3-519-7540.

Web Resources

[Return to top](#)

[Israel Electric Corp.](#)
[Ministry of Energy and Water Resources](#)
[Israel Natural Gas Lines company](#)
[BIRD Foundation](#)

Homeland Security

Overview

[Return to top](#)

Israel is a well-developed and sophisticated market for homeland security equipment and services. Israel's security-awareness and high level of preparedness are the driving forces for the development of the country's cutting edge security industry. This is one of Israel's high-growth export industries. Israel has over 400 exporters of security technologies and services, including many integrators and service providers. The homeland security industry's annual sales are estimated at \$4 billion, with exports accounting for approximately \$2.5 billion. Imports are an estimated \$600 million, with 55% U.S. market share. HLS is closely related to Israel's successful defense sector that continues to grow its annual exports, reaching \$7 billion in 2012.

Best Prospects/Services

[Return to top](#)

(CCTV, X-ray systems and screening systems using alternative technologies, non-lethal weapons, sensors, biometric solutions)

Opportunities

[Return to top](#)

Israel is an attractive market for U.S. manufacturers of high-end equipment and of components that can be integrated into Israeli systems. Israeli manufacturers are important end-users of imported security equipment and components that are integrated into locally produced for-export security systems. In addition, many of the homeland security systems are sold to the Israel Ministry of Defense. These procurements are often made with Foreign Military Funding (FMF) or Foreign Military Sales (FMS), giving an advantage to U.S. manufacturers. U.S. suppliers dominate the imports with a 55% market share.

The total imports of homeland security equipment and services are estimated at \$600 million. Good opportunities exist for sophisticated equipment used in homeland security applications. U.S. security equipment, which enjoys an excellent reputation in Israel due to its high reliability, is often used for sensitive applications, by high-security industries and for key infrastructures and installations. The market offers good opportunities for U.S. exporters of high quality and sophisticated detection and screening systems, CCTV, sensors, biometric solutions, x-ray systems, non-lethal weapons, etc. U.S. exporters should take into account that their products may be re-exported. U.S. companies that want to participate in this sector should be knowledgeable of U.S. export control regulations.

For additional information, please contact Commercial Specialist Irit van der Veur: email: irit.vanderveur@trade.gov; Phone: +972-3-519-7540.

Web Resources

[Return to top](#)

[Israeli Export and International Cooperation Institute](#)
[U.S. Department of Commerce Export Control Regulations](#)
[U.S. Department of State Export Control Regulations](#)

[Return to table of contents](#)

Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

Import Tariffs

[Return to top](#)

Israel's tariff classification is based on the Harmonized System (HS) Code. Israel's Customs and Purchase Tax Tariff is the main instrument used for the classification of goods. The correct classification of goods is the key to determining tax rates, as well as obtaining various authorizations, permits and licenses, and all other conditions of importation, in accordance to the applicable laws, regulations and instructions. We recommend contacting a professional customs broker for consultation since classification of goods requires professional knowledge. Israeli Customs provides free [pre-ruling classification information](#). A request should include a detailed description of the goods, a catalog with the technical information and/or any other relevant information. In addition, Customs may also require a sample of the material/product, lab testing results, authorizations from institutes/authorized government agencies, import license and any other documents as required by the specific Customs Department.

Trade Barriers

[Return to top](#)

In general, Israel offers a good commercial environment for U.S. companies. The United States-Israel Free Trade Agreement (FTA) has eliminated almost all tariffs, leaving Israel's agricultural sector as the only one with substantial barriers. The FTA also provides for a joint committee comprised of representatives from both countries to review the functioning of the agreement. Israel is a member of the World Trade Organization (WTO).

A 1996 Agreement on Trade in Agricultural Products (ATAP) with the United States permits Israel to maintain non-tariff protection for certain agricultural products. This framework expired at the end of 2001 but the signed agreement was renegotiated and extended until the end of 2008. Since then the agreement was extended three times until the end of 2013. Negotiations on a new expanded agreement are ongoing with the intention of both sides to sign the agreement before the end of 2013. Under the agreement, Israel permits free access to a long list of food products and duty-free access for certain quantities of a list of U.S. products under tariff rate quotas (TRQ). American exporters and Israeli importers, however, complain that these TRQs provide

an insufficient duty-free quota for many fruits and other products, and very high tariffs on imports above quota. Israel excludes most of US fresh vegetative products, on phytosanitary grounds. Israel has revised its phytosanitary restrictions and requirements making them consistent with WTO requirements.

The U.S. Embassy in Tel Aviv is very actively pursuing much-needed improvements in the export and investment climate for U.S. firms in Israel. These efforts are focused in three specific areas: incorporating technical standards in Israel that do not discriminate against U.S. products, protecting intellectual property rights, and establishing greater transparency in Israel's public procurement process. For further information about how these issues may affect your export prospects in Israel, please contact the Commercial Service in Israel.

Regarding intellectual Property Rights, while there has been improvement in the level of illegal production, importation, and sale of copyrighted and trademarked goods, problems still exist. For more details, see "Intellectual Property Rights, in Chapter 6, "Investment Climate Statement."

Import Requirements and Documentation

[Return to top](#)

All administrative import licensing requirements for U.S.-made consumer and industrial goods have been eliminated under the FTA, excluding the requirements for most food and agricultural products. In the case of products for which there is a TRQ, the Ministry of Agriculture or the Ministry of Industry, Trade & Labor issues a license, which either totally exempts the bearer from duty or grants a reduction in customs duty on the quantity indicated in the license. Importers wishing to bring in goods without availing themselves of the TRQ are not required to obtain a license. All imported agricultural and food products must carry a health certificate or an import license for veterinary, phytosanitary or public health reasons. The Israel Veterinary Services (IVS), the Plant Protection and Inspection Services (PPIS) and the Food Control Service (FCS) of the Ministry of Health issue these licenses, respectively. Please contact Agricultural Specialist Yossi Barak for more details at yossi.barak@usda.gov.

U.S. Export Controls

[Return to top](#)

U.S. exporters to Israel must follow standard U.S. Government requirements regarding export control documentation for sensitive U.S. technology exports. For information on this subject contact the U.S. Department of Commerce Bureau of Industry and Security, Internet web site: <http://www.bis.doc.gov/> or the Trade Information Center at 1-800-872-8723 or the [U.S. Department of State Directorate of Defense Trade Controls \(DDTC\)](#)

Although Israel is not a signatory to the Wassenaar Arrangement, it has adopted the Wassenaar list of dual-use items subject to control. As of January 1, 2007, the Ministry of Industry, Trade & Labor is responsible for the administration of Israel's dual-use export control system. However, it lacks sufficient trained personnel to shoulder this responsibility completely and continues to rely on staff work of the Ministry of Defense. The Ministry of Defense has established a new division to deal exclusively with the export controls of defense items.

U.S. export licenses are required for exports to Israel of certain high technology, defense related equipment and technologies and weapons for chemical and biological warfare.

U.S. exporters should ensure that they are in compliance with the export control regulations as administered through the [U.S. Department of Commerce, Bureau of Industry & Security](#) and [U.S. Department of State, Office of Defense Trade Controls](#).

Temporary Entry

[Return to top](#)

Temporary entry of U.S.-made goods is possible with an "ATA Carnet" issued by a U.S. Chamber of Commerce or through payment of a deposit, reimbursable upon re-export.

Labeling and Marking Requirements

[Return to top](#)

Israel has strict marking and labeling requirements that frequently differ from those of other countries. U.S. exporters should consult with their Israeli importer prior to shipping any product that will be offered to the local market. The Food Control Services (FCS) of the Ministry of Health is enforcing the labeling regulations Embassy Tel Aviv is working with the Ministry to try to resolve any discrepancy.

All imports into Israel must have a label indicating the country of origin, the name and address of the producer, the name and address of the Israeli importer, the contents, and the weight or volume in metric units. In all instances, Hebrew must be used; English may be added provided the printed letters are no larger than those in Hebrew. Nutritional labeling is compulsory on all packaged foods. For more information on marking and labeling requirements, see the information in [FAIRS report](#) or please contact Agricultural Specialist Yossi Barak for more details at yossi.barak@usda.gov, Tel: 972-3-519-7686.

Israel has no declared government policy on genetically modified organisms (GMO) although regulations are being prepared which will require positive labeling when a product or an ingredient is genetically modified. Israel's main export market for food is Europe where consumer concern over GMO is considerable. Thus, many Israeli raw material importers require an exporter's declaration that the product is GMO free.

Marking should be done by printing, engraving, stamping, or any other means, on the package or the goods themselves. If marking is not possible, a label should be well sewn or stuck to the goods or package. Marking details should be clear, legible and in a different color from the background in order to be clearly distinguishable. Printing dyes and other marking materials should not affect merchandise quality. The marking should not be blurred. On a multi-layered package, the external layer should be marked. If the external layer is transparent the marking should be done underneath that layer, provided it is still clear and legible. On a package containing sub-packages, the labeling should specify the number of such sub-packages, the net content of a sub-package, and the overall net weight of the package. An aerosol container should indicate the net quantity weight unit for semi-solid or powder products, and volume unit for liquids. For products that tend to lose weight under regular marketing/commercial conditions, the maximum quantity of expected depletion should be mentioned.

Specific labeling regulations apply to some consumer goods, paper products, handbags, musical recordings, fertilizers, insecticides, chemicals, pharmaceuticals, some food products, seeds, and alcoholic beverages. Outside and inside containers of dangerous articles, such as poisons, insecticides, drugs, flammable goods, ammunition, explosives, reptiles, insects, bacteria and radioactive materials should be clearly marked.

U.S. exporters of auto parts to Israel are concerned about a Ministry of Transportation requirement that they affix "Made in the USA" labels to their product before entry into Israeli Customs territory. Most U.S. auto parts manufacturers label their parts as being "Assembled in the USA," required by the U.S. Federal Trade Commission for domestic parts that contain some portion of foreign content.

Prohibited and Restricted Imports

[Return to top](#)

Israel maintains restrictions on imports of agricultural and food products the government considers to be economically sensitive and subject to agricultural policy considerations. U.S. meat exports face an especially difficult environment due to a ban on beef meat due to veterinary restrictions and for kosher requirements. Waiving the ban on imports of live cattle and beef meat and products is under advanced discussions.

Israeli law determines that the sole authority for certifying food as kosher is the Council of the Chief Rabbinate of Israel. Hence, products considered kosher in the United States still must obtain certification from Israel's Chief Rabbinate to be considered kosher in Israel. With the exception of meat, poultry and their products, there is no legal requirement that imported food be kosher. However, for commercial considerations, in most cases it is advisable to obtain kosher certification for products and raw materials as surveys show that between 60 and 65 percent of the Jewish population prefer Kosher food. Please contact Agricultural Specialist Yossi Barak for more details at yossi.barak@usda.gov, Tel: 972-3-519-7686.

Customs Regulations and Contact Information

[Return to top](#)

Israeli Customs stringently enforces import documentation regulations, including the requirement for a U.S. Certificate of Origin for exports to Israel. Therefore, U.S. exporters should meticulously follow the advice given below and always double-check with the Israeli Customs clearing agent before the goods leave the United States to avoid potentially lengthy delays when the goods enter Israel.

In order for U.S. exporters to qualify for preferential access to the Israeli market, a hard copy, green color certificate of origin must accompany all shipments from the United States to Israel. The FTA came into full effect in 1995. Under this agreement, American companies exporting to Israel can gain greater market access, reduce transaction costs, increase sales, enhance export revenues and become more competitive in the Israeli marketplace. U.S. exporters are encouraged to qualify for preferential tariff treatment and to obtain, when necessary, a certificate of non-manipulation for trans-shipments.

If the exporter is also the manufacturer the certificate does not need to be notarized or stamped by a Chamber of Commerce. Instead, the exporter should make the following declaration in box 11 of the certificate: "The undersigned hereby declares that he is the producer of the goods covered by this certificate and that they comply with the origin requirements specified for those goods in the U.S.-Israel Free Trade Area Agreement for goods exported to Israel". The actual forms are printed by a number of commercial printing houses in the United States. Please note that the aforementioned process is being reviewed for possible modifications and that the U.S. Commercial Service should be contacted for more information at [Certificate of Origin for Exporting to Israel](#).

Other Documentation

The Israeli Customs Services prefer that exporters use their own commercial invoice forms containing all required information including name and address of supplier, general nature of the goods, country of origin of the goods, name and address of the customer in Israel, name of the agent in Israel, terms, rate of exchange (if applicable), Israel import license number (if applicable), shipping information, and a full description of all goods in the shipment including shipping marks, quantity or measure, composition of goods (by percentage if mixed), tariff heading number, gross weight of each package, net weight of each package, total weight of shipment, price per unit as sold, and total value of shipment. The total value of the shipment includes packing, shipping, dock and agency fees, and insurance charges incurred in the exportation of the goods to Israel. The commercial invoice must be signed by the manufacturer, consignor, owner, or authorized agent. U.S. exporters should also double check with their freight forwarder, shipping company or importer to find out if any other documentation, including bill of lading and packing list, is required. It is imperative that these issues be addressed before the goods arrive at the Israeli port, to avoid any possible delays and storage fees. In addition, U.S. goods that are transshipped through third countries require a Certificate of Non-Manipulation from the customs authority of the third country, in order to qualify for the FTA preferential tariff.

Authorization Procedures for "Approved Exporter" Status

Potential candidates for "Approved Exporter" status are U.S. firms with total annual exports to Israel of at least \$20 million that have a clean record with the Israel Customs Services. Israel Customs will examine whether the manufacturer or exporter complies with the criteria and grant approval for "Approved Exporter" status. The approved exporter will be given an identity number to be stamped on all invoices. The approval is valid for six months, after which the exporter should receive an automatic extension from Israel Customs. If the exporter does not receive an extension notice he/she must terminate use of the approval. For more information please contact U.S. Commercial Service Commercial Specialist, Yael Torres, at yael.torres@trade.gov

Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

Overview

[Return to top](#)

[The Standards Institution of Israel \(SII\)](#) is the only statutory body in Israel that develops and establishes standards. Created by an act of the Knesset (Parliament), "The Standards Law of 1953" mandates SII's responsibility for the preparation, publication of technical specifications and standards for products and services, which are produced locally or imported. Today, the SII incorporates standardization, testing, conformity assessment, product certification, management system certification and training

activities under one roof. It has laboratories in almost all technological areas, providing testing and inspection services to industry and commerce, as well as regulatory services to government. Overseeing the SII's policy is the Ministry of Industry, Trade & Labor's Commissioner of Standards.

The supreme body of the SII is the General Assembly, comprised of 70 members from the following sectors: manufacturing, construction, commerce, services, trades, consumers, engineering associations, universities and government. The General Assembly annually elects a Board of Directors and President. The SII's Standardization Division coordinates the preparation of standards through the work of hundreds of standardization committees that include volunteer representatives from all sectors of the Israeli economy. The adoption of Israeli standards is voluntary, however, standards may be declared mandatory by the relevant government ministry in the interest of public health and safety or protection of the environment.

As the mandated national standards body, the SII represents Israel in two international standards organizations, the International Organization for Standards (ISO) and the International Electromechanical Commission (IEC). Israeli legislation also mandates the adoption of multiple, proven international standards whenever possible to maximize benefits to the Israeli consumer of a competitive market.

However, Israeli standards policy in the past is its clear preference for European standards, but in recent years U.S. standards have been gaining greater acceptance. The SII has become an affiliate of the European Committee for Standardization (CEN) and the European Committee for Electro technical Standardization (CENELEC), though it has not joined any technical committees.

Standards Organizations

[Return to top](#)

The [SII](#) is the sole organization that develops standards in Israel. On a yearly basis the SII prepares its work plan that includes a list of standards they plan to develop. Members of the various technical committees, as well as government ministries, provide input.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet

URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

[Return to top](#)

The sole authority for conformity assessment in Israel is the SII.

SII operates product and system certification programs. Use of the Standards Mark is generally voluntary but Israeli law mandates that certain classes of products must be certified before they are sold. The Standards Mark program operates in accordance with EN 45011. To qualify for the Standards Mark, a product must conform to the requirements of the applicable standard or standards, and be manufactured in a plant with an approved quality assurance system, similar to ISO 9002.

The Standards Mark Board appoints technical committees of representatives from the public and private sectors in various technological areas, which meet regularly to evaluate the findings of the test reports and quality assessment reports. These committees report their findings to the Licensing Committee, which is responsible for granting or canceling a license.

Once a license is issued, follow-up inspections of the product and quality assurance review is performed. These inspections are performed by laboratory personnel and certified auditors. In addition, samples of the product are taken several times a year to insure continuous compliance of the product with the relevant standard or standards. In order to ease the process for foreign manufacturers wishing to enter the Standards Mark program, agreements have been reached with independent foreign testing and certification organizations to perform testing and inspection services on behalf of SII.

The SII has signed Mutual Recognition Agreements (MRA) with the following U.S. organizations:

Dept. of Defense	QPL AND QML for Electronic components
ETL	Standards Mark recognition - Electrical and energy products
FCC	Recognition
IAPMO	Hydraulic products Standards Mark
NSF	Food Safety, HACCP-9000, HACCP
UL	Mutual recognition in fields of: Electricity, electronics, hydraulics, mechanics, fire. Standards Mark supervision in fields of: Electricity, electronics, hydraulics, mechanics, fire

The [Israel Laboratory Accreditation Authority \(ISRAC\)](#) is the only body in Israel, which is internationally and legally recognized to accredit testing and calibration laboratories according to ISO/IEC 17025 and to recognize laboratories in accordance with the OECD rules of Good Laboratory Practice (GLP).

The Government of Israel decided in its resolution No. 3778 from August 14, 1994 to set up a National Authority for the accreditation of testing and calibration laboratories (ISRAC) and empowered the Minister of Industry, Trade & Labor to implement this resolution as a voluntary scheme for laboratories wishing to be internationally recognized for their competence in testing. The law for the national accreditation authority (ISRAC) was passed in the Knesset in May of 1997.

ISRAC has accredited laboratories in the areas of food, water, cosmetics, pesticide chemistry, biology, microbiology as well as many calibration, engineering, construction laboratories NDT (non-destructive testing) and EMC (telecommunications).

Publication of Technical Regulations

[Return to top](#)

Technical standards are published in the official Israel Government Gazette in hard copy only and can be purchased in bookstores that sell legal textbooks or by subscription. Prior to publication, the Director General of the SII officially informs the relevant industry sectors of pending additions and amendments. U.S. entities can influence the content and adoption of technical standards through active participation at the technical committee level.

Labeling and Marking

[Return to top](#)

The Standards Institution of Israel operates a product certification scheme to assist consumers in identifying products conforming to Israeli Standards. For more information go to: http://www.sii.org.il/384-en/SII_EN.aspx

Contacts

[Return to top](#)

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Trade Agreements

[Return to top](#)

Israel has adopted a liberal import policy. In addition to its Free Trade Agreement (FTA) with the U.S., it has FTAs with Bulgaria, Canada, the Czech Republic, Hungary, Mexico, Poland, Romania, the Slovak Republic, Slovenia, Turkey, the European Union (EU), and EFTA (Iceland, Liechtenstein, Norway, and Switzerland). In 2011 a trade agreement has been signed with the MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay, and Venezuela) and an agreement with India is under discussion. Israel also has a preferential trade arrangement with Jordan and maintains a customs union with the Palestinian Authority. In late 2002, the European Union began imposing customs duties on goods manufactured by Israeli companies located in the Palestinian territories.

In 1997, Congress amended the law governing the U.S./Israeli Free Trade Agreement to enable the creation of so-called qualifying industrial zones (QIZs) with Jordan and Egypt. Jordan took advantage of this opportunity beginning in 1997. Under the agreement, products manufactured in Jordan enjoy duty and quota free access to the U.S. market if, inter alia, they contain a certain minimum percentage of Israeli inputs. As a result of the QIZ agreement, exports to the U.S. grew significantly. In 2001, Jordan and the U.S. signed a Free Trade Agreement which allowed duty free access to the U.S. for Jordanian goods, independent of Israeli content. The FTA reduced the significance of

the Israel-Jordan QIZ agreement in terms of joint Israeli-Jordanian manufacturing and exports to the U.S.

Egypt signed the QIZ agreement in December 2004. Egyptian products manufactured within a designated zone with 10.5% Israeli inputs, and a combined 35% value added, may enter into the U.S. duty free. Since signing the agreement, Egypt's imports to the U.S. have more than doubled. A list of current Egyptian QIZ-eligible companies and zones can be obtained at <http://www.qizegypt.gov.eg>. All products manufactured in the Palestinian territories also may enter the U.S. duty free.

Web Resources

[Return to top](#)

[Ministry of Finance – Israeli Department of Customs & VAT](#)

Regarding Standards Issues:

[Standards Institution of Israel](#)

[Ministry of Industry, Trade & Labor](#)

[Federation of Israeli Chambers of Commerce](#)

U.S. Certificates of Origin for Exporting to Israel:

[U.S. Commercial Service](#)

U.S. Department of Commerce Bureau of Industry and Security:

[Bureau of Industry and Security](#)

Labeling/Marking Requirements:

[Ministry of Industry, Trade & Labor](#)

[Ministry of Health](#)

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

Openness to Foreign Investment

[Return to top](#)

Israel is open to foreign investment, and the government actively encourages and supports the inflow of foreign capital. There are few restrictions on foreign investors, except for parts of the defense or other industries that are closed to outside investors on national security grounds. There is no screening of foreign investment and no regulations regarding acquisitions, mergers, and takeovers that differ from those that Israelis must follow. Foreign investors are welcome to participate in Israel's privatization program. Investments in regulated industries (e.g. banking, insurance), however, require prior government approval. Investments in certain sectors may require a government license. Other regulations may apply, though usually on a national treatment basis. The Investment Promotion Center of the Ministry of Industry and Trade seeks to encourage potential investors to invest in Israel. The Center stresses Israel's developed infrastructure, educated work force, open economy, and ties to the U.S. and Europe, and provides information about investment incentives available in Israel (details are discussed in the section [Performance Requirements and Incentives](#)).

Conversion and Transfer Policies

[Return to top](#)

Israel's foreign exchange liberalization process was completed on January 1, 2003, when the last restrictions placed on the ability of institutional investors to invest abroad were removed. Foreign-currency controls have been completely abolished, and the Israeli shekel has become a freely convertible currency. The government does not intervene in the currency markets at its discretion. Israeli individuals can invest, without restriction, in foreign markets. Foreign investors can open shekel accounts that allow

them to invest freely in Israeli companies and securities. These shekel accounts are fully convertible into foreign exchange.

Most transactions must be carried out through an authorized dealer. An authorized dealer is a banking institution licensed to arrange, inter alia, foreign currency transactions for its clients. The authorized dealer must report large foreign exchange transactions to the Controller of Foreign Currency. There are no limitations or significant delays in the remittance of profits, debt service and capital gains.

Expropriation and Compensation

[Return to top](#)

There have been no expropriations of U.S.-owned businesses in Israel in the recent past. Israeli law requires adequate payment, with interest from day of expropriation until final payment, in cases of expropriation.

Dispute Settlement

[Return to top](#)

Israel has a written and consistently applied commercial law based on the British Companies Act of 1948 as amended. Israel's commercial law contains standard provisions governing company bankruptcy and liquidation. Personal bankruptcy is covered by a separate bankruptcy ordinance. Monetary judgments are always awarded in local currency. The judiciary is independent but businesses complain about the length of time required to obtain adjudications. The GOI accepts binding international arbitration of investment disputes between foreign investors and the state. Israel is a member of the International Center for the Settlement of Investment Disputes (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

Performance Requirements and Incentives

[Return to top](#)

There are no universal performance requirements on investments, but performance requirements, including inbound investment "offset" requirements, are often included in sales contracts with the government. In some sectors, there is a requirement that Israelis own a percentage of a company. Israel's visa and residency requirements are not onerous. The GOI does not impose preferential policies on exports by foreign investors. Israel complies with the WTO agreement on Trade Related Investment Measures (TRIMs).

The State of Israel encourages both local and foreign investment by offering a wide range of incentives and benefits to investors in industry, tourism and real estate. Special emphasis is given to hi-tech companies and R&D activities.

All benefits available to Israelis are also available to foreign investors, who in some cases may enjoy even more generous tax treatment than domestic investors. Some of the benefits and requirements are described below. Investment incentives are outlined in the Law for the Encouragement of Capital Investment, and are coordinated by the Israel Investment Center (IIC).

For complete information, potential investors should contact:

Investment Promotion Center

Ministry of Industry, Trade and Labor
5 Bank of Israel Street,
Jerusalem 91036

Tel: 972-2-666-2607

Fax: 972-2-666-2938

E-Mail: InvestinIsrael@moital.gov.il

Israel Investment Center (asks that requests be in writing)

Ministry of Industry, Trade and Labor
5 Bank of Israel Street,
Jerusalem 91036 490

Tel: 972-2-666.2236

Fax: 972-2-666.2905

Summary of Incentives of the Law for the Encouragement of Capital Investment

Investment Incentives:

<http://www.investinIsrael.gov.il/NR/exeres/08348DA2-83D3-47B1-B043-ED418D9AA846.htm>

Investment incentives are outlined in the Law for the Encouragement of Capital Investment, and are coordinated by the Israel Investment Center (IIC).

Qualification requirements:

To qualify for benefits under the law, the company has to be an industrial company registered in Israel and has to be internationally competitive (i.e. have export capability). However, Biotechnology and Nanotechnology companies do not have to meet the "export" requirement to qualify.

An investment in the Priority Area recognized by the law will be termed an Approved Investment and the company will be designated an Approved Enterprise.

R&D Incentives:

<http://www.investinIsrael.gov.il/NR/rdonlyres/5E7A4322-4D0F-4320-953C-83F94024E7AA/0/RDspreads.pdf>

The Office of the Chief Scientist (OCS) of the Ministry of Industry and Trade is responsible for implementing the government policy of encouraging and supporting industrial research and development in Israel. The OCS provides a variety of support programs, which have helped make Israel a major center of hi-tech entrepreneurship.

The R&D Fund is the main instrument under the R&D Law. The Fund gives grants to "Approved R&D Programs", which are programs lasting one or more years, resulting in the development of a new product or in a significant improvement to an existing product. The development may also lead to a new industrial process or to a significant improvement in an existing industrial process. There is also a support program for

traditional industries, which offers separate evaluation and discussion for projects. If the project is commercially successful, the company is under obligation to repay the grant through royalty payments. A project that has received an R&D grant from another government source is not eligible for a grant under the R&D Law.

A Research Committee, headed by the Chief Scientist, awards the grants, according to set terms and conditions. Grants are from 20 percent to 50 percent of the total approved R&D expenditures of the approved projects. An annual budget of approximately NIS 1.5 billion is spent in the support of the R&D run by hundreds companies.

Support for R&D Centers of Foreign Companies – Overview

<http://www.investinisrael.gov.il/NR/exeres/4C64269C-15BA-4479-B261-CB861D1EC19D.htm>

There are four programs that enable High-Technology R&D Centers of Foreign Companies to receive government support.

1. Funding of R&D projects from the Office of the Chief Scientist
2. Tax Benefits for R&D Centers (entity operating on a "Cost+" basis)
3. Employment Grants for R&D Centers
4. Investment Incentives + R&D funding for fully fledged High-Technology Industrial Company (Manufacturing + R&D activities).

Financial R&D Centers Support Program:

<http://www.investinisrael.gov.il/NR/exeres/6EAE7AD8-96B0-44E2-8DEC-26F421A24594.htm>

Israel has developed a highly dynamic and vibrant Financial Services IT sector. In order to capitalize on the capabilities of this sector the Ministry of Industry, Trade and Labor has devised an innovative support program directed at foreign Multi-National financial and banking corporations.

To qualify the following criteria must be met:

1. The applicant is a foreign company and does not conduct any R&D activities in Israel
2. Operates in the financial sector
3. Has a turnover in excess of \$10 billion.

Employment Grants:

<http://www.investinisrael.gov.il/NR/exeres/EECEBB1D-866C-4D5D-9FB4-593C556622D7.htm>

In order to complement the revised Law for the Encouragement of Capital Investments the government has decided to establish an additional program to increase employment in the outlying areas of Israel as well as specific centers with high unemployment.

1. The Standard Program

In order to complement the revised Law for the Encouragement of Capital Investments, the government has decided to establish an additional program to increase employment in the outlying areas of Israel as well as in specific centers with high unemployment.

Support will be granted for the establishment or expansion of industrial plants, telephone call centers, computer service support centers or logistic centers. In order to be eligible for this program these enterprises will have to employ a minimum number of workers at a minimum wage as detailed below. The maximum support per worker will be 135,000 NIS (~ \$34,000) over a period of 30 months or 4,500 NIS (~ \$1,100) per month.

2. Employment Grant Program for High Salaries (R&D Centers)

The Ministry of Industry, Trade and Labor has launched a new incentive program for supporting industrial companies established in the Negev (south) and Galilee (north) that pay high salaries to their workers. This program is part of a long term plan areas to spread the prosperity the Hi-Tech community has brought to Israel by providing these areas with high-paying quality work places.

3. The Employment Grant Program for Anchor (Large) Enterprises

The Ministry of Industry, Trade and Labor has launched a new incentive program for encouraging employment in large enterprises in the Negev (south) and Galilee (north).

This new program is part of a long term plan for the Negev and Galilee to increase employment possibilities in the north and south of Israel. To qualify industrial companies have to employ at least 100 workers at their plant. The program offers the investor employment grants that will be determined as a percentage of the employer's cost of salary for each new employee, for a period of 4 years.

Film Law Benefits:

<http://www.investinisrael.gov.il/NR/exeres/9DF0E022-7076-45C7-A8C9-FCA9603D5EF6.htm>

The main aim of the law is to encourage the production of foreign films in Israel. To this end the law offers generous tax benefits that reduce the cost of production by up to 20%.

The Law for the Encouragement of the Production of Films was approved by the Israeli Knesset on October 28th, 2008. The law recognizes two models: a) Foreign Productions and b) Co-Productions. In both cases the benefits by law accrue to an Israeli production company who is expected to pass on these benefits to the foreign production company.

Start-up Incubators:

<http://www.investinisrael.gov.il/NR/exeres/2EC10169-510E-4A60-80F6-BAFD466F7DED.htm>

As massive repositories of potential ideas, the Israeli technological incubators have helped make Israel's hi-tech entrepreneurship world-renowned. The Office of the Chief Scientist (OCS) of the Ministry of Industry and Trade takes great pride in implementing the government policy of encouraging and supporting industrial research and development in Israel at the earliest stages. Today, with both public and private incubators assisting entrepreneurs in turning their ideas into exportable commercial products, Israeli business ventures look forward to a promising future.

Business Grants for Employing New Immigrants:

<http://www.investinisrael.gov.il/NR/exeres/D2884B15-03DA-42FC-8316-54E565658641.htm>

Businesses are eligible to receive grants for employing new immigrants and returning Israelis from The Ministry of Immigrant Absorption's Center for Absorption in Science.

Training Support Program:

<http://www.investinisrael.gov.il/NR/exeres/A3C87DA0-1155-41B8-BA7D-97A8431F4013.htm>

The Manpower Training Department in the Ministry of Industry, Trade and Labor actively assists industrial companies to train workers in the different disciplines and professions as required by the company.

The support program is offered via three possible programs:

- "Plant Class" whereby the department will support the opening of a class numbering at least 18 to train the workers in the specific skills as required by the company. The main condition being that the company obligates itself to employ at least 50% of the class graduates.
- "Training and Placement Class". This program is intended for employers and institutions that wish to train workers in specific disciplines and professions. The company/institution commits itself to employ at least 50% of the class graduates within 6 months of the completion of the course.
- The Department will finance the entire cost of running these classes.
- "Internal Plant Training". This program assists employers who wish to have an on-the-job training project in their plant.
- The Department will assist by paying 1,100 – 1,500 NIS (~\$250 - \$350) per worker in this program.

Invest in Israel website homepage for investment incentives:

<http://www.investinisrael.gov.il/NR/exeres/2A82DCE7-9B2D-4581-83B7-8C518D8323D1.htm>

Right to Private Ownership and Establishment[Return to top](#)

The Israeli legal system protects the right of both foreign and domestic entities to establish and own business enterprises, as well as the right to engage in remunerative activity. Private enterprises are free to establish, acquire, and dispose of interests in business enterprises. As part of its current privatization efforts, the Israeli government actively encourages foreign investment in privatizing government owned entities. The government is currently considering the recommendations of a special committee on increasing competitiveness in the economy, published in September 2011, which recommended decentralizing control of essential infrastructure, in order to prevent the transfer of control in state infrastructure to the hands of a few (i.e.; existing domestic business conglomerates). If decentralization were implemented it could impact, to a greater or lesser degree, the following sectors: water, energy, communications, transportation, healthcare, and natural resources.

Israel has a law against unfair competition. It is government policy to equalize competition between private and public enterprises, although the existence of monopolies and oligopolies in several sectors stifles competition. In the case of designated monopolies, defined as entities that supply more than 50% of the market, the government controls prices.)

Protection of Intellectual Property Rights

[Return to top](#)

Israel has a modern legal system based on British common law that provides effective means for enforcing property and contractual rights. Courts are independent. Israeli civil procedures provide that judgments of foreign courts may be accepted and enforced by local courts. Secured interests in property are recognized and enforced by the Israeli judicial system. A reliable system of recording such security interests exists. Patent protection is provided for twenty years from filing. Both product and process patent protection for pharmaceuticals are permitted. However, the Israeli patent system still allows for pre-grant opposition to patents, which may result in significant delays for some applicants. Israel employs compulsory licensing in very limited circumstances, mostly when the product is not being supplied in Israel on “reasonable” terms.

Israel is a member of the WTO and the World Intellectual Property Organization (WIPO). It is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention, the Paris Convention for the Protection of Industrial Property, and the Patent Cooperation Treaty. Israel was obligated to implement the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000 but has failed to do so to date.

Of particular significance has been the inadequate intellectual property protection against unfair commercial use of data generated to obtain marketing approval for pharmaceuticals which has discouraged U.S. companies from substantial investment in the health sector. As a result of these deficiencies in Israel’s intellectual property regime, it was placed on the USTR’s Special 301 “Priority Watch List” in 2005. In February of 2010, Israel reached agreement with the U.S. to modify its intellectual property laws to address shortcomings in its treatment of new pharmaceutical products related to data exclusivity, patent term extension and publication of patent applications. In May 2012 Israel submitted the final piece of legislation specified in the agreement to the Knesset. Two other pieces of legislation specified in the agreement have already been enacted. In recognition of this significant step forward, Israel was moved from the Special 301 Priority Watch List to the Watch List in September, 2012. When this final piece of legislation is passed by the Knesset, Israel will be moved off the Special 301 list altogether.

Copyright

Israel’s present copyright law is based on the United Kingdom Copyright Act of 1911, with subsequent amendments. Protections include the exclusive right to (a) copy or reproduce the work; (b) produce, reproduce, perform or publish translations; (c) publicly perform plays or novels; and (d) make recordings of literary, dramatic or musical works. Criminal penalties are also provided for certain commercial infringing activities. Recently passed copyright legislation is an improvement over the old Israeli law, in that it is more modern in its structure, terminology and scope. Temporary copies are explicitly

protected and a “making available” right is explicitly provided. Under this law, a person who is a non-Israeli national has no rights in their sound recordings that were not published for the first time in Israel, unless the person is a national of a country that has an agreement with Israel concerning sound recordings. In the case of the United States, the Israeli government promulgated an order which implements a 1950 bilateral agreement between Israel and the United States which does protect U.S. sound recordings. The term of protection for sound recordings is 50 years; for other works, it is the lifetime of the author plus 70 years.

Copyright law in Israel lacks certain protections that have become common in the copyright laws of developed countries including, protection of “technological protection measures,” “rights management information,” provisions related to internet service provider liability and safe harbors and parallel import protection. Israel has also not acceded to the “WIPO Internet Treaties,” however it did published a draft exposure bill in August 2012 that was in conformance with the WIPO Copyright Treaty. The Ministry of Justice indicated that if the Copyright Treaty is successfully implemented it will proceed with similar action on the WIPO Performances and Phonograms Treaty.

Transparency of Regulatory System

[Return to top](#)

It is government policy to encourage increased competition through market liberalization and deregulation, but tax, labor, health, and safety laws can be impediments to the foreign investor. Although the current trend is towards deregulation, Israel's bureaucracy can still be difficult to navigate, especially for the foreign investor unfamiliar with the system. It is important that potential investors get approvals or other commitments made by regulatory officials in writing before proceeding, rather than relying on unofficial oral promises.

Israel is a signatory to the WTO Agreement on Government Procurement (GPA), which covers most Israeli government entities and government-owned corporations. Most of the country's open international public tenders are published in the local press. However, government-owned corporations make extensive use of selective tendering procedures. In addition, the lack of transparency in the public procurement process discourages U.S. companies from participating in major projects and disadvantages those that choose to compete. Enforcement of the public procurement laws and regulations is not consistent.

Natural Gas Sector

The discovery, by an American-Israeli consortium, of substantial offshore natural gas resources in Israel in 2009 and 2010 has created major investment opportunities in this sector and a few firms, including U.S. companies, are making significant investments. As Israel moves toward becoming a significant producer, the Israeli government is developing new regulations to oversee the sector, ensure competition, attract investment, and achieve broader energy policy goals. This has created some uncertainty for investors as taxation levels, licensing requirements and restrictions, gas export policy, and other issues that impact investor decisions have been and/or continue to be subject to significant change.

Credit is ostensibly allocated according to market terms. However up to 70% of credit in Israel is issued to a handful of individuals and corporate entities, some of whom own controlling interests in banks. Furthermore, the primary profit centers for banks are various consumer banking fees, i.e. credit is given on preferential terms. Various credit instruments are available to the private sector, and foreign investors can receive credit on the local market. Legal, regulatory, and accounting systems are transparent and conform to international norms, although the prevalence of inflation-adjusted accounting means that there are differences from U.S. accounting principles.

There are five major banks in Israel. Bank Leumi and Bank Hapoalim, the two largest banks, dominate. Ranked third is Israel Discount Bank. Bank Leumi had assets of USD 102.3 billion at the end of 2011, Bank Hapoalim had assets of USD 99.7 billion, followed by Israel Discount Bank with assets of USD 56.6 billion at the end of 2011. Israeli banks have all been privatized except for Leumi, with 6 percent of shares remaining in the hands of the State of Israel.

Many Israeli firms are not publicly traded and are controlled through integrated holding Companies, having a "pyramidal" like structure. In the case of publicly traded firms where ownership is widely dispersed, the practice of "cross-shareholding" and "stable shareholder" arrangements to prevent mergers and acquisitions is common, but not directed in particular at preventing potential foreign investment. Hostile takeovers are a virtually unknown phenomenon in Israel, given the high concentration of ownership of most firms. Israel has no laws or regulations regarding the adoption by private firms of articles of incorporation or association that limit or prohibit foreign investment, participation, or control.

Competition from State Owned Enterprises (SOEs)[Return to top](#)

The Government Companies Authority (GCA) was established and operates under the Government Companies Law. This is an auxiliary unit of the Ministry of Finance. The GCA is the administrative agency for state-owned companies, in charge of supervision, privatization and implementation of structural changes in these companies.

The GCA oversees some 100 companies, including commercial and noncommercial companies, government subsidiaries and companies under mixed government-private ownership. Among these companies are some of the biggest and most complex in the Israeli economy, such as: The Israel Electric Corporation, Israel Aerospace Industries, Rafael Advanced Defense Systems, Israel Postal Company, Mekorot Israel National Water Company, Israel Natural Gas Lines, the Ashdod, Haifa and Eilat Port Companies, Israel Railways, Petroleum and Energy Infrastructures, Israel National Roads Company, advanced study funds, housing companies and more.

There are no sovereign wealth funds (SWF) in Israel. However, active consideration of establishing a SWF in light of the discoveries of major offshore natural gas fields is underway.

Corporate Social Responsibility

[Return to top](#)

There is awareness to the issue among enterprises and the civil society. Israel adheres to the OECD Guidelines for Multinational Enterprises and a National Contact Point is operating in the Foreign Trade Administration. See also examples for CSR activities in NGOs:

CSR Report by the Academic Center for Law and Business (in Hebrew): <http://www.clb.ac.il/uploads/csr.pdf>

Maala–Business for Social Responsibility: <http://www.maala.org.il/eng/home/about/01/default.asp?ContentID=333>)

Political Violence

[Return to top](#)

Israel is a parliamentary democracy with a stable domestic environment. Nonetheless, the conflict between Israel and the Palestinians is unresolved, and the risk of politically motivated violence continues. Israel was hit by a record volume of rocket fire from Gaza in 2012. The vast majority of attacks were concentrated in southern communities near the Gaza Strip.

The attacks peaked during an eight day period in November 2012, when over 1,800 rockets and mortars were launched from Gaza toward Israel. Most of the rockets landed in open areas or were intercepted by the Iron Dome missile defense system, sharply limiting Israeli casualties and property damage. However, for the first time, longer-range rockets also targeted major Israeli population centers in the greater Tel Aviv and Jerusalem areas.

Heightened tensions between Iran and Israel due to Tehran's support for terrorist groups active in the region and continued nuclear progress in violation of Iran's international obligations also present the potential for regional conflict. The borders with Lebanon and Syria are closed, but instability in Syria and threats from the Iran-backed terrorist group Hezbollah in Lebanon also present some risk of violent incidents or conflict. Israel signed peace treaties with Egypt (1979) and Jordan (1994).

Corruption

[Return to top](#)

Bribery and other forms of corruption are illegal under several Israeli laws and Civil Service regulations. Israel became a signatory to the OECD Bribery convention in November 2008 and became a full member of the OECD in May 2010. Israel is ranked 25th out of the 34 OECD members. There are several NGOs that focus on public sector ethics. Transparency International has a local chapter in Israel. Israel was ranked 39th in Transparency International's 2012 Corruption Perceptions Index, down from 36th place in 2011.

Global Context

Across the globe, corruption raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/docs/dojdocb.html>.

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Israel is party to OECD Anti-bribery Convention, the UN Convention, but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Anti-bribery Convention: The OECD Anti-bribery Convention entered into force in February 1999. As of December 2010, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. Israel has adopted the Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 144 parties to it as of December 2010 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption

such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Anti-bribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Israel has signed and ratified the convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anticorruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco) Israel is not a signatory.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). Israel has a free trade agreement (FTA) in place with the United States, which came into force in 1985. It was the first U.S. FTA and does not mandate any specific actions regarding corruption.

All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.export.gov. The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs.

Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities, can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html.

More general information on the FCPA is available at the Websites listed below. Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2010. TI also publishes an annual Global Corruption Report which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and

developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.

- The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.

- Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt/>.

- Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

[Return to top](#)

Israel has protection of investment agreements with Albania, Argentina, Armenia, Azerbaijan, Belarus, Bulgaria – amending protocol, China, Croatia – Treaty in force, negotiations for amendment, resulting from Croatia's accession to the EU are underway, Cyprus, Czech Republic, El Salvador, Estonia, Ethiopia, Georgia, Germany, Guatemala, Hungary - treaty terminated in 2007, existing investments are protected for ten years after termination, India, Kazakhstan, Latvia, Lithuania, , Macedonia, FYR initialed, Moldova, Mongolia, Montenegro, Peru - under negotiation, Poland, Romania –amending protocol, Serbia, Slovakia, Slovenia – terminated 2007, existing investments protected for ten years after termination, South Africa - pending ratification, South Korea, Thailand, Turkey, Turkmenistan, Ukraine - new treaty signed November 2010, ratification pending, Uruguay, Uzbekistan, Vietnam, under negotiation.

OPIC / Other Investment Insurance Programs

[Return to top](#)

Overseas Private Investment Corporation (OPIC is involved in several small projects in Israel and also finances projects sponsored by U.S. investors in Israel, but not in the Golan Heights. Israel is a member of the Multilateral Investment Guarantee Agency (MIGA)

Labor

[Return to top](#)

There are about 3.6 million people in the labor force in Israel. Highly skilled and well educated, the Israeli labor force is the economy's major asset. More than 24% have university degrees. More than 30% of university students specialize in fields with high industrial R&D potential, including engineering, mathematics, physical sciences, and medicine. According to the Investment Promotion Center, there are more than 135 scientists out of every 100,000 workers, the highest in the world. The rapid growth of Israel's high-tech industries in the late 1990s increased the demand for workers with specialized skills. However, in recent years Israel has consistently ranked in the lower half of Western countries in rankings of international student assessment tests.

Unemployment has declined over the past four years, from a high of 9.5% in 2009 as a result of the financial crisis, to 8.4% in 2010, and decreasing further to 7.1% in 2011 and 6.8% in 2012.

According to Bank of Israel statistics, there has been a steady increase in the number of foreign workers in recent years: from 193,000 in 2007 to 211,000 in 2008 to more than 220,000 in 2009 and 2010. Following a drop to 215,000 in 2011, the number rose to 222,000 in 2012. In late 2012, the Israeli government increased the number of permits for Palestinians to work in Israel to over 40,000.

The national labor federation, the Histadrut, organizes about one-third of Israeli workers. Collective bargaining negotiations in the public sector take place between Histadrut and representatives from the Ministry of Finance. The number of strikes has declined significantly as the public sector has gotten smaller. However, strikes remain a common and viable negotiating vehicle in many difficult wage negotiations.

Israel strictly observes the Friday afternoon to Saturday afternoon Sabbath and special permits must be obtained from the government authorizing Sabbath employment. At the age of 18, most Israelis are required to perform 2-3 years of national service. Until their mid-40's, Israeli males are required to perform about a month military reserve duty annually, during which time they receive compensation from national insurance companies.

Foreign-Trade Zones/Free Ports

[Return to top](#)

Israel has one free trade zone, the Red Sea port city of Eilat. There are three ports in Israel: Haifa Port (including Kishon), the Port of Ashdod and the Port of Eilat.

The GOI has plans to expand and upgrade the major ports of Haifa (in the north) and Ashdod (in the center). There is good quality warehousing including cold storage in all of the major ports and trade zones, but current capacity may become inadequate in the face of growing demand.

Foreign Direct Investment Statistics

[Return to top](#)

Foreign Direct Investments (FDI) totaled USD 5.5 billion in 2010, USD 11.4 billion in 2011. Foreign direct investment through the third quarter of 2012 totaled USD 7.4 billion.

Summary of Incentives of the Law for the Encouragement of Capital Investment

Investment Incentives

Investment incentives are outlined in the Law for the Encouragement of Capital Investment, and are coordinated by the Israel Investment Center (IIC). For more information: <http://www.investinisrael.gov.il/NR/exeres/08348DA2-83D3-47B1-B043-ED418D9AA846.htm>

Qualification requirements

To qualify for benefits under the law the company has to be an "industrial company" registered in Israel and has to be "internationally competitive" (i.e. have export capability). However, Biotechnology and Nanotechnology companies do not have to meet the "export" requirement to qualify.

An investment in the Priority Area recognized by the law will be termed an Approved Investment and the company will be designated an Approved Enterprise. For more information: <http://www.investinisrael.gov.il/NR/exeres/08348DA2-83D3-47B1-B043-ED418D9AA846.htm>

R&D Incentives

The Office of the Chief Scientist (OCS) of the Ministry of Industry and Trade is responsible for implementing the government policy of encouraging and supporting industrial research and development in Israel. The OCS provides a variety of support programs that operate on a yearly budget of about \$300 million. This is spent on about 1,000 projects undertaken by 500 companies. These programs have helped make Israel a major center of hi-tech entrepreneurship. For further information: <http://www.investinisrael.gov.il/NR/exeres/E94974C8-983B-4ED6-9E7E-CC7D0EDB1534.htm>

The main OCS program (the R&D Fund) supports R&D projects of Israeli companies by offering conditional grants of up to 50% of the approved R&D expenditure. If the project is commercially successful, the company shall be under the obligation to repay the grant by royalty payments.

A new support program for traditional industry was launched in 2005 by the OCS, which offers separate evaluation and discussion for projects from traditional industries. The Office of the Chief Scientist web site (above) also includes information about international support, including bi-national funds, the Global Enterprise R & D Cooperative Framework, Project Centers, and domestic support programs.

Support for R&D Centers of Foreign Companies

There are four programs that enable High-Technology R&D Centers of Foreign Companies to receive government support.

1. Funding of R&D projects from the Office of the Chief Scientist
2. Tax Benefits for R&D Centers (entity operating on a "Cost+" basis)

3. Employment Grants for R&D Centers
4. Investment Incentives + R&D funding for fully fledged High-Technology Industrial Company (Manufacturing + R&D activities).

For more information on R&D

centers: <http://www.investinisrael.gov.il/NR/exeres/669EBEB2-81A5-48E2-8255-65E810060D9B.htm>

Financial R&D Centers Support Program

Israel has developed a highly dynamic and vibrant Financial Services IT sector. In order to capitalize on the capabilities of this sector the Ministry of Industry, Trade and Labor has devised an innovative support program directed at foreign Multi-National financial and banking corporations. For more

information: <http://www.investinisrael.gov.il/NR/exeres/6EAE7AD8-96B0-44E2-8DEC-26F421A24594.htm>

To qualify the following criteria must be met:

the applicant is a foreign company and does not conduct any R&D activities in Israel; operates in the financial sector; and should have a turnover in excess of \$10 billion.

Employment Grants

In order to complement the revised Law for the Encouragement of Capital Investments the government has decided to establish an additional program to increase employment in the outlying areas of Israel as well as specific centers with high unemployment.

A. The Standard Program

In order to complement the revised Law for the Encouragement of Capital Investments, the government has decided to establish an additional program to increase employment in the outlying areas of Israel as well as in specific centers with high unemployment.

Support will be granted for the establishment or expansion of industrial plants, telephone call centers, computer service support centers or logistic centers. In order to be eligible for this program these enterprises will have to employ a minimum number of workers at a minimum wage as detailed below. The maximum support per worker will be 135,000 NIS (~ \$34,000) over a period of 30 months or 4,500 NIS (~ \$1,100) per month.

B. Employment Grant Program for High Salaries (R&D Centers)

The Ministry of Industry, Trade and Labor has launched a new incentive program for supporting industrial companies established in the Negev (south) and Galilee (north) that pay high salaries to their workers. This program is part of a long term plan to promote the establishment of hi-tech companies in outlying areas and create high-paying employment centers.

C. The Employment Grant Program for Anchor (Large) Enterprises

The Ministry of Industry, Trade and Labor has launched a new incentive program for encouraging employment in large enterprises in the Negev (south) and Galilee (north).

This new program is part of a long term plan for the Negev and Galilee to increase employment possibilities in the north and south of Israel. To qualify industrial companies have to employ at least 100 workers at their plant. The program offers the investor employment grants that will be determined as a percentage of the employer's salary costs for each new employee, for a period of 4 years.

Film Law Benefits

The main aim of the law is to encourage the production of foreign films in Israel. To this end the law offers generous tax benefits that reduce the cost of production by up to 20%. The Law for the Encouragement of the Production of Films was approved by the Israeli Knesset on October 28th, 2008. For more information on Film Law Benefits: <http://www.investinisrael.gov.il/NR/exeres/9DF0E022-7076-45C7-A8C9-FCA9603D5EF6.htm>

The law recognizes two models: a) Foreign Productions b) Co-Productions. In both cases the benefits by law accrue to an Israeli production company who is expected to pass on these benefits to the foreign production company.

Start-up Incubators

As repositories of potential ideas, the Israeli technological incubators have helped make Israel's hi-tech entrepreneurship world-renowned. The Office of the Chief Scientist (OCS) of the Ministry of Industry and Trade has the responsibility of implementing the government policy of encouraging and supporting industrial research and development in Israel at the earliest stages. For more information: <http://www.investinisrael.gov.il/NR/exeres/2EC10169-510E-4A60-80F6-BAFD466F7DED.htm>

Business Grants for Employing New Immigrants

Businesses are eligible to receive grants for employing new immigrants and returning Israelis from The Ministry of Immigrant Absorption's Center for Absorption in Science. For more information: <http://www.investinisrael.gov.il/NR/exeres/D2884B15-03DA-42FC-8316-54E565658641.htm>

Training Support Program

The Manpower Training Department in the Ministry of Industry, Trade and Labor actively assists industrial companies to train workers in the different disciplines and professions as required by the company. For more information: <http://www.investinisrael.gov.il/NR/exeres/A3C87DA0-1155-41B8-BA7D-97A8431F4013.htm>

The support program is offered via three possible programs:

1. "Plant Class" whereby the department will support the opening of a class numbering at least 18 to train the workers in the specific skills as required by the company. The main condition being that the company obligates itself to employ at least 50% of the class graduates.
2. "Training and Placement Class". This program is intended for employers and institutions that wish to train workers in specific disciplines and professions. The company/institution commits itself to employ at least 50% of the class graduates within 6 months of the completion of the course.
3. The Department will finance the entire cost of running these classes.
4. "Internal Plant Training". This program assists employers who wish to have an on-the-job training project in their plant.
5. The Department will assist by paying 1,100 – 1,500 NIS (~\$250 - \$350) per worker in this program.

Invest in Israel website homepage for investment incentives: <http://www.investinisrael.gov.il/NR/exeres/2A82DCE7-9B2D-4581-83B7-8C518D8323D1.htm>

Web Resources

[Return to top](#)

For complete information, potential investors should contact:

Investment Promotion Center
Ministry of Industry, Trade and Labor
5 Bank of Israel Street
Jerusalem 91036
Tel: 972-2-666-2607
Fax: 972-2-666-2938
Website: www.investinisrael.gov.il
E-Mail: Investinisrael@moital.gov.il

Israel Investment Center
Ministry of Industry, Trade and Labor
5 Bank of Israel Street
Jerusalem 91036 490
<http://www.moital.gov.il/NR/exeres/111C2143-2296-44C0-96F9-C29C082A19CC.htm>
Tel: 972-2-666.2236
Fax: 972-2-666.2905

The Ministry asks that requests be in writing.

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

[Return to top](#)

Israelis are generally reliable and pay on time. However, as there are always exceptions to the rule, common precautionary measures should be taken when doing business in Israel. The most common method of payment is by Letter of Credit (L/C). Collection without a L/C is not unusual, however. Cash Against Documents (CAD) is the most preferred mechanism by many Israeli importers. Since there is no guarantee of payment, as there is in a L/C transaction, some exporters prefer to collect an advance payment or an irrevocable bank guarantee on a certain portion of the sale. This practice is appropriate and recommended when there is no past relationship and experience with the buyer. A combination of L/C and CAD issued for the same Bill of Lading is also accepted by most local banks.

Payment schedules vary. The acceptable terms of payment range from EOM + 30 – EOM + 60 days. It is not unusual for payment to be made after a 90 (sometimes 120) day period.

The local banking system provides sources of short and long-term credit and access to venture capital. Some importers have preferred to seek U.S. Export-Import (Ex-Im) Bank financing. Ex-Im Bank has most of the leading Israeli banks as correspondents and may supplement private sources of export financing with medium and long-term loans.

How Does the Banking System Operate

[Return to top](#)

Israel has a modern and sophisticated banking system. The remaining government-owned shares of the largest bank, Bank Hapoalim, were sold in 2000. In 2000, Citibank was the first large international bank to set up a full branch in Israel. HSBC soon followed suit. Bank of America also has a representative office in Israel. The government does not interfere in the day-to-day management of the banks. Most types of loans and project financing traditionally available in industrialized countries are available in Israel.

Foreign-Exchange Controls

[Return to top](#)

Israel abolished most of its foreign exchange controls in the 1990s. The last major restriction, on the amount Israeli institutional investors may invest overseas, was eliminated at the end of 2002.

U.S. Banks and Local Correspondent Banks

[Return to top](#)

Most U.S. banks maintain correspondent relationships with Israel's three leading banks - Bank Leumi, Bank Hapoalim, and the Israel Discount Bank, as well as with the Mizrahi Bank and the First International Bank of Israel. Many Israeli banks have their own subsidiaries in major U.S. cities. Interested parties should contact their U.S. banker or the Israeli banks in the United States directly for more detailed information on their respective services. Major correspondent banks are Bank Hapoalim, Bank Leumi Le-Israel, First International Bank of Israel, Israel Discount Bank and United Mizrahi Bank.

Project Financing

[Return to top](#)

The U.S. Export-Import Bank (Ex-Im Bank) and the U.S. Overseas Private Investment Corporation (OPIC) offer project financing and other financial services. Ex-Im Bank provides a range of financial programs ranging from medium and long term guarantees, insurance programs, working capital guarantee to project finance. The Project Finance Division provides financing to projects that are dependent on the project cash flows for repayment. For more information see the Ex-Im Bank website at <http://www.exim.gov>. OPIC supports U.S. investment in emerging markets through project loans and loan guarantees that provide medium to long-term funding to ventures involving significant equity and/or management participation by U.S. businesses. OPIC also provides insurance against a broad range of political risks. Rather than relying on sovereign or sponsor guarantees, OPIC's project financing program looks for repayment from the cash flows generated by the project. For projects sponsored by U.S. small businesses or cooperatives, financing may be provided through direct loans. These loans generally range in amount from \$2 million - \$10 million. Loan guarantees, which typically are used for larger projects, range in size from \$10 million - \$75 million, but in certain instances can be as high as \$200 million. For information, consult the OPIC website at <http://www.opic.gov>.

U.S. companies will find that Israel does not suffer from any lack of capital or trade financing. There are no unusual rules or regulations concerning export financing, apart from the foreign currency regulations noted above. Loans at market interest rates are available from commercial banks to finance the manufacture of exports including the import of raw materials and components for export products. Loans vary depending upon the raw material requirements, cost of conversion and collection timeframe.

U.S. exporters may find export financing and insurance available through commercial sources; City/State-sponsored export financing and loan guarantee programs; the U.S. Small Business Administration (SBA); the U.S. Export-Import Bank (Ex-Im Bank), which can provide U.S. exporters with export credit insurance, pre-export financing and working capital guarantees; and other sources. Ex-Im Bank can also provide established Israeli buyers with fixed-rate financing for their purchases from U.S. exporters. Ex-Im Bank's Environmental Export Insurance Policy provides enhanced short-term insurance for medium and long-term loans and guarantees for environmental exports, projects and services. Israel does not receive PL-480 or similar U.S. Department of Agriculture (USDA) program commodity grants. USDA's GSM-102 funds and supplier credit guarantees are available but not sufficiently attractive to most parties. Information on these programs can be found at <http://www.fas.usda.gov>.

For more details on Ex-Im Bank project financing please contact Commercial Specialist Alan Wielunski: Alan.Wielunski@trade.gov.

Bilateral Funding Organizations

There are three bilateral U.S.-Israel Government funded organizations, which provide financing for joint R&D and research projects.

U.S.-Israel Binational Industrial Research and Development Foundation (BIRD)

BIRD supports joint industrial R&D projects designed to develop, manufacture, sell and support an innovative product. A pair of companies, one from each country, must conduct the project. BIRD often plays a proactive role in bringing together potential U.S. and Israeli strategic partners. BIRD's website is <http://www.birdf.com>.

U.S.-Israel Binational Science Foundation (BSF)

The BSF supports cooperative research projects of mutual interest to the United States and Israel, concerned with science and technology for peaceful purposes. The research must be conducted jointly by U.S. and Israeli researchers and may be conducted in either country. The BSF has a website at <http://www.bsf.org.il>.

U.S.-Israel Binational Agricultural Research and Development Fund (BARD)

BARD funds, generated from a \$100 million endowment, finance cooperative agricultural research between scientists of the United States and Israel on topics considered to be of mutual benefit to the agriculture of both countries. BARD also supports international workshops and provides post-doctoral fellowships. For further information, consult the BARD website at <http://www.bard-isus.com>.

Web Resources

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

U.S. Overseas Private Investment Corporation (OPIC): <http://www.opic.gov>
Trade and Development Agency: <http://www.tda.gov/>
SBA Office of International Trade: <http://www.sba.gov/oit/>
USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>
U.S. Agency for International Development: <http://www.usaid.gov>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

Business Customs

[Return to top](#)

Israel's business environment has no particular business protocols; it mainly follows western US style conventions, which makes most U.S. businesspeople feel very comfortable in doing business in Israel.

American business travelers will find the dress code in both the public and private sectors to be much less formal than in the U.S. "Business Suit" maybe appropriate in meetings with high level executives and government officials.

Appointments can be made on fairly short notice; however, reconfirming appointments is advised, given that most Israelis tend to have busy schedules. Israelis arrive well prepared for meetings and are very direct. It's desired to provide your hosts with an agenda outlining your objectives in advance. Exchange of business cards is common, although some may be less alert by this practice. Therefore, provide your business card early on and politely request one in return, if not offered.

In terms of language, English is widely spoken in the business community and in government offices, but knowing and using a few Hebrew words, especially introductory phrases and greetings, can be useful.

Travel Advisory

[Return to top](#)

U.S. travelers can refer to [State's International Travel Information](#) for the most up-to-date information on Travel Warnings and Visa Requirements for Israel.

Visa Requirements

[Return to top](#)

A visa is not required for Americans traveling for tourism or short-term business projects. Visitors are entitled to remain in Israel up to three months from the date of their arrival, in accordance with the conditions of the visa issued to them upon their entrance to Israel.

Visitors intending to work in Israel must submit a request to the Ministry of the Interior for a special visa. For more information please visit: http://www.mfa.gov.il/MFA/About+the+Ministry/Consular_affairs/Visas.htm#A/4

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>
US Embassy Israel, Consular section: <http://israel.usembassy.gov/consular/niv/nonimmigrant.html>

Telecommunications

[Return to top](#)

Israel has a very competitive and dynamic telecommunications market with one of the highest mobile penetration rates in the world and one of the highest household broadband penetration rates as well.

In recent years Israelis were ranked the second most active Internet users in the world, after Canada, according to a [comScore](#) survey of Internet usage. There are seven main internet service providers, [Bezeq international](#), [NetVision](#), [013 Barak](#), [012 smile](#), [Triple Cloud](#), [Xphone 018](#), and [Internet Rimon](#), all whom offer broadband Wireless Internet service to their clients.

Israel's competitive mobile communications market is served by four mobile network operators, Cellcom, Pelephone, Partner and MIRS. Competition has led the mobile network operators to engage in a round of merger and acquisition activity with fixed line players to offer integrated services. Competition further intensified following the granting of an Israeli MNO (mobile network operator) license to Golan Telecom, in June 2011 followed by MVNO (mobile virtual network operator or 'wireless resale') licenses to Rami Levi Cellular and YouPhone.

It is estimated that Israel has one of the highest levels in the world of people who own and operate a cell phone on a daily basis. Cell phones for visitors are available for rental at Ben Gurion Airport or through hotels.

Transportation

[Return to top](#)

Israel has an extensive road network that connects the entire country and has advanced inland and international transport facilities. Rental cars, taxis and limousines with driver are readily available for U.S. Visitors. U.S. drivers may rent cars with a valid U.S. or international driver's license.

One of the most notable advances in transport in Israel in recent years has been the modernization of the train system. Commuter trains run from Tel Aviv to most of the large cities from Nahariya in the north to Dimona in the south, including Jerusalem and Ben Gurion Airport. Extensive freight services are available and most often used between Haifa, the port in the north, and Ashdod, Israel's primary port in the south. Ben Gurion International Airport offers connections to major international destinations. Ben Gurion is the country's center of air passenger and cargo operations. Several

companies still provide internal flights between Tel Aviv, Haifa and Eilat from Sde Dov city airport.

There is no public transportation on the Jewish Sabbath (Friday sundown to Saturday sundown).

Ben Gurion International Airport: www.iaa.gov.il

Israel Railways: <http://www.rail.co.il/EN/Pages/HomePage.aspx>

Language

[Return to top](#)

Hebrew and Arabic are the two official languages of Israel. English is the third and principal international language, and Russian is also prevalent. Many signs in public places are in all three languages. Most Israelis are multilingual.

Health

[Return to top](#)

Modern medical care and medicines are available in Israel. Service may be somewhat limited on Fridays and Saturdays (the Israeli 'weekend') so special attention should be paid to making arrangements in advance, if possible, for service on these days. Travelers can find information written in English about emergency medical facilities and after-hours pharmacies in the "Jerusalem Post" newspaper.

Doctors and hospitals often expect immediate cash payment for health services. U.S. medical insurance is not always valid outside the United States. Supplemental medical insurance with specific overseas coverage has proven useful. The international traveler's website for the Center for Disease Control can be accessed at <http://wwwnc.cdc.gov/travel>

Local Time, Business Hours, and Holidays

[Return to top](#)

Local Time: UTC + 2 hours (*7-6 hours ahead of Eastern Standard Time (EST), and observes daylight savings.*)

Business Hours: Sunday – Thursday from 8:00a.m – 5:00 p.m. for most businesses and government offices. Occasionally, business people will be willing to hold meetings on Friday mornings.

The U.S. Embassy in Tel Aviv is open 8:00 a.m. - 4:30 p.m., Monday – Friday and closed on U.S. holidays and Israeli holidays.

2013 Israeli Holidays: All businesses in Israel are closed

Passover (1 st Day)*	Tuesday March 26
Passover (Last Day)*	Monday April 1
Israeli Independence Day	Tuesday April 16
Shavuot (Pentecost)	Wednesday May15
Rosh Hashanah (Day 1)	Thursday September 5
Rosh Hashanah (Day 2)	Friday September 6
Yom Kippur (Day of Atonement)	Saturday September 14
Sukkot (Feast of Tabernacles)*	Thursday September 19
Simhat Torah (Rejoicing of the law)*	Thursday September 26

***Note:** *Some businesses and all government offices are closed during the week of Passover (March 26 - April 1) and Sukkot (September 14 -26).*

Temporary Entry of Materials and Personal Belongings

[Return to top](#)

The ATA Carnet is accepted by Israel. For more information please visit: http://export.gov/logistics/eg_main_018129.asp

It is advisable to contact the Embassy of Israel in Washington or one of Israel's consulates in the U.S. for specific information regarding customs requirements. For general customs regulations please see our information at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1468.html or <http://ozar.mof.gov.il/customs/eng/mainpage.htm>

Web Resources

[Return to top](#)

U.S. Travelers: [Online Internet Registration for U.S. citizens](#)
Travel warnings: [State - International Travel](#)

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 9: Contacts, Market Research and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

[U.S. Commercial Service, Tel Aviv Post](#)

Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service, please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

[Return to top](#)

Please click on the link below for information on upcoming trade events.
<http://www.export.gov/tradeevents/index.asp>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 10: Guide to Our Services

The President's National Export Initiative, announced in his 2010 State of the Union address, aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:
<http://export.gov/israel/index.asp>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)