Executive Summary

Israel has an entrepreneurial spirit and a creative, highly-educated, skilled, and diverse workforce. Israel is a leader in innovation in a variety of sectors, and many Israeli start-ups find good partners in American companies. Israel, popularly known as the "start-up nation," invests highly in education and scientific research, and many leading multinational companies have established research and development (R&D) centers here. Various Israeli Government agencies fund incubators for early stage technology start-ups, and Israel provides extensive support for new ideas and technologies and also seeks to develop more traditional industries. Private venture capital funds have flourished in Israel in recent years.

The fundamentals of the Israeli economy are strong, and the economy proved flexible and adaptable through the worldwide financial crisis. With low inflation, relatively low unemployment, and fiscal deficits that have usually met targets, Israeli Government economic policies are considered by most analysts as generally sound and supportive of growth. The Government continues to take actions to remove trade barriers and encourage capital investment, including foreign investment. Israel seeks to provide supportive conditions for companies looking to invest in Israel, through laws that encourage capital and industrial R&D investment. Incentives and benefits include grants, reduced tax rates, tax exemptions, and other tax-related benefits.

1. Openness to, and restrictions upon, foreign investment

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 in parts of defense or other industries 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 Economy 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 additionally provides information about investment incentives available in Israel

2. Conversion and Transfer Policies

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 is a freely convertible currency. The Bank of Israel maintains the option to intervene in foreign currency trading in situations of extraordinary movements in the exchange rate which are not in line with fundamental economic conditions, or when the foreign exchange market is not functioning appropriately. 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.

3. Expropriation and Compensation

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.

4. Dispute Settlement

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.

5. Performance Requirements/Incentives

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 transparent. 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. 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 Economy
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 Economy
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.

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

The Office of the Chief Scientist (OCS) of the Ministry of Economy 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 $230 million. This is spent on about 775 projects undertaken by 500 companies. These programs have helped make Israel a major center of hi-tech entrepreneurship.

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 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 which can be accessed through the following link.
http://www.israelbusiness.org.il/financialassistance/rdincentives.

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 Economy has devised an innovative support program directed at foreign Multi-National financial and banking corporations.
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
Has 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 in specific centers with high unemployment.
http://www.investinisrael.gov.il/NR/exeres/EECEBB1D-866C-4D5D-9FB4-593C556622D7.htmThe 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.

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

The Ministry of Economy has launched an 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 to create high-paying employment centers.

The Employment Grant Program for Anchor (Large) Enterprises

The Ministry of Economy 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.The law recognizes two models: foreign productions and 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.

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

Start-up Incubators

As repositories of potential ideas, the Israeli technological incubators have helped make Israel’s high-tech entrepreneurship capability world-renowned. The Office of the Chief Scientist (OCS) of the Ministry of Economy has the responsibility of implementing the government policy of encouraging and supporting industrial research and development in Israel at the earliest stages.

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.

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

Training Support Program

The Manpower Training Department in the Ministry of Economy actively assists industrial companies to train workers in the different disciplines and professions as required by the company.
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. The Department will finance the entire cost of running these classes.
(3) "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

6. Right to Private Ownership and Establishment

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.

Following massive social protests in the summer of 2011, the government established a committee to address the issues raised. The committee 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). It also led to legislation of a business concentrations law, which was approved by the Knesset at the end of 2013. While most of the legislation was aimed at reducing the concentration of private holdings in the hands of a few wealthy families and tycoons, the intention is that it will have an impact on future privatizations of remaining government owned entities.

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.

7. Protection of Property Rights

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. Consideration of implementation remains under consideration by the government.

Until February 2014, Israeli law provided inadequate intellectual property protections against unfair commercial use of data generated to obtain marketing approval for pharmaceuticals, which discouraged U.S. companies from substantial investment in the health sector. As a result of these deficiencies in Israel’s intellectual property regime, the U.S. placed Israel 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 February 2014, in response to Israel’s enactment of the final piece of legislation specified in the agreement, the U.S. removed Israel from the Special 301 Watch List.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Tom Coleman ColemanTM@state.gov through August 2014, and then Charles Brown BrownCL3@state.gov

Local lawyers list: http://israel.usembassy.gov/lawyers.html

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 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 also falls short of 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 is reviewing a draft exposure bill that is 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.

8. Transparency of the Regulatory System

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. The Israeli Government's difficult work to develop natural gas regulations almost from scratch has led some investors to complain about uncertainties regarding taxation, licensing, and export policy. However, with time, these issues are being clarified in a way that promotes further and quicker development, and long term prospects for the sector are excellent.

9. Efficient Capital Markets and Portfolio Investment

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 the market, followed by Israel Discount Bank. At CY end 2013, Bank Leumi had assets of USD 107.5 billion, Bank Hapoalim had assets of USD 107.5 billion, and Israel Discount Bank had assets of USD 57.4 billion. Israeli banks have all been privatized except for Leumi, with 6 percent of shares remaining in the hands of the State of Israel.

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. While until now a number of companies have had "pyramidal–like" structures, the business concentrations law, which was approved by the Knesset at the end of 2013, is intended to alleviate this going forward. 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.

10. Competition from State-Owned Enterprises (SOEs)

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.
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, and housing companies.
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.

11. Corporate Social Responsibility

There is awareness of CSR 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 below also for CSR activities in NGOs.
Maala–Business for Social Responsibility:
http://www.maala.org.il/eng/home/about/01/default.asp?ContentID=333

12. Political Violence

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 and terrorism continues. Militant groups in Gaza fired rockets at Israel in 2013, but at a significantly reduced level from 2012. The vast majority of attacks were concentrated in southern communities near the Gaza Strip. The Iron Dome missile defense system has to date intercepted the majority of rockets and mortars aimed at populated areas, sharply limiting Israeli casualties and property damage.

Heightened tensions between Iran and Israel due to concerns over Tehran's nuclear program and its support for terrorism 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).

13. Corruption

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 36th in Transparency International's 2013 Corruption Perceptions Index, and was also ranked 36th in 2011.

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/fcpa/guidance/.

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/daf/anti-bribery/ConvCombatBribery_ENG.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, and 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 anti-corruption 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 anti-corruption 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 anti-corruption 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 General Counsel, U.S. Department of Commerce, Website, at http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives .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/investment/anti-bribery/anti-briberyconvention/oecdantibriberyrecommendation2009.htm**.**

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.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives.

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/whatwedo/pub/global_corruption_report_education.

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/index.aspx#home. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

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: https://www.globalintegrity.org/global_year/2012/.

14. Bilateral Investment Agreements

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, 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, Uruguay, and Uzbekistan.

15. OPIC and Other Investment Insurance Programs

OPIC is involved in several small projects in Israel and recently authorized a $250 million construction loan for a110MW Abengoa-backed concentrated solar power (CSP) project in the Negev. OPIC 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).

16. Labor

There are about 3.7 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 five years, from a high of 9.5% in 2009 as a result of the financial crisis, to 6.7% in 2010, 7.1% in 2011, 6.9% in 2012 and 6.2% in 2013.
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 41,500.
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.

17. Foreign Trade Zones/Ports

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.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign Direct Investments (FDI) totaled USD 5.5 billion in 2010, USD 10.8 billion in 2011, USD 9.5 billion in 2012 and USD 11.8 billion in 2013.

19. Contact Point At Post

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