



ISRAEL
INVESTMENT CLIMATE STATEMENT
2015

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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. 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.

The U.S.-Israeli bilateral economic and commercial relationship is strong, anchored by two-way goods and services trade reaching USD 45 billion in 2014 and extensive commercial ties, particularly in high tech and research and development. This year marks the 30th anniversary of the U.S.-Israel Free Trade Agreement, the first such agreement for both countries. During this time the Israeli economy has undergone a dramatic transformation, moving from a protected, low-end manufacturing and agriculture-led economy to one that is diverse, open, and led by a cutting edge high-technology sector. The Government continues to take actions to remove trade barriers and encourage capital investment, including foreign investment. However, several constraints exist in the economy that have contributed significantly to growing public concerns over the high cost of living and the lack of competition in key sectors.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Israel is open to foreign investment, and the government actively encourages and supports the inflow of foreign capital.

Other Investment Policy Reviews

The World Trade Organization conducted its fourth and latest trade policy review of Israel on October 31 and November 1 2012. In the past three years the Israeli Government has not conducted any investment policy review through the Organization for Economic Cooperation and Development (OECD) or the United Nations Conference on Trade and Development (UNCTAD).

Laws/Regulations of Foreign Direct Investment

There are few restrictions on foreign investors, except for parts of defense or other industries closed to outside investors on national security grounds. Foreign investors are welcome to participate in Israel's privatization program.

Industrial Promotion

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.

Limits on Foreign Control

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.

Privatization Program

In late 2014, Israel's cabinet approved a privatization plan which would allow the government to issue minority stakes of up to 49% in state-owned companies on the Tel Aviv Stock Exchange over a three year period estimated to increase government revenue by USD 4.1 billion. The plan aims to sell stakes in Israel's electric company, water provider, railway, post office and some defense-related contractors.

Screening of FDI

There is no screening of foreign investment and no regulations regarding acquisitions, mergers, and takeovers that differ from those that Israelis must follow.

Competition Law

Israel adopted its comprehensive competition law in 1988. The Israel Antitrust Authority was created in 1994 to enforce the competition law.

The discovery by an American-Israeli consortium of substantial offshore natural gas resources in Israel in 2009 and 2010 has created investment opportunities. 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. However, Israel's development of natural gas and independent power production regulations almost from scratch has led some investors to complain about uncertainties regarding taxation, licensing, and export policy. Particularly concerning was the December 2014 announcement of Israel's Antitrust Authority (ATA) that it may declare that the U.S. company developing Israel's offshore gas and its Israeli partners are party to an agreement in restraint of trade. If this happens, the case may go to international arbitration and delay further development of Israel's

offshore gas for years. This anti-trust threat is having a chilling effect on further investment in the sector.

In another example of Israel's troubling energy-sector regulatory environment, a U.S. company investing in two independent power plant projects is considering terminating its investments due to continued delays in obtaining regulatory approvals. The company has filed a civil case for damages against the Israeli Government, as well as petitioned the Israeli High Court to force the Public Utility Authority (PUA), Israel's electricity regulator, to issue a draft tariff approval letter, which has been delayed for months. The PUA has also disqualified negotiated gas supply contracts, forcing renegotiation of previously agreed-on contracts. A number of foreign companies in the sector have complained that the PUA acts without transparency, is setting electricity tariffs at arbitrary and artificially low levels, and is effectively forcing investors to subsidize the financially-troubled, state-owned Israel Electric Company, which carries more than USD 20 billion in debt. New foreign investment in Israel's energy sector is likely to be limited until Israel resolves the current natural gas anti-trust issues and develops a transparent and consistent regulatory framework for the energy sector, including for renewable energy and independent power production.

Investment Trends

Israel continues to attract foreign investment, especially in healthcare, information technology, and other capital-intensive industries. OECD countries account for the majority of capital inflows into Israel and the United States is the largest supplier of FDI for Israel.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	37 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	40 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	15 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	33,930	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

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.

Remittance Policies

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

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

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.

Bankruptcy

Israeli Law is based on several layers, some of them based on the Common Law and in particular the laws of England, as Palestine was under the British mandate in 1917-1948. Bankruptcy Law in Israel in particular is mostly based on English Law as enacted in Palestine in 1936 during the British mandate.

Bankruptcy proceedings are based on the bankruptcy ordinance (1980) which replaced the mandatory ordinance which was enacted in 1936. Therefore, the bankruptcy law in Israel resembles the English law as it was more or less in 1936.

Investment Disputes

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.

International Arbitration

The GOI accepts binding international arbitration of investment disputes between foreign investors and the state.

ICSID Convention and New York Convention

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.

Duration of Dispute Resolution

Investment/commercial dispute proceedings can be drawn out in lengthy legal proceedings. However, the Knesset is considering legislation which would expedite simple cases.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

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.

Investment Incentives

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. More information is available at <http://www.investinIsrael.gov.il>

Research and Development

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 goal of the OCS is to assist in the development of technology in Israel as a means of fostering economic growth, encouraging technological innovation and entrepreneurship, leveraging Israel’s scientific potential, enhancing the knowledge base of industry in Israel, stimulating high value-added R&D and encouraging R&D collaboration both nationally and internationally.

The OCS provides a variety of support programs that operate on a yearly budget of about USD 400 million. This is spent on about 1400 projects undertaken by 830 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 USD 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.htm>

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 ILS 135,000 (around USD 34,000) over a period of 30 months or ILS 4,500 (around USD 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” Enterprises

The Ministry of Economy has launched a new incentive program 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 northern and southern Israel. To qualify, industrial companies must employ at least 100 workers at their plant. The program offers the investor employment grants that are calculated as a percentage of the cost to employ each new employee, for a period of up to four 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 which 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:

"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 six 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 ILS 1,100 – 1,500 (around USD 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>

Performance Requirements

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.

Data Storage

Several major U.S. information technology companies have opened large research and development centers in Israel. Information on Israel's data storage policy for foreign investors can be found at the Ministry of Economy's website.

<http://economy.gov.il/English/Pages/default.aspx>

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

Real Property

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.

Intellectual Property Rights

The Israel Patent Office (ILPO) with the Ministry of Justice is the principal government authority overseeing the legal protection and enforcement of intellectual property rights (IPR) in Israel. IPR in Israel has undergone many changes in recent years as the Israeli economy has rapidly transformed into a knowledge-based economy.

In recent years, Israel’s IPR legal framework has undergone a number of changes in order to comply with new international treaties it has signed. In recent years, Israel has taken stronger, more comprehensive steps towards protecting IPR and the government acknowledges that IPR theft costs rights holders millions of dollars per year, reducing tax revenues and slows economic growth. In 2013, the ILPO invested in building its capacity by adding 21 new certified patent examiners, improving examination procedures, and upgrading quality control processes. In addition, the ILPO expanded access to searchable databases available to patent examiners, which

now includes real-time access to current patent applications in China, Japan, and South Korea. In 2014, the ILPO began utilization of a fully integrated online system, available on the ILPO website, for online patent applications which allows real-time public access to all Israeli patent applications, adding to the efficiency of the entire IPR system.

Due to steps taken to improve intellectual property rights under a Memorandum of Understanding between the United States and Israel signed in 2010, Israel was removed from the USTR's Special 301 Watch List, and subsequently removed from the Special 301 report, which identifies countries with deficient intellectual property rights protection, altogether.

While several recent legislative improvements have been instituted, the United States continues to urge Israel to strengthen and improve its IPR enforcement regime. In some cases, the government has not taken effective action to enforce basic obligations in the various IPR related treaties Israel has signed. Israel lacks specialized judicial courts and Special Police Units designed to enforce IPR, common in other countries with advanced IPR regimes. Cases in Israel are typically adjudicated in general civil or administrative courts.

IPR theft in Israel is fairly common and involves a high-level of sophistication. The EU ranks Israel as a "third tier" priority country with regards to the level of IPR protection and/or enforcement. The EU cites inadequate protection of innovative pharmaceutical products and end-user software piracy as the main issues with IPR enforcement in Israel.

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 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 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.

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/>.

Annual statistics on seizures of counterfeit goods in Israel is maintained by the Israel Tax Authority located in the Ministry of Finance. In 2014, Israel made 843 counterfeit seizures compared with 343 in 2004, an increase of nearly 250%. Since 2004, the amount of annual seizures has increased steadily, reaching a 10-year peak of 1,137 in 2012. More information is available on the Israel Tax Authority webpage at: <https://taxes.gov.il/customs/Documents/Netunim2014.pdf>

Resources for Rights Holders

Embassy point of contact: Charles Brown (BrownCL3@state.gov)

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

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.

Israel is a member of UNCTAD's international network of transparent investment procedures. (<http://unctad.org/en/pages/home.aspx>). Foreign and national investors can find detailed information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time and legal bases justifying the procedures.”

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.

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.

Money and Banking System, Hostile Takeovers

There are five major banks in Israel. Bank Leumi and Bank Hapoalim, the two largest banks, dominate the market, followed by Israel Discount Bank. Together these banks account for 75% of the market. By the end of year in 2013, Bank Leumi had assets of USD 107.5 billion, the latest data available. In 2014, Bank Hapoalim had assets of USD 114 billion, and Israel Discount Bank had assets of USD 57.8 billion. Israeli banks have all been privatized except for Leumi, with 6 percent of shares remaining in the hands of the State of Israel.

10. Competition from State-Owned Enterprises

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.

OECD Guidelines on Corporate Governance of SOEs

The OECD Guidelines on Corporate Governance of State-Owned Enterprises give concrete advice to countries on how to manage more effectively their responsibilities as company owners, thus helping to make state-owned enterprises more competitive, efficient and transparent. The Guidelines were developed in 2005 and are currently under review. More information is

available at <http://www.oecd.org/corporate/ca/corporategovernanceofstate-ownedenterprises/oecdguidelinesoncorporategovernanceofstate-ownedenterprises.htm>

Sovereign Wealth Funds

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 corporate social responsibility among enterprises and the civil society.

OECD Guidelines for Multinational Enterprises

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. The 13 year-long threat of rocket fire from Gaza reached a crescendo in Operation Protective Edge in the summer of 2014. Increasing quantities and range of Gaza-originated projectiles led to 3,500 rockets launched at Israel -- including 135 to Tel Aviv -- and several thousand alerts, in some communities, dozens per day. Following a rocket landing in the area of Ben Gurion Airport, the U.S. Federal Aviation Administration issued a Notice to Airmen warning and a number of international air carriers, including three U.S. carriers, cancelled flights over a 36-hour period.

Heightened tensions with Iran due to concerns over Tehran's nuclear program and its support for terrorism also present the potential for regional conflict. Israel's 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 ranked 24th out of the 34 OECD members on Transparency International's 2014 Corruption Perceptions Index tying Spain and

Poland and ranks 37th worldwide. There are several NGOs that focus on public sector ethics. Transparency International has a local chapter in Israel.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

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>). Israel is a signatory. 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.

The OECD Anti-Bribery Convention entered into force in February 1999. As of December 2010, there are 38 parties to the Convention, including Israel and 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.

Israel is a signatory to the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions (see list of signatories and their implementation reports at <http://www.oecd.org/daf/anti-bribery/countryreportsonteimplementationoftheoecdanti-briberyconvention.htm>)?

Resources to Report Corruption

The National Police, the state comptroller, the attorney general, and the accountant general are responsible for combating official corruption. These entities operate effectively and independently, and are sufficiently resourced. NGOs that focused on anticorruption efforts operate freely without government interference.

The international NGO Transparency International closely monitors corruption in Israel.

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.

This year marks the 30th anniversary of the signing of the U.S.-Israel Free Trade Agreement, the first such agreement for both countries.

Bilateral Taxation Treaties

Israel has a bilateral tax treaty with United States. The Income Tax Treaty and the Technical Explanation of the Treaty were signed in 1975.

15. OPIC and Other Investment Insurance Programs

OPIC is involved in several small projects in Israel and recently authorized a USD 250 million construction loan for a 110MW 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

The most recent Central Bureau of Statistics data from March 2015, suggests there are about 3.8 million people in the labor force in Israel. Highly skilled and well educated, the Israeli labor force is the economy's major asset. According to the OECD, in 2014 Israel ranked fourth among OECD countries for all adults (46%) aged 25-64 that had attained a tertiary education. A large amount 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, one of 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 5.6% in 2011. In 2012 a new method was adopted for calculating Israel's unemployment rate in a manner more consistent with OECD norms. This led to a higher official unemployment rate in 2012. Unemployment in 2012 climbed to 6.9% in 2012 but dropped in 2013 to 6.2% and was 5.9% in 2014.

According to Israel's Ministry of Interior, there has been a steady increase in the number of foreign workers in recent years from 79,300 in 2009 to 105,600 at the end of 2013 excluding Palestinians, caregivers and domestic workers. According to the Bank of Israel, the number of Palestinian workers in Israel totaled approximately 92,000 in 2014, 59,000 of them working legally with a work permit and 33,000 working without a work permit.

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 of military reserve duty annually, during which time they receive compensation from national insurance companies.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

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. Plans are already underway 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

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	302.3	2013	290.6	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	19,700	2013	9,539	http://bea.gov/international/factsheet/factsheet.cfm?Area=504
Host country's FDI in the United States (\$M USD, stock positions)	2013	10,269	2013	9,471	http://bea.gov/international/factsheet/factsheet.cfm?Area=504
Total inbound stock of FDI as % host GDP	2013	2.91	2013	4.1	World Bank

*Source: Israel Central Bureau of Statistics

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	82,932	100%	Total Outward	75,368	100%
United States	19,969	24%	Netherlands	28,885	38%
Cayman Islands	7,344	9%	United States	10,269	14%
Canada	4,891	6%	Singapore	3,522	5%
Netherlands	4,771	6%	Canada	2,419	3%
Hungary	2,917	4%	Switzerland	1,892	3%

"0" reflects amounts rounded to +/- USD 500,000.
Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities		Total Debt Securities			
All Countries	104,296	100%	All Countries	61,371	100%	All Countries	42,925	100%
United States	62,014	59%	United States	37,703	61%	United States	24,311	57%
Luxembourg	8,602	8%	Luxembourg	7,835	13%	United Kingdom	1,738	4%
United Kingdom	5,720	5%	United Kingdom	3,982	6%	Germany	1,062	2%
Germany	3,441	3%	Ireland	2,912	5%	Luxembourg	767	2%
Ireland	2,954	3%	Germany	2,379	4%	Netherlands	679	2%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

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