

U.S. Country Commercial Guides



Israel 2020

Table of Contents

<i>Doing Business in Israel</i> _____	4
Market Overview _____	4
Market Challenges _____	4
Market Opportunities _____	5
Market Entry Strategy _____	5
<i>Leading Sectors for U.S. Exports and Investment</i> _____	6
Agriculture _____	6
Design and Construction _____	8
Energy _____	10
Environmental Technologies _____	13
Information and Communication Technology (ICT) _____	16
Safety and Security _____	18
<i>Customs, Regulations and Standards</i> _____	20
Trade Barriers _____	20
Import Tariffs _____	20
Import Requirements & Documentation _____	20
Labeling/Marking Requirements _____	20
U.S. Export Controls _____	21
Temporary Entry _____	22
Prohibited & Restricted Imports _____	22
Customs Regulations _____	22
Standards for Trade _____	23
Trade Agreements _____	25
Licensing Requirements for Professional Services _____	25
<i>Selling U.S. Products and Services</i> _____	26
Distribution & Sales Channels _____	26
eCommerce _____	28
Selling Factors & Techniques _____	29
Trade Financing _____	30
Protecting Intellectual Property _____	32
Selling to the Public Sector _____	32
<i>Business Travel</i> _____	35
<i>Investment Climate Statement (ICS)</i> _____	38

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Doing Business in Israel

Market Overview

Top five reasons why U.S. companies should consider exporting to Israel:

- U.S.-Israel Free Trade Agreement, signed in 1985. Nearly all non-agricultural trade tariffs have been eliminated;
- The U.S. is Israel's single largest trading partner. The Israeli market is highly receptive to U.S. products and services;
- Israel is the second largest trading partner for the U.S. in the Middle East;
- Despite regional geopolitical challenges, Israel has a stable, strong economy;
- Israel has a thriving innovation ecosystem and is a global leader in # of startups outside of Silicon Valley.

Since signing the Free Trade Agreement (FTA) in 1985, U.S.-Israel trade has grown sixfold. In 2019, U.S. exports of goods to Israel totaled \$14.4 billion, a 5% increase over that figure in 2018. Principal categories of U.S. merchandise exports to Israel in 2019 were:

- Miscellaneous Manufactured Commodities (30.7%);
- Transportation Equipment (24.1%);
- Computer & Electronic Products (10.3%);
- Chemicals (7.1%); and
- Machinery, Except Electrical (6.5%)

In 2019, exports of U.S. goods and services combined to Israel were \$20.1 billion, compared to \$19.9 billion in 2018.

In 2019, U.S. imports of goods from Israel totaled \$19.5 billion, a 10% decrease over that figure in 2018. Principal categories of U.S. merchandise imports from Israel in 2019 were:

- Miscellaneous Manufactured Commodities (40.1%);
- Chemicals (16.3%);
- Computer & Electronic Products (12.5%); and
- Machinery, Except Electrical (6.6%).

In 2019, U.S. imports of goods and services combined from Israel were \$26.9 billion compared to \$29.2 billion in 2018.

Israel's 2018 Gross Domestic Product (GDP) real growth increased by 3.5% over 2017. GDP Per Capita, Purchasing Power Parity (PPP), increased from \$38,966 in 2017 to \$40,261 in 2018, and Israel's 2019 inflation rate decreased to 0.6% from 0.8% in 2018. Israel's 2018 unemployment rate (% of labor force) was 3.8%, compared to 4.0% in 2017. In 2018, Foreign Direct Investment (FDI) in the U.S. by Israel totaled \$38.5 billion, and U.S. FDI in Israel totaled \$27.1 billion.

Market Challenges

Israel is a small market and mature in many sectors. Consequently, U.S. companies will face significant local and international competition. Additionally, Israel's strong commercial ties with Europe have led Israel to adopt European Union (EU) technical standards – over international standards – in some industries. This has created obstacles both for U.S. companies that have been doing business in Israel for many years and for new-to-market companies.

While there are substantial opportunities related to large infrastructure projects across many sectors, many of these projects are based on a public-private partnership financing model. It is often challenging for U.S. small and medium-sized enterprises to allocate the initial capital required for this type of project.

U.S. Export Control regulations for re-exports are perceived as a challenge by Israeli manufacturers.

The security environment may escalate from time to time due to the geopolitical situation in the region.

The business environment and style will seem familiar to Americans, though dress may seem more informal and personal relationships play a greater role.

Market Opportunities

Israel has a strong economy, led by an export-oriented high-tech sector and a spirit of innovation that continues to attract interest from U.S. companies looking for investment, acquisition and partnership opportunities. The market is primed for imports from U.S. manufacturers of high-end equipment with technology advantages over competition and for U.S. components that can be integrated into Israeli systems, either for domestic use or for re-export.

In 2019, Israel imported \$76.5 billion worth of merchandise from the world. The top five Israel imports from the world were: nuclear reactors, boilers, machinery and parts (12.4%); mineral fuels and oils (12.1%); electric machinery; sound equipment; TV equipment and parts (10.6%); vehicles, except railway or tramway, and parts (9.1%); and pearls and precious stones (6.7%).

U.S. exports of merchandise to Israel in 2019 accounted for 19% of Israel's total imports of merchandise from the world. The top five U.S. exports to Israel in 2019 included: miscellaneous manufactured commodities (30.7%); transportation equipment (24.1%); computer & electronic products (10.3%); chemicals (7.1%); and machinery, except electrical (6.5%).

Services represent a significant portion in Israel's total foreign trade. In 2018, Israel imports of services totaled \$30.2 billion, representing 28% of total trade in goods & services. Imports of business services totaled \$13.8 billion, representing 46% of imports of services. Of the total imports of business services, R&D services accounted for 12%, IT services accounted for 12%, and PR, market research and opinion polls accounted for 9%. Imports of business services into Israel are predominantly from the United States (29% of total business services imports) and from Europe (also 29% of total business services imports).

Lastly, the current scope of infrastructure investment in Israel is lower than comparable countries around the world. To address this gap, the Israeli government is currently planning large scale infrastructure projects across almost all industries, and publishes annually the [Infrastructure for Growth](#) workplan, a national infrastructure strategy consolidating all projects valued at more than 100 million shekels (~\$30 million) that are either in progress, budgeted or approved by the government. In 2019, the workplan included 207 projects, valued at \$56 billion in total, across many industries including: electricity infrastructure, renewable energy, water, transportation, design and construction and more. A significant portion of the projects will be implemented via a public-private partnership model.

Market Entry Strategy

Personal connections are of utmost importance to Israelis. For a first business outreach to a potential partner, it is preferable to be referred by local contacts who can facilitate an initial introduction. Business partners are expected to visit in market and establish a relationship with their Israeli counterparts.

While the use of an agent or distributor is not legally required (with the exception of some government procurement or sensitive products), partnering with a local representative, who has good industry contacts, proven reliability, technical skills and after-sales service capabilities is important for selling and maintaining a continued presence in Israel. The Israeli industry generally prefers to purchase goods through a local agent that will be able to provide warranty and after-sales service.

Due to Israel's small geographic size (approximately the size of New Jersey), distributors and agents normally have exclusive representation rights across all regions. For more detailed information regarding distribution and sales channels see the [Selling U.S. Products and Services](#) chapter.

Leading Sectors for U.S. Exports and Investment

Agriculture

Overview

Israeli consumers are sophisticated and enjoy cosmopolitan food tastes. Currently, 14.3 % of household expenditures are dedicated to food products. Producers, food processors, wholesalers, retailers, food service operators, and food importers are all part of a well-developed agro-food sector, contributing to a domestic market that is competitive and dynamic. Israel is not self-sufficient in agriculture and is dependent on imports, this situation will not change in the coming years due to the lack of arable land and of fresh water suitable for agriculture.. In 2019, imports of agricultural products (HS codes 1-24) reached \$6.78 billion. Approximately 7.7 % of these imports were sourced from the United States.

Israel's limited land and water resources preclude agricultural self-sufficiency; and affects local production costs and consumer prices. As an example we can look at the poultry sector, Israel is almost 100 % self-sufficient in poultry meat production and in domestic supply of table eggs, the feed used to generate this sector is sourced abroad . The country posts sizeable trade deficits in food and agricultural products, importing large volumes of feed grains and sizable volumes of consumer oriented agricultural products.

Israel's Agricultural Trade (\$ millions)

		2015	2016	2017	2018	2019
Total Exports		\$2,137	\$2,076	\$2,199	\$2,280	\$2,182
Total Imports		\$5,323	\$5,625	\$6,104	\$6,920	\$6,786
Imports from the U.S.		\$504	\$486	\$473	\$520	\$522
U.S. market share		9%	9%	8%	7%	7.7%

*HS codes 1-24. Source Israeli Central Bureau of Statistics (CBS).

With over 1,800 facilities, the Israeli food processing sector is an important player in the domestic economy. The Israeli food processing industry is innovative, constantly introducing new products to the market. Multi-national food manufacturers like Nestlé, Unilever, Danone, and Pepsi Co. partner with well-known Israeli food companies such as Osem and Strauss. Four groups dominate the local food processing industry: Tnuva, Osem-Nestlé, Unilever, and Strauss.

In 2017, Israeli food processors' annual revenue stood at \$17.8 billion while the beverage and tobacco industry's annual revenue was \$2.3 billion. The sector currently represents over 17% of Israel's total manufacturing industry's revenue. With limited land and resources, as well as a growing population, the ingredients demanded by the Israeli food processing sector represent an excellent opportunity for U.S. exporters of food ingredients. Around one third of Israel's food imports are raw food products for the local food processing industry.

Israeli Fast Moving Consumer Goods (FMCG) sales exceeded \$12 billion in 2018, \$9 billion of which were sales of food products. The food retail market is made up of supermarket chains, as well as urban convenience stores and gas stations, neighborhood grocery stores; and markets. Sales in supermarket chains account for over 60% of total retail food market sales. Large supermarket facilities are located in the outskirts of the large cities near major roads and tend to offer parking. Smaller neighborhood supermarkets are conveniently located but tend to be more expensive.

Israeli importers face two main considerations when selecting a particular product: quality and price. In terms of price, U.S. products are not always competitive due to relatively higher production and freight costs. Products from Europe and the Mediterranean Basin and the Black Sea Basin tend to be advantaged by proximity and, in some cases, lower production costs. Transportation costs are less crucial when dealing with higher-end products that tend to have very high value-to-volume ratios, such as spices, essences, flavorings, and concentrates. Similarly, products eligible for

tariff preferences under the United States-Israel Agreement on Trade in Agricultural Products (ATAP) advantaged, making transportation costs less of a factor.

Due to the EU being the biggest market for Israeli agricultural and food exports, the Israeli food and food supplement legislation and standardization system is increasingly harmonized to European standards. In many cases European standards may differ from those in the United States, resulting in non-tariff trade barriers and a challenging import licensing process.

Kashrut

Exporters need to consider the issue of kashrut or kosher certification. Kosher certification is not a legal requirement for importing food into Israel, except for beef, poultry, and other meat and products. However, nonkosher products have a much smaller market share, as most supermarkets and hotels refuse to carry them. In recent years there has been an increase in demand for nonkosher foods, especially from immigrants from the former Soviet Union.

Manufacturers who produce kosher products must be able to satisfy Israeli rabbinical supervisors' demands that all ingredients and processes meet kosher standards. According to the Law for Prevention of Fraud in Kashrut, only the Chief Rabbinate of Israel can approve a product as kosher for consumption in Israel. The Chief Rabbinate may also authorize another supervisory body to act on his behalf. Here U.S. products have an advantage, as the kashrut certification issued by many U.S. rabbis is recognized by Israel's Chief Rabbinate. It is, however, quite simple for Israeli importers to send an Israeli rabbi to any supply source to certify the products, thereby reducing the U.S. advantage.

Prohibited Imports

Israel, a member of the World Trade Organization (WTO), maintains relatively few prohibitions on agricultural imports. However, Israeli authorities prohibit the import of nonkosher meat and meat products (includes beef, poultry, and mutton) under the Law for Prevention of Fraud in Kashrut. As stated above, these products must be certified as kosher by the Chief Rabbinate of Israel. The only other product prohibitions are targeted against internationally controlled substances or are designed to protect public morals, human, animal or plant health, or national security.

The U.S.-Israel FTA allows both countries the use of non-tariff restrictions or prohibitions on products from those agricultural subsectors that are sensitive to agricultural policy shifts. Israel has removed some administrative barriers to United States imports but retains high levies on products and commodities that compete with local industry, such as dairy, apples, and wine.

Resources

- [USDA-FAS GAIN Reports](#)
- [Central Bureau of Statistics \(CBS\), Israel](#)
- [Food Control Service, Ministry of Health](#)
- [Ministry of Agriculture & Rural Development \(MOAG\), Israel](#)
- [Veterinary and Animal Health Services \(IVAHS\), MOAG, Israel](#)
- [Israel Plant Protection and Inspection Service \(PPIS\), MOAG, Israel](#)
- [Standards Institution of Israel \(SII\)](#)

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Design and Construction

Overview

Israel's \$43.3 billion construction sector is driven by private and public investments. Residential construction, estimated at \$24.7 billion in 2019, is the largest segment in the Israeli construction sector. The non-residential segment accounted for \$10 billion and infrastructure \$8.6 billion. Under Israel's five-year (2018-2022) [Infrastructure for Growth](#) workplan, the government allocated over \$56 billion to upgrade the country's infrastructure across many industries, including several projects in the design & construction sector. In addition to government investments in infrastructure, public and private sector investments in energy, commercial, industrial and healthcare infrastructure construction also contribute to the overall spending in the design and construction sector. It is also susceptible to fluctuations due to a gap in engineering expertise and shortage in skilled workers.

In 2019, Israel imported \$5.15 billion in building products, mostly from China (\$1.3 billion); Turkey (\$726 million); and the United States (\$639 million). Imports into Israel of construction machinery in 2019 totaled \$1.8 billion, primarily from the United States (\$346 million), followed by Germany, the Netherlands and Italy. Local Israeli companies design and manufacture metal structures, prefabricated parts and components, such as doors, windows, sanitary equipment, plumbing components, fixtures and accessories. These goods are successfully marketed worldwide and may make it difficult for U.S. manufacturers to compete in this category.

Trade Data – Building Products (USD million)

	2017	2018	2019	2020 estimated
Total Local Production	2,450	2,390	2,298	1,780
Total Exports	1,470	1,434	1,379	1,100
Total Imports	4,652	5,007	5,148	4,400
Imports from the U.S.	452	515	639	539
Total Market Size	5,632	5,963	6,067	5,080

Trade Data – Construction Machinery (USD million)

	2017	2018	2019	2020 estimated
Total Local Production	245	224	250	212
Total Exports	196	179	200	169
Total Imports	1,630	1,554	1,788	1,519
Imports from the U.S.	126	216	346	280
Total Market Size	1,679	1,599	1838	1562

Total market size = ((total local production + imports) – exports)

Units: \$ millions

Source: U.S. Department of Commerce Trade Policy Information System (TPIS) Top Trading Partners for Israel

Leading Sub-Sectors

Construction Machinery and Building Products

In 2019, U.S. exports of construction machinery and building products to Israel totaled \$985 million, up by more than 70% compared to 2017. In 2019, Israel imported \$5.15 billion in building products, mostly from China (\$1.3 billion);

Turkey (\$726 million); and from the United States (\$639 million). Imports into Israel of construction machinery in 2019 totaled \$1.8 billion, primarily from the United States (\$346 million), followed by Germany, the Netherlands and Italy.

Architectural and Engineering Services

U.S. exports of architectural and engineering services to Israel doubled between 2016-2017, from \$33 million to \$72 million. There is a recognized gap between Israel's civil engineering capacity and the need for highly skilled designers and project management companies. The pipeline of large-scope infrastructure projects includes tunnel boring for a light rail transportation network, design and project supervision for highways, bridges, tunnels and drilling projects. The country's infrastructure pipeline includes mega projects, from pre-planning to execution and management. This sector presents opportunities for U.S. civil engineering companies with experience in designing and managing large infrastructure projects.

Construction Technologies

The Israeli construction industry still mainly uses traditional practices, which limit the country's ability to accelerate projects. The needs of the construction industry are driving developments in construction tech, including software solutions for website optimization, project management, scheduling, implementation of innovative construction methods and materials, and the development of state-of-the-art equipment for construction sites. The Israeli Ministry of Construction and Housing, Ministry of Economy and Industry, in partnership with the Israel Builders Association, established a construction innovation zone - [ConTech](#), aimed to facilitating business connections between startups and industry players in Israel and abroad.

Opportunities

The current scope of infrastructure investment in Israel is lower than comparable countries around the world. To address this gap, the Israeli government is currently planning large scale infrastructure projects across almost all industries, and publishes annually the [Infrastructure for Growth](#) workplan, a national infrastructure strategy consolidating all projects valued at more than 100 million shekels (~\$30 million) that are either in progress, budgeted or approved by the government. In 2019, the workplan included 207 projects, valued at \$56 billion in total, across many industries including several projects in the design & construction sector. A significant portion of the projects will be implemented via a public-private partnership model.

Resources

- [U.S. Department of Commerce Trade Policy Information System \(TPIS\)](#)
- [Bureau of Economic Analysis](#)
- [The Israel Central Bureau of Statistics \(CBS\): Residential Construction in 2019](#)
- [Gross Fixed Capital Formation in Construction by Purpose and Industry](#)
- [Israeli Association of Construction & Infrastructure Engineers](#)

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Energy

Overview

Israel's domestic energy demand will increase significantly in coming years as Israel moves to cleaner fuels for power generation and transportation. In 2040, 13 million people are expected to live in Israel (in comparison to 9 million in 2019). Additionally, by 2040, the number of vehicles is expected to increase to 6.4 million and electricity demand will double. In light of these challenges, Israel is promoting several programs to respond to electricity consumption forecasts, while reducing pollution and increasing the use of natural gas and renewable energy.

Electricity Infrastructure

Israel is an electricity island; its network is not connected to the systems of neighboring countries, and therefore, it has to be self-sufficient in meeting its energy demand, which has grown by 3-4% annually over the last 5 years. Overall installed capacity in 2019 totaled 17.7 GW, including parastatal company Israel Electric Corporation (IEC) (72%), and Independent Power Producers (28%). According to the Electricity Authority, installed capacity in 2030 should reach 23.35 GW in order to support the electricity consumption forecasts. In June 2018, the Government of Israel approved a comprehensive structural reform in the Israeli electricity sector, planned to be implemented over the course of 8 years (2018-2026). The reform's main objectives are to decentralize IEC (currently the sole vertically integrated electric utility company in Israel), enhance efficiency in the electricity market, and increase competition. As part of the reform, IEC's share in electricity generation will be reduced from 60% to 40%. IEC will retain a monopoly in the transmission and distribution segments, which require significant upgrading. It will work to develop a smart and modern grid that will improve the quality of electricity supply.

Natural Gas

Since the first commercial discovery of natural gas in 2000, Israel has been continuously developing its offshore gas resources. In the past 20 years, the country has been transformed from a net importer of fossil fuels to being self-sufficient and an exporter of natural gas. Coal-generated power is gradually diminishing and accounted for only 30% of Israel's power in 2019 compared with 60% in 2015. The Israeli Ministry of Energy's 2030 goal for electricity generation is to substitute coal primarily by natural gas, reaching an 83% use of natural gas and 17% renewables, while closing all coal plants. Transportation plans call for a gradual transfer to electric cars and natural gas trucks with a ban on imports of gasoline cars starting in 2030. Domestic consumption of natural gas is steadily growing and has reached 11.3 bcm in 2019 (a 10% increase from 2017.) The growth in natural gas consumption was led by the electricity sector, accounting for 83% (9.1 bcm) of generation sources.

U.S. company Noble Energy and its local partners discovered the Tamar field in 2009, that provided more than 94% of Israel's natural gas in 2018. A more recent development by Noble Energy and its local partners is the Leviathan gas field, which started production in late 2019 and has contingent resources totaling 605 bcm of natural gas (almost double the size of Tamar, and approximately two thirds of the gas discovered to date offshore Israel). Additional Exploration and Production International Oil Companies (IOC's) operating in Israel are Greek company Energean and its partners, developing the Karish and Tanin fields (first gas from the project anticipated during 2021), as well as block D (awarded in 2019). In addition, British companies Cairn and Pharos and their Israeli partners were awarded blocks A and C in 2019.

Renewable Energy

Despite ample solar power potential, Israel fell well short of meeting previously stated renewable energy targets, producing in 2019 only 5% of its electricity from renewable sources. Bureaucratic bottlenecks, a lack of land resources, underdeveloped transmission infrastructure from remote generation sites, and recent discoveries of offshore gas that can produce electricity at a lower cost than solar are often cited as factors explaining the lower than expected use of renewable energy. In 2015, the Israeli Cabinet adopted a greenhouse gas (GHG) emission reduction goal of 26% decrease in GHG emission levels by 2030, using 2005 as the base year. Targets include 17% of electricity

generated from renewable sources by 2030. However, recently, the Israeli Minister of Energy announced its intention to almost double the 2030 target to 25-30%.

This tentative new plan, currently being reviewed by the Israeli Electricity Authority, includes \$23 billion worth of investments, approximately half of which in power plants, and the remainder in storage facilities and development of the electricity infrastructure (to support transmission from remote generation sites). According to this plan, solar will account for approximately 90% of the electricity, and wind, water and biomass will provide the remaining 10%. To reach this new goal, Israel will need to increase its overall installed capacity from solar systems to 15.7 GW (more than 7 times of its capacity today – 2.24 GW). It will also need to increase overall storage capacity by 10 times from 300 MW today to approximately 3,000 MW in 2030.

Leading Sub-Sectors

Leading sub-sectors for U.S. companies include Electricity Infrastructure, Natural Gas, and Renewable Energy (including Energy Storage).

Specifically, supply of electricity transmission and distribution equipment, purchasing and operation of power generation sites by Independent Power Producers, and investment in renewable energy projects including supply of relevant equipment, are all viable opportunities for U.S. exporters.

Opportunities

Electricity Infrastructure

Israel Electric Corporation (IEC) is Israel's state-owned electricity utility company, and the second largest procurement organization in Israel, with 5,000 active suppliers worldwide. IEC is currently the sole vertically integrated electric utility company in Israel, operating in all segments, and the majority of the electricity generated in Israel is supplied by IEC.

In June 2018, the Government of Israel approved a comprehensive structural reform in the Israeli electricity sector, planned to be implemented over the course of 8 years (2018-2026). As part of the reform, IEC's share in electricity generation will be reduced from 60% to 40%. IEC will retain a monopoly in the transmission and distribution segments, which require significant upgrading. It will work to develop a smart and modern grid that will improve the quality of electricity supply. The IEC reform presents significant opportunities for U.S. manufacturers of relevant equipment (for substations, switching stations, power lines, transformers, electronic meters, and more), as well as for U.S. IPP's to purchase and operate power generation sites that are being sold by IEC.

As a state-owned company, IEC is bound by Israel's WTO/GPA agreement concerning 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. For additional information on becoming an IEC supplier, see our [market intelligence report](#).

Natural Gas

Israel plans to use its abundant gas resources to leverage the development of a gas-based auxiliary industrial sector. Coupled with the recent reform in the Israeli electricity market, this presents opportunities for IPP's to purchase and operate gas-based electricity generation plants. In addition, the Ministry of Energy is issuing licenses for small scale, gas-based generation sites for industrial plants, which presents opportunities for U.S. manufacturers of relevant gas turbines and engines. Lastly, the Israeli government issued in 2019 a request for information for onshore natural gas reservoirs and storage technologies, which may develop into a procurement opportunity for suppliers of relevant equipment, technology and services.

Renewable Energy

A tentative new plan for 2030 by the Government of Israel earmarks \$23 billion worth of investments in the renewable energy sector, approximately half of which in power plants, and the remainder in storage facilities and development

of the electricity infrastructure (to support transmission from remote generation sites). According to this plan, solar will account for approximately 90% of the electricity, and wind, water and biomass will provide the remaining 10%. To reach this new goal, Israel will need to increase its overall installed capacity from solar systems to 15.7 GW (more than 7 times of its capacity today – 2.24 GW). It will also need to increase overall storage capacity by 10 times from 300 MW today to approximately 3,000 MW in 2030.

The significant increase in renewable energy capacity which the Government of Israel is promoting to reach its 2030 goals presents substantial opportunities for U.S. firms, including (a) suppliers of PV, wind and storage technology and equipment; (b) suppliers of transmission equipment, for the construction of additional substations, switching stations, etc., to support new transmission infrastructure from remote generation sites; and (c) IPP's to build and operate renewable energy generation plants.

U.S.-Israeli joint R&D and cooperation in the renewable energy sector is growing. The [BIRD Foundation](#) supports joint U.S.-Israel commercial R&D in renewable energy and energy efficiency and normally publishes new calls for proposals annually.

Energy Infrastructure Projects

The current scope of infrastructure investment in Israel is lower than comparable countries around the world. To address this gap, the Israeli government is currently planning large scale infrastructure projects across almost all industries, and publishes annually the [Infrastructure for Growth](#) workplan, a national infrastructure strategy consolidating all projects valued at more than 100 million shekels (~\$30 million) that are either in progress, budgeted or approved by the government. In 2019, the workplan included 207 projects, valued at \$56 billion in total, across many industries including several projects in the energy sector. A significant portion of the projects will be implemented via a public-private partnership (PPP) model.

Resources

- [Israel Electric Corp.](#)
- [Ministry of Energy and Water Resources](#)
- [Israel Natural Gas Lines](#)
- [Infrastructure for Growth 2019](#)
- [BIRD Foundation](#)
- [Eilat-Eilot Renewable Energy Conference](#)

For additional information, please contact Commercial Specialist Naama Myers-Altman at Naama.Altman@trade.gov

Environmental Technologies

Overview

Despite its location in a water-scarce region, and unlike neighboring countries dealing with an alarming water deficiency, Israel has an abundant supply of water thanks to the desalination facilities that provide the majority of Israel's water. Many believe that the shortage of water resources has prompted entrepreneurial and innovative developments in the field of water and agriculture. Over the past couple of decades, Israel managed to maximize its water resources and create a prosperous environmental sector, much like water-rich countries. Israel has made remarkable achievements in the water sector, including desalination facilities that are among the largest in the world, supplying more than 70% of Israel's water consumption; sewage effluents facilities that collect and treat most of Israel's wastewater (Israel has one of the world's highest reclamation rates worldwide, with 90% of its wastewater being reused); and the development of a strong domestic water technologies industry.

Nevertheless, due to a prolonged draught period with low precipitation and dwindling natural water resources, coupled with the rapid population growth and geo-political challenges, Israel has to ensure its ability to remain self-sufficient. The Israeli government plans to continue investing in new desalination facilities, alongside remediation of its polluted groundwater and developing its water infrastructure.

In comparison to water, Israel's recycling industry is underdeveloped, with approximately 80% of its waste being sent to landfill, and only 20% to recycling. This leads to environmental hazards such as groundwater and air pollution. In an attempt to tackle this unsustainable status quo, in 2018 the Ministry of Environmental Protection (MOEP) announced a strategic plan to transform Israel's recycling industry with an investment of NIS 4 billion (~\$1.1 billion). By 2040, Israel forecasts that 8 tons of waste will be produced annually. Of which, MOEP's goals are to recycle 55% and to process in waste-to-energy (WTE) facilities the remaining 45%. The MOEP intends to abolish landfill disposal by 2040.

MOEP's plan includes 9 new waste-to-energy (WTE) facilities, a new technology for Israel. A tender for the first WTE facility to be built in Israel was published in 2019, and additional tenders are expected in coming years. In addition, the plan includes the establishment of innovative sorting facilities (as of 2018, 55% of the waste in Israel is not sorted at all and 18% undergoes basic sorting). Israel currently has 13 landfills approved for receiving municipal waste, some of which will gradually close down in the coming years as more environmentally sustainable solutions are being adopted.

Leading Sub-Sectors

Leading sub-sectors for U.S. companies include Water Infrastructure, Groundwater Treatment, and Waste and Recycling.

Specifically, drilling water wells and tunneling services, water infrastructure services to connect to the national water conduit, groundwater treatment technologies and services, and waste-to-energy technologies and services, are all viable opportunities for U.S. exporters.

Opportunities

Water

In June 2018, the Israeli government approved a strategic plan responding to the lengthy draught period, which lasted for 5 consecutive years, between 2013-2018. The plan is valued at approximately \$4 billion over the next 7 years, of which at least \$1 billion will be open for international tenders. According to a subsequent government resolution dated February 2019, [Mekorot](#) (Israel's government-owned water utility company) is required to significantly increase its investment in the development of the Israeli water infrastructure. The following are key components of Israel's plans for the water sector, which present viable opportunities for U.S. exporters:

- **Desalination:** the establishment of two new desalination plants, "Sorek B" (awarded in 2020) and "Western Galilee" (a prequalification stage was initiated in 2020), that will increase Israel's desalinated

water capacity by additional 300 million cubic meter (from 858 million cubic meter annually in 2019). Existing desalination facilities are to be expanded by Mekorot, which will result in additional infrastructure projects.

- **Connecting to the national water conduit system:** the new desalination plants will need to be connected to the national water conduit system. Infrastructure projects related to connecting the Western Galilee plant are valued at \$144-300 million. Israel also plans to connect remote locations in the country to the national conduit system to increase reliability of water supply.
- **Turnkey projects for drilling of shallow and deep-water wells:** approximately 400 wells in total are planned in the next few years, valued at approximately \$1.3 billion in total. A prequalification announcement was published in 2020 by Mekorot for two parallel drilling tenders, valued at \$80-100 million each. Additional tenders are forthcoming.

Construction of pumping stations and reservoirs, groundwater remediation, laying water pipes, and digital transformation projects (including advanced sensors, command and control systems, and new SCADA system) are also viable opportunities for U.S. exporters of equipment, technologies and services.

Recycling

As of 2019, Israel sends to landfill approximately 80% of its waste, while only 20% is recycled. The Ministry of Environmental Protection (MOEP) is planning to invest \$1.1 billion by 2030 to drastically reduce landfill. In the longer term, MOEP's goals for 2040 are to recycle 55% and to process in waste-to-energy (WTE) facilities the remaining 45% of waste, while abolishing landfill disposal. To meet these ambitious goals, the MOEP plans to establish 9 WTE plants by 2040, each with a capacity of 1,500 tons per day.

Intermediate goals for 2030 are to reach 51% recycling, 26% landfill, and 23% WTE. Taking into consideration population growth and the increased waste, in order to reach these goals, by 2030 Israel will need to establish at least 3-4 WTE facilities out of the total 9 facilities planned for 2040. The first WTE tender was published in October 2019. 3 additional plants in the center of Israel are in statutory planning stage as of July 2020. The plants will be built on the basis of public-private partnership (PPP), with the government footing \$810 million of the total cost for the first 3 WTE plants (additional budget for the remaining facilities has yet to be approved).

Supply of relevant WTE technology and know-how, alongside investing in, building, and equipping of new WTE plants, are all practicable opportunities for U.S. exporters.

Environmental Infrastructure Projects

The current scope of infrastructure investment in Israel is lower than comparable countries around the world. To address this gap, the Israeli government is currently planning large scale infrastructure projects across almost all industries, and publishes annually the [Infrastructure for Growth](#) workplan, a national infrastructure strategy consolidating all projects valued at more than 100 million shekels (~\$30 million) that are either in progress, budgeted or approved by the government. In 2019, the workplan included 207 projects, valued at \$56 billion in total, across many industries including several projects in the environmental sector. A significant portion of the projects will be implemented via a public-private partnership (PPP) model.

R&D

U.S.-Israeli joint R&D and cooperation in the Environmental Technologies sector is growing, particularly in CleanTech and Water. The [BIRD Foundation](#) supports joint U.S.-Israel commercial R&D in this industry and normally publishes new calls for proposals annually.

Resources

- [Ministry of Energy - Water](#)
- [Water Authority](#)
- [Mekorot](#)
- [Ministry of Environmental Protection](#)
- [Infrastructure for Growth 2019](#)

- [BIRD Foundation](#)

For additional information, please contact Commercial Specialist Naama Myers-Altman at Naama.Altman@trade.gov

Information and Communication Technology (ICT)

Overview

Israel's information and communication technology (ICT) developments were initially fueled by geopolitical needs. Defense-related research and development (R&D) had a significant impact on the start of Israel's industrial sector, the higher educational system in science and engineering, the research community, and the structure of the ICT industry work force.

The government invested a lot of funding to develop solutions for defense-oriented equipment and capabilities. Demand for highly skilled workers, scientists, and engineers affected public resources allocated to universities and research institutions. However, not all investment in this area stem from the defense sector. Today, multinational companies account for a significant portion of the research spending in the Israeli industry. With more than 300 R&D centers in Israel, American companies constitute about 55% of all R&D centers in the country. Corporations such as Intel, IBM, Google, Cisco, Motorola, Philips, Apple, and many others have invested and set up research centers in Israel to take advantage of the local talent.

There are more than 6,700 startups in Israel's small and connected economy, 14 times the concentration of startups per capita in Europe. A noted shift for this year, is the increase in Artificial Intelligence (AI) related startup companies. The AI-subsector now accounts 17% of all the startups in Israel.

While Israel has just 0.1% of the world's population, the nation attracts 19% of global investment in cybersecurity, ranks number one globally in R&D expenditures per GDP, and attracts the highest rate of venture capital funding per capita in the world.

ICT Trade Data (\$ Millions)

	2016	2017	2018	2019
Total Israeli Exports	408.9	483.0	475.0	578.2
Total Israeli Imports	255.7	221.4	282.4	365.8

Source: Trade Policy Information System (TPIS)

Leading Sub-Sectors

Software

Many of the companies in the ICT ecosystem are software companies. The U.S. is the number one source for Israel's imports of software and Information Technology (IT) equipment and services.

Israel is considered a vital player in the digital world, especially in IT, software and internet areas, with a market that has increased by almost 400% in the last decade. Israeli software helps power everything from PC motherboard chips to cell phones and is deployed in business, consumer, and technical applications around the world. More than 100 Israeli software companies are active in cloud computing and the delivery of business and consumer services over the internet, which is considered the next revolution in the IT market.

Israel's software industry has attracted a great deal of attention from global technology leaders. Many companies, including HP, IBM, Microsoft, and Oracle, have established operations and manufacturing centers in the country. Additionally, American companies have identified Israel as a prime destination for the establishment of R&D centers. Having an R&D presence in Israel offers an opportunity for the American company to leverage local talent and enhance their existing technologies by collaborating with Israeli companies in various software fields.

Telecommunication

Israel's telecommunication market is characterized by high mobile penetration and a significant number of service providers including Bezeq International, Pelephone, HOT Mobile, Cellcom, 013 NetVision, Partner, 012 Smile, Golan

Telecom, Rami Levi Telecom, and others. Israel's telecommunication network is considered to be one of the most sophisticated in the world.

In 2019, the Ministry of Communication announced a plan to develop a 5G wireless network. The first phase of the tender was completed in early 2020, and the auction for frequencies is scheduled for summer 2020, with results expected by fall 2020. Due to ongoing financial challenges in this industry, several companies have formed strategic partnerships for this initiative: Partner and Hot Mobile have joined forces; Cellcome, Xphone and Golan Telecom have united; while Pelephone is expected to compete alone.

The development of 5G creates an opportunity for U.S. companies to supply the 5G ecosystem, starting with components to integrate with the 5G infrastructure, including, but not limited to mobile chipsets, modems, data center equipment, routers, fiber connectivity, IoT devices and more.

Additional opportunities are expected to arise once the 5G network is established, in areas such as smart cities, transportation, digital hospitals, and industry production and manufacturing.

Artificial Intelligence (AI)

The Israeli government aims to make Israel one of the top five countries for developing Artificial Intelligence technology. To achieve that goal, the government intends to invest 1-2 billion shekels in this industry. Prime Minister Netanyahu has also established a committee composed of academic, industry and government leaders to develop this initiative further.

Israel is considered to be a global leader in the number of AI startups, companies, third in the world after the U.S. and China. 2019 investment in AI companies totaled \$2.25 billion, 37% of total investment in the technology sector. Researchers predict that revenues in the AI sector are set to triple over the next four years.

The government's focus on AI, creates a unique opportunity for collaborations between U.S. and Israeli advanced AI companies, especially in the field of defense. Though we see a significant increase in analytics development and Artificial Design Intelligence.

Opportunities

Growth in the ICT market will rely on a combination of new services and networks. Over the next years, most of the growth in the Israeli telecom market will arise from mobile broadband, VoIP, and pay-tv. As the ability to offer multiplayer services becomes more important in the Israeli market, operators look for mergers or partnerships that will allow them to expand their product range.

The entry of mobile virtual network operators (MVNO) to the mobile sector has created competition and has driven down retail prices for consumers. The demand for high-bandwidth applications, such as HDVT and growing rates of internet data traffic have contributed to the telecom industry's most pressing need: bigger pipes.

Issues such as network management, providing support for new applications and creating innovative ways to better monetize subscribers and decrease operating expenses are becoming critically important. These challenges provide substantial opportunities for U.S. Companies interested in expanding in Israel's thriving telecom sector.

Resources

- [Ministry of Communication](#)
- [Israel Association of Electronics & Software Industries](#)
- [Israel Advanced Technology Industries](#)
- [Israel Innovation Authority](#)
- [Startup Nation Central](#)
- [Trade Policy Information System \(TPIS\)](#)

For more information, please contact Commercial Specialist Christina Azar at Christina.Azar@trade.gov

Safety and Security

Overview

Israel's market for safety and security equipment and services is sophisticated and highly competitive. The market is price sensitive but demands high quality equipment with low failure rates. The market is highly receptive to U.S. products and technologies. Current imports of safety and security products to Israel are an estimated \$1.2 billion, with almost 50% U.S. market share. In the low-end equipment market, however, most U.S. technologies are not price competitive with Asian products.

Israel has some 600 exporters of security technologies and services, including integrators and service companies. The country's security-awareness and high-level of preparedness are the driving forces for the development of a cutting-edge security industry. The annual sales of domestic equipment and services are estimated at \$1.5 billion, with exports exceeding 70%. Israeli manufacturers are important end-users of imported security equipment and components that are integrated into locally produced security systems for export. This makes Israel an attractive market for U.S. manufacturers of high-end equipment and components that can be integrated into Israeli systems. There is a trend though, to avoid the purchase of U.S. export-controlled items for integration in systems due to the restrictions on re-export. Some homeland security systems are sold to the Israeli Ministry of Defense with Foreign Military Funding or Foreign Military Sales, giving an advantage to U.S. manufacturers.

The main single buyer of safety and security equipment and services in Israel is the [Ministry of Public Security](#) (MoPS). Its annual procurement budget is estimated at \$1.1 billion, spent on equipment and services for the Israeli Police, Prison Service, Fire & Rescue Authority, Anti-Drug and Alcohol Authority and the Witness Protection Authority. Public tenders are not always visible to the general public, so U.S. companies will not always be aware of major tenders. For this reason and because there is no single centralized Israeli government website where public procurements are advertised, we encourage U.S. suppliers to appoint a local agent who would keep a close eye on immediate and long-term opportunities.

Leading Sub-Sectors

Security Technology – Physical and Perimeter Security Equipment

In the demanding safety and security sector, there is ongoing need for high quality, efficient systems with low failure rates. One of the country's security concerns is safeguarding the offshore natural gas facilities and the maritime transport system supporting the rigs. Another concern is safeguarding the border with the Gaza Strip from fire balloons and violent demonstrations that require nonlethal response. Sub-sectors with the most potential for the U.S. industry include screening technologies, sensors, non-lethal weapons, advanced first-responder systems and technologies including situational awareness, sensors and wearables.

Public Safety – Police Equipment and First Responder Communication Systems

Other leading subsectors include law enforcement supporting technologies to combat cybercrime, technologies and methods to secure critical infrastructure and public facilities, safe and secure cities technologies, border protection including biometrics, screening systems and robotics, unmanned aerial systems, advanced first responder technologies such as video analytics, first responders protective clothing, wearable and situational awareness technologies; environmentally safe fire retardants.

Opportunities

Good opportunities exist for sophisticated equipment to be used in the above mentioned leading sub-sectors. U.S. security technology, 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 also offers good opportunities for U.S. exporters of:

- Means for non-lethal dispersion of masses

- Detection and screening systems
- Sensors
- Biometric solutions
- X-ray security systems
- Anti-drone technologies and solutions, that can detect, classify and hinder potential threats
- First responder solutions
- Technologies for the prevention of agricultural crime, including hyperspectral scanners
- Technologies for detection of hidden weapons and arms.

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 about U.S. export controls please refer to "[U.S. Export Controls](#)" section.

The Israel-U.S. Binational Industrial Research and Development Foundation (BIRD) offers funding to support collaboration between U.S. and Israeli companies in research, development and commercialization of first responder technologies, including perimeter protection, wearable technology, situational awareness.

Resources

- [Israel Ministry of Public Security](#)
- [U.S. Department of Commerce Export Control Regulations](#)
- [U.S. Department of State Export Control Regulations](#)
- [iHLS \(Israel's Homeland Security\)](#)
- Ministry of Economy Overview of Homeland [Security](#) Sector
- [Israel Export Institute HLS Companies Catalogue](#)
- [Israel Company Directory](#)
- [BIRD Foundation Homeland Security Program](#)
- [InnoTech Expo, November 18-19, 2020](#)

For additional information, please contact Commercial Specialist, Yael Torres at Yael.torres@trade.gov

Customs, Regulations and Standards

Trade Barriers

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).

U.S. Embassy Jerusalem is actively pursuing improvements in the export and investment climate for U.S. firms in Israel. These efforts are focused in three specific areas: promoting internationally accepted technical standards in Israel that do not discriminate against U.S. products, protecting intellectual property rights (IPR), 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 U.S. Commercial Service in Israel.

Import Tariffs

Under the [U.S.-Israel FTA](#), signed in 1985, the United States and Israel agreed to implement phased tariff reductions, culminating in the complete elimination of duties on all products by January 1, 1995. Most tariffs between the United States and Israel have been eliminated as agreed, although tariff and nontariff barriers continue to affect U.S. agricultural exports to Israel.

Import Requirements & Documentation

As part of the [U.S.-Israel FTA](#), to benefit from zero customs duties, U.S. exporters are required to print and sign a declaration, stating that the goods covered by the invoice fully comply with the rules of origin and the other provisions of the FTA. American exporters are advised to ensure that they carefully review and understand the language of the FTA's Rules of Origin Provision before they sign the declaration. Exporters can register on the [U.S. Commercial Service Israel website](#) to receive additional information about the [invoice declaration](#) provision.

Israel's Import 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 (under Commercial Import Taxes). A request should include a detailed description of the goods, a catalog with the technical information, and 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. The Pre-Ruling request form is available from [Israel's Customs website](#).

Labeling/Marking Requirements

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. 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 Agricultural Sector below.

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 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 subpackages, the labeling should specify the number of such subpackages, the net content of a subpackage, 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 auto parts, 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 should always consult with their Israeli importer regarding any additional labeling regulations to which their products may be subject.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counselling exporters, and drafting and publishing changes to the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end use and end user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags", or warning signs, and compiled "[Know Your Customer](#)" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry specific topics. Interested parties can check a [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has

authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations) and is updated as needed.

The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

Temporary Entry

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. The ATA Carnet must be stamped by U.S. Customs.

Prohibited & Restricted Imports

See [Agricultural Sector](#) section.

Customs Regulations

The U.S.-Israel 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. Effective January 10, 2018, U.S. exporters to Israel are no longer required to provide Israeli authorities a hard copy Certificate of Origin (commonly referred to as the "Green Form" or "Form A") to qualify for preferential access to the Israeli market under the United States-Israel FTA. Instead, U.S. exporters are required to print and sign a Declaration on the invoice or on a letterhead document. American exporters are advised to ensure that they carefully review and understand the language of the FTA's Rules of Origin Provision before they sign the *Invoice Declaration*. For further information and for the full text of the FTA, please refer to the [U.S. Commercial Service Israel website](#).

The Invoice Declaration is required by Israeli Customs to qualify for preferential tariff treatment. 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 to qualify for the FTA preferential tariff. Israeli Customs stringently enforces import documentation regulations, including the Invoice Declaration for U.S. 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.

Other Documentation

The Israeli Customs Service prefers 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.

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 Israeli Customs. Israeli 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 for Trade

Overview

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 Commissioner of Standards at the Ministry of Economy and Industry (formally known as the Ministry of Industry, Trade & Labor).

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). The SII has also 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.

Israeli legislation mandates the adoption of multiple, proven international standards whenever possible to maximize benefits to the Israeli consumer of a competitive market. Historically, Israel's standards policy has had clear preference for European standards, which results in a disadvantage for U.S. products.

Standards

The Standards Institute of Israel (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.

Testing, Inspection and Certification

The Standards Institute of Israel (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 service 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

Publication of Technical Regulations

Technical standards and amendments are published in the official Israel Government Gazette (Hebrew only) in hard copy only and can be purchased in bookstores that sell legal textbooks or by subscription by the Commissioner of Standardization who is responsible for enforcing mandatory standards. The Commissioner of Standardization will publish the standard for review and comment by the public within 30 days and relevant minister(s) 60 days from the day of publication with an option for the minister(s) to receive an extension of a further 60 days. An appointed minister who does not send a response in the given timeframe, shall be deemed to have consented to the announcement as published, including changes applied to them in the course of the proceedings.

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.

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Contact Information

The Standards Institution of Israel

http://www.sii.org.il/334-en/SII_EN.aspx

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Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. [Notify U.S.](#) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country or countries and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and operated by the U.S. WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Trade Agreements

Israel has adopted a liberal import policy. In addition to its [Free Trade Agreement](#) (FTA) with the United States, it has FTAs with Bulgaria, Canada, the Czech Republic, Hungary, Mexico, Poland, Romania, the Slovak Republic, Slovenia, Turkey, the EU, and EFTA (Iceland, Liechtenstein, Norway, and Switzerland). In 2011 a trade agreement was signed with the MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay, and Venezuela), and agreements with India and China are under discussion. Israel also has a preferential trade arrangement with Jordan and maintains a customs union with the Palestinian Authority. In 2005, the European Union began imposing customs duties on goods manufactured by Israeli companies located in the West Bank.

In 1997, Congress amended the law governing the U.S.-Israel FTA 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 United States grew significantly. In 2001, Jordan and the U.S. signed a FTA which allowed duty free access to the U.S. for Jordanian goods, independent of Israeli content. The FTA eliminated 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 may enter into the U.S. duty free. Exports to the United States under the program approach \$1 billion and consist mainly of textiles. A list of current Egyptian QIZ-eligible companies and zones can be obtained at <http://www.qizegypt.gov.eg>. All products manufactured in the West Bank and Gaza also may enter the U.S. duty free.

Licensing Requirements for Professional Services

Foreigners who wish to practice law, medicine, and accounting in Israel must comply with local requirements.

A recent amendment to the law allows foreign licensed attorneys to advise Israeli clients on matters pertaining to the law in the jurisdictions in which they are licensed. For instance, a U.S. lawyer can now advise Israeli companies and entrepreneurs about matters pertaining to U.S. law, without having to fulfill the requirements that had been imposed on all Israeli lawyers by the Israel Bar Association.

Physicians who are graduates of recognized schools of medicine abroad and practiced the profession abroad, or physicians who completed their studies and internship abroad but did not practice the profession, will be eligible for a license to practice medicine in Israel only after successfully completing the government licensing examinations in medicine.

If you have an accounting degree from a recognized institution overseas but you are not a CPA, it is recommended that you submit your degree for evaluation to the Department of Evaluation of Foreign Degrees at the Ministry of Education.

Selling U.S. Products and Services

Distribution & Sales Channels

While the use of an agent or distributor is not legally required, 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.

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

Using a local importer/distributor is the most common approach for U.S. manufacturers of light industrial equipment and consumer goods. Distributors will import on their own account and carry sufficient stock to satisfy ongoing demand and use for demonstration. Distributors maintain their own sales organization, supplying spare parts and, if applicable, maintain a service division. In addition, local representatives often provide legal support for ongoing operations.

When executing a representation agreement, U.S. companies should be sure to specify:

- Contract duration
- Exclusivity (if applicable)
- The amount of compensation that will be provided to the representative in case of termination of exclusivity (as per Israeli law)
- Promotional input by agent and volume of sales
- Dispute settlement mechanism, either by arbitration, or by assigning a tribunal (preferably U.S.)

Israeli law regulates the termination of supplier-agent/distributor relationships. Specifically:

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

Financial Compensation for Termination: 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 twelve 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 Agency Contract Law please visit the [U.S. Commercial Service Israel website](#).

Establishing an Office

A U.S. firm 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, although the Israel Antitrust Authority may review and object to foreign ownerships that would result in a cartel or market monopoly.

U.S. businesses interested in establishing an office in Israel are required to register with the [Registrar of Companies at the Israel 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 Israeli office must first obtain work permits from the Employment Service Division of the Ministry of Economy. Authorization from the Ministry and, if applicable, the Israel [Investment Center](#), is necessary before the Ministry of Interior can issue a visa.

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 establishing an office in Israel are advised to consult with local accounting and/or law firms.

Franchising

The franchise industry in Israel has developed rapidly in recent years, opening new opportunities for U.S. franchise brands to enter the vibrant Israeli economy. Many well-known American brands are already present in Israel, mostly under master franchise agreements. About a third of the total franchises operating in Israel operate in merchandising, with the vast majority in the apparel and fashion industry. Popular American food chains have also taken a prominent place in the Israeli market. Other franchises focus on services such as real estate, brokerage and educational institutes, which have attracted interest by the Israeli market.

While franchising has become a popular business model in Israel, with approximately 300 local franchise brands, the country has no official centralized legislation regarding franchises and franchisors are not required to conduct a Franchise Disclosure Document (FDD). The legal relationship between the franchisor and franchisee is bound by a commercial legal agreement between the parties, which is subject to general applicable laws in Israel. The only specific regulation of franchise agreements in Israel is the inclusion of antitrust rules, which outline certain requirements in order for a franchise agreement not to be deemed as a "restrictive arrangement," and thereby subject to the approval of the Israeli Competition Authority. The Israel Franchise Institute is a good source to get update information on franchising in Israel and best prospects to expand to the Israeli market

Direct Marketing

Direct marketing is common via mail inserts, social media platforms and the internet. Door-to-door sales are uncommon in Israel and considered a nuisance. It is illegal to conduct unsolicited marketing via telephone, email, and text messaging. Direct marketing and internet sales play a growing role in relation to total retail sales, but Israeli consumers still enjoy shopping as a popular pastime. Multi-level marketing (MLM) companies find prosperous grounds in Israel, mainly among the Russian speaking population that can help expand their brand to Eastern Europe. Some local MLM leaders also play key marketing roles in Russian speaking markets. An "opt-in" spam law was introduced to Israel in late 2008 requiring companies to obtain permission from an individual before sending direct marketing materials. Political and charity mailings are exempt from this restriction.

Joint Ventures/Licensing

Creating a joint venture with a foreign corporation is one of the most popular methods of cooperation for Israeli firms, especially in technology-related industries. Manufacturing under a licensing agreement is also common in Israel. The Government of Israel encourages both methods of operation. 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 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.

The [Investment Climate Statement](#) section of this guide provides further information on investing in Israel.

Express Delivery

All the major U.S. and other foreign express delivery courier companies operate in Israel on a timely basis, including Israel Post's own express mail service (EMS), via their European hubs. Most, if not all, also provide custom clearance services. The '*de minimis*' amounts for Israel are: \$75 for private shipments and \$50 for Commercial Shipments.

Due Diligence

American firms interested in doing business in Israel are advised to perform due diligence before concluding any kind of business deal. The U.S. Commercial Service in Tel Aviv can counsel U.S. companies on potential partners and 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. For information please contact the [commercial specialist](#) that covers the industry you operate in.

eCommerce

The International Trade Administration has established [The eCommerce Innovation Lab \(EIL\)](#) with the aim to position the US Commercial Service as a pacesetter resource for US businesses through empowering client-facing staff with a baseline understanding of digital trade, enabling quicker response to client needs by providing value add digital client counseling.

EIL has created a U.S. field-based client digital strategy counseling process that focuses on these key concepts such as [A digital strategy](#) that addresses the basic needs of a business required to succeed in cross-border ecommerce sales channels; [eCommerce is a sales channel](#), that crosses all industries that sell or promote brand awareness online; [eCommerce Key Performance Indicators](#) allows businesses to understand where their digital efforts are paying off and lastly, [eCommerce Business Service Provider Directory \(BSP\)](#) provides the much needed follow-up to our digital strategy recommendations that will help the US companies to succeed in overseas markets;

Assessment of Current Buyer Behavior in Market

Israel represents an excellent opportunity for foreign sellers of consumer goods because of high retail prices in Israel and the lack of domestic eCommerce competitors. The country's middle class is looking for high quality, less expensive goods and is willing to buy from foreign eCommerce merchants.

According to research firm Statista, 2020 eCommerce revenues in Israel are predicated to reach \$4,335 Million and rise to \$7,539 million by 2024, a compound annual growth rate of 14.3%. The market's largest eCommerce segment is fashion, with a market volume of \$1,215 million in 2020.

While Israel is known for innovation and sophisticated technology, its consumer goods are often inferior in quality to those made in foreign countries and more expensive. Residents are eager to purchase everything from jeans to shoes to kitchen gadgets from foreign countries. China's Alibaba, the largest eCommerce company in the world, has invested in several Israeli technology startups. Israelis like to purchase goods from Alibaba, which contributes to Chinese companies, collectively, being the top eCommerce source for Israelis. A strong presence of foreign eCommerce in Israel has created a more competitive local environment and has pushed the Israeli players to offer equivalent services and products to retain their position in the local market.

Local eCommerce Sales Rules & Regulations

In 2017, the Israeli government changed its rules to make foreign companies subject to Value Added Tax (VAT) collection on digital services. A company must collect VAT if it has an online presence targeting Israeli consumers or has representatives seeking to find Israeli customers. Downloaded apps, software, music, games, television programs, films, and online gambling are all subject to the country's 17% VAT.

Physical goods worth up to \$75 are exempt from all taxes and purchases of up to \$500 are exempt from duties but still subject to VAT. For example, Amazon must charge VAT on delivery of digital products like eBooks, but not on physical books costing less than \$75.

The Israeli Intellectual Property (IP) law is written pursuant to the TRIPS agreement; therefore, Israel's custom department is authorized to follow up on any IP, trademarks, and copyrights violations caused by imported products.

Selling Factors & Techniques

Trade Promotion and Advertising

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 both local and European sellers. There are several effective means of advertisement through social media, commercial television, and radio. Reshet and Keshet are two 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 *Koll 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.

Local trade shows showcase the local industry and attract visitors from foreign governments and industries. Many business events, conventions, seminars, trade shows and private promotional events take place throughout the year. Here are links to some of the main conventions and event organizers:

- [Tel Aviv Convention Center](#)
- [STIER - International Trade Fairs & Exhibitions Group](#)
- [Kenes Exhibitions](#)
- [Israel Defense](#)
- [MEDA Conferences](#)

Pricing

Israel is a highly competitive market and price is a key factor driving Israeli corporate and consumer purchasing decisions. Presenting U.S. products as high quality at fair market prices is a good long-term sales strategy. Distributors prefer exclusivity and annual sales targets should be incorporated into representation contracts.

Israel's VAT is 17% and charged on almost all services and products sold in Israel (except fresh fruits and vegetables). The VAT on imports is levied on the CIF (Cost, Insurance and Freight) landed cost plus purchase tax. VAT is recovered by the importer upon resale of the goods and is ultimately paid by the consumer.

Israel also levies purchase taxes on many consumer goods. The Government of Israel has reduced or eliminated the purchase tax on more than six hundred items since 2000, including televisions, washing machines, electrical appliances, and cosmetics. The purchase tax on standard vehicles with combustion engines is 83%, hybrids, 30%, and electric vehicles 10%.

Sales Service / Customer Service

The Ministry of Industry, Trade, and Labor requires that all businesses provide adequate after-sales service and customer support. Regulations 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 it 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.

Local Professional Services

Israel has a highly developed professional services market. A wide variety of service providers are available to support U.S. companies doing business in the Israel, from the largest global firms to small local companies. Additional information is available upon request. Please contact Karen Kelich at karen.kelich@trade.gov.

Principal Business Associations

- **Israel - America Chamber of Commerce (AmCham Israel):** Dedicated to the promotion and enhancement of two-way trade and investment between Israel and the United States of America. AmCham Israel accepts U.S. companies as members.
- **Federation of Israeli Chamber of Commerce (FICC):** Founded in 1919 as an independent and non-profit entity, FICC is a leading economic organization representing over 5,000 businesses and organizations, active in sectoral issues, including reduction of purchase tax, abolishing import barriers and opening market to competition, advocating policy changes, reducing corporate taxes, promoting amendments and equality in the Tender Act Law.
- **Manufacturers Association of Israel (MAI):** Representative body of all industrial sectors in Israel: private, public, kibbutz and government industries. It consists of more than 2,000 organizations and industrial factories that are responsible for more than 95% of the industrial production in Israel.
- **Israel Export and International Cooperation Institute (IEICI):** Promotes exports of Israeli goods and services, fosters international cooperation and strategic alliances.
- **Israel Advanced Technology Industries (IATI):** IATI is Israel's umbrella organization of the high-tech, life science and other advanced technology industries. Limitations on selling U.S. products.

Limitations on Selling U.S. Products and Services

The Free Trade Agreement (FTA) between Israel and the U.S. contributes to the free flow of goods and services, and consequently there are no major limitations on selling U.S. products and services in the country. In some cases, however, nontariff barriers and technical barriers to trade arise from local regulations or a lack of transparency on specific public tenders. Please see the chapter on [“Customs, Regulations and Standards”](#) for additional information. U.S. companies are also advised to contact the U.S. Commercial Service should they encounter any perceived limitations.

Trade Financing

Methods of Payments

Israeli businesspeople 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 to 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. For more information about the methods of payment or other trade finance options, please see the Trade Finance Guide available at: <https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>.

Banking Systems

Israel has a modern and sophisticated banking system. There are five major domestic commercial banks in Israel, with a number of smaller banks, some of which are subsidiaries of the larger banks. The two largest banks, with similar asset size are Bank Hapoalim and Bank Leumi, followed by Israel Discount Bank, Mizrahi Tefahot Bank and First International Bank of Israel, respectively. There are currently five foreign banks with commercial activities in Israel: Citibank NA, HSBC Bank plc., Barclays Bank plc., BNP Paribas Israel and State Bank of India. In addition, there are several foreign banks with representation in Israel: Bank Julius Baer & Co., Bank Lombard Odier & Co., Banque Pictet & Cia SA, BNP Paribas Israel, CBH Compagnie Bancaire Helvetique S.A., Dreyfus Sons & Co., Hyposwiss Private Bank Geneve SA, JP Morgan Chase Bank N.A., Silicon Valley Bank, and Union Bancaire Privee. According to Bank of Israel's annual survey, Israel's banking system has continued to maintain its stability and resilience, as well as a high level of liquidity. The banks accumulated profits from business activity and have adopted policies to attain capital levels that are appropriate to their risk profiles. The results of stress tests carried out by the Banking Supervision Department this year support the assessment that the banking system is stable

Foreign Exchange Controls

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. The main transactions which will no longer be restricted are: Individuals investments abroad: Individuals are permitted to invest abroad freely, including in land and real estate. Hitherto, such investments were allowed only in time-sharing projects. Bank accounts: Individuals and companies are permitted to manage bank accounts abroad, in either NIS or foreign currency. Hitherto, only exporters could do so. Unilateral transfers: All quantitative restrictions applicable to all types of unilateral transfers abroad, including support payments, gifts, and transfers abroad by a resident who has emigrated from Israel, have been abolished. Holding foreign currency in cash: The restriction on holding foreign currency in cash has been abolished, and payments in foreign currency are permitted in cash or by check, between Israeli residents as well as between residents and nonresidents. The restriction on taking NIS out of Israel and on receiving NIS from nonresidents including receipt of NIS as payment for exports has been removed. It should be noted, however, that as of January 2019, Israeli law prohibits cash payments in Israel over certain amounts (up to NIS 11,000 or 10% of the overall transaction – between businesses, or up to NIS 50,000 – between private individuals). Presentation of documents: The requirement to present documents when carrying out a transaction with a nonresident in NIS or in foreign currency has been abolished. However, a report on the nature of such transactions will be required, in order to enable reliable and informed analyses of capital flows to be performed. Direct activities in foreign currency or with abroad: Such activities will be permitted not only via authorized institutions in Israel, i.e., authorized dealer banks, brokers, moneychangers, and credit-card companies, but directly with foreign financial intermediaries. This will increase competition in the financial sector and improve its efficiency.

U.S. Banks and Local Correspondent Banks

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: Bank Hapoalim has branches in New York and Miami; Bank Leumi has a U.S.-based subsidiary, Leumi USA, with offices in New York, Chicago, California, and Florida; Israel Discount Bank has a subsidiary in New York; and Mizrahi-Tefahot has a branch in Los Angeles. 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

Protecting Intellectual Property

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, please link to our article on [Protecting Intellectual Property](#) and [Stopfakes.gov](#) or [contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at Stevan.Mitchell@trade.gov](#).

IP Attaché Contact for Israel:

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Selling to the Public Sector

Selling to the Government

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please be sure to review the "Project Financing" section in "[Trade and Project Financing](#)" for additional information.

Israel is a signatory to the WTO Agreement on Government Procurement (GPA). Additionally, under Israel's 1993 Public Procurement Law, all Government of Israel 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" regulation and the "Mandatory Industrial Cooperation" regulation, both of which are described in further detail below.

The "Preference for Israeli Products" regulation stipulates that a 15% preference be awarded to Israeli manufacturers for certain items exempted by the WTO GPA and for products with 35% Israeli content and with a value not exceeding \$500,000. Israeli manufacturers in "National Priority Zones" receive an additional 5-15% advantage.

"Mandatory Industrial Cooperation" requirements are an integral part of each international tender document valued at \$5,000,000 or more. The regulation requires foreign companies to enter into offset agreements. These agreements are administered, negotiated and monitored by the [Industrial Cooperation Authority \(ICA\)](#), a division of the Israel Ministry of Economy and Industry. Foreign Suppliers that have won government or public tenders are required to engage in an offset procurement in Israel to the extent of 35% (or 20% for WTO GPA signatory countries), or at least 50% of the contract value, in the civil or security fields, respectively. Industrial cooperation can be managed in various ways: local subcontracting, procurement of Israeli goods and services, cooperation in R&D, investment or assistance for an Israeli industrialist or exporter abroad. Subcontracting, investment, technology transfer, and R&D contracts 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, industrial cooperation arrangements made by foreign companies can play a decisive role in the decision-making process.

According to ICA regulations, the final offset decision must be to the commercial benefit of the foreign company. A short explanation of the policy is available at the [ICA website](#).

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 if the effort is made in good faith. However, due to the importance the government of Israel attaches to commercial cooperation, failure to fulfill one's obligations may result in a lack of success in future tenders. U.S. companies interested in selling to the Government of Israel are strongly advised to appoint a well-connected local agent to assist in dealing with the Israeli bureaucracy.

For those pursuing Foreign Military Financing (FMF) funded defense contracts, please note that these contracts are exempt from sanctions and 50% offset demands. Instead, U.S. defense firms are encouraged to negotiate industrial participation contracts at 35% of the contract value.

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, including:

- 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 the extensive use of closed tendering processes, foreign companies will not always be aware of major tenders. There is no single centralized Israeli government website where public procurements are advertised.

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult [Advocacy for Foreign Government Contracts](#) for additional information.

U.S. companies interested in additional information on specific tender opportunities or on Israel's public tender process in general are advised to contact Commercial Specialist Yael Torres at: Yael.Torres@trade.gov.

Sites that offer request for quotations (RFQ) that may be of interest to U.S. exporters include:

[NTA – Tenders Page](#)

[Ministry of Finance - Infrastructures and Projects Division](#)

Financing Projects

Israel and the U.S. have a number of financing projects jointly operated, such as:

The [Ex-Im Bank](#) offers 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.

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 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.

Three bilateral U.S.-Israel government funded organizations provide financing for joint R&D and research projects:

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

Established in 1977, [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 providing matchmaking services between potential U.S. and Israeli strategic partners.

BIRD provides funding covering up to 50% of project development costs, up to \$1M per project, with the goal of expanding cooperation between U.S. and Israeli private high-tech industries. The mission of the Foundation is "to stimulate, promote and support joint (non-defense) industrial R&D of mutual benefit to the two countries". Projects are supported in the areas of Agriculture, Communications, Construction Technologies, Electronics, Electro-optics, Life Sciences, Software, Homeland Security, Renewable and Alternative Energy and other technology sectors.

According to the Foundation, BIRD supports approximately 20 projects annually. The cumulative sales of products developed through BIRD projects have exceeded \$10 billion. Awards typically range from \$700,000 to \$900,000. The award size varies based on total project budget and other considerations.

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

[The U.S.-Israel Binational Science Foundation](#) (BSF) promotes scientific relations between the U.S. and Israel by supporting collaborative research projects in a wide area of basic and applied scientific fields, for peaceful and non-profit purposes.

Founded in 1972 by an agreement between the United States and Israel, the BSF is an independent body, directed by a board of governors consisting of five American and five Israeli members. Its base of operation is in Israel.

Funding for research derives from the annual interest on an endowment contributed in equal parts by the two countries. Grants are made on a competitive, peer reviewed basis, juried by leading scientists from the U.S., Israel and around the world. Eligible projects must demonstrate outstanding scientific merit and clear collaboration between Israeli and American researchers from institutions throughout the two countries.

Since its inception, the BSF has awarded some \$600 million to over 5,000 research projects of the highest quality. Many of these have led to important scientific, medical and technological breakthroughs with wide-ranging practical applications.

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 sectors of both countries. BARD also supports international workshops and provides post-doctoral fellowships.

Business Travel

Business Customs

Israel's business environment has no particular business protocols; it is mainly consistent with U.S.-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. A business suit is appropriate in meetings with high level executives and government officials and ties are optional.

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

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

U.S. travelers can refer to the [U.S. Department of State's International Travel Information](#) for the most up to date information on travel warnings and visa requirements for Israel. [Visa Requirements](#)

A visa is not required for Americans traveling for tourism or short-term business visits. Visitors are entitled to remain in Israel for 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 the [Israeli Government Services and Information Website](#), and the [Embassy of Israel to the United States website](#).

U.S. companies that require travel of foreign businesspersons to the United States are advised that security evaluations are handled via an interagency process. Visa applicants should go to the following link(s): [State Department Visa Website](#). Israeli citizens require a visa prior to entry, and the visa process may take a number of weeks. Visa applicants should apply well in advance of anticipated travel and should consider maintaining a valid visa at all times. Israeli applicants may refer to the following link for additional information: [U.S. Embassy – Tel Aviv Branch Office, Consular Section](#).

Currency

The State of Israel's currency is the New Israel Shekel (NIS). There are one hundred *agorot* in each *shekel*. Bank notes are in denominations of NIS 20, 50, 100, and 200; coins are in denominations of NIS 10, 5, 2, 1 and 50 and 10 agorot.

Unlimited sums of local and foreign money may be brought into Israel as cash, travelers' checks, credit , or State of Israel bonds (although over NIS 50k, travelers are required to report to customs). Foreign currency of all kinds may be exchanged at the airport, banks, post offices, most hotels or licensed exchange agencies in large cities. A passport is required when exchanging travelers' checks. The rates vary from place to place, and banks charge a commission. It is recommended, though not obligatory, to carry a small amount of U.S. dollars, since certain tourist sites, especially in the Old City of Jerusalem, take payment in dollars.

Holders of international credit cards can withdraw local or foreign currency at banks which accept their credit cards. There are Automated Teller Machines (ATMs) outside most banks.

In local stores, Mastercard and Visa are more widely accepted than American Express and Discover cards.

The annual average exchange rate for 2019 was NIS 3.56 per \$1.00.

To learn about the current exchange rate please visit the [Bank of Israel website](#).

Telecommunications/Electronics

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.

There are eight main Internet Service Providers (ISP's): Bezeq International, NetVision, 012 Smile, 013 Barak, Partner, Triple Cloud, Xphone 018, HOTnet and Internet Rimon, all which offer broadband wireless internet service to clients. Wireless networks (Wi-Fi) can be found throughout the country, including restaurants, cafes, hotels and in Ben Gurion Airport. The rate for Wi-Fi varies between ISP's, however, complimentary Wi-Fi is often offered to customers in restaurants and hotels.

A global survey conducted in 2019 ranks Israel second highest in smartphone usage, after South Korea. All international cell phone service providers will operate in Israel; however, renting a local cell phone or purchasing a local SIM card can reduce the cost significantly. If planning to use a local SIM card, you will require an unlocked phone. Cell phones for visitors are available for rental at Ben Gurion Airport or through hotels.

Area code: +or 00-972

Electricity: 220 volts AC, 50 Cycles – An adaptor is necessary – 3 pronged

Transportation

Israel has an extensive road network that connects the entire country and has advanced inland and international transport facilities. Rental cars, taxis and drivers 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, including Jerusalem, and to Ben Gurion Airport.

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 provide domestic flights between Tel Aviv, Haifa and Eilat from Ben Gurion Airport.

There is no public transportation on the Jewish Sabbath (Friday sundown to Saturday sundown), besides taxi service (although taxis can be difficult to find on Sabbath as well), or some municipal buses in certain cities.

Useful links:

- [Israel Airport Authority](#)
- [Israel Railways](#)
- [GO Israel \(Tourist Information\) - Transportation](#)
- [Moovit](#) – Web and mobile application for public transportation route planning

Language

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

Health

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 in order to make arrangements in advance for service on these days. Travelers can find information regarding medical providers, including emergency medical facilities and after-hours pharmacies, in the [U.S. Embassy in Israel website](#).

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.

Food and water standards in Israel are similar to those in the United States. Additional information regarding vaccines and medicines, or general health-related guidance, can be found at [Center for Disease Control and Prevention website](#).

Local Time, Business Hours and Holidays

Local Time: UTC + 2 hours (7-6 hours ahead of Eastern Standard Time - EST. Israel 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 Jerusalem and The U.S. Embassy Branch Office in Tel Aviv are open 8:00 a.m. - 4:30 p.m., Monday – Friday and closed on U.S. holidays and Israeli holidays.

Additional information regarding Israeli public holidays and observances in 2020 can be found on the [Time and Date website](#).

Temporary Entry of Materials or Personal Belongings

The ATA Carnet is accepted by Israel. For more detailed information regarding ATA Carnet please visit the [International Trade Administration's website](#).

It is advisable to contact the Embassy of Israel in Washington D.C. or one of Israel's consulates in the U.S. for specific information regarding customs requirements.

For general customs regulations please see the [Customs and Import Restrictions](#) page at the Department of State website.

Investment Climate Statement (ICS)

The U.S. Department of State's Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State's [Investment Climate Statement](#) website.

Political Environment

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State [Countries & Areas](#) website.

Direct link:

<https://www.state.gov/u-s-relations-with-israel/>