

U.S. Country Commercial Guides



2017

Israel

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Doing Business in Israel

Market Overview

The U.S. is Israel's single largest trading partner. Since signing the Free Trade Agreement in 1985, US-Israel trade has grown eight-fold and nearly all trade tariffs between the U.S. and Israel have been eliminated since 1995.

In 2016, GDP real growth increased by 4.0 percent over 2015. Israel's GDP in 2016 was estimated to be \$297 billion.

In 2016, Per Capita GDP (PPP) decreased from \$34,054 in 2015 to \$34,833. Israel's 2016 inflation rate was -0.2 percent, up from -0.6 percent, in 2015. Forecast for 2017 is 0.7 percent.

Israel's 2016 unemployment rate was 4.3 percent, compared to 5.3 percent in 2015.

Exports of U.S. goods to Israel in 2016 were \$13.2, compared to \$13.6 billion in 2015 and \$15.1 billion in 2014. U.S. imports from Israel were \$22.2 billion in 2016, \$24.5 billion in 2015 and \$23 billion in 2014.

Market Challenges

Israel is a mature market in many sectors and U.S. companies will face significant local and international competition.

Agriculture trade regulations, IPR protection weaknesses, certain technical standards and regulatory uncertainties in the natural gas sector are non-tariff barriers. US Export Control regulations for re-exports are perceived as a challenge by Israeli manufacturers.

The security environment is tense because of 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

Hi-tech and **defense** dominate Israel's trade numbers, and Israel remains a global center for hi-tech design and R&D. Hi-tech continues to provide opportunities for U.S.-Israel commercial partnerships, specifically in **ICT technologies** including cyber security, safety and security equipment and services, defense equipment, medical technologies and biotechnology products. Power generation and education/training also represent good opportunities.

U.S.-Israeli commercial linkages often consist of U.S. firms providing electronic inputs which Israeli firms integrate into final products destined for re-export.

Road technology and infrastructure projects could offer millions of dollars' worth of export opportunities for U.S. firms over the next five years, especially since Israel adopted U.S. standards in intelligent transportation systems.

Health IT in Israel is very advanced in the implementation of multifunctional, interoperable health IT systems built around electronic medical records. However, since local software development companies and integrators provide Israel's health IT infrastructure and services, there are limited opportunities for U.S. SMEs in this sector.

Through the large U.S. Foreign Military Funding/Sales program in Israel, the size of the **aerospace** industry exceeds \$3 billion annually and most major procurements for the Israel Air Force originate in the U.S. The Israel Air Force (IAF) is in the process of a staggered replacement of its F-16 fleet of fighter aircraft with F-35s, and a helicopter procurement plan is under consideration.

Since 2009, Israel has discovered over 900 Billion Cubic Meters (BCM) of **offshore natural gas**. U.S. energy company Noble Energy and its local partners are supplying gas from the Tamar field that provides for approximately 60% of Israel's electricity needs. After a protracted public debate and the Israeli High Court's intervention, the Israeli Prime Minister's Cabinet finally agreed on a revised Gas Framework in late May 2016 paving the way for Noble Energy's development of the Leviathan gas field. Noble believes the Leviathan field is on track for first production by the end of 2019.

Israel is recognized as a leading player in the **semiconductor** industry with five active semiconductor manufacturing plants (fabs) in Israel; three owned by Intel and two by Tower/Jazz. Intel has invested approximately \$6 billion in upgrading its Kiryat Gat fab facility.

Market Entry Strategy

Distribution methods vary by type of product.

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

Direct marketing is fairly common.

- Door-to-door salesmanship is uncommon in Israel and is considered a nuisance. Cable and satellite TV offer shopping channels.

- Direct marketing is common through mail order booklets that are distributed monthly by credit card companies and through the Internet. An “opt-in” spam law was introduced to Israel in late 2008. Companies can only send individuals spam if the individual agrees in advance. Political and charity mailings are exempt.
- Mobile phone marketing through messaging is common.
- Internet use in Israel is widespread and represents a good marketing avenue.

The Government of Israel encourages both joint ventures and licensing.

- Joint ventures are the most popular method of cooperation for Israeli firms, especially in technology-related industries.
- Israeli businesses prefer obtaining five-year licensing agreements with automatically renewable clauses that extend the agreement for another five years.
- A Commercial Agents Law became effective in 2012. The law specifies advance notice of termination of a relationship related to the duration of the supplier/agent contract and monetary compensation of the agent for the loss of potential profits.
- Manufacturing under licensing agreements is common in Israel. Israeli businesses prefer licensing agreements in which the licensor takes equity with the licensee.
- The norm for royalties is four to five percent of turnover. Higher rates are common for luxury articles, authors fees and specialized machinery.
- A ten to fifteen percent withholding tax on royalties and fees is often deducted at the source.
- Licensees may repatriate royalties through an authorized bank, and are entitled to claim an income tax deduction on royalties and fee payments.
- U.S. companies should seek advice from a respected law firm and accounting firm when figuring tax liabilities.

The United States and Israel have signed a tax treaty to avoid double taxation.

[Tax treaty](#)

Political Environment

Political Environment

[Political Environment Link](#)

Selling US Products & Services

Using an Agent to Sell US Products and Services

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. The majority of agents have exclusive representation rights because of Israel's small size. Most U.S. heavy industrial equipment exporters to Israel use a commissioned agent who conducts promotional campaigns and active buyer calls.

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

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

1. Contract duration;
2. Exclusivity (if applicable);
3. Compensatory amount as a function of contract duration in case of termination of exclusivity;
4. Promotional input by agent and volume of sales; and
5. Dispute settlement mechanism, either by arbitration, or by assigning a tribunal (preferably U.S.).

Israeli law defines the following legislation that regulates the termination of supplier-agent/distributor relationships:

Advance Notice of Termination:

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

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

Financial Compensation:

The compensation paid to the commercial agent upon termination must be commensurate to the size of the business developed as a result of the agency agreement. The compensation shall be in the amount of the average monthly profits resulting from sales of the supplier's goods/services over the last three years of the agency relationship multiplied by the number of years the relationship lasted. The compensation cannot exceed 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 website: Export.gov - [The Israel Agency Contract Law](http://Export.gov)

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; however, the Israel Antitrust Authority may review and object to ownerships that would result in a cartel or market monopoly. Israel allows repatriation of foreign investment capital and profits. Prior to establishing an office in Israel, U.S. firms should evaluate tax ramifications under the U.S.-Israel Agreement on the Prevention of Double Taxation. Possible higher corporate and income taxes in Israel should be weighed against other expenditures and marketing advantages.

U.S. businesses interested in establishing an office in Israel are required to register with the Registrar of Companies at the 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 Investment Center, is necessary before the Ministry of Interior can issue a visa. U.S. businesses establishing an office in Israel are advised to consult with 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. Israel's GDP ranks within the top 40 countries in the world and many well-known American brands are already present here, mostly under master franchise agreements. These brands include Payless Shoes, Forever 21, American Eagle, Gap, McDonalds, Pizza Hut, Domino's Pizza, Bobby Brown, Steve Madden, Tommy Hilfiger, Ralph Lauren, Nine West, and others. In recent years, Footlocker, Papa John's Pizza, Mr. Pretzels, Auntie Anne's Pretzels and Children's Place successfully opened their first stores in Israel and expanded throughout the country.

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. These include ReMax, Realty Executive, ERA, Century 21, Wall Street English and Berlitz, to name a few. Israel has no official centralized legislation regarding franchises, so the industry's rules and regulations are primarily derived from Israeli contract law and intellectual property legislation.

Recently, a number of independent franchise consulting and brokering companies have established themselves in order to offer professional services to the Israeli franchising community. These include the Israel Franchise Promotion Centre (known as Franex) and the Israel Franchise Institute. As of today, there is no government endorsed franchise association serving the franchising industry.

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.

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. Chapter 6 of this guide provides further information on investing in Israel. Israeli businesses strive to

obtain licensing agreements for a five-year period, with an automatically renewable clause that would last for another five years. They prefer agreements in which the licensor takes equity with the licensee.

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

Selling to the Government

Israel is a signatory to the WTO government procurement code. Under the 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 regulations and the Mandatory Commercial Cooperation regulations.

The "Preference for Israeli Products" regulations stipulate that a fifteen percent preference be given to Israeli manufacturers for certain items exempted by the WTO, and for products with at least thirty-five percent Israeli content and with a value not exceeding US\$500,000. Israeli manufacturers in "National Priority Zones" receive an additional five to fifteen percent advantages. "Mandatory Commercial Cooperation" requirements are an integral part of each international tender document valued at \$5,000,000 or more. The regulations require foreign companies to enter into offset agreements. These agreements are administered by the Industrial Cooperation Authority (ICA), a division of the Israel Ministry of Economy and Industry. The ICA is responsible for administering, negotiating and monitoring the implementation of offset agreements. The agreements may be for local subcontracting, investment in Israel, technology transfer, R&D contracts, or procurement of Israeli products. The first four options are preferred because of their potential long-term impact on the Israeli economy. By court ruling, the use of industrial cooperation as a factor in the award process is not allowed. However, in the competitive Israeli market, the industrial cooperation arrangements made by foreign companies play a decisive role in the decision-making process.

For civil contracts, the value of the offset commitment is 20 percent of the contract value for companies in countries that are signatories to the Government Procurement Agreement (GPA) of the WTO, and thirty-five percent for other companies. The offset for defense contracts is 50 percent of the contract value, however, according to ICA officials, FMF-funded defense purchases are exempt from

sanctions and fifty percent offset demands. Instead, U.S. defense firms are encouraged to negotiate industrial participation contracts at thirty-five percent of the contract value. 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:

[Ministry of Economy and Industry](#)

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. 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 interested in additional information on specific tender opportunities or on Israel's public tender process in general are advised to contact Senior Commercial Specialist Alan Wielunski, at: alan.wielunski@trade.gov

Sites that offer RFQs that may be of interest to U.S. exporters include:

- [NTA Metropolitan Mass Transit System Ltd.](#)
- [Israel Natural Gas Lines](#)
- [Ministry of National Infrastructures, Energy and Water Resources](#)

Distribution & Sales Channels

Distribution methods vary by type of product. For industrial equipment, raw materials and commodities, manufacturers use non-stocking commissioned agents, while stocking agents represent high volume items. Agents will often insist on exclusivity due to the small size of the country. Most consumer goods are sold through importers and distributors, but increasingly large retail chains and

department stores import directly without intermediaries. In most cases, distribution firms serve the entire country.

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

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

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: USD\$75 for private shipments and USD\$50 for Commercial Shipments.

Selling Factors & Techniques

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

eCommerce

Overview

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 are willing to buy from foreign ecommerce merchants

According to research firm Statista, 2016 ecommerce revenues in Israel will amount to \$3.6 billion and rise to \$4.9 billion in 2020, a compound annual growth rate of 8.3 percent. Consumer electronics and media comprise the largest sales segment, garnering 32 percent of all revenue. Food and beverages are the second largest category.

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 destination for Israelis.

Current Market Trends

Having a strong presence of foreign eCommerce in Israel has created a more competitive environment and has pushed the Israeli players to offer equivalent services and products in order to retain their position in the local market. That said, statistics show that foreign eCommerce is responsible for more than 50 percent of the general eCommerce income in Israel, and 75 percent of Israelis purchasing online buy mainly through foreign eCommerce sites.

The average annual revenue per user is \$904. Males dominate both the 25-to-34 and 35-to-44 age groups of ecommerce buyers. However the 16-to-24 age bracket is heavily female.

Earlier this year the Israeli government changed its rules to make foreign companies subject to VAT collection on digital services. A company must collect VAT if it has an online presence targeting Israeli consumers, has representatives seeking to find Israeli customers, or has a web presence targeting Israeli consumers. Downloaded apps, software, music, games, television programs, films, and online gambling are all subject to the country's 17 percent VAT.

However, physical products are often exempt. Physical goods worth up to \$75 are exempt from all taxes and purchases of up to \$500 are exempt from VAT. So, for example, Amazon has to charge VAT on virtual products like ebooks, but not on physical books costing less than \$75.

Domestic eCommerce (B2C)

Only one-quarter of Israeli businesses sell online and their prices are much higher than those of foreign companies because of high value-added taxes (VAT) and monopolies on many consumer goods.

Israel has a variety of B2C sites and has increased in the past few years due to the increased awareness of the consumer and the demand that it generates. However, their prices are much higher than those of foreign companies because of high value-added taxes (VAT) and monopolies on many consumer goods.

The largest domestic ecommerce site in terms of visitors is Shufersal Yashir, the digital branch of the largest supermarket chain in Israel. One Israeli company, Buy2Networks, is attempting to implement one-day delivery to most major cities.

Cross-Border eCommerce

With a population of 8.2 million, Israel may not seem like a particularly profitable ecommerce market. However because of unique domestic circumstances, Israel is an excellent candidate for cross border ecommerce.

According to the Israel Internet Association, 75 percent of Israelis make online purchases — mostly from China, followed by the U.S., the U.K., and Brazil. Seventy-nine percent of online Israeli shoppers have made purchases from foreign sites, according to a joint study from PayPal and Ipsos, the global research firm.

B2B eCommerce

The B2B eCommerce concept is popular for companies to exchange documents, catalogues, and even complete deals online

eCommerce Services

Receiving goods ordered online from an Israeli company can be an ordeal. Many domestic online orders are never delivered by Israel Post and orders that do reach customers can take weeks to arrive. In contrast, orders from Amazon are delivered usually in five days. Foreign goods are also much less expensive, putting Israeli companies at a disadvantage.

Despite the economic growth that occurred within the last five years in eCommerce, there are some service related key factors that drive Israelis away. They include:

- **User Resistance** – Users may not trust the site being an unknown, faceless seller. Such mistrust makes it difficult to make users switch from physical stores to online/virtual stores.

- **No Free Shipping** – Free shipping is rarely offered to Israeli customers
- **Higher prices** – Some products will cost more with shipping/customs/VAT/tax.
- **Limited Selection** – Some products are not available for shipment to Israel
- **Difficult Customer Service** – Customer service is more difficult for less technical-savvy individuals because of language and/or time zone barriers.
- **Unreliable lead-time** – Lead times are not always accurate because the local postal service is slow and difficult to monitor and track
- **Nearby Physical Stores** – Strong competition by local nearby stores

eCommerce Intellectual Property Rights

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

Popular eCommerce Sites

Foreign Sites

1. aliexpress.com
2. ebay.com
3. amazon.com
4. alibaba.com
5. asos.com

Local Sites

1. yad2.co.il
2. zap.co.il
3. ksp.co.il
4. wallashops.co.il
- 5.groupon.co.il

Source: Similarweb.com

Online Payment

Israelis are avid credit cards users with MasterCard being the most popular. PayPal is growing in popularity. Other leading payment processing firms include the following.

AllCharge, based in Israel, specializes in billing and processing services for merchants. The company is a full-service provider offering credit card processing, fraud and risk management, and content management.

ImGlobal Payments is an Israeli payment service provider offering payment solutions and multi-currency processing (supporting 150 currencies).

Tranzila is a merchant services and ecommerce payment processor based in Israel. Tranzila offers credit card processing in addition to ecommerce hosting, ecommerce management, and fraud detection.

Zooz enables merchants to link back-office functions to global payment systems. It connects with multiple financial institutions and integrates acquirers, e-wallets, alternative payment methods, fraud management, and other third-party services, while routing transactions through the payment process.

Mobile eCommerce

Despite Israel's size, it is ranked number 12 worldwide in smartphone penetration (over 100%). 57% of the general population owns and uses a smartphone. Furthermore, according to Consumer Barometer via Google Israel is one of the leading countries for eCommerce transactions made by Smartphones.

Major Buying Holidays

- Local Holidays: Passover, Rosh HaShana Holiday (Jewish New Year), Sukkot (Feast of Tabernacles) and Hannuka
- Black Friday
- Cyber Monday

Social Media

Social eCommerce has become a strong division of eCommerce that involves social media platforms and online media that support social interaction and consumer contribution to assist online buying and selling of products/services.

Today, social eCommerce has become the focus of competition between eCommerce companies. As a country, Israel is very active on social media. According to Internet World Statistics there are nearly 4 million Facebook subscribers, which accounts for 50% of the population. As a result, eCommerce companies spending increasing resources on social presences.

Sources:

[The Internet World Stats](#)

[Ernst & Young](#)

[Practicable eCommerce](#)

[Israel's ICT overview 2015 report by IATI](#)

Trade Promotion & 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. Channel Two is a commercial Israeli TV station broadcasting nationwide and is permitted by law to carry private TV commercials, while state-owned Channel One carries sponsored advertising by public corporations. Some Israeli and internationally broadcast cable stations also carry advertisements. The state-owned 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:

[Export.gov - U.S. Embassy Single Company Promotion Service](#)

[Tel Aviv Convention Center](#)

[STIER - International Trade Fairs & Exhibitions Group](#)

[Kenes Exhibitions](#)

[Israel Defense](#)

Pricing

Israel is a highly competitive market and price is a key factor in Israeli companies and consumers purchasing decisions. Presenting U.S. products as high quality at fair market prices is a good long-term sales strategy. Distributors prefer exclusivity and a special pricing clause should be incorporated into representation contracts. Israel's Value Added Tax (VAT) is 17 percent. The VAT is charged on virtually all services and products sold in Israel, including imports (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 levies purchase taxes on many consumer goods. The Government of Israel has reduced or eliminated the 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 eighty-three percent, hybrids, thirty-percent, and electric vehicles ten percent.

Sales Service/Customer Support

The Ministry of Industry, Trade & 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.

Protecting Intellectual Property

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

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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: [Export.gov - International Company Profile](#)

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 Senior Commercial Specialist Alan Wielunski at: alan.wielunski@trade.gov

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

Principle 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;

[Manufacturing Associations 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 \(IATI\)](#)

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

Web Resources

- [Ha'aretz](#)
- [The Jerusalem Post](#)
- [Globes](#)

Leading Sectors for US Exports & Investments

- [Aerospace](#)
- [Homeland Security](#)
- [Energy](#)
- [Automotive Aftermarket Parts and Equipment](#)
- [Telecommunication](#)
- [Semiconductor](#)
- [Healthcare Technologies](#)
- [Travel and Tourism](#)
- [Educational Services](#)
- [Agriculture Sector](#)

Aerospace

Overview

Israel's well-developed aerospace sector is a blend of military and commercial. Its ties with U.S. industry are strong and well developed. Through the USG Foreign Military Funding/Sales program in Israel, exceeding \$3 billion annually, most major procurements for the Israel Air Force originate in the U.S. The Israel Air Force (IAF) is in the process of a staggered replacement of its F-16 fleet of fighter aircraft with F-35s, and a helicopter procurement plan is under consideration.

Deliveries of the first 19 F-35's began in December, 2016. Israel's national carrier El Al, which flies an all-Boeing fleet, purchased and leased 15 Dreamliner wide-bodied 787-8 and 787-9 planes for delivery in mid-2017, with an option for an additional 13 aircraft in the future.

The industry is dominated by three defense electronics companies, Israel Aerospace Industries (IAI), Rafael Advanced Defense Systems (both parastatals) and publicly-owned Elbit Systems. The companies have a diverse portfolio of products and services, including space and airborne reconnaissance systems, radar systems, UAVs, avionics and electro-optical systems. They produce structural components and parts and operate Maintenance Repair Overhaul (MRO) and upgrade facilities. In addition, there are several hundred SME's active in the sector. Israel has a space research program with scientific and commercial goals and has developed indigenous launch capabilities. In addition to serving the needs of the Ministry of Defense (MOD), the Israeli aerospace industry is strongly export driven, with approximately 80% of its production destined for overseas customers.

The ability of local industry to customize of new military aircraft is an important consideration in the procurement process. The local industry also benefits from Israel's offset program administered by the Industrial Cooperation Authority at the Ministry of Economy. U.S. Export Control requirements are considered a serious challenge by local manufacturers procuring components that will be integrated in systems for export to third countries.

Opportunities

U.S. exporters are strongly recommended to appoint a local representative to introduce their products and services to the Israeli industry and the Israel Air Force, provide business development services and after sales support. The Israeli Ministry of Defense's (MOD) procurement office in New York City coordinates with the Defense Security Cooperation Agency on MOD procurements in the United States that are financed by the U.S. Government. MOD's International Defense Cooperation Directorate, Sibat, publishes a directory of the Israeli defense industry that is a useful tool for U.S. exporters.

For additional information, please contact Senior Commercial Specialist Alan Wielunski, email: alan.wielunski@trade.gov; Phone: +972-3-519-8526.

Web Resources

- [Israel MOD Mission to the U.S](#)

Homeland Security

Overview

Israel is a well-developed and sophisticated market for homeland security (HLS) equipment and services. Israel's security-awareness and high level of preparedness are the driving forces for the development of the country's cutting edge security industry. This is one of Israel's high-growth export industries.

Israel has some 600 exporters of security technologies and services, including many integrators and service providers. The HLS industry's annual sales of equipment and services are estimated at \$1.5 billion, with exports exceeding seventy percent. Imports are an estimated \$1.2 billion, with almost fifty percent U.S. market share. Some of the HLS industry is considered part of the defense sector. According to Israel's MOD, in 2016, military exports totaled \$6.5 billion, an increase of \$800 million (14 percent) over 2015. Eight percent of total defense exports consisted of cyber systems and intelligence and information systems.

Leading Sub-Sectors

Biometric solutions, cyber security, non-lethal weapons and sensors.

Opportunities

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

The total imports of homeland security equipment and services are estimated at \$1.2 billion. Good opportunities exist for sophisticated equipment used in homeland security applications. U.S. security equipment, which enjoys an excellent reputation in Israel due to its high reliability, is often used for sensitive applications by high-security industries and for key infrastructures and installations. The market offers good opportunities for U.S. exporters of high quality and sophisticated detection and screening systems, CCTV, sensors, biometric solutions, x-ray systems, non-lethal weapons, etc. U.S. exporters should take into account that their products may be re-exported.

U.S. companies that want to participate in this sector should be knowledgeable about U.S. export control regulations.

For additional information, please contact Senior Commercial Specialist Alan Wielunski: email: alan.wielunski@trade.gov; Phone: +972-3-519-8526.

Web Resources

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

Energy

Overview

Since 2009, Israel has discovered over 900 Billion Cubic Meters (BCM) of offshore natural gas. U.S. energy company Noble Energy and its local partners are supplying gas from the Tamar field that provides for approximately 60% of Israel's electricity needs. After a protracted public debate and the Israeli High Court's intervention, the Israeli Prime Minister's Cabinet finally agreed on a revised Gas Framework in late May 2016 paving the way for Noble Energy's development of the Leviathan gas field. Noble believes the Leviathan field is on track for first production by the end of 2019.

Israel plans to use the gas to leverage the development of a gas-based auxiliary industrial sector. The country is rapidly developing a gas based electricity sector and the regulator has issued licenses for IPP's including combined cycle plants. The government is also rolling out a pilot project to use gas for public transportation sector. There are opportunities for engineering consulting services in pipeline infrastructure development, and in training and education.

Leading Sub-Sectors

Electricity

Israel Electric Corporation (IEC)

IEC is Israel's state-owned electricity utility company. The company owns, maintains and operates 17 power stations, including 5 sites for steam driven power stations, and the national transmission and distribution systems. At the end of 2014, Israel's installed generation capacity was 15,663MWI, with IEC supplying 13,617 MW, and private producers 2,046 MW. IEC's transmission and transformation and distribution networks require significant upgrades.

For a number of years, the government has been in negotiations with IEC's management and labor union to break up the company into separate profit units, but negotiations have not been successful. As a state-owned company, IEC is included in Israel's WTO/GPA agreement requiring it to use public tender procedures. While some projects are tendered out in open tender procedures, in most cases, a selective tendering process requires potential suppliers to pre-qualify to be included in IEC's approved suppliers' list.

Independent Power Producers (IPP) and Cogeneration.

The Electricity Law provides the framework for the increase of IPPs from less than 0.5 to 20 percent of Israel's installed generating capacity. With the

ongoing construction of the natural gas transmission and distribution networks, some major industries have been connected or will soon be connected to the gas supply. The Public Utility Authority for Electricity has granted conditional generation licenses for stand-alone and combined cycle IPP's to produce over 4,000 MW. Major stand-alone IPP's have come on-line, i.e. 450-megawatt OPC combined cycle power station in Rotem became operational in July 2013, the 840 MW Dorad plant near Ashkelon in the summer of 2014, and the 870 MW Dalia Power Energies IPP at Tzafit will start supplying electricity in the near future.

The large number of smaller, combined cycle projects in various planning stages offers opportunities for U.S. manufacturers, in particular of cogeneration equipment.

Renewable Energy

In 2009, the Israeli government established a target for renewables to reach 5 percent electricity generation from renewable sources by 2014 and 10 percent by 2020. Despite ample solar power potential, Israel fell well short of meeting the initial 5 percent target, today producing 2.6 percent of its electricity from renewables. Bureaucratic bottlenecks, cumbersome regulations, a lack of land, and anticipation of newly discovered offshore gas coming online that can produce electricity at a lower cost than solar are often cited as factors explaining the lower than expected use of solar energy. In September 2015, the Israeli Cabinet adopted a greenhouse gas (GHG) emission reduction goal of 26 percent reduction in GHG emission levels by 2030, using 2005 as the base year. Sector specific targets include a 17 percent reduction in electricity consumption by 2030 relative to business-as-usual and 17 percent of electricity generated in 2030 from renewable sources. Thus, Israel's current targets for producing electricity from renewable sources are: 10 percent by 2020; 13 percent by 2025, and 17 percent by 2030. The local solar sector focuses mainly on small and medium-size projects.

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

Natural Gas Pipelines

The state-owned Israel Natural Gas Lines company (INGL) is the owner and operator of the national pipeline transmission infrastructure. Six private and public companies are holding regional franchises to build and operate distribution networks to connect industries to natural gas pipeline networks. With extensive investment in pipeline construction, there are ongoing opportunities for U.S. equipment suppliers and engineering consultants.

Sub-Sector Best Prospects

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

Opportunities

The Israel Electric Corporation is making substantial investments in upgrading and maintenance of its generation, transmission and distribution systems. To meet projected future electricity demand, Israel Electric is investing almost \$3 billion annually. IEC has also been tasked with the development of Israel's smart grid. Good opportunities exist also for IPP's and cogeneration. Israel remains a good market for U.S. suppliers of equipment and services to the energy sector. Opportunities also exist for pipeline engineering and consulting services to the recently awarded franchisees.

For additional information, please contact Senior Commercial Specialist Alan Wielunski: email: alan.wielunski@trade.gov; Phone: +972-3-519-8526.

Web Resources

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

Automotive Aftermarket Parts and Equipment

Overview

The automotive industry in Israel is solely dependent on European and Asian imports having no manufacturing base of its own. U.S. market share remains flat at 2.7 percent. The top four brands in Israel are Hyundai, KIA, Toyota and Skoda. The average age of vehicles is 6.9 years and the rate of motorization is 305 vehicles per. 1,000 residents.

U.S. import data

	2012	2013	2014	2015	2016
Total new passenger vehicles/light trucks	2,156	1,167	2,040	1,876	2,212
Total medium/heavy duty	2,825	2,247	2,765	3,275	5,303
Total used vehicle imports	1,425	1,173	1,200	1,057	1,174
Total auto parts imports (million)	\$27.0	\$25.0	\$32.0	\$21	\$27.0 (Est)

(Sources: Israel Vehicle Importers Assoc.; Israel Central Bureau of Statistics)

Top 5 U.S. auto parts imports by HS Code (in 000's \$USD)

HS Code	Description	2014	2015
87081090	Bumpers	0.6	0.9
87082990	Body Parts	2.0	2.4
87083019	Brakes	2.4	2.5
87084020	Gear Boxes	1.4	1.4
87087030	Tires	1.0	2.0

(Source: Israel Central Bureau of Statistics)

Key local/domestic figures:

	2015	2016
Total Number of Vehicles	3.0 million	3.3 million

	2015	2016
New Car Sales (units)	254,748	286,728

On May 2, 2013, the Government of Israel approved the Ministry of Transport & Road Safety's (MOT) proposal to adopt the Zelekha Committee recommendations from 2012, which sets out regulations governing the operation of parallel importers that are unassociated with the vehicle manufacturers, the sale and trade of vehicle parts and to develop a mechanism for certificating workshops. The Automotive Services Licensing Bill also allows brokers the possibility of importing up to 20 vehicles a year including vehicles that have already been registered overseas, and temporary regulations (until 2015) which allow a business or individual to import two vehicles a year for business or personal use.

Despite the MOT's efforts to reduce the cost of car ownership, it has been steadily on the rise in Israel. From 1999 to 2009 the cost increased by 0.5 percent, and now averages NIS 1,458 (\$394) a month. Some reasons costs are so high ' are the high taxes on vehicles and gasoline, and the high cost of replacement parts and repairs. Despite OECD directives, taxes on new cars in Israel are among the highest in the world: 83 percent sales tax and 17 percent VAT, which industry sources blame as the main factor preventing the car market from reaching its full potential. In 2009, the Government of Israel introduced tax incentives on imports of electric vehicles and hybrids in order to help reduce carbon emission, but in a move to raise declining state revenues, the Ministry of Finance has "raised the bar" on discounts allowed for more fuel-efficient 'green cars', meaning cars that previously qualified will no longer qualify under the new regulations, further raising the price of cars.

Israel's Innovative Automotive Technology Industry

Electronic components have become an increasingly significant part of a vehicle, having risen in the past 10 years from 10% to 40%. Originally developed for use in the aerospace and defense industries, Israeli companies have successfully adapted these technologies to civilian use with groundbreaking automotive technologies. In recent years, Israeli companies have invented a number of breakthrough technologies including specialized materials, advanced electronics, communication systems, driver awareness systems, automotive IT and security. More than 150 Israeli manufacturers supply systems, parts, modules and tooling to both original equipment

manufacturers (OEMs) and to supplier tiers, produce tool and production line systems, design and assemble buses and vehicles, manufacture after-market products, as well as developing advanced automotive technologies including innovative materials, advanced electronics and automation technologies, and clean tech initiatives.

Israel exports nearly \$1 billion worth of automotive parts and systems annually, many of which are utilized by leading manufacturers such as Daimler, Jaguar, BMW, VW, PSA, GM, MAN, Navistar, Renault-Nissan, FORD, Volvo, Chrysler, Scania, Fiat-IVECO, Toyota and Hyundai as well as to Tier 1 suppliers such as: Delphi, Bosch, Valeo, Autoliv, Faurecia, Johnson Controls and Magna Styer.

Leading Sub-Sectors

Car security and anti-theft devices: anti-theft electronic systems, locking devices.

Car body: bumpers, radiator grills, hood and trunk lids, wings, front and rear lamps (i.e. the parts most vulnerable in car accidents). Service parts: disc brake pads, shock absorbers, front suspension parts, filters for oil and lubrication, air conditioning parts,

Replacement service parts: tires, fan belts, water hoses, water pumps, brake components, engine and transmission components, electrical components, undercarriage items that need replacing at the end of the warranty period. Vehicle accessories: car care products, polish, wax, upholstery spray water-coolants (Glycol) for radiators. Electronic accessories: TV screens for the rear seats, GPS systems, sound systems etc. Universal lubricants: well-known brand names of high-grade oils, lubricating, glycol, wax. The market demands well-known brand names.

Opportunities

Partnering up with a reputable local representative who has excellent contacts in the industry, proven reliability, loyalty, technical suitability and after-sales service capability is a key factor to success in selling and maintaining a continued presence in the Israeli market. U.S. companies need to be aggressive in their pursuit of business opportunities and maintain an active in-country presence. The most common approach used by exporters is to obtain a local importer/distributor. Distributors will import on their own account, carry sufficient stock to satisfy ongoing demand or to use for demonstration, maintain their own sales organization, supply spare parts and maintain a service division, if applicable.

Israeli importers are always on the lookout for quality products at competitive prices – usually in that order.

For additional information, please contact Senior Commercial Specialist Alan Wielunski: email:alan.wielunski@trade.gov; Phone: +972-3-519-8526.

Web Resources

- [Central Bureau of Statistics](#)
- [Israel Vehicle Importers Association \(Hebrew only\)](#)
- [Federation of Israeli Chambers of Commerce](#)

Telecommunication

Overview

Israel has a well-developed telecommunications market characterized by high penetration and five service providers, making the market open to an extensive level of competition. The market is mature with a strong implementation of non-voice and 3G/4G services. Regulation remains the responsibility of the Ministry of Communication, which has been encouraging competition through various regulatory mechanisms. However, there are claims that The Ministry of Communications' lack of enforcement in the mobile market has created an uneven playing field, according senior executives at Israeli mobile providers

The most recent development rests with the possibility of the sale of low-cost carrier Golan to a local competitor. This is being aggressively opposed by lawmakers as they are against consolidation in the market. The three dominate carriers, Pelephone, Cellcom and Partner have publicly posted a negative subscriber growth rate in a consistent manner. Industry revenues are decreasing at an alarming rate in the mobile sector.

The number of operators has gone up with the three larger firms. Cellcom, Pelephone and Partner now have to compete with Golan and MIRS along with a number of Mobile Virtual Network Operators (MVNO). Golan and MIRS have strongly competed on the basis of price and have taken extensive number of clients away from the three larger operators, employing mostly low-price strategies to incentivize customers, causing operators to loose mobile clients and revenues.

Leading Sub-Sectors

Wireless, voice & broadband, mobile, fixed line (national, international), data, internet and pay-TV

Opportunities

Growth in the market will rely on a combination of new services and networks rather than increasing the number of subscribers. Over the next three years, the majority of growth in the Israeli telecom market will arise from fixed and mobile broadband, VoIP, and pay-tv. As the ability to offer multiplayer services becomes more important in the Israeli market, operators look for mergers or partnerships that will allow them to expand their product ranges. Looking forward, the market is expected to grow as a result of demand for data and data-related services.

Ongoing investments in higher-speed HSPA technology are enabling the deployment of a wider range of services. Operators have begun rolling out 4G services based on LTE, and three new 3G operators are providing more options for the general consumer. In addition, 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 Israel's thriving telecom sector.

For more information please contact Commercial Specialist, Christina Azar at Christina.azar@trade.gov; +972-3-519-8524

Web Resources

- [Ministry of Communication](#)
- [Israel Association of Electronics & Software Industries](#)
- [Israel Advanced Technology Industries](#)
- [Israel Telecommunication Report](#)

Semiconductor

Overview

Israel has been recognized as a leading player in the semiconductor industry for many years. Currently there are five active semiconductor manufacturing plants (fabs) in Israel, three of which belong to Intel, and Tower/Jazz maintains the remaining two fabs.

Building on such achievements, the Israeli semiconductor industry has now grown to employ over 20,000 people in dozens of companies. Almost all of the world's leading semiconductor firms have significant R&D centers in Israel, alongside which a large number of local semiconductor companies have grown. The Israeli semiconductor industry is now one of the most advanced internationally, with the second or third highest concentration of design houses in the world

There are many multinational semiconductor companies present in Israel, including Freescale Semiconductor, Infineon, Vishay, Zoran, Texas Instruments, IBM, Marvel, SanDisk, Applied Materials and KLA-Tencor.

Leading Sub-Sectors

In recent years Israel was ranked 12th worldwide as an importer of U.S. shipments of semiconductor manufacturing equipment. The export data fluctuates from one year to the next, as a result of equipment upgrades or construction of a new fab, primarily the fabs that Intel launched in Israel.

Opportunities

The U.S. remains the top exporter of semiconductor manufacturing equipment to Israel with a value of \$93 million in 2015, but the value oscillates, depending on Intel's investment in its fabs. Intel's operations overshadow the statistics but there are also other fabs in Israel - notably those of Israel's foundry Tower/Jazz. Currently, Intel is expected to continue to upgrade its equipment in its Kiryat Gat fabs, causing an increase in purchases of U.S. semiconductor manufacturing equipment throughout 2017.

For more information please contact Commercial Specialist, Christina Azar at Christina.azar@trade.gov; +972-3-519-8524

Web Resources

- [United Nations COMTRADE Database](#)
- [Export.gov - Israel's Export Institute](#)
- [The Israeli Semiconductor Portal and The Israeli Semiconductor Club](#)

Healthcare technologies

Overview

Israel's healthcare system is well-advanced by international standards. Israel is also known as a research and development hub for startups in the medical and biotech industry. Given the high level of healthcare and innovation, Israel's healthcare sector attracts technology companies and investors. The healthcare consumer market is relatively small with only 8.5 million people, but it presents opportunities for novel technologies and therapeutics.

Total imports of healthcare products (device and pharma) were \$3 billion in 2015. The U.S. share was 20% at \$600 million. Europe is the major competitor but U.S. products outranked the E.U. in imaging and diagnostic products.

Israel is well advanced in the implementation of multifunctional, interoperable health IT systems, built around electronic medical records. Every Israeli resident holds a magnetic membership card they present at every point of service, thereby enabling the system to capture all of the members' transactions within the healthcare delivery system. The Ministry of Health manages a comprehensive, fully integrated health information and communication system.

Market access is fairly transparent, streamlined for U.S. FDA and CE Marked medical products. U.S. companies interested in exporting to Israel need to appoint a local distributor, agent or other legal representative to register their products with the Israel Ministry of Health (MOH). The device registration should be accompanied by a 510(k), Pre-Market Approval (PMA) or an Investigational Device Exemption (IDE). Under the U.S.-Israel Free Trade Agreement (FTA), American goods face no import duties upon entering Israel's market. Proper shipping documents and a Certificate of Origin for Exporting to Israel are required in order to benefit from the FTA. Every product is still subject to 17% Value-Added-Tax (VAT). VAT is levied on the Cost, Insurance and Freight (CIF) landed cost. For additional market entry guidelines please contact Commercial Specialist Yael Torres: yael.torres@trade.gov

Leading Sub-Sectors

Israel has a growing elderly population and limited resources. As a result, the most significant demand is for cost-saving products and for products that help patients monitor their health at home. Wound care, advanced diagnostics and minimally invasive procedures continue to be a high priority in the public healthcare market. Israel has an excellent digital health tech base and is a world leader in mobile and E-health implementations. Opportunities exist however, in further advancing drug monitoring and disease surveillance. Other best sales prospects include minimally invasive surgical instruments and technologies that are integrated with imaging capabilities, cardiology equipment, equipment and supplies for plastic surgery, smart implants, dental instruments, equipment and technologies for pain management, physiotherapy, ozone & oxygen therapy, OR equipment, cost-saving single use products, point of care diagnostic kits and wound management technologies.

Awareness for preventive medicine and acceptance of diagnostic procedures into the reimbursement list opened the market to advanced diagnostic procedures. This shift includes early detection of breast and colon cancer and a set of standard, age-based diagnostic procedures. Wound care continues to be a high priority in preventive care. In addition, a well-developed private sector healthcare in the areas of dental, eye laser surgery and plastic/aesthetic surgery keep up the demand for advanced medical instruments and appliances.

Opportunities

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

Web Resources

- [Israel Central Bureau of Statistics](#)
- [Israel Ministry of Health](#)

Travel and Tourism

Overview

The Israeli outbound travel market grew 15 percent in 2016, accounting for 6.2 million departures by Israelis by air. The increase in departures during 2016 is attributed to the increasing number of Israeli hi-tech companies with offices in the United States who often need to travel for business, a favorable USD to the Israeli Shekel exchange rate, an expansion of the “Open Skies” policy and the growing market presence of low-cost airlines that offer low fare, non-direct flights from Israel to the United States. In 2015, 27 percent of total departures occurred in August–September. The majority of departures (53 percent) were short haul (1–4 days). About 40 percent of departures were in the range of 5–9 days. Only 7 percent of total departures were for 10 days or longer.

Table A: Departures by Israelis, by Air (Source: Israel Central Bureau of Statistics)

Year	Total departure by air (in thousands)	Change from previous year (%)	Number of entries to the United States (in thousands)
2012	3,860.3	0.1	335
2013	4,275.5	10.8	340
2014	4,731.7	10.7	356
2015	5,448.9	15.2	402.6
2016	6,280.6	15.2	435 (*estimate)

Israel’s outbound travel market to the United States exhibited a 10 percent growth in 2015 with 390,000 entries, and a further 8 percent increase in 2016. Israel has been a growth market in terms of arrivals and spending due to the strong trade, business, security and R&D activity between the two countries. Israeli travelers to the United States spend an estimated \$1.5 billion per year on travel-related services, not including airfare. The average length of stay is 5–7 days.

To attract more Israeli travelers, U.S. destinations and travel service providers should engage in direct marketing and promotion to local consumers, through social media and other digital means.

United, American Airlines, Delta and Israeli EL-AL airline operate multiple daily direct flights from Tel Aviv to New York, Philadelphia, San Francisco, Boston and Los Angeles. European airlines offer competitive prices and routes to the U.S. via Europe. Over 500 travel agents and about 12 wholesale operators are active in the Israeli outbound travel market. Operators and airlines advertise special packages and seasonal deals on a daily basis. Tour operators specialize in market segments rather than in specific destinations. Most operators are conservative in selecting new travel products or expanding beyond popular destinations.

Leading Sub-Sectors

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

Opportunities

Israeli tour operators and media attend International Pow Wow (IPW) yearly to meet suppliers. Boutique hotels, culinary tours, outlet shopping, music festivals and family travel destinations may find opportunities in Israel, especially by offering new travel products and a high level of services. For more information, please contact U.S. Commercial Specialist Yael Torres at email: yael.torres@trade.gov

Web Resources

- [US Department of Commerce National Travel & Tourism Office \(NTTO\)](#)
- [Israel Central Bureau of Statistics](#)

Educational Services

Overview

The Council for Higher Education (CHE) accredits all new institutions and programs and authorizes them to award academic degrees. The growing number of students entering private colleges has changed the landscape of the Israeli higher education system. The growth in the student population has led to the establishment of new colleges to meet the demand of qualified students. These colleges are accredited and must offer the same standard of education provided by state universities. Undergraduate students are entering these institutions in ever-increasing numbers (66 percent), thereby allowing the seven public universities to focus more on graduate and research level

studies. Today, institutions of higher education in Israel are as follows: seven state universities, one open-university, 36 academic colleges (seven regional colleges associated with universities, 29 other regional colleges) and 21 teacher training colleges. Also, there are 12 institutions that offer diploma-level programs that are recognized by the Ministry of Education, 11 art schools, and 59 technological colleges. In 2016, revenues of the top 20 local universities and community colleges exceeded \$2 billion. Around thirty foreign universities run local campuses in Israel.

Leading Sub-Sectors

Courses of Study

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

Exchange Programs and Cooperative Agreements

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

Energy Sector Workforce Requirements for Israel

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

Opportunities

Today, attention in Israel has turned to secondary study and relevant accreditation; be it degree, diploma or certificate. Israelis are looking to

broaden their horizons both professionally and personally and are investigating opportunities to study abroad. According to the OECD, Israel is the second most educated country in the world, which suggests that it is home to prospective international students of the highest quality. Also, Israel has the second highest number of GMAT takers per capita of any country in the world, and provides the seventh largest number of takers of any country in the world, ahead of France and Germany. Best prospects for U.S. educational institutions are to offer a degree integrated with practical work experience. In 2015/2016 there were 2,343 Israeli students studying in the United States. (Breakdown: 663 under-graduate, 1,190 graduate, 160 non-degree and 330 OPT), which represented a 1.1 percent decline from the year prior.

If you are interested in tapping into this quality market, you are welcome to participate in the annual recruiting fair organized by CS Israel and Ustudy LLC, study abroad agency.

For additional information, please contact Senior Commercial Specialist Alan Wielunski: email:alan.wielunski@trade.gov; Phone: +972-3-519-8526

Web Resources

- [Central Bureau of Statistics](#)
- [Council for Higher Education](#)
- [IIE Open Doors](#)

Agricultural Sector

Overview

Israel has shifted from an agricultural based economy to a more sophisticated, industrialized economy with a diversified manufacturing base. Agriculture today is different from what it used to be, with a huge shift incorporating state of the art technologies in water consumption and in the use of pesticides. Most of the new technologies find their way rapidly into the international market and are available to farmers all over the globe. Two examples for new innovations of this kind are drip irrigation and cherry tomatoes.

The Israeli government aims to address public discontent concerning growing income inequality and high consumer prices. One of the government measures to reduce the cost of living and to support economic growth is reducing taxation of imported food items and agricultural goods, a process which is ongoing as this report is being written.

On January 2014, the Israeli Government approved the creation of a committee to focus on bringing down food prices by advancing parallel import of food products. The reform effectively opens the Israeli market to diverse imports of “non-sensitive” food products (e.g. pasta, cereals, baked products, rice etc.) thus exposing the market to competition and lowering the price for the consumers. The reform doesn’t apply to “sensitive food” such as baby formulas, animal products and more.

In addition, the Israeli Ministries of Finance and Agriculture are preparing to launch the most significant reform in the agricultural sector since the 1950’s, which will include the removal of production quotas and the lifting of custom tariffs, which increase the Israeli consumers’ price. This protection system will be replaced by direct support to farmers. This means the dismantling of agricultural production and marketing boards, including the Dairy Board and the Poultry Board. These steps follow the OECD recommendations that support the transition from supports by subsidies, custom tariffs and production quotas, to the more common methods being accepted in the OECD of direct support to the farmers.

The reform is expected to affect the import of fruits and vegetables, fish, meat, eggs, milk and frozen and processed vegetables. The Minister of Finance also plans to increase the quantity of tariff free olive oil, fresh beef, vegetables and more, imported from WTO countries.

The Israeli Ministry of Agriculture estimates the number of active farmers to be 9,000 to 10,000. The Israeli economy is expected to benefit from this reform. OECD’s estimations are that the volume of indirect subsidies stands today at approximately \$950 million a year.

The Israeli government plans to implement new tax regulations for most products during the High Holiday seasons in Israel, (April and September). Moreover, the Israeli government recently increased the quota of duty-free fresh beef to 8,500 tons, reduced tariffs on the import of fish by 50 percent, increased the duty-free quotas for the import of olive oil to 4,000 tons, of fresh vegetables from 40,000 tons to 80,000 and increased the quota for imports of hard cheese customs free, from 4,800 tons to 5,400 tons.

Reform in imports of hard cheeses, which began in May 2015, led to a minimal markdown of 4 to 4.5 percent, despite government’s claims that such steps could lead to a significant markdown of 30 percent. Most of the expected discount due to the lifting of the tariffs was absorbed by the importers and the retailers, instead of the consumers benefiting from the reform.

General Food and Agricultural Import Considerations

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 than products from Europe, the Far East and the Black Sea basin. Also, transport costs from the United States are about the same as transportation costs from the Far East. Transportation costs are less crucial when dealing with higher-end products or products with very high value-to-volume ratios such as spices, essences, flavorings, and concentrates, and for products eligible for tariff preferences under the Israel-U.S. Free Trade Agreement (FTA). Under the FTA, U.S. goods enjoy a 10-22 percent tariff advantage over European and other most-favored nation status (MFN) suppliers on a broad range of processed and semi-processed foodstuffs.

The Israeli food and food supplements legislation and standardization system is increasingly harmonized with the EU system, which, in many cases, can differ from that in the United States, resulting in challenging import licensing process for American goods.

Exporters need to consider the issue of “kashrut” or kosher. Kosher certification is not a legal requirement for importing food into Israel, except for meat and meat products. However, non-kosher products have a much smaller market, as most supermarkets and hotels refuse to carry them. Manufacturers who produce kosher products must be able to satisfy Israeli rabbinical supervisors’ demands that all ingredients and production 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, or may authorize another supervisory body to act on its behalf. Here too, 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, thereby reducing the U.S. advantage. In recent years, opportunities for non-kosher foods have been increasing as immigrants from the Former Soviet Union (FSU) now account for a significant share of Israel’s purchasing power (15 percent).

Israel’s Market Characteristics

Israel is a technologically advanced market-oriented economy. Consumers are sophisticated and enjoy cosmopolitan food tastes. Despite recent popular protests over food prices and high living costs, Israelis remain willing to pay for what they want.

Israel's limited land and water resources preclude a high level of agricultural self-sufficiency, consequently influencing local production costs and consumer prices. The country posts sizeable trade deficits in food and agricultural products as well as other commodities.

Israel's Food and Agricultural Production

The domestic product of the agricultural sector in Israel (\$7.8 billion in 2014) represents approximately 3.3 percent of the national GDP with 18 percent of the agricultural production being exported. In 2014, the agricultural sector employed 52,000 persons, amounting to 1.2 percent of the total workforce. Foreign agricultural workers (primarily from Thailand and West Bank Palestinians) totaled over 29,000 persons, as well as 23,000 Israeli agricultural workers, who amount to just over 0.5 percent of the total workforce.

Israel has long valued the ideal of self-sufficiency in agricultural production and also has a policy of supporting employment opportunities in the "periphery", areas near Israel's borders and far from the major urban areas. In furtherance of these goals, the Government of Israel provides a variety of support and protection measures for a range of agricultural products. However, in recent years, the commitment to self-sufficiency has waned somewhat and yielded an increased reliance on imports to supplement domestic production of a number of food products.

Research and development expenditures since 2004 account for about 17 percent of the budgetary allocation for agriculture. Therefore, the future of Israeli agriculture lays in its expertise in cutting edge agricultural technology. The Israeli state, unlike the case of most other OECD economies, continues to retain title to most of the country's land and water resources. An added unique characteristic of Israeli agriculture is the dominance of cooperative communities (i.e., the kibbutz and moshav) that account for 80 percent of farm output.

Israel's Imports of Food and Agricultural Products

In 2014, Israel imported \$4.26 billion of agricultural products and \$1.34 billion of food items. Food and agricultural product imports account for about 7.7 percent of Israel's total import bill. Israel reports importing significant amounts of the following food and agricultural products in 2014: cereals (\$1.3 billion); meat (mainly bovine) and edible beef offal (\$429 million); oilseeds (\$371 million); sugar and sugar confectionery (- \$301 million); miscellaneous edible preparations (HS 09 - \$350 million); fish (HS 03- \$472 million); edible fruits and nuts (\$600 million); beverage (\$231 million); and live animals (\$131

million). Imports of cereals and sugar represent 90 percent of domestic use for these commodities; imported beef accounts for over 50 percent of local consumption.

Coarse grains, oilseeds, dried nuts, dried and fresh fruits, and prepared food products account for the bulk of U.S. food and agricultural exports to Israel; milling wheat, soybeans, and feed grains enter Israel duty-free. Tariff rate quotas (TRQ) and high import levies on U.S. products such as almonds (shelled and unshelled), raisins, and prunes limit imports. U.S.-origin shelled walnuts and pistachios do, however, enjoy duty-free access.

On February 2016 Israel lifted the two decade long ban on the import of U.S. beef into the country. The estimation of FAS Tel-Aviv is that the market share for U.S. beef and beef products may exceed \$100 million annually.

Kosher Certification

Israel's Kashrut law restrictions permit that only kosher meat is allowed to be imported into the country. The Chief Rabbinate of Israel retains exclusive jurisdiction over the Kashrut law and kosher certification (including the recognition of kosher certifying bodies outside of Israel). These kosher certifications are costly, and unnecessarily drive up retail beef prices. While kosher certification poses a significant challenge to U.S. beef exporters, imports of non-kosher beef offal are permissible.

In recent years, Israel has progressively lifted BSE restrictions for bovine genetics and live cattle. Also a full Health Certificate for live cattle has been accomplished between the Animal and Plant Health Inspection Services (APHIS) and the Israeli Veterinary and Animal Health Services (IVAHS). Unfortunately, shipments at this point, despite strong local interest for U.S.-origin cattle for fattening are not sent. All shipments to Israel for feeder cattle arrive from Australia and from Eastern Europe. The annual consumption of feeder cattle in Israel is 200,000 heads. The Foreign Agricultural Service (FAS) Tel-Aviv estimates that 40 – 50 percent of this quantity can be supplied from the U.S.

The current Agreement on Trade in Agriculture Products (ATAP) regime provides U.S. food and agricultural products access to the Israeli market under one of three different categories: 1) unlimited duty-free access; 2) duty-free TRQs; or 3) preferential tariffs set at least 10 percent below Israel's Most Favored Nation (MFN) rates. Approximately 90 percent of current U.S. food and agricultural product exports (by value) enter Israel duty- and quota-free due to Israel's implementation of its WTO, ATAP, and U.S.-Israel Free Trade

Agreement (FTA) commitments. However, the remaining U.S. food and agricultural product tariff lines (mostly value-added consumer products) face a complicated TRQ system and high tariffs for imports above the quota. The average tariff on imported food and agricultural products is about 24 percent; we find that there is a lack of quota fill-rate and license allocation data.

Opportunities

U.S. food exporters should focus on establishing their business relationship with a reliable and efficient importer and distributor. It is also important to identify the appropriate distribution and sales channels. U.S. exporters and Israeli importers could expand trade by strengthening confidence through visits of U.S. exporters/manufacturers to Israel, exploring opportunities firsthand, and by meeting relevant Israeli importers. The USDA/FAS is willing to facilitate exchange groups of U.S./Israeli food exporters to Israeli /U.S. food shows and food conventions, however, U.S. companies must be willing to show interest and responsive to their Israeli counterparts.

Large food retail chains like Shufersal or Ha'Shikma (Rami Levi) have their own purchasing/importing division to handle food imports directly. Major supermarkets are increasingly importing directly from foreign suppliers in order to reduce costs. U.S. suppliers should initially contact the purchasing/importing divisions of these large food chains, especially for new-to-market food products. A list of contacts for Israel's major food supermarkets and importers is available from FAS Tel-Aviv Office upon request. U.S. exporters should consider the price sensitivity of their customers, their product requirements, purchasing policies, and expected purchase volumes.

General Consumer Tastes and Preferences

During the last decade, an increasing share of consumers preferred to buy their products through supermarket chains (58 percent) instead of through the traditional channels of open markets and small grocery stores.

The 2011 consumer protests over high living costs forced local food companies and retail chains to cut prices and, as a result, there is significant price competition in the food sector in Israel. In recent years, local consumers identify private labeling with lower prices and with a guaranteed product quality. Currently, private labeling sales are about nearly 10 percent of total food products sell in Israel and the trend is extending.

Israeli consumers have become extremely health-conscious in recent years and are adopting a more balanced diet, looking for "health-foods" as well as

gluten free and sugar free products. Kosher food products offer the greatest potential for U.S. exporters, as most of the retail food chains and HRI sector buy only kosher food products.

In 2015, purchasing food online continued to gain popularity, as retailers improved their websites to a more user-friendly and smarter shopping experience. Due to consumers' price-sensitivity, some websites, such as Shufersal, offer a button to present cheaper alternatives to products ordered, as well as the option to choose healthier alternatives in terms of calories, fat or sodium. In addition, retailers expanded their distribution zones thanks to the rising demand for online shopping for convenience reasons.

The annual average household consumption expense for food items, including fresh fruit and vegetables, stands at an average of \$8,000. More and more people are willing to pay a premium for organic and healthier food items.

Import Tariff Protection

Over the years, the OECD has found that Israeli consumers are paying higher than global average prices for food and agricultural products. Israeli farmers and ranchers still continue to benefit from a number of official trade protectionist measures, which needlessly drive up local food prices. In this sense, many of the "2010 OECD Review of Agricultural Policies: Israel" report conclusions still hold; largely that, although government supports systems have fallen over time, not all market distorting policies have been removed. FAS Tel Aviv finds that Israel's tariff profile for some agricultural products (i.e., dairy, meat, eggs, and some fruits and vegetables) continues to remain often prohibitively high.

Import Licenses

All imported goods from all destinations, including food and agricultural products, are subject to the Israeli import licensing requirements. For products that benefit from TRQs, the Ministry of Agriculture and Rural Development and/or the Ministry of Economy will issue TRQ-specific import licenses, with zero or reduced duties. All imported food and agricultural products require an import license and or a sanitary/ phyto-sanitary certificate for public health reasons, in addition to other import requirements the Israeli authorities request (lab tests, Free Sale Certificate/GMP certificate, HACCP, certificate that the product was produced in the U.S. in order to enjoy the FTA and ATAP agreements terms between Israel and the U.S.). Import licenses are issued by the Israel Veterinary and Animal Health Services (IVAHS), the Plant Protection and Inspection Services (PPIS), and the Food Control Service (FCS).

Sanitary and Phyto-Sanitary and Regulatory Systems

Four agencies are involved in Israel's food, livestock, and plant safety supervision. These are 1) the FCS, which is part of the Ministry of Health (MoH); 2) the Standards Institute of Israel (SII); 3) IVAHS; and 4) the PPIS, (both IVAHS and PPIS are part of the Ministry of Agriculture (MOAG)). The Food Control Service handles imported food licensing, it is notorious for the onerous requirements it places on high-value food product imports. Depending on the product, the Ministry of Economy (MoE) and the MoAG share responsibility for managing quota allocations under the U.S.-Israel FTA.

At the same time PPIS has also been slow in conducting pest-risk-assessments (PRA) on U.S.-origin products entering Israel for the first time. The Standards Institute of Israel is the agency responsible for the development of most product standards, compliance testing, product certification, and industry's quality assurance systems. The Food Control Service enforces food and food labeling standards. Although Israel is receptive to international standards, it is increasingly turning to EU standards that often vary and conflict with U.S. standards. Israel requires that food and health products be registered with the MoH before they can be sold. U.S. Food and Drug Administration (FDA) approval for food and health care products is not mandatory, but Israeli importers prefer FDA approval as it helps accelerate the product registration process and import license approvals. Product registration normally takes from 4 to 6 weeks if all documentation is in order.

Biotech Food

In October 2013 new draft regulations announced by Israel's Ministry of Health called "Public Health Regulations (Food) (Novel foods) 5773 - 2013" (G/TBT/N/ISR/710) were notified to the WTO for comments by other members. The scope of the definition "novel food" is limited to food for human consumption only. The following are the major requirements introduced by the proposed regulations:

- Registration of novel foods which must go through a risk assessment process before being approved
- Prohibition of the manufacture, importation, storage or sale of a novel food unless it is registered in the official list of permitted novel foods.
- Labeling of genetically modified pre-packaged food, fruits and vegetables.

According to the Israeli Ministry of Health, genetically engineered food is defined as food that contains an ingredient produced through biotechnology. Regulation 12 of the Israeli Novel Foods regulation describes the terms for exemptions from mandatory labeling, which is when the ingredient, containing a Genetically Modified Organism (GMO), does not contain DNA and protein in a level exceeding 0.9 percent of the ingredient.

The new regulation has not been approved yet by the Israeli Government. Once approved by the Israeli Government, the new regulation will come into effect one year after the publication in Israel's Official Gazette.

Israel permits the development and growth of genetically engineered organisms for research purposes in accordance with requirements established by subsidiary legislation. Although genetically engineered seed and crop production is not permitted for commercial purposes, GE products may be imported, sold, and used in the production of food and pharmaceuticals in Israel. While Israeli scientists usually support the development of biotechnology, environmental activists have expressed concerns regarding what they see as potential harm resulting from their use. Israel's religious kashrut authority has determined that the use of GMO ingredients in food does not affect its kosher status because GMOs are only used in "microscopic" proportions.

Recommendations for U.S. Food and Agricultural Product Exporters

Exporters that adhere to following recommendations will stand a better chance of success in the Israeli imported agricultural and food products market:

- A U.S. Certificate of Free Sale, obtained from the FDA, facilitates MoH import licensing procedures.
- Given that Israel is adopting EU standards, U.S. exporters already familiar with the EU import requirements will have a better likelihood of success in gaining entry to the Israeli market.
- Products certified as being manufactured under Good Manufacturing Practices (GMP) or HACCP will have greater ease of access to the Israeli market.
- Listing on the FDA's list of registered facilities is viewed favorably by Israel's import licensing authority. It provides confirmation that the exporting manufacturer's facility has been inspected by the FDA and or USDA.
- Products must have a minimum shelf life of 6 months.

- Only facilities exceeding a minimal production capacity and export experience should consider exporting to Israel.
- Kosher certification is an advantage and sometimes a necessity in the local market.

Post Contact and Additional Information:

USDA\FAS - Office of Agricultural Affairs, U.S. Embassy Tel Aviv

Tel: 972-3-5198671; Fax: 972-3-5102565

E-mail: oren.shaked@fas.usda.gov; Ronit.Averbuch@fas.usda.gov

Web Resources

- [USDA\FAS GAIN Reports](#)
- [The Central Bureau of Statistics \(CBS\)](#)
- [Food Control Service, Ministry of Health](#)
- [Israel Veterinary and Animal Health Services \(IVAHS\)](#)
- [Ministry of Agriculture](#)
- [Standards Institution of Israel](#)
- Plant Protection and Inspection Service • Tel: 972-3-9681560 • Fax: 972-3-9681582, P.O. Box 78 50250, Bet Dagan, Israel

Customs, Regulations & 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).

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

Import Tariff

Under the United States–Israel Free Trade Area Agreement (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.

As part of the FTA, to benefit from zero customs duties, U.S. exporters are required to state the value of the U.S. content of shipment as a percentage of the ex-factory product price, on a “Certificate of Origin for Exports to Israel” (CO). Exporters should carefully read the instructions before signing the CO. Exporters can verify if the form they are using is correct by contacting the U.S. Embassy in Israel at: yael.torres@trade.gov Correct CO forms can be obtained from an America–Israel Chamber of Commerce and from, [Apperson Store](#).

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 provide 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/or any other relevant information. In addition, Customs may also require a sample of the material/product, lab testing results, authorizations from institutes/authorized government agencies, import license and any other documents as required by the specific Customs Department.

Import Requirements & Documentation

All administrative import licensing requirements for U.S.-made consumer and industrial goods have been eliminated under the FTA, excluding the requirements for most food and agricultural products.

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

Specific labeling regulations apply to some consumer goods, paper products, handbags, musical recordings, fertilizers, insecticides, chemicals, pharmaceuticals, some food products, seeds, and alcoholic beverages. Outside and inside containers of dangerous articles, such as poisons, insecticides, drugs, flammable goods,

ammunition, explosives, reptiles, insects, bacteria and radioactive materials should be clearly marked.

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

U.S. Export Controls

U.S. exporters to Israel must follow U.S. Government requirements regarding export control documentation for sensitive U.S. technology exports, e.g. high technology, defense related equipment and technologies and weapons for chemical and biological warfare. For information on this subject contact the [U.S. Department of Commerce Bureau of Industry and Security](#), additionally the Trade Information Center at 1-800-872-8723 or the U.S. Department of State Directorate of Defense Trade Controls (DDTC)

Although Israel is not a signatory to the Wassenaar Arrangement, it has adopted the Wassenaar list of dual-use items subject to control. As of January 1, 2007, the Ministry of Economy's Chemistry Administration is responsible for the administration of Israel's dual-use export control system. MOE works closely with Ministry of Defense (MOD)'s Defense Export Controls Agency (DECA). DECA administers Israel's defense-related export controls.

Israel's defense industries are export-driven, with 75-80% of the production destined for export to global markets. Many U.S.-made items are integrated into Israeli defense products. Re-exports of U.S. technologies from Israel to third countries require the Israeli exporter to disclose the identity of his foreign customer and to obtain an end-user certificate. This requirement poses a challenge for the U.S. exporter of sensitive defense equipment to sell to the Israeli defense industry.

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.

Prohibited & Restricted Imports

See [Agricultural Sector](#)

Customs Regulations

In order for U.S. exporters to qualify for preferential access to the Israeli market, a hard copy, green color Certificate of Origin (CoO) must accompany all shipments from the United States to Israel. The U.S.-Israel Free Trade Agreement (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. The CoO is not mandatory but U.S. exporters are encouraged to present it to Israeli Customs in order 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, in order to qualify for the FTA preferential tariff.

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

Other Documentation

The Israeli Customs Service prefer that exporters use their own commercial invoice forms containing all required information including name and address of supplier, general nature of the goods, country of origin of the goods, name and address of the customer in Israel, name of the agent in Israel, terms, rate of exchange (if applicable), Israel import license number (if applicable), shipping information, and a full description of all goods in the shipment including shipping marks, quantity or measure, composition of goods (by percentage if mixed), tariff heading number, gross weight of each package, net weight of each package, total weight of shipment, price per unit as sold, and total value of shipment. The total value of the shipment includes packing, shipping, dock and agency fees, and insurance charges incurred in the exportation of the goods to Israel. The commercial invoice must be signed by the

manufacturer, consignor, owner, or authorized agent. U.S. exporters should also double check with their freight forwarder, shipping company or importer to find out if any other documentation, including bill of lading and packing list, is required. It is imperative that these issues be addressed before the goods arrive at the Israeli port, to avoid any possible delays and storage fees.

Authorization Procedures for "Approved Exporter" Status

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

Standards 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 (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. However, since May 1, 2014, the implementation date of a standardization reform bill, SII is required to recognize international standards and identify and adopt equivalent U.S. standards for 500 mandatory Israeli standards. Under the new law, conformity assessment will be based on the following: manufacturer's declaration of compliance, conformity to relevant standard and approval by certified testing laboratory.

The purpose of the new law was to greatly expand the Government of Israel's recognition of international standards for imported products, including most U.S and European food and agricultural product standards. Under the new law the requirement for government inspections and testing will be eliminated, while moving to a system that provides broader recognition of exporter certifications for products that have met the production standards of the country of origin. After full implementation, the new standard regime should bring about significant growth in imports and lower prices through increased competition.

Although the new bill came into effect in May 2014, to date only 5 percent of the local standards are international, raising concerns regarding the timing of the full implementation of the reform.

A case in point, the Israeli Ketchup "Battle", in which the market leader, Osem-Nestle with 67 percent of the market share, is trying to outmaneuver its competitor Heinz, with 26 percent share. Osem-Nestle is claiming that Heinz's ketchup should not be labeled as such as it does not meet Israel's ketchup standard, although it's been imported and marketed in Israel since 1995. In January 2015, Osem-Nestle asked retailers to remove Heinz from

their ketchup section, stating that Heinz ketchup only contains about 21 percent tomato concentrate, not the 61 percent tomato concentrate as required by Israel's standard. Osem's attack comes at a time when Heinz is increasing its marketing and operational activities for its line of products. Retailers have responded heatedly to Osem's latest push, and have refused to remove Heinz ketchup from their shelves. According to them, it's a decision that only the Ministry of Health can take, if it indeed finds that Heinz ketchup does not meet the Israeli standard. Heinz ketchup is known as ketchup in 130 countries and meets the ketchup standards of those countries.

Standards

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

NIST Notify U.S. Service

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

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Testing, inspection and certification

Conformity Assessment

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

Product Certification

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.

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

organizations:

Accreditation

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

The Government of Israel decided in its resolution No. 3778 from August 14, 1994 to set up a National Authority for the accreditation of testing and calibration laboratories (ISRAC) and empowered the Minister of Industry,

Trade & Labor to implement this resolution as a voluntary scheme for laboratories wishing to be internationally recognized for their competence in testing. The law for the national accreditation authority (ISRAC) was passed in the Knesset in May of 1997.

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

Publication of technical regulations

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

Contact Information

The Standards Institution of Israel

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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 European Union (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 an agreement with India and China is under discussion. Israel also has a preferential trade arrangement with Jordan and maintains a customs union with the Palestinian Authority. In late 2002, the European Union began imposing customs duties on goods manufactured by Israeli companies located in the Palestinian territories.

In 1997, Congress amended the law governing the U.S./Israeli Free Trade Agreement to enable the creation of so-called qualifying industrial zones (QIZs) with Jordan and Egypt. Jordan took advantage of this opportunity beginning in 1997. Under the

agreement, products manufactured in Jordan enjoy duty and quota free access to the U.S. market if, inter alia, they contain a certain minimum percentage of Israeli inputs. As a result of the QIZ agreement, exports to the United States grew significantly. In 2001, Jordan and the U.S. signed a Free Trade Agreement which allowed duty free access to the U.S. for Jordanian goods, independent of Israeli content. The FTA 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 percent Israeli inputs may enter into the U.S. duty free. The Israel-Egypt QIZ celebrated its ten year anniversary this year and currently, exports to the United States under the program reaches nearly \$1 billion and consists 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 Palestinian territories 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

Web Resources

[Ministry of Finance – Israeli Department of Customs & VAT](#)
[Regarding Standards Issues: Standards Institution of Israel](#)
[Ministry of Economy & Industry](#)
[Federation of Israeli Chambers of Commerce](#)
[U.S. Certificates of Origin for Exporting to Israel](#)

[U.S. Commercial Service](#)

[U.S. Department of Commerce: Bureau of Industry and Security](#)

[Israel Bar Association](#)

[Ministry of Health](#)

[Ministry of Education](#)

Labeling/Marking Requirements:

[Ministry of Economy](#)

[Ministry of Health](#)

Investment Climate Statement

Executive Summary

Israel has an entrepreneurial spirit and a creative, highly-educated, skilled, and diverse workforce. Israel is a leader in innovation in a variety of sectors, and many Israeli start-ups find good partners in American companies. Israel, popularly known as the “start-up nation,” invests heavily in education and scientific research, and many leading multinational companies have established research and development (R&D) centers here. U.S. firms account for nearly two-thirds of the more than 300 foreign-invested research and development centers in Israel. Israeli firms represent the second-largest source of foreign listings on the NASDAQ. Various Israeli Government agencies, led by the newly established Israel Innovation Authority, fund incubators for early stage technology start-ups, and Israel provides extensive support for new ideas and technologies and also seeks to develop more traditional industries. Private venture capital funds have flourished in Israel in recent years.

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

The U.S.-Israeli bilateral economic and commercial relationship is strong, anchored by two-way goods which reached \$35 billion in 2016, according to the U.S. Census Bureau, and extensive commercial ties, particularly in high tech and research and development. Israel invested close to \$24 billion in 2016 in the United States, nearly triple what it was a decade ago according to the U.S. Census Bureau. This year marks the 32nd anniversary of the U.S.-Israel Free Trade Agreement (FTA), the United States’ first ever FTA. Since the signing of the FTA, the Israeli economy has undergone a dramatic transformation, moving from a protected, low-end manufacturing and agriculture-led economy to one that is diverse, open, and led by a cutting edge high-technology sector.

The Government generally continues to take actions to remove trade barriers and encourage capital investment, including foreign investment. However, several constraints exist in the economy that have contributed significantly to growing public concerns over the high cost of living and the lack of competition in key sectors. With regards to trade, the Israeli government often adopts restrictive policies, usually in favor of domestic producers. These policies often limit competition, resulting in the concentration of market share to a handful of major companies in key sectors.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2016	28 of 175	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business	2017	52 of 190	doingbusiness.org/rankings
Global Innovation Index	2016	21 of 128	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$B USD, stock positions)	2015	10, 300	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2015	35,770	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

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

Other Investment Policy Reviews

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

Business Facilitation

The Israeli government is fairly open and receptive to companies wishing to register businesses in Israel. Israel ranked 41st in the “Starting a Business” category of the World Bank’s 2017 Doing Business Report, jumping nine places from 2016.

According to the World Bank, Israeli reforms currently underway are making it easier to do business in Israel but some challenges remain.

The business registration process in Israel is fairly clear and straightforward. Four procedures are required to register a standard private limited company and can take on average 12 days to complete according to the Ministry of Finance. The foreign investor must obtain company registration documents through a recognized attorney with the Ministry of Justice and obtain a tax identification number for company taxation and for value added taxes (VAT) from the Ministry of Finance. The cost to register a company averages around \$1,000 depending on attorney and legal fees.

The Israeli Ministry of Economy and Industry's "Invest in Israel" website provides useful information for companies interested in starting a business or investing in Israel. The website is: http://www.investinIsrael.gov.il/join_the_best.html

Outward Investment

The Investment Promotion Center of the Ministry of Economy seeks to attract potential investors to Israel. The Center stresses Israel's developed infrastructure, educated work force, open economy, and ties to the United States and Europe as Israel's main competitive advantages. The Center provides additional information about the various government-backed incentives available to potential investors in Israel.

In general, there are no restrictions on domestic investors from investing abroad. However, investing abroad may be restricted on national security grounds or in certain countries or sectors deemed by the Israeli government to not be in the national interest.

Conversion and Transfer Policies

Foreign Exchange

Israel's foreign exchange liberalization process was completed on January 1, 2003, when the last restrictions placed on the ability of institutional investors to invest abroad were removed. Foreign currency controls have been completely abolished and the Israeli shekel is a freely convertible currency. The Bank of Israel maintains the option to intervene in foreign currency trading in situations of extraordinary movements in the exchange rate which are not in line with fundamental economic conditions, or when the foreign exchange market is not functioning appropriately. Israeli individuals can invest without restriction in foreign markets. Foreign investors can open shekel accounts that allow them to invest freely in Israeli companies and securities. These shekel accounts are fully convertible into foreign exchange.

Remittance Policies

Most transactions must be carried out through an authorized dealer. An authorized dealer is a banking institution licensed to arrange, inter alia, foreign currency transactions for its clients. The authorized dealer must report large foreign exchange transactions to the Controller of Foreign Currency. There are no

limitations or significant delays in the remittance of profits, debt service and capital gains.

Expropriation and Compensation

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

Dispute Settlement

ICSID Convention and New York Convention

The Israeli government accepts binding international arbitration of investment disputes between foreign investors and the state. Israel is a member of the International Center for the Settlement of Investment Disputes (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Israel's arbitration law is governed and enforced primarily via the Arbitration Law of 1968, which was most recently amended by the Israeli Knesset in 2008.

Investor-State Dispute Settlement

Israel's arbitration law is governed primarily by the Arbitration Law of 1968. The Arbitration Law governs both domestic and international arbitration proceedings. The law was most recently amended by the Israeli Knesset in 2008. Israel ratified the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards of 1958 in 1959. There is no known extrajudicial action against foreign investors.

International Commercial Arbitration and Foreign Courts

Mediation was formally institutionalized in Israel in 1992 with the amendment of the Courts Law of 1984. The amendment granted courts the authority to refer civil disputes to mediation or arbitration with party consent. The Israeli courts tend to uphold and enforce arbitration agreements. Israel's Arbitration Law predates the UNCITRAL model law.

Performance Requirements and Investment Incentives

There are no universal performance requirements on investments, but performance requirements, including inbound investment "offset" requirements, are often included in sales contracts with the government. In some sectors, there is a requirement that Israelis own a percentage of a company. Israel's visa and residency requirements are transparent. The Israeli government does not impose preferential policies on exports by foreign investors.

Data Storage

Several major U.S. information technology companies have opened large research

and development centers in Israel. Information on Israel's data storage policy for foreign investors can be found at the Ministry of Economy's website: [Ministry of Economy and Industry](#)

Right to Private Ownership and Establishment

The Israeli legal system protects the right of both foreign and domestic entities to establish and own business enterprises, as well as the right to engage in remunerative activity. Private enterprises are free to establish, acquire, and dispose of interests in business enterprises. As part of its current privatization efforts, the Israeli government actively encourages foreign investment in privatizing government-owned entities.

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

Investments in regulated industries (e.g. banking, insurance) require prior government approval. Investments in certain sectors may require a government license. Other regulations may apply, usually on a national treatment basis.

Protection of Property Rights

Real Property

Israel has a modern legal system based on British common law that provides effective means for enforcing property and contractual rights. This system operates inside Green Line Israel (i.e., within Israel's pre-1967 borders), but not in the Occupied Territories. Courts are independent. Israeli civil procedures provide that judgments of foreign courts may be accepted and enforced by local courts. Secured interests in property are recognized and enforced by the Israeli judicial system. A reliable system of recording such security interests exists. There are a few restrictions relating to foreigners in Israel. Property transactions are registered by the Israel Land Administration, which manages land in Israel on behalf of the government, Israel currently ranks 126th out of 189 countries in "registering property" according to the World Bank's 2017 Doing Business Report.

Intellectual Property Rights

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

In recent years, Israel has revised its IPR legal framework several times in order to comply with new international treaties it has signed. Israel has taken stronger, more comprehensive steps towards protecting IPR, and the government acknowledges that IPR theft costs rights holders millions of dollars per year, reducing tax revenues and slowing economic growth.

The United States removed Israel from the Special 301 Report in 2014 after Israel passed patent legislation that satisfied the remaining commitments Israel made in a Memorandum of Understanding with the United States in 2010 concerning several longstanding issues regarding Israel's intellectual property rights regime for pharmaceutical products.

The United States remains concerned with the limitations of Israel's copyright legislation, particularly related to digital copyright matters and with Israel's interpretation of its commitments for protection of confidential test and other data related to marketing approval of biologic pharmaceuticals. The Ministry of Justice recently introduced a draft government bill on piracy to increase rights holders' ability to enforce copyright infringement on the internet.

While several recent legislative improvements have been instituted, the United States continues to urge Israel to strengthen and improve its IPR enforcement regime. Israel lacks specialized judicial courts and Special Police Units designed to enforce IPR, common in other countries with advanced IPR regimes. Cases in Israel are typically adjudicated in general civil or administrative courts.

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

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

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at [WIPO](#).

Transparency of the Regulatory System

Israel promotes open governance and has joined the International Open Government Partnership. The government's policy is to pursue the goals of transparency and active reporting to the public, public participation, and accountability.

Israel's regulatory system is transparent. Ministries and regulatory agencies give notice of proposed regulations to the public on a government web site: [Knesset](#). The text of proposed regulations is also published on this web site. The government requests comments from the general public about proposed regulations.

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

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

Efficient Capital Markets and Portfolio Investment

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

In the case of publicly traded firms where ownership is widely dispersed, the practice of "cross-shareholding" and "stable shareholder" arrangements to prevent mergers and acquisitions is common, but not directed in particular at preventing potential foreign investment. While until now a number of companies have had "pyramidal-like" structures, the business concentrations law, which was approved by the Knesset at the end of 2013, is intended to alleviate this going forward. Hostile takeovers are a virtually unknown phenomenon in Israel, given the high concentration of ownership of most firms. Israel has no laws or regulations regarding the adoption by private firms of articles of incorporation or association that limit or prohibit foreign investment, participation, or control.

Money and Banking System, Hostile Takeovers

There are five major banks in Israel. Bank Hapoalim and Bank Leumi, the two largest banks, dominate the market, followed by Israel Discount Bank. Together these banks account for 75 percent of the market. In 2015, Bank Hapoalim had assets of USD 110.6 billion and Bank Leumi had assets of USD 106.7 billion. In 2014, the latest date available, Israel Discount Bank had assets of USD 57.8 billion. Israeli

banks have all been privatized except for Leumi, with 6 percent of shares remaining in the hands of the State of Israel.

Competition from State-Owned Enterprises

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

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

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

Israel is party to the Government Procurement Agreement (GPA) within the framework of the World Trade Organization.

OECD Guidelines on Corporate Governance of SOEs

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

Sovereign Wealth Funds

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

Responsible Business Conduct

There is awareness of responsible business conduct among enterprises and civil society.

Israel adheres to the OECD Guidelines for Multinational Enterprises and a National Contact Point is operating in the Foreign Trade Administration. See below also for Corporate Social Responsibility activities among NGOs.

[Maala–Business for Social Responsibility](#)

Political Violence

Israel is a parliamentary democracy with a stable domestic environment. Nonetheless, the conflict between Israel and the Palestinians is unresolved, and the risk of politically motivated violence and terrorism continues. The threat of rocket fire from Gaza reached a crescendo in the summer of 2014. Hamas and other jihadist groups in Gaza launched 4,600 rockets at Israeli territory. The Iron Dome defense system intercepted virtually all of these that were aimed at populated areas, but there were frequent alarms requiring persons to move to shelter. Following a rocket landing in the area of Ben Gurion Airport, the U.S. Federal Aviation Administration issued a Notice to Airmen warning and a number of international air carriers, including three U.S. carriers, cancelled flights over a 36-hour period.

Heightened tensions with Iran due to concerns over Tehran's nuclear program and its support for terrorism also present the potential for regional conflict. Israel's borders with Lebanon and Syria are closed, but instability in Syria and threats from the Iran-backed terrorist group Hezbollah in Lebanon also present some risk of violent incidents or conflict. Israel signed peace treaties with Egypt (1979) and Jordan (1994).

Corruption

Bribery and other forms of corruption are illegal under several Israeli laws and Civil Service regulations. Israel became a signatory to the OECD Bribery convention in November 2008 and became a full member of the OECD in May 2010. Israel ranks 28 out of 176 countries in Transparency International's 2016 Corruption Perceptions Index. There are several NGOs that focus on public sector ethics. Transparency International has a local chapter in Israel.

Israel is a member of the OECD Anti-Bribery Convention, which entered into force in February 1999. Israel is a signatory to the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions.

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

The international NGO Transparency International closely monitors corruption in Israel.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

- Ministry of Justice
- Office of the Director General
- 29 Salah a-Din Street Jerusalem

- 02-6466533, 02-6466534, 02-6466535
- mancal@justice.gov.il

Contact at "watchdog" organization

- Transparency International Israel
- Ms. Ifat Zamir
- Tel Aviv University, Faculty of Management
- +972 3 640 9176
- ifat@ti-israel.org

Bilateral Investment Agreements

With which other countries/economies has the economy/country signed BITs or FTAs? Please also describe any ongoing BIT or FTA negotiations in which the country/economy is engaged.

Israel has protection of investment agreements with Albania, Argentina, Armenia, Azerbaijan, Belarus, Bulgaria (amending protocol), China, Croatia, Cyprus, Czech Republic, El Salvador, Estonia, Ethiopia, Georgia, Germany, Guatemala, Hungary (treaty terminated in 2007, existing investments are protected for ten years after termination), India, Kazakhstan, Latvia, Lithuania, Macedonia, FYR initialed, Moldova, Mongolia, Montenegro, Poland, Romania (amending protocol), Serbia, Slovakia, Slovenia (terminated 2007, existing investments protected for ten years after termination), South Africa (pending ratification, Israel ratified the agreement in March 2009), South Korea, Thailand, Turkey, Turkmenistan, Ukraine, Uruguay, and Uzbekistan.

The U.S.-Israel FTA was signed in 1985. A complete list of Israel's BITs and FTAs can be found at: [List of Israel's BIT and FTAs](#)

OPIC and Other Investment Insurance Programs

OPIC is involved in several projects in Israel. It provided a USD 250 million construction loan for a 110MW concentrated solar power (CSP) project in the Negev. In addition, OPIC recently approved a political risk insurance policy that covers a portion of the costs of the development of Nobel's Leviathan natural gas field. OPIC also finances projects sponsored by U.S. investors in Israel, but not in the Golan Heights. Israel is a member of the Multilateral Investment Guarantee Agency (MIGA).

Labor

The most recent Central Bureau of Statistics data from January 2016 indicate there are nearly 4 million people in the labor force in Israel. Highly skilled and well-educated, the Israeli labor force is the economy's major asset. According to the OECD, in 2014 Israel ranked fourth among OECD countries for all adults (46%) aged 25-64 that had attained a tertiary education. A large number of university students specialize in fields with high industrial R&D potential, including engineering,

mathematics, physical sciences, and medicine. According to the Investment Promotion Center, there are more than 135 scientists out of every 100,000 workers, one of the highest rates in the world. The rapid growth of Israel's high-tech industries in the late 1990s increased the demand for workers with specialized skills.

Unemployment has been steadily decreasing over the last few years and declined from 5.9% in 2014, to 5.3% in 2015, to 4.5% in 2016. Unemployment is currently at a historic low and was 4.3% in February 2017, according to the Central Bureau of Statistics.

According to Israel's Population and Immigration Authority, at the end of 2016 there were 84,485 foreign workers in Israel, compared with 77,192 at the end of 2015, of which nearly 15,660 were undocumented workers. Undocumented foreign workers were at similar levels in 2015 and 2016, with approximately 15,500 in both years. According to the Ministry of Finance, more than 72,000 permits were issued to Palestinian workers in 2016. A government decision at the end of December approved an increase of another 20,000 permits in 2017 for Palestinian workers.

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

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

Foreign Trade Zones/Free Ports/Trade Facilitation

Describe laws, policies, and practices for any areas designated as Free Trade Zones, Duty Free Zones, or areas with special tax treatment and if foreign-owned firms have the same investment opportunities as country/economy entities. List any major changes to these zones within the reporting period.

Israel has bilateral Qualified Industrial Zone (QIZ) Agreements with Egypt and Jordan. Exports from geographically recognized industrial zones in Egypt and Jordan that contain at least a specified proportion of Israeli content can be exported to the United States duty free. More information is available at the Ministry of Economy's Foreign Trade Administration website:

[Ministry of Economy's Foreign Trade Administration](#)

Israel has one free trade zone, the Red Sea port city of Eilat.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	\$308,700	2015	\$299,416	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	\$9,705	2015	\$10,297	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, Position, UBO)	2013	\$27,306	2015	23,755	FDI Markets
Total inbound stock of FDI as % host GDP	2014	8.84	2015	7.93	

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data
From Top Five Sources/To Top Five Destinations (<i>US Dollars, Millions</i>)

Inward Direct Investment			Outward Direct Investment		
Total Inward (2014)	Amount	100%	Total Outward	Amount	100%
United States	14,651	15.7%	United States	31,633	39.9%
Netherlands	10,060	10.8%	Netherlands	10,876	13.7%
Cayman Islands	6,294	6.74%	Canada	2,468	3.11%
Canada	4,163	4.46%	United Kingdom	2,002	2.52%
Singapore	2,915	3.12%	Japan	1,652	2.08%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	113,155	100%	All Countries	58,569	100%	All Countries	54,480	100%
United States	63,370	56.0%	United States	36,693	63%	United States	28,672	53%
Unspecified	20,808	18%	Luxembourg	7,955	14%	Unspecified	18,697	34%
Luxembourg	8,390	7%	United Kingdom	5,126	9%	United Kingdom	1,425	3%
United Kingdom	6,550	6%	Germany	2,144	4%	Germany	1,412	3%
Germany	3,560	3%	France	1,158	2%	Netherlands	824	2%

Contact for More Information on the Investment Climate Statement

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Christin

Trade & Project Financing

Methods of Payment

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

Payment schedules vary. The acceptable terms of payment range from EOM + 30 – EOM + 60 days. It is not unusual for payment to be made after a 90 (sometimes 120) day period. The local banking system provides sources of short and long-term credit and access to venture capital. Some importers have preferred to seek U.S. Export-Import (Ex-Im) Bank financing. Ex-Im Bank has most of the leading Israeli banks as correspondents and may supplement private sources of export financing with medium and long-term loans.

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 five major banks are Bank Hapoalim and Bank Leumi, the two largest banks, with similar asset size, followed by Israel Discount Bank, the third largest bank, and Mizrahi Tefahot Bank and First International Bank of Israel, respectively. There are currently three foreign banks with activities in Israel: Citi, HSBC, and Barclays Bank plc.

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 will be 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 will be 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, will be abolished.

Holding foreign currency in cash. The restriction on holding foreign currency in cash will be abolished, and payments in foreign currency will be 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 will be removed.

Presentation of documents. The requirement to present documents when carrying out a transaction with a nonresident in NIS or in foreign currency will be 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

US Banks & 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 US-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. Major correspondent banks are Bank Hapoalim, Bank Leumi Le-Israel, First International Bank of Israel, Israel Discount Bank and United Mizrahi Bank.

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Project Financing

The U.S. Export-Import Bank (Ex-Im Bank) and the U.S. Overseas Private Investment Corporation (OPIC) offer project financing and other financial services. Ex-Im Bank provides a range of financial programs ranging from medium and long term guarantees, insurance programs, working capital guarantee to project finance. The Project Finance Division provides financing to projects that are dependent on the project cash flows for repayment. In March 2014, OPIC announced a \$250 million loan for a concentrated solar power (CSP) project in the Negev, which will be Israel's first large-scale solar project. For more information see the Ex-Im Bank website at [ExIm Bank](#)

OPIC supports U.S. investment in emerging markets through project loans and loan guarantees that provide medium to long-term funding to ventures involving significant equity and/or management participation by U.S. businesses. OPIC also provides insurance against a broad range of political risks. Rather than relying on sovereign or sponsor guarantees, OPIC's project financing program looks for repayment from the cash flows generated by the project. For projects sponsored by U.S. small businesses or cooperatives, financing may be provided through direct loans. These loans generally range in amount from \$2 million - \$10 million. Loan guarantees, which typically are used for larger projects, range in size from \$10 million - \$75 million, but in certain instances can be as high as \$200 million. For information, consult the OPIC website at <http://www.opic.gov>.

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

U.S. exporters may find export financing and insurance available through commercial sources; City/State-sponsored export financing and loan guarantee

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

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

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

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

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

BIRD, which was established in 1977, provides matchmaking services between Israeli and American companies in research and development 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 homeland security, communications, electronics, electro-optics, software, life sciences, and renewable and alternative energy, among others. According to the Foundation, \$319 million in grants have been awarded to almost a thousand projects. Awards typically range from \$700,000 to \$900,000. The award size varies based on total project budget and other considerations. The recipients must provide at least 50% of the total project budget.

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 \$480 million to over 4,000 research projects of the highest quality. Many of these have led to important [scientific, medical and technological breakthroughs](#) with wide-ranging practical applications.

The BSF has a website at <http://www.bsf.org.il>.

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

BARD funds, generated from a \$100 million endowment, finance cooperative agricultural research between scientists of the United States and Israel on topics considered to be of mutual benefit to the agriculture of both countries. BARD also supports international workshops and provides post-doctoral fellowships. For further information, consult the BARD website at [BARD](#).

Financing Web Resources

- Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis Team: [Trade Finance Guide](#)
- Export-Import Bank of the United States: [Export-Import Bank](#)
- [Country Limitation Schedule](#)
- [OPIC](#)
- [Trade and Development Agency](#)
- [SBA's Office of International Trade](#)
- [USDA Commodity Credit Corporation](#)
- [U.S. Agency for International Development](#)
- [Bank of Israel Annual Reports](#)

Business Travel

Business Customs

Israel's business environment has no particular business protocols; it mainly follows 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 schedules. Israelis arrive well prepared for meetings and are very direct. It's 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 State's International Travel Information for the most up to date information on travel warnings and visa requirements for Israel.

[State's International Travel Information](#)

Visa Requirements

A visa is not required for Americans traveling for tourism or short-term business projects. 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: [Government Services and Information Website](#)

U.S. companies that require travel of Israeli businesspersons to the United States should be advised that Israeli citizens require a visa prior to entry, and that 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. Visa

applicants may apply in either Tel Aviv or Jerusalem. Visa applicants should go to the following links:

[State Department Visa Website](#)

[US Embassy Israel, Consular Section](#)

[State Department Visa Website](#)

[US Embassy Israel, 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 10, 5, 2, 1NIS and 50 and 10 agorot.

Changing Money

Unlimited sums of local and foreign money may be brought into Israel as cash, travelers' checks, credit cards or State of Israel bonds. 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 US dollars, since certain tourist sites, especially in the Old City of Jerusalem, take payment in dollars.

Cash Withdrawal

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

The annual average exchange rate for 2015 was 4.05NIS per \$1.00.

To learn about the current exchange rate please visit:

[Current Exchange Rate](#)

Telecommunications/Electric

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.

According to Internet World Stats, as of December 2015, 74.7 percent of the Israeli population uses the Internet. There are five main internet service providers, Bezeq international, NetVision, 013 Barak, 012 smile, 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 standard rates for Wi-Fi varies between 10-15 NIS per hour. However, Wi-Fi is often offered for free in restaurants and hotels.

While social media has been shaping the scope of today's field of communication, according to comScore, Israel has been ranked first in hours spent per visitor on social network websites.

It is estimated that Israel has one of the highest levels in the world of people who own and operate a cell phone on a daily basis. Israel's competitive mobile communications market has expanded and is now served by eight mobile network operators, Cellcom, Pelephone, Partner, Hot Mobile, Golan Telecom, YouPhone, Rami Levy, and 012 Mobile. Competition has led the mobile network operators to engage in a round of merger and acquisition activity with fixed line players to offer integrated services. The competition was intensified in June 2011 following MVNO (mobile virtual network operator or 'wireless resale') licenses to Rami Levi Cellular, Home cellular and YouPhone.

All international cell phone services providers will operate in Israel, however it may be worthwhile to rent cell phones as it can reduce the cost significantly. Cell phones for visitors are available for rental at Ben Gurion Airport or through hotels.

Useful Facts:

Area code: +or 001-972

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 limousines with 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 from Nahariya in the north to Dimona in the south, including Jerusalem and Ben Gurion Airport. Extensive freight services are available and most often used between Haifa, the port in the north, and Ashdod, Israel's primary port in the south.

Ben Gurion International Airport offers connections to major international destinations. Ben Gurion is the country's center of air passenger and cargo

operations. Several companies provide domestic flights between Tel Aviv, Haifa and Eilat from Sde Dov City Airport and Ben Gurion Airport.

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

[Ben Gurion International Airport](#)

[Israel Railways](#)

Public buses:

- Egged – Prime bus company in Israel and provides intercity public bus service throughout the country.
[Egged](#)
- Dan – Operates public bus service in Tel Aviv and surrounding suburbs
[Dan](#)
- Metrodan – operates public bus service in the southern city of Be'er Sheva
[Metrodan](#)
- Nazareth Transport & Tourism – Operates inter-city lines in the north, covering Nazareth, Haifa, Karmiel and villages in the Galilee
[Nazareth Transport & Tourism](#)
- United Nazareth Buses – Operates urban and inter-city lines in northern area between Zefat, Naharia, central area between Hadera and Netanya
[United Nazareth Buses](#)

Language

Hebrew and Arabic are the two official languages of Israel. English is the third and principal international language, and Russian is also prevalent. Many signs in public places are in 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 written in English about emergency medical facilities and after-hours pharmacies in the "Jerusalem Post" newspaper.

Doctors and hospitals often expect immediate cash payment for health services. U.S. medical insurance is not always valid outside the United States. Supplemental medical insurance with specific overseas coverage has proven useful. The international traveler's website for the Center for Disease Control can be accessed at [Center for Disease Control](#)

Local Time, Business Hours and Holidays

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

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

The U.S. Embassy in Tel Aviv is open 8:00 a.m. – 4:30 p.m., Monday – Friday and closed on U.S. holidays and Israeli holidays. **Israeli Holidays: All businesses in Israel are closed**

	2017	2018
Passover (1 st Day)*	Tuesday April 11	Friday March 30
Passover (Last Day)*	Monday April 17	Saturday April 7
Israeli Independence Day	Tuesday May 2	Thursday April 19
Shavuot (Pentecost)	Wednesday May 31	Monday May 21
Rosh Hashanah (Day 1)	Thursday September 21	Monday September 10
Rosh Hashanah (Day 2)	Friday September 22	Tuesday September 11
Yom Kippur (Day of Atonement)	Saturday September 30	Wednesday September 19
Sukkot (Feast of Tabernacles)*	Thursday October 5	Monday September 24
Simhat Torah (Rejoicing of the law)*	Thursday October 12	Sunday September 30

Temporary Entry of Materials or Personal Belongings

The ATA Carnet is accepted by Israel. For more information please visit: export.gov

It is advisable to contact the Embassy of Israel in Washington or one of Israel's consulates in the U.S. for specific information regarding customs requirements. For general customs regulations please see our information at [Customs and Import Restrictions](#) or [Ozar](#)

Travel Related Web Resources

- Travel warnings – State – International Travel: [Travel warnings](#)
- Go Israel – General information for International Tourist: [Go Israel](#)