



## Doing Business In Israel: A Country Commercial Guide for U.S. Companies

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# Israel: A Country Commercial Guide

## Doing Business in Israel: An Overview

### Sections

[Market Overview](#)

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### Market Overview

- Israel's GDP growth in 2008 dropped slightly to 4.1%, largely as a result of the global economic slowdown. Growth during the first half of the year was 4.9% and 1.8% during the second half. This follows three years of strong growth, including 6% in 2007; 5.1% in 2006 and 5.2% in 2005.
- Israel's GDP per capita in 2008 was \$27,300.
- Israel's GDP per capita grew in 2008 by 2.2%, down from 2007's 3.5% growth and 2006's 3.3%.
- Israel's 2008 Inflation rate during the first 3 months of 2008 was 3.9%. This follows five years of low inflation, including: 3.4% in 2007, slightly negative in 2006, and 1.3% in 2005.
- Israel's 2008 unemployment rate as of November 2008 was 5.9%. This continues the country's positive trend as unemployment was 7.4% in 2007, 8.5% in 2006, 9% in 2005 and 10.4% in 2004.
- Exports of U.S. goods to Israel during the first 11 months of 2008 totaled US\$13.50 billion. Imports from Israel during this same period totaled \$20.73 billion.
- The U.S. is Israel's largest single country trade partner, despite heavy European competition.
- Israel – U.S. commerce has grown seven fold since signing a Free Trade Agreement in 1985.
- Nearly all tariffs on trade between the U.S. and Israel have been eliminated since 1995.

### Market Challenges

- Intense European competition.
- Agriculture trade issues, IPR protection and certain technical standard issues are non-tariff barriers.
- Tense political and security environment because of geopolitical neighborhood.
- Israel is a mature market in most sectors and U.S. companies should be ready to compete.
- The business environment and style will seem familiar to Americans, though dress may seem more informal and personal relationships sometimes play a greater role.

### Market Opportunities

- 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 the best opportunities for U.S.-Israel commercial partnerships, specifically in safety and security equipment and services, defense equipment, medical technologies and biotechnology products. Power generation and education/training also represent other good opportunities.
- U.S.-Israeli commercial linkages often consist of U.S. firms providing electronic inputs which Israeli firms integrate into final products that are often re-exported.

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

### **Market Entry Strategy**

- Identify the appropriate distribution and sales channels.
- Distribution methods vary by type of product, but typically follow either:
  - 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 especially for consumer goods;
  - Franchising has significantly increased in popularity, since its introduction to the local market in the mid-1980s. The U.S. share of the Israeli fast food franchising market exceeds 50%. ACE Hardware, Office Depot, Re/MAX and Toys-R-US all operate in Israel.
- Direct marketing is fairly common.
  - Door-to-door sales are uncommon in Israel and 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. A new spam law was introduced to Israel in late 2008. Israel's new legislation employs the stricter "opt-in" approach, with the exception that those who purchase an item and send their details to a company can be sent bulk mail if they have not specifically opted out. Another exception included in the bill allows for bulk mailing for political or charity purposes.
  - Telephone marketing is increasingly common, but with mixed results.
  - Internet use in Israel is widespread and represents a good marketing avenue.
- The Government of Israel encourages both joint ventures and licensing.
  - Joint ventures are the most popular methods of cooperation for Israeli firms, especially in technology-related industries.
  - Israeli businesses prefer obtaining licensing agreements for a five-year period automatically renewable clause that would last for another five years.
  - Manufacturing under licensing agreements is also common in Israel.
  - Israelis generally prefer agreements in which the licensor takes equity with the licensee.
  - The norm for royalties is 4-5% of the turnover.
  - Higher rates are common for luxury articles, author's fees, and specialized machinery.
  - A 10-15% withholding tax on royalties and fees is often deducted at the source.
  - The licensee may repatriate royalties through an authorized bank.
  - The licensee is 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.

### **The U.S. Commercial Service — Your Global Business Partner**

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing

expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/eac>.

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# Israel: A Country Commercial Guide

## Political & Economic Environment

### Political and Economic Environment

For background information on the political and economic environment of the country, please see the [U.S. Department of State Background Notes](#).

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# Israel: A Country Commercial Guide

## Selling Products & Services to Israel

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### Using an Agent or Distributor

Israeli industry generally prefers to purchase goods through an agent that will be able to provide after-sales service. Government entities and government-owned industries will often require an agent in the market. One of the first issues a potential agent will raise with the U.S. manufacturer is the possibility of exclusivity, and the vast majority of agencies have exclusive representation rights given the relatively small size of the Israeli market. Some exporters use a commission agent who conducts limited promotional campaigns and calls on potential buyers. Exporters of more expensive, heavy industrial equipment most commonly use this approach.

Partnering up with a good local representative who has good 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 of light industrial equipment and consumer goods 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. The local representative often provides 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.).

## Establishing an Office

U.S. firms can operate in Israel as a foreign company, a foreign partnership or by establishing a branch office. There are no restrictions on foreign ownership of Israeli companies or securities. 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.

American firms interested in establishing an office in Israel are required to register with the Registrar of Companies at the Ministry of Justice. The American company must file a copy of the document certifying that it is incorporated in the United States, stating its objectives and rules, and lists its directors and the name of its representative in Israel. If these documents are in English, they must be accompanied by a Hebrew translation. There is no requirement for the managers or directors of the company to be Israeli citizens or residents. However, U.S. representatives assigned to manage the Israel office must first obtain work permits from the Employment Service Division of the Ministry of Industry, Trade & Labor. Authorization from the Ministry and, if applicable, the Investment Center, is necessary before the Ministry of Interior can issue a visa to begin employment in Israel. U.S. companies wishing to establish an office in Israel are advised to seek legal advice from a local accounting or law firm.

## Franchising

Franchising has become increasingly popular in Israel since the introduction of this retail model to the local market in the mid-1980s. It is particularly popular in the fast food restaurant sector. Due to the strong presence of such companies as Dominos, Kentucky Fried Chicken, McDonald's and Pizza Hut, the U.S. share of the Israeli fast food franchising market exceeds 50%. Franchising has also penetrated other industry sectors. ACE Hardware and Office Depot opened franchises in 1993 and 1994, respectively, and operate branches in the main commercial centers of the country. Toys-R-Us opened its first outlet in 1995.

The key to success in franchising in Israel lies in establishing a strong management team and good, ongoing, in-country, training programs to ensure continuing high quality standards. Flexibility and adaptation to local consumer demand is important for success. Companies that continually offer a variety of products that are new and improved or specifically tailored for the Israeli market have seen long-term success in Israel.

## Direct Marketing

Direct marketing in Israel picked up significantly in 1992, with the introduction of cable TV and a home-shopping channel. Direct marketing is common also via mail order inserts distributed by credit card companies and through the Internet. Door-to-door sales are uncommon in Israel and considered a nuisance, while telephone marketing is rare and has had disappointing results. Israeli consumers enjoy shopping as a popular pastime. However, direct marketing and Internet sales play a small role in relation to total retail sales.

## Joint Ventures/Licensing

Joint ventures are one of the most popular methods of cooperation for Israeli firms, especially in technology-related industries. Manufacturing under licensing agreements is also common in Israel. The Government of Israel encourages both methods of operation. Chapter 6 of this guide provides further information on investing in Israel. Israeli businesses strive to obtain licensing agreements for a

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

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

### **Selling to the Government**

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

The "Preference for Israeli Products" regulations stipulate that a 15% preference may be given to Israeli manufacturers for certain items exempted by the WTO and for products with at least 35% Israeli content and with a value not exceeding 355,000SDR (approximately \$500,000). Israeli manufacturers in "National Priority Zones" receive an additional 5-15% advantage.

"Mandatory Commercial Cooperation" requirements are an integral part of each international tender document valued at \$500,000 or more. The regulations require foreign companies to enter into offset agreements at a negotiable 28% of the value of the contract. While the foreign firm is required to make every effort to fulfill its offset obligations, there is no penalty connected with a failure to do so. However, due to the importance the GOI attaches to commercial cooperation, failure to fulfill one's obligations will almost certainly result in a lack of success in future tenders.

[The Industrial Cooperation Authority \(ICA\)](#), a division of the Ministry of Industry, Trade & Labor, is responsible for negotiating and monitoring the implementation of the offset agreements. The agreements may be for local subcontracting, investment in Israel, technology transfer, R&D contracts, or procurement of Israeli products. The first four options are preferred because of their potential long-term impact on the Israeli economy.

By court ruling, the use of industrial cooperation as a factor in the award process is not allowed. However, in the competitive Israeli market, the industrial cooperation arrangements made by foreign companies play a decisive role in the competition. U.S. companies interested in selling to the GOI are strongly advised to appoint a well-connected local agent to assist in dealing with the Israeli bureaucracy. In public tenders for large projects, in which the public entity is looking for involvement of foreign companies, the tendering party has several tender options:

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

As a result of this bidding process, foreign companies will not always be aware of major tenders. U.S. companies are advised to contact the [U.S. Commercial Service in Tel Aviv](#) (CS Tel Aviv) to

obtain information on upcoming projects and how best to position themselves. CS Tel Aviv regularly receives requests from Israeli firms looking for U.S. partners for such projects.

### **Distribution and 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.

Almost 20% of Israel's 7.1 million people are concentrated in the Tel Aviv District, Israel's commercial and financial center. Other major concentrations of the population are the Haifa area (15%), a major port city and center for the petrochemical and high tech industries, and Jerusalem (12%). 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 Beer Sheva.

Consumer malls and shopping centers are popular in Israel. Over 200 malls exist and others are planned. 62% of Israelis [visit a mall](#) at least once a month. 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.

**Israel's food market is valued at an estimated \$12 billion.** The institutional market, including the army, hospitals, hotels, restaurants and places of employment, occupies 30% of the total. Over 60% of the total food supply directed at non-institutional consumers is sold through supermarkets and retail chains. Two major supermarket chains with hundreds of outlets throughout the country dominate the retail food market. The average floor size of a supermarket is 600 square meters. Some of the larger stores have areas of 1,000 - 2,000 square meters. Typical Middle Eastern-style open-air markets and small groceries serve the remaining part of the food market. In recent years specialty food stores have developed in all of the main metropolitan centers, as well as more than 150 convenient stores opened in gasoline stations and are open 24 hours 7 days a week. Organic food is a growing consumer trend in Israel.

### **Electronic Commerce**

The volume of e-commerce transactions originating in Israel has developed very slowly, relative to other advanced economies. Although there are no official statistics, the market is about NIS 1.5bn (around US\$380m), according to industry estimates. There has been growing consolidation and concentration in the industry, so that a handful of large players now dominate the market. Nevertheless, Israelis in growing numbers have discovered online stores, online banking and investment, public auctions, public tenders, payments of bills and information on government agencies. Companies are using large B2B portals to exchange documents and catalogues and even to close deals. Statistically, 47% - of the Israel population uses the Internet; 82% - use the Internet on a daily bases; 42% - use the Internet more than 10 hours a day; 48% - purchase goods or services on a regular basis; 60% - of users are men; 47% - of users purchase electronic goods; 22% books, 17% hardware, 14% travel, and 13% music.

## Trade Promotion and Advertising

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

### [The U.S. Commercial Service](#)

*Major Newspapers and Business Journals*

- English Language:

[Ha'aretz \(daily English version\)](#)

[The Jerusalem Post \(daily newspaper\)](#)

[Globes](#)

[The International Herald Tribune - local edition](#)

*The local edition of the International Herald Tribune includes an abridged English language version of the Hebrew language Ha'aretz daily.*

- Hebrew Language (dailies):

[Ha'aretz](#)

[Globes \(financial\)](#)

[Ma'ariv](#)

[Yediot Aharonot](#)

## Pricing

Israel is a highly competitive market, and price is a key factor in purchasing decisions by Israeli companies and consumers. Presenting U.S. products as good quality at fair market prices may be a better marketing strategy to capture long-term sales. Distributors prefer exclusivity and a special pricing clause should be incorporated into representation contracts. In July 2006, Israel's VAT was reduced to 15.5%. The VAT is charged on virtually all services and products sold in Israel (except fresh fruits and vegetables), including imports. The VAT on imports is levied on the CIF landed cost plus purchase tax. VAT is recovered by the importer upon resale of the goods and is ultimately paid by the consumer. Israel levies purchase taxes on many consumer goods. The GOI reduced or eliminated the tax on more than 600 items in 2000, including televisions, washing machines, electrical appliances and cosmetics. Rates that had ranged from 25-85% were reduced to 5-45%. Some rates were further reduced in 2003. Purchase taxes of up to 90% on motor vehicles, fuel, tobacco and liquor were left unchanged.

## Sales Service/Customer Support

The Ministry of Industry, Trade & Labor requires that all businesses provide adequate after-sales service and customer support. Regulations exist that oblige local distributors to provide customers with full technical support for a period of up to ten years. U.S. firms must include a clause related to

after-sales service and client support in their contracts with the local agent, to ensure competitiveness in the Israeli market.

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

### **Protecting Intellectual Property**

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

In April 2005, Israel adopted limited data exclusivity legislation that provided some new protection from unfair commercial use of the confidential test data of pharmaceutical firms. However, these data exclusivity provisions provide data protection periods that fall far short of the periods provided in OECD-level economies, as well as other countries in the Middle East. Furthermore, even during these truncated periods of protection, generic companies are not prohibited from relying on the undisclosed test data of U.S. companies to get approvals for the export of the generic product. Research and development, as well as clinical trial expenditures made by international pharmaceutical companies, have fallen in recent years as these companies have moved these activities to countries with more favorable data protection regimes.

In December 2005, the Israeli government passed legislation that curtailed existing pharmaceutical patent term adjustments granted to compensate for delays in obtaining regulatory approval of a drug. This legislation further weakened the protection for intellectual property of research-based pharmaceutical companies in Israel. The new legislation references a group of 31 countries (Australia, the United States, Iceland, Japan, Norway, Switzerland and the countries of the EU) in determining the length of patent term extension. In addition, the legislation creates numerous bureaucratic obstacles for patent holders who wish to apply for a patent term extension. The legislation also applies retroactively to all pending applications for patent term extensions and already granted patent term extensions.

As a result of the deficiencies of the data exclusivity legislation and the prospect of passage of the patent term extension legislation, Israel was placed in April 2005 on the Special 301 “Priority Watch List” and to this date remains there. The U.S. Government continues to urge the Israeli government and the Knesset to take steps that will provide a reasonable period of non-reliance on confidential data and periods of patent term extension similar to those granted in OECD countries.

Israel has increased its budgetary, educational, police, and judicial resources devoted to the enforcement of the country's copyright and trademark laws. In addition, Israel passed amendments to its copyright laws that should make it easier for law enforcement officials, prosecutors, and judges to pursue, prosecute, and punish copyright crimes. In 2005, U.S. industry estimated the loss due to

inadequate intellectual property protection for motion pictures, records and music, business software, entertainment software and books to be \$154 million.

Please see the Investment Climate Statement (Chapter 6) for more up to date information, specifically on the ongoing negotiations between Israel and the USTR on pharmaceutical data exclusivity.

### **Due Diligence**

U.S. firms interested in doing business in Israel are advised to perform due diligence before concluding any kind of business deal. Due diligence can include, but is not limited to, checking if the company or contact is listed on the internet. Several marketing firms in Israel publish lists of companies and contacts. Many Israeli companies are increasingly developing their own websites and this information can be very useful to an American company's research.

The U.S. Commercial Service in Tel Aviv can provide basic information on companies and individuals via the [International Company Profile \(ICP\)](#) service. An ICP provides standard 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. There are also several firms in Israel that can provide comprehensive, in depth, due diligence reports, which relate to the bona fides and financial stability of companies or individuals (CS Tel Aviv can provide a list of such companies).

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.

### **Web Resources**

#### **Local Newspapers:**

[Ha'aretz](#)

[The Jerusalem Post](#)

[Globes](#)

[Globes \(financial\)](#)

[Ma'ariv](#)

[Yediot Aharonot](#)

[Industrial Cooperation Authority](#)

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# Israel: A Country Commercial Guide

## Best Prospects

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### **Agreement on Trade in Agricultural Products (including value added food products)**

In 1996, Israel and the United States signed a five-year Agreement on Trade in Agricultural Products (ATAP), in which Israel was allowed to protect a number of sensitive crops and livestock products with a combination of tariff-rate quotas and relatively high duties. In 2004, the agreement was extended until the end of 2008. Negotiations on the extended trade agreement began in 2008 but have not concluded. Both sides agreed that for the time being, until the new agreement is signed, the existing agreement will remain valid in its 2008 version.

Israel has also signed free trade agreements with Canada, EFTA, Jordan, Turkey, Mexico, and the European Union. All new EU member states were automatically included in the agreement with the EU. In May, 2008, Israel and the European Commission agreed to update their FTA on agricultural and processed food products. Under the proposed framework of the agreement, 95 percent of processed foods, imported and exported, will be exempted from levies and quotas.

Israel has also signed a free trade agreement with Mercosur countries (Argentina, Brazil, Paraguay and Uruguay), including an agreement on trade in agricultural products. The new FTA agreement has to be approved first, by the Israeli government and the four Mercosur member country governments, and when approved it is expected to come into effect in 2009.

Israel has a customs union with the Palestinian Authority. As a member of the World Trade Organization (WTO), Israel implemented the WTO Customs Valuation Agreement that requires legislation to eliminate non-tariff barriers.

### Trade and the Market for U.S. Products and Services

Despite the local economic slowdown, first estimates by the Central Bureau of Statistics (CBS) for 2008 show that during the first 11 months of the year, agricultural and processed foods imports to Israel totaled \$4.05 billion. This is 32.1% higher than the imports during the same period in previous year. Of total agricultural imports, \$568.8 million (14.0 percent) were from the United States (13.8 percent in 2007) and \$1.56 billion (38.0 percent) from the EU (40.6 percent in 2007).

Israeli food and agricultural exports in the first 11 months of 2008 totaled almost \$2.0 billion, of which \$204 million (10.1 percent) were to the United States and \$1.26 billion to the EU (mainly fresh vegetables products).

In 2008 (11 first months), prepared food, beverages and tobacco imports rose by more than 27 percent compared to the same period in previous year (from \$1.3 billion to \$1.65 billion). Imports of those products from the EU increased by 15 percent to \$863 million, while imports from the U.S. increased by almost 30 percent (from \$138 million to \$178 million). The increase in U.S. food imports is attributed mainly to the favorable exchange rate of the US dollar, compared to the Euro. Food imports from new sources are increasing steadily mainly from countries like Thailand, Turkey and Central and Eastern Europe (Poland, Hungary, Russia).

### Consumer Buying and Eating Habits

The monthly household consumption expenditure in 2007 totaled \$2,820 (3.5% up, compared to 2006), of which 16.9 percent (\$477) was directed to food purchases. When buying food, Israelis are quality oriented and are ready to pay a premium for quality food products. The Israeli consumer is acquainted with American products and wants more available, but at competitive prices. Since the last decade, more consumers buy their products through supermarket chains, replacing the more traditional open-air markets and the small grocery stores. Kosher certification is not an obligatory requirement for importing food into Israel, except for meat (beef and poultry). However, non-kosher products have a much smaller market share as the large supermarket chains and hotels refuse to carry them. Approximately 2/3s of Israeli consumers buy kosher food products.

### Opportunities and Challenges for U.S. Exporters to Israel

| Opportunities   | Challenges  |
|---|---|
| The current exchange rate between the U.S. dollar and the euro continues to favor U.S. suppliers, as European products become more expensive.       | The shipping costs are high.  |
|   | Since July 2008, the local currency (New Israeli Shekel) has fallen by 22 percent against the U.S. dollar   |
| Rising demand for quality food products.  | Global and local economic slowdown. Financial insecurity is forcing consumers to become more price-sensitive.   |
| There is tremendous growth in the number of food stores (supermarkets, grocery stores, 24-hour convenience stores), and restaurants.                | The competition from Eastern Europe, Turkey, Former Soviet Union, South America and the Far East. Products from those areas are cheaper than products from the U.S. and EU. |
| Israel is a net feed importer. It is a strong market for U.S. agricultural exports, such grains, oilseeds, dried fruits and prepared food products. | Restricted food ingredients, for example non-kosher meat, poultry and pork.   |

|   |   |
|---|---|
| American products are known for their quality and reliability.  | Israel is increasingly adopting EU standards and requirements on imports.   |
|   | There is an increasing number of complaints from food importers regarding detained shipments at the ports. In some aspects the situation becomes impossible and worse than in the past. |
| Israel has the potential to be a “bridge” to the Palestinian Authority with its rapidly growing population.   | U.S. suppliers’ interest in the Israeli market is still low.  |
|   | The security situation in Israel remains precarious.  |
| Agricultural trade agreement between the U.S. and Israel. The agreement offers the U.S. tariff rate quotas for several important products, and reduced duties for several others. | Israeli buyers unfamiliar with U.S. suppliers and products.   |
|   | U.S. exporters lack knowledge of the Israeli market and are unaware of new opportunities.   |

### Consumer Taste and Preference

The food service industry is expanding and consumer habits are changing. Over the last few years, Israelis have begun to dine out more frequently and choose premium food when doing so.

Consumer malls and shopping centers are popular in Israel. Over 200 malls 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 consumer.

The institutional services, including the army, hospitals, hotels, restaurants, banquet halls and places of employment, account for 30 percent of the total market share (households and institutional). Over 50 percent of the total food supply directed at non-institutional consumers is sold through supermarkets and retail chains.

### Best High Value Products Prospects

- High quality beef meat (if BSE ban is lifted)
- Wine and beer
- Healthy and Organic food
- Premium Ice cream
- Fish and seafood products
- Baby food
- Frozen bagels
- Frozen vegetables
- Pet food
- Dried fruits & nuts
- Sauces and condiments
- Intermediate products for further processing (whip toppings, corn and potato starch, milk powder, products for the baking industry)

**Automotive Aftermarket: Sections**

- [Overview](#)
- [Best Prospects/Services](#)
- [Opportunities](#)
- [Resources](#)

**Overview**

| (\$ Millions)          | 2006 | 2007 | 2008 (estimated) |
|------------------------|------|------|------------------|
| Total Market Size      | 130  | 180  | 206              |
| Total Local Production | 27   | 34   | 56               |
| Total Exports          | 194  | 225  | 270              |
| Total Imports          | 297  | 371  | 420              |
| Imports from the U.S.  | 14   | 23   | 30               |

The automotive aftermarket sector in Israel consists of original equipment manufacturer (OEM) parts and their substitutes. There are 2.3 million cars on Israeli roads of which 3.8% are made in the United States and the balance from Europe (46.6%) and Asia (49.6%) - Japan 38.7% and South Korea 10.9%. In 2007, total imports of aftermarket products amounted to \$371 million, of which \$23 million was from the U.S., Germany (\$63 million), Japan (\$45 million), France (\$18 million), Italy (\$23 million), China (\$55 million) and the balance from Korea and Taiwan. There are presently between 600–700 importers of aftermarket products and around 20 local manufacturers of aftermarket parts and accessories in Israel.

About six years ago new legislation was passed by the Anti-Trust Authority to stop car importers from forcing garages and car owners to use only OEM parts. American spare parts are recognized for their high quality although over the years Israel has progressively adopted European standards as the bulk of cars being imported are from Europe and the Far East. The Government of Israel has recently appointed an inter-ministerial committee to review the Israeli car market in general. One of the committee’s main objectives is to open up the Israeli car market to competition and to eventually reduce taxes on cars from 90% to 65%. Taxes in Israel are among the highest in the world, which industry sources blame as the main factor preventing the car market from reaching its potential. Discounting taxes, car prices in Israel were among the lowest in the world, up to 40% less than in Europe.

**Best Prospects/Services**

- 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 break 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

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

## Resources

[Central Bureau of Statistics](#)

## Educational Services: Sections

[Overview](#)

[Best Prospects/Services](#)

[Opportunities](#)

[Resources](#)

## Overview

The number of students pursuing degrees rose by 4% for the 2007-2008 academic year, reaching 263,584. The growth rate has slowed down to only 4% a year this decade, compared to 8% a year in the 1990s, when higher education became more accessible to the Israeli public. There are 65 institutions of higher learning in Israel, and 79.6% of students are studying for a bachelor's degree. Post-graduate students taking masters' degrees numbered 43,463, or 16.4% of the student body. PhD students numbered 10,300, or 4.0% of the student body. The total excludes the 44,327 students studying at the Open University and the 1,210 non-degree diploma students. The [Council for Higher Education](#) accredits all new institutions and programs and authorizes them to award academic degrees. The growing number of entering college students has changed the profile of Israeli higher education. 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 quality of education as the BAs taught in the local universities. Undergraduate students are entering these institutions in ever-increasing numbers (54.8% of all undergraduate students in 2007/8), thereby allowing the eight universities to focus more on graduate and research level studies. Today, institutions of higher education in Israel include 8 universities, 8 regional colleges associated with universities, 23 other regional colleges, 22 teacher training colleges, 12 institutions that offer a diploma recognized by the Ministry of Education, 11 art schools, and 59 technological colleges. In 2008, revenues of the top 20 local universities and community colleges exceeded \$2 billion.

## Best Prospects/Services

Israeli undergraduate 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: law, clinical psychology, industrial/organizational psychology, business, culinary arts, film, music, video editing, advertising, East Asian studies, international relations, computer sciences, 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.

## 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 overseas. Best prospects for U.S. educational institutions are to offer a degree integrated with practical work experience. According to 2008 statistics, a total of 25,000 Israelis requested information and showed interest in study programs in the States. In 2007/8 there were 3,004 Israeli students studying in the United States. (Breakdown: 1,031 under-graduate, 1,511 graduate and 462 other).

## Resources

[United States-Israel Educational Foundation](#) (Fulbright), [Central Bureau of Statistics](#), [Council of Higher Education](#)

## Electricity: Sections

[Overview](#)

[Best Prospects/Services](#)

[Opportunities](#)

[Resources](#)

## Overview

### *Israel Electric Corporation (IEC)*

The state-owned IEC is Israel's only integrated electric utility with full ownership and control over the transmission and distribution networks and 98 percent of the generation capacity. The company owns and operates 17 power stations sites (including 5 major thermal power stations) with an aggregate installed generating capacity of 11,323 MW. For the past decade, demand for electricity has grown at an average annual rate of 5.5 percent. Israel's electricity network is not connected to those of the neighboring countries.

### *Independent Power Producers (IPP)*

The Electricity Law provides the framework for the increase of IPP's from 0.6% to 20% of Israel's installed generating capacity. The infrastructure for the supply and distribution of natural gas to its industry is in an advanced stage of development. An offshore pipeline along the coast has been completed and an overland transportation system is being built. IEC is in the process of converting its oil-driven power stations to natural gas.

### *Natural Gas Transmission*

The Israel Natural Gas Pipeline Company continues to develop a national gas transmission network. Israel procures natural gas from Egypt and from an Israeli offshore site. With the recent discovery of a large offshore natural gas well, a new underwater pipeline will need to be laid to the shore. MNI may continue to develop plans with potential overseas suppliers and foreign governments for the supply of natural gas and the building of a pipeline corridor from Turkey to Israel along the Mediterranean coast.

## Best Prospects/Services

Electrical Power Generation, Transmission and Distribution Equipment

## Opportunities

IEC, to meet increased electricity demand, has made substantial investments in the construction of new generation facilities and for expansion and improvements to its transmission and distribution systems. To meet projected future electricity demand, the Company's capital investment program provides for the addition of 1,847 MW of installed capacity by the end of 2011, by adding 6 combined cycle plants as well as wind turbines providing 150MW. The implementation of these plans will require investments of at least \$1.2-1.3 billion annually. IEC's expansion plans have been delayed due to obstacles in the government's plans to privatize/restructure the company.

The Electricity Authority, over the past couple of years, has issued several licenses for IPPs including to Dorad for an 800MW power station and for combined cycle plants at Neshar Cement Works, Dead Sea Works, Hadera Paper Mills, Dalia Power, and the Via Maris desalination plant. In addition, several existing industrial combined cycle stations will be converted to natural gas. The Ministry of National Infrastructures (MNI) is cooperating with the industry in removing the remaining regulatory obstacles to the development of the IPP sector. The recent off-shore natural gas discovery will remove some crucial obstacles to the development of the IPP sector. In MNI has issued two tenders for two solar energy plants in the Negev with a total capacity of 250MW.

Israel remains a good market for U.S. suppliers of equipment and services to the energy sector. With a favorable dollar exchange rate, U.S. equipment suppliers currently enjoy a price advantage over EU-based manufacturers.

IPP's, in particular cogeneration plants; conversion of existing cogen plants to natural gas. Renewable energy power stations, i.e. a solar energy plants and wind driven turbine generators.

## Resources

[Ministry of National Infrastructures](#)  
[Israel Electric Corp.](#)

### Homeland Security: Sections

[Overview](#)  
[Best Prospects/Services](#)  
[Opportunities](#)

### Overview

Israel is a well-developed and sophisticated market for homeland security equipment and services. Israel's security-awareness and high level of preparedness are the driving forces for the development of the country's cutting edge security industry. After 9/11, this sector became one of Israel's fastest growing export industries. Israel has over 400 exporters of security technologies and services. Many of these companies are integrators and service providers. This sector continues to experience fast growth. In 2007, the turnover of Israel's security industries was over \$4.5 billion, with \$1.2 billion in exports, a 20% increase over 2006. In 2008 the sector saw similar growth rates. Final figures are not yet available.

U.S. companies should be aware of the U.S. requirement for export controls in particular in cases in which Israeli companies re-export the U.S. equipment after it is integrated into an Israeli system.

## Best Prospects/Services

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

## Opportunities

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

The import market, estimated at \$600 million has a 70% U.S. market share. U.S. exporters dominate the market 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.

## Intelligent Transportation: Sections

[Overview](#)

[Best Prospects/Services](#)

[Opportunities](#)

[Resources](#)

## Overview

Intelligent Transport Systems (ITS) is a broad-based term that describes a wide range of communication and computing technologies used to improve various transportation systems. Innovation in ITS is moving Israel towards an all-encompassing computer coordinated transportation system that will improve every source of transportation, from trains to roads, buses and even bike paths. Not only do these improvements make transportation more convenient and efficient, but also allow increased safety. Improvements in traffic management, driver assistance technologies, navigation aides, freight management dispatch systems, information for multi-modal transport users, rescue systems and environmental management provide users with significant reductions in total costs and travel time and increased safety.

Total planned transportation infrastructure spending in Israel is planned to reach \$10 billion in the medium term (2006-2010). Highway spending alone could reach approximately \$6.4 billion over the next five years. The two key products that Israel is expected to import as part of this spending surge include traffic safety devices and intelligent transportation systems (ITS). ITS spending by the Israel National Roads Company (INRC) may reach as high as \$46.5 million.

The U.S. Commercial Service is organizing a program on U.S. Standards and ITS, in March 2009. U.S. companies interested in how standards affects this industry should contact [alan.wielunski@mail.doc.gov](mailto:alan.wielunski@mail.doc.gov).

### Best Prospects/Services

Roughly forty percent (40%) of the ITS budget is allocated for procuring hardware components such as; cameras, electronic signage and detectors. This group of products alone is expected to consume \$18.6 million in the next five years.

### Opportunities

U.S. manufacturers of ITS products and services are encouraged to take advantage of the opportunities in the Israeli market.

### Resources

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

### Medical Equipment: Sections

[Overview](#)  
[Best Prospects/Services](#)  
[Opportunities](#)  
[Resources](#)

### Overview

Sales of U.S. medical instruments, medical imaging equipment, orthopedic appliances and surgical dressings to Israeli hospitals amounted to \$164 million in 2007 (Data Table 1). A favorable Shekel-Dollar exchange rate increased the demand for U.S. made medical devices during 2008. Israel's medical equipment market represents good opportunities for American manufacturers who already account for 35% of medical imports.

Data Table 1: Breakdown of Imports by HS Code, 2006-2007 (\$ millions)

| HS Code                         | 2006          |                                | 2007          |                                | % Change      |                                |
|---------------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|--------------------------------|
|                                 | Total Imports | Imports from the United States | Total Imports | Imports from the United States | Total Imports | Imports from the United States |
| 9018 - Medical Instruments      | 260.5         | 79                             | 287           | 96                             | +10%          | +21.5%                         |
| 9021-Orthopedic Appliances      | 95.4          | 21                             | 112           | 23                             | +17.4%        | +9.5%                          |
| 9022-Medical Imaging Equipment  | 92            | 69                             | 60.5          | 40.3                           | -25%          | -41%                           |
| 3005-Medical/Surgical Dressings | 13.6          | 3.2                            | 16            | 4.7                            | +17.6%        | +47%                           |
| <b>Total</b>                    | <b>461.5</b>  | <b>172.2</b>                   | <b>475.5</b>  | <b>164</b>                     | <b>+3%</b>    | <b>-4.7%</b>                   |

(Source: Israel Central Bureau of Statistics Foreign Trade Database)

## Best Prospects/Services

Israeli hospitals are well-equipped but overburdened and much of the equipment needs to be refreshed. While there is no government plan in place for a massive investment in new devices in 2009, hospitals are likely to replace equipment on an ad-hoc basis and to keep up with the latest, most advanced technologies.

To generate extra income, Israeli hospitals provide private care in addition to universal healthcare services. A well-developed private sector dominates the areas of dental care, eye laser surgery and plastic/aesthetic surgery. Medical tourism is also a growing niche service that helps generate additional income. Both private healthcare and medical tourism are likely to prompt the need and provide the funds for upgrading existing systems and purchasing new equipment. This represents a good export potential to U.S. manufacturers of advanced medical technologies, instruments and disposables in the following categories: Imaging instruments, Cardiology equipment, Equipment and supplies for plastic surgery, Dental instruments, Equipment and technologies for pain management and physiotherapy, Ozone & oxygen therapy, OR equipment & single use products, Point of care diagnostic kits, Wound management technologies.

In 2008 the Israeli government issued a preliminary tender for the construction and management of a brand new 300-bed general hospital in the city of Ashdod. The tender is likely to enter a final stage during 2009.

## Opportunities

### *Technology & Research Cooperation*

Israeli medical companies are ranked third worldwide in the number of granted patents per capita, rendering the medical sector highly active and innovative. Opportunities for U.S. companies exist in the area of research, clinical trials and academic and professional exchanges. Israel's medical device companies develop implantable and disposable therapeutic devices for cardiovascular and peripheral vascular disease, oncology, neurodegenerative diseases and other age related diseases such as ophthalmic and orthopedic. Other industry areas include diagnostic, imaging and monitoring devices. A smaller number of companies focus on endocrinology, wound management and respiratory disease. (Source: Israel Life Science Industry)

The U.S. Commercial Service in the American Embassy in Israel helps American exporters enter the market through partner search and trade promotion programs. Please visit <http://www.BuyUSA.gov/israel> or contact: [yael.torres@mail.doc.gov](mailto:yael.torres@mail.doc.gov)

## Resources

Dept. of Commerce TradeStats <http://tse.export.gov>, Israel Central Bureau of Statistics <http://www.cbs.gov.il>

## Telecommunications: Sections

[Overview](#)

[Best Prospects/Services](#)

[Opportunities](#)

[Resources](#)

## Overview

|                        | 2006  | 2007  | 2008 (estimate) |
|------------------------|-------|-------|-----------------|
| Total Market Size      | 1,683 | 1,796 | 1,841           |
| Total Local Production | 3,418 | 3,600 | 3,690           |
| Total Exports          | 3,034 | 3,155 | 3,234           |
| Total Imports          | 1,299 | 1,351 | 1,385           |
| Imports from the U.S.  | 353   | 330   | 322             |

Israel's telecommunications market is currently estimated at \$7 billion. In an era of fast communications and accessible information, the telecommunications market has been a major driving force in the Israeli economy. According to the Ministry of Communications the telecom market grew by 5.4% in 2007 and by 2.6% in 2008. Market analysts estimate that the telecom market will be affected by the global slowdown and will only increase by 1.7% in 2009.

The year 2007 included many developments in the telecommunications market. According to a local analyst, the future lies in "Triple Play convergence", i.e. voice, data video, all on a single network. Mergers and acquisitions in the telecommunications market, and consolidation of different companies offering cellular, Internet and fixed services are already in progress. The end result will be three major telecommunication groups offering everything under one umbrella.

The Israeli telecom market consists of four domestic cellular operators, six international service providers, one cable television provider as well as one satellite television provider, three leading Internet service providers and two fixed domestic operators with universal service obligation. Mobile services are the leading market segment that constitutes 50% of the revenue, followed by fixed services, cable TV, international long distance calls and Internet. There are 3.1 million direct exchange lines, 7.7 million cellular telephone subscribers, 1.4 million multi-channel TV subscribers, and over 2 million households have an Internet connection, mainly broadband.

Many Israeli companies are active in developing and manufacturing telecommunications and networking equipment. Case in point, and the original cell phone technology was largely developed by Motorola Israel. Still, Israel imports over \$1 billion of telecommunications equipment each year, of which \$300 million is imported from the United States. In addition, over \$100 million in telecom services are imported from the United States.

The substantial changes that have taken place in Israel's communications market over recent years are due, in part, to a basic change in policy on the part of the Ministry of Communications, which serves as the primary sector regulator. The Ministry of Communications' objectives for the coming year, include: Expanding competition in the fixed market, by licensing new competitors without universal service obligation; preparing a policy on VOIP communications (Voice Over Internet Protocol) based on VOB (Voice over Broadband) Technology and on a recently-published consultation with the public; promoting the Wimax technology and developing a policy on Wimax; promoting the deployment of advanced cellular services and promoting the competition in the cellular market- MVNO (Mobile Virtual Network Operator) concept is being discussed as one possibility; ensuring the existence of original Hebrew productions;

### Best Prospects/Services

Israel has one of the highest household broadband penetration rates in the world, building on even higher Internet penetration. Three major Internet service providers serve more than four million

users, over 60% households and 80% businesses. Israel's very high broadband penetration rate provides great potential for triple play and digital media market developments. Both Bezeq, with its satellite TV subsidiary YES and HOT, the merged operating entity of the three Israeli cable TV companies, have the potential to easily deliver triple play services as each possesses both content and delivery mechanisms. IPTV is a hot area today, but the service is still under development.

Another area of development is the Fixed Mobile Convergence (FMC) market. A market survey conducted by BBDO Consulting shows that over 65% of fixed and mobile operators will have implemented FMC services into their products over the next three years. There are a number of Israeli companies offering FMC solutions allowing for Dual-Mode Handset service. Bezeq's (the Israeli ILEC) long-term goal is to merge its activities with those of its subsidiaries in order to become one group that provides cellular, wireline (local and international calls), IPTV, and Internet services, over converged fixed-mobile infrastructure. However for now, regulations in Israel require structural separation between service providers. This means a complete separation between cellular, international calls and local calls operators; i.e., separate infrastructures, subscriber base and management.

The cellular market segment is the main growth engine behind the Israeli telecommunications market. All four operators in Israel provide digital technology countrywide coverage and modern 3G (third generation) services. Pelephone uses CDMA2000 technology. The second operator, Cellcom, uses the American IS-136 TDMA, European DCS 1800 and UMTS. Orange (Partner Communications), the third operator, uses GSM technology DCS 1800 and UMTS. The last licensed cellular operator is MIRS, which uses iDEN ESMR technology. The penetration rate of mobile phone subscription exceeds 100% (over 7.7 million mobile subscribers).

The cellular market continues to search for new and innovative applications such as value added services for its customers. Israel is a highly urbanized, technologically-literate society. Israelis are used to having world-leading technology in many fields, and mobile phones are no exception. All mobile operators make a good profit from the high volume of traffic generated. According to market players, voice is not what makes the cellular market interesting. Israel is a good market for operators to test new applications. Israel is technologically oriented, making launching new services easier. With mobile penetration reaching 107 percent, Israel is a market of users who know what they want and how to use what they get. There is a continual demand for technology that is more sophisticated as Israelis update their handsets regularly, at least once a year. The "experience rate" for new hardware and applications is high. Operators are aware of this and strive to accommodate their subscribers. Many Israeli companies are active in developing and manufacturing telecommunications and networking equipment.

### **Opportunities**

Opportunities are in the IP Networks – Voice, Video, Data and Multimedia, FMC, IPTV, Wi-Fi, WiMAX and VOB. As the Israeli telecoms industry continues to expand and increase in revenue and with the introduction of new technologies, the market will continue to offer many opportunities for U.S. exporters.

### **Resources**

<http://www.moc.gov.il/new/english/index.html>, <http://www.iaei.org.il/>

**Travel & Tourism: Sections**

- [Overview](#)
- [Best Prospects/Services](#)
- [Opportunities](#)
- [Resources](#)

**Overview**

Israel's \$1 billion travel-to-the-U.S. market holds enormous potential for the U.S. travel industry. In order to increase their share in the market, U.S. travel entities are encouraged to promote their products and services directly to consumers.

2007 witnessed a record of 3.4 million air departures by Israelis according to the Israel Central Bureau of Statistics. Israeli travelers continued to rank the United States as their preferred travel destination. The U.S. Department of Commerce Office of Tourism Industries recorded a 10% growth in the number of Israeli travelers to the United States between 2006-2007 with over 313,000 entries. The majority of Israelis who travel to the United States are business travelers, though considerable numbers of individuals, tour groups and families also visit the United States. The average expense per person per day in the United States is approximately \$200 including accommodations, meals, and shopping (not including airfare). Industry experts report over \$1 billion in expenditure per year by Israelis within the United States on travel-related services, not including airfare.

El Al Israel Airlines, Continental Airlines and Delta Airlines operate over 35 weekly direct flights from Tel Aviv to New York, Atlanta and Los Angeles. Delta Airlines resumed flights to Israel in 2006, adding 100,000 seats annually on direct flights between Tel Aviv and Atlanta. Israel's charter airline company, Israir, operates a low fare service to New York. Most European airlines offer very competitive prices and routes to a large selection of US destinations with a stop in Europe.

|  | 2005      | 2006      | 2007      |
|--|-----------|-----------|-----------|
| Total outbound departures of Israelis by air | 2,980,000 | 3,100,000 | 3,400,000 |
| Total Departures by Israelis to the U.S      | 284,000   | 289,000   | 313,077   |

Source: Israel Central Bureau of Statistics and the Office of Travel & Tourism Industries, U.S. Dept. of Commerce

**Best Prospects/Services**

Over 500 travel agents and about 20 tour operators work in the Israeli outbound travel market. This market is fast-paced and extremely competitive. Operators and airlines advertise special packages and seasonal deals on an almost daily basis, especially around the July-August summer vacation and the Jewish holidays in September, October and April. Tour operators specialize in market segments rather than in specific destinations, and most operators are conservative in selecting new travel products.

U.S. passenger service companies, travel attractions, restaurants, outlet shopping and family travel destinations may find opportunities in Israel, especially by offering new travel products and a high level of services. Best prospects are in family vacations, eco-tours, charter deals to major cities including special sports or cultural events, and business travel to major trade shows, combined with sightseeing.

## Opportunities

The Commercial Service is recruiting an Israeli Buyer and Media delegation to Pow Wow, the U.S. Travel Industry Association (TIA) travel event, May 16-20, 2009 in Miami, FL. During the 3-day event, Israeli buyers will hold 1,000 meetings with their U.S. counterparts. In addition, representatives from the Israeli press will also be available for meetings. For information and a delegation profile please contact Commercial Specialist Mrs. Yael Torres at: [yael.torres@mail.doc.gov](mailto:yael.torres@mail.doc.gov)

You can also contact us for customized, individualized or standard information on the Israeli travel market, responding with specific information relevant to your products or services. We can provide answers regarding the overall marketability of a product or service, market size and trends, customary distribution and promotion practices, market entry requirements and potential agents, distributors, or strategic partners.

## Resources

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



# Israel: A Country Commercial Guide

## Trade Regulations

### Sections

[Import Tariffs](#)

[Trade Barriers](#)

[Import Requirements and Documentation](#)

[U.S. Certificates of Origin for Exporting](#)

[U.S. Export Controls](#)

[Temporary Entry](#)

[Labeling and Marking Requirements](#)

[Prohibited and Restricted Imports](#)

### Import Tariffs

Since January 1988, Israel's tariff classification has been based on the Harmonized System (HS) and the 1996 revision of the HS has been implemented. With most products from the United States, the European Union and the European Free-Trade Association receiving duty free status in the Israeli market, relatively few of Israel's imports are subject to customs duties.

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. The website for the Israel Tax Authority, with information on Customs and other taxes, can be found at: <http://www.mof.gov.il/customs/eng/mainpage.htm>. It is currently in a trial mode and is intended for a preliminary valuation for payment of taxes. Some goods are charged with countervailing or anti-dumping charges.

### 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 (the committee last met in October 2007). Israel is a member of the World Trade Organization (WTO).

A 1996 Agreement on Trade in Agricultural Products (ATAP) with the United States permits Israel to maintain non-tariff protection for certain agricultural products. This framework expired at the end of 2001 but the signed agreement was extended until the end of 2009. Under the agreement, Israel permits free access to a long list of food products and duty-free access for certain quantities of a list of U.S. products under tariff rate quotas (TRQ). American exporters and Israeli importers, however, complain that these TRQs provide an insufficient duty-free quota for many fruits and other products, and very high fees on additional quantities (above quota). Israel excludes some U.S. fruits,

including, citrus, peaches, and nectarines, on phytosanitary grounds. Israel is revising its phytosanitary restrictions making them consistent with WTO requirements.

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

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

### **Import Requirements and Documentation**

All administrative import licensing requirements for U.S.-made consumer and industrial goods have been eliminated under the FTA, including the requirements for most food and agricultural products. However, in the case of products for which there is a TRQ, the Ministry of Agriculture or the Ministry of Industry, Trade & Labor issues a license exempting the bearer from duty on the quantity indicated in the license. Importers wishing to bring in goods without availing themselves of the TRQ are not required to obtain a license except for veterinary, phytosanitary or public health purposes. The Israel Veterinary Services (IVS), the Plant Protection and Inspection Services (PPIS) and the Food Control Service (FCS) of the Ministry of Health issue these, respectively. For information on entry procedures and requirements for food products, please direct inquiries to the Israeli authorities at the Ministry of Health, Food Control Services, 12-14 Haarba'a St., Tel Aviv 64739, Israel; 972-3-627-0116, fax: 972-3-627-0126.

### **Shipping Documentation**

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

### **U.S. Certificates of Origin for Exporting to Israel**

In order for U.S. exporters to qualify for preferential access to the Israeli market, a special certificate of origin must accompany all shipments from the United States to Israel. The FTA came into full effect in 1995. Under this agreement, American companies exporting to Israel can gain greater market access, reduce transaction costs, increase sales, enhance export revenues and become more competitive in the Israeli marketplace. Israeli Customs advises that it will no longer be possible for goods to be cleared through customs if the correct certificate of origin form is not attached to the other standard shipping documents. U.S. exporters are encouraged to qualify for preferential tariff treatment and to obtain, when necessary, a certificate of non-manipulation for trans shipments.

The certificate does not need to be notarized or stamped by a Chamber of Commerce if the exporter is also the manufacturer. Instead, the exporter should make the following declaration in

box 11 of the certificate: "The undersigned hereby declares that he is the producer of the goods covered by this certificate and that they comply with the origin requirements specified for those goods in the U.S.-Israel Free Trade Area Agreement for goods exported to Israel." The actual forms are printed by a number of commercial printing houses in the United States. For more information, please see the U.S. Commercial Service webpage on the [Certificate of Origin in Israel](#).

#### *Other Documentation*

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

#### *Authorization Procedures for "Approved Exporter" Status*

A manufacturer or exporter who wishes to become an "Approved Exporter" should complete a declaratory form and present it to the Export Department, Israel Customs Services, 32 Agron Street, P.O. Box 320, Jerusalem. Potential candidates are U.S. firms with total annual exports to Israel of at least \$20 million that have a clean record with the Israel Customs Services. Israel Customs will examine whether the manufacturer or exporter complies with the criteria and grant approval for "Approved Exporter" status. The approved exporter will be given an identity number to be stamped on all invoices. The approval is valid for six months, after which the exporter should receive an automatic extension from Israel Customs. If the exporter does not receive an extension notice he/she must terminate use of the approval.

#### *Compliance Procedures for Approved Exporters*

The "Approved Exporter" should stamp the invoice with his/her identity number and add the following declaration: "The undersigned hereby declares that the goods listed in this invoice were prepared in the United States and they comply with the origin requirements specified for those goods in the U.S.-Israel Free Trade Area Agreement for goods exported to Israel." For shipments of mixed goods, separate invoices must be prepared for goods that do not comply with origin requirements and/or for which approval to operate as an "Approved Exporter" has not been granted.

#### **U.S. Export Controls**

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

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

U.S. export licenses are required for exports to Israel of certain high technology, defense related equipment and technologies and weapons for chemical and biological warfare. U.S. exporters should ensure that they are in compliance with the export control regulations as administered through the U.S. Department of Commerce, Bureau of Industry & Security and U.S. Department of State, Office of Defense Trade Controls.

### **Temporary Entry**

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

### **Labeling and Marking Requirements**

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. At present, some labeling and marking requests from the Ministry of Health have been inconsistent. Embassy Tel Aviv is working with the Ministry to try to resolve any discrepancy. Specific information on labeling and packaging standards is available from the Director, Department of Weights and Measures, Ministry of Industry, Trade, and Labor 30 Agron Street, Jerusalem 94190; phone: 972-2-622-0678, fax: 972-2-622-0670.

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 information on food labeling and packaging contact the Israel Ministry of Health, Food Control Services, 12-14 Haarba'a Street, Tel Aviv 61070; phone: 972-3-563-4812-, fax: 972-3-568-4602.

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

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.

### **Prohibited and Restricted Imports**

Israel maintains restrictions on imports of products the government considers to be economically sensitive and subject to agricultural policy considerations. U.S. meat exports face an especially difficult environment due to a ban on beef and non-kosher meat imports.

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

### **The U.S. Commercial Service — Your Global Business Partner**

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/eac>.

**Comments and Suggestions:** We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: [Customer.Care@mail.doc.gov](mailto:Customer.Care@mail.doc.gov). Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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# Israel: A Country Commercial Guide

## Standards in Israel

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### 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 Ministry of Industry, Trade & Labor's Commissioner of Standards.

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

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

However, a disturbing trend in Israeli standards policy is its clear drift towards European standards. The SII has joined the European Committee for Standardization (CEN) and the European Committee for Electro technical Standardization (CENELEC), though as of January 2009, it has not joined any technical committees.

Under the terms of the CEN agreement, SII will become a Partner Standardization Body (PSB). As a PSB, Israel must agree to implement as a national standard the European standards developed by the CEN technical committees in which it participates. PSB agreements typically include a clause requiring signatories to withdraw conflicting standards from the market. This is particularly troublesome in the case of Israel and deviates from domestic legislation, which specifically allows for the adoption of multiple international standards, in compliance with technical regulations. The USG has expressed concern at the highest levels of the Israeli Government that CEN membership will further disadvantage U.S. exporters, particularly small and medium sized firms. The SII states that it will maintain the right to adopt parallel standards, including U.S.-based standards, citing national deviations as the reason to include non CEN-developed standards.

According to the terms of the agreement with CENELEC, the SII would be allowed to join any committee, with the requirement that it adopt standards developed by the technical body of which it is a member. SII will be able to join at the level of Working Group, which usually deals with one specific standard. As a member of the working group, SII will commit to adopt any standard(s) resulting from the working group. Eighty-five percent of CENELEC standards are IEC-based standards. SII indicated its interest in joining only those committees where no international standard exists and only in cases where there is interest by the Israeli industry. This affiliate status is not a government-to-government agreement, but an arrangement between SII and CENELEC.

### **Standards Related Issues**

Technical standards may pose non-tariff barriers, which limit U.S. exporters' access to the Israeli market. Since 1999, Israeli law has mandated that the SII adopt multiple international technical standards whenever possible. However, this legislation has not been implemented widely, to the detriment of U.S. exporters. In addition, SII's formal process for adopting or developing technical standards is a significant market access obstacle to U.S. exporters, despite concerted U.S. Government efforts to address issues of access and transparency. Each government ministry may adopt additional mandatory regulations that can prevent the importation of U.S.-made products and services to Israel. This procedure has created difficulties for U.S. exporters who contend that transparency and due process are frequently lacking, especially for food imports.

In addition, U.S. industry sources report that requirements for technical standards are often not uniformly enforced. In some instances, domestic products appear to have an advantage over imports because enforcement of labeling requirements and standards on domestic producers has been inconsistent, while standards requirements are more strictly enforced with respect to imported goods. U.S. companies that have been doing business in Israel for many years are increasingly confronted with new, often EU-based, standards that arbitrarily discriminate against U.S. products. In addition, the SII will not recognize U.S. testing or accreditation of electrical components and products unless the product undergoes additional and often costly tests in Israel.

It is the position of the U.S. Government that American products and services exports should not be disadvantaged by the adoption of technical standards. Relevant bodies, including the SII should recognize U.S. technical standards alongside other, internationally recognized standards, wherever feasible. The Embassy and the U.S. Department of Commerce continue to actively advocate this

position with the appropriate Israeli governmental authorities and urge all affected U.S. companies, or their agents, to contact the Commercial Service with any standards-related market access issues. The Embassy proactively supports the work of the AmCham’s Technical Standards and Regulations Committee, one of four such ad-hoc committees created by the Chamber’s [Forum of U.S. Companies in Israel](#).

**Standards Organizations**

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.

**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 services on behalf of SII.

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

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

## 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.

## Labeling and Marking

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. Specific information on labeling and packaging standards is available from the Director, Department of Weights and Measures, Ministry of Industry and Trade, 30 Agron Street, Jerusalem 94190; Tel: 972-2-6220678, fax: 972-2-6220670.

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 information on food labeling and packaging contact the Israel Ministry of Health, Food Control Services, 12-14 Haarba'a Street, Tel Aviv 61070; phone: 972-3-5634812, fax: 972-3-5684602.

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

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.

### **Special Licensing Procedures for Medical Equipment**

Licensing of imported and locally manufactured medical devices and equipment is subject to enforcement according to a Ministry of Health directive, which went into effect on January 1, 1995. Companies interested in exporting medical equipment or devices to Israel should first request a letter of acceptance from the Ministry of Health in accordance with the export provisions contained in Section 801(e) of the U.S. Federal Food, Drug & Cosmetic (FD&C) Act. The request discussed above should be accompanied by one of the following documents:

- 510(k)
- Pre-Market Approval (PMA), or
- Investigational Device Exemption (IDE)

Because the Ministry of Health uses the FDA's standards and ECRI nomenclature for the purpose of issuing licenses, the licensing procedures for American-made medical equipment are fairly easily facilitated.

Implantable medical devices require mandatory labeling in the patient's file for tracking and surveillance purposes. The labels must contain the following information:

- Name and address of the manufacturer
- Name and address of the importer
- Type of implant
- Sub-type of implant
- Size
- Serial number
- Batch number
- Reused implant
- Medication element needed

The registration authority can be reached at:

Ministry of Health  
Pharmaceutical Division  
Medical Device Department  
P.O. Box 1176  
Jerusalem 91010  
Tel: 972-2-568-1216/17; Fax: 972-2-672-5827

Email: [elona.shlomy@moh.health.gov.il](mailto:elona.shlomy@moh.health.gov.il)

### **Trade Agreements**

Israel has adopted a liberal import policy. In addition to its Free Trade Agreement (FTA) with the U.S., it has FTAs with Bulgaria, Canada, the Czech Republic, Hungary, Mexico, Poland, Romania, the Slovak Republic, Slovenia, Turkey, the European Union (EU), and EFTA (Iceland, Liechtenstein, Norway, and Switzerland). 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. 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. Jordan has established a number of QIZs. Both Israeli/Jordanian trade and Jordanian exports to the U.S. have grown significantly as a result of the QIZs. Egypt signed the QIZ agreement in December 2004. Egyptian products manufactured within a designated zone with 11.7% Israeli inputs, and a combined 35% value added, may enter into the U.S. duty free. Since signing the agreement, Egypt's imports to the U.S. have nearly doubled. A list of current Egyptian QIZ-eligible companies and zones can be obtained at <http://www.qizegypt.gov.eg>. All products manufactured in the Palestinian territories also may enter into the U.S. duty free.

### **Web Resources**

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

#### **Regarding Standards Issues:**

[Standards Institution of Israel](#)

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

[Federation of Israeli Chambers of Commerce](#)

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

[U.S. Commercial Service](#)

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

[Bureau of Industry and Security](#)

#### **Labeling/Marking Requirements:**

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

[Ministry of Health](#)

### **The U.S. Commercial Service — Your Global Business Partner**

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/eac>.

**Comments and Suggestions:** We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: [Customer.Care@mail.doc.gov](mailto:Customer.Care@mail.doc.gov). Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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# Israel: A Country Commercial Guide

## Investment Climate Statement

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### Openness to Foreign Investment

Israel is open to foreign investment, and the government actively encourages and supports the inflow of foreign capital. There are few restrictions on foreign investors, except for parts of the defense industry that are closed to outside investors on national security grounds. There is no screening of foreign investment and no regulations regarding acquisitions, mergers, and takeovers that differ from those that Israelis must follow. Foreign investors are welcome to participate in Israel's privatization program. Investments in regulated industries (e.g. banking, insurance), however, require prior government approval. Investments in certain sectors may require a government license. Other regulations may apply, though usually on a national treatment basis.

The Investment Promotion Center of the Ministry of Industry and Trade seeks to encourage potential investors to invest in Israel. The Center stresses Israel's developed infrastructure, educated work force, open economy, and ties to the U.S. and Europe, and provides information about investment incentives available in Israel (details are discussed in the section Performance Requirements).

### Conversion and Transfer Policies

Israel's foreign exchange liberalization process was completed on January 1, 2003, when the last restrictions placed on the ability of institutional investors to invest abroad were removed. Foreign-currency controls have been completely abolished, and the Israeli shekel has become a freely convertible currency. Israeli individuals can invest, without restriction, in foreign markets. Foreign

investors can open shekel accounts that allow them to invest freely in Israeli companies and securities. These shekel accounts are fully convertible into foreign exchange.

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

### **Expropriation and Compensation**

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

### **Dispute Settlement**

Israel has a written and consistently applied commercial law based on the British Companies Act of 1948 as amended. Israel's commercial law contains standard provisions governing company bankruptcy and liquidation. Personal bankruptcy is covered by a separate bankruptcy ordinance. Monetary judgments are always awarded in local currency.

The GOI accepts binding international arbitration of investment disputes between foreign investors and the state. Israel is a member of the International Center for the Settlement of Investment Disputes (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

### **Performance Requirements and Incentives**

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

The Israeli government offers a wide variety of investment and business incentives to both domestic and foreign investors who meet certain requirements. Among these are grants, tax incentives, marketing and training assistance, technological incubators, and incentives for investment in research and development (R&D) and in specified regions of the country. All benefits available to Israelis are also available to foreign investors, who in some cases may enjoy even more generous tax treatment than domestic investors. Some of the benefits and requirements are described below.

For complete information, potential investors should contact:

Investment Promotion Center: <http://www.investinisrael.gov.il>

Israel Investment Center: <http://www.moital.gov.il/NR/exeres/111C2143-2296-44C0-96F9-C29C082A19CC.htm>

Israeli laws that authorize investment incentives include the Encouragement of Capital Investments Law, 1959 (with amendments); the Encouragement of Industry (Taxes) Law, 1969; the

Encouragement of Industrial Research and Development Law, 1984; and the Law for the Encouragement of Investments (Capital Intensive Companies), 1990.

To receive certain investment incentives, an investment must receive “approved enterprise” status. To obtain this designation, an investor must apply to the Investment Center (not the same as the Investment Promotion Center), providing physical and financial details of the projected investment; background information on the investors; sources of financing; forecasts of sales, operating results, cash flow, and "break-even point"; and projected manpower requirements. Among the criteria applied by the Investment Center in deciding whether to grant approved enterprise status is a legally mandated cost-benefit test that evaluates the long-term value of the project from the point of view of the Israeli economy. Government approval for the incentives program is not given if investment in a proposed area is considered saturated. Investors may be required to disclose proprietary information in the application for approved status.

Investors may apply for grants or tax exemptions as incentives. The extent of the benefit is determined by the geographic location of the investment. For purposes of investment support, Israel is divided into three national priority areas: A) the Negev desert and Northern Galilee, B) Western Galilee and certain areas between Jerusalem and Ashdod, and C) coastal region from Haifa to Ashkelon. Priority area A receives the most generous treatment and area C, the least.

### **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.

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

### **Protection of Property Rights**

Israel has a modern legal system based on British common law that provides effective means for enforcing property and contractual rights. Courts are independent. Israeli civil procedures provide that judgments of foreign courts may be accepted and enforced by local courts. Secured interests in property are recognized and enforced by the Israeli judicial system. A reliable system of recording such security interests exists.

Patent protection is provided for twenty years from filing. Both product and process patent protection for pharmaceuticals are permitted. However the Israeli patent system still allows for pre-grant opposition to patents, which may result in significant delays for some applicants. Israel employs compulsory licensing in very limited circumstances, mostly when the product is not being supplied in Israel on reasonable terms.

Israel is a Member of the WTO and the World Intellectual Property Organization (WIPO). It is a signatory to the Berne Convention for the Protection of Literary and Artistic Works, the Universal

Copyright Convention, the Paris Convention for the Protection of Industrial Property, and the Patent Cooperation Treaty. Israel was obligated to implement the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000.

Of particular importance is the inadequate protection against unfair commercial use of data generated to obtain marketing approval for pharmaceuticals. Administrative delays at the Ministry of Health further erode the ability of U.S. pharmaceutical companies to obtain a fair term of protection, even if they submit registration requests in Israel immediately upon approval in the United States. Israel's use of a pre-grant opposition system for patents impairs the ability of rights holders to protect innovation. In 2005, Israel reduced the term of extension of pharmaceutical patent protection provided to compensate for delays in obtaining regulatory approval of a drug. The 2005 legislation has discouraged U.S. companies from substantial investment in the health sector.

Investors in real property, whether personal or commercial, should note that Israel is negotiating with the Palestinian Authority to determine the final status of the Israeli-occupied West Bank. While the final status negotiations are likely to ensure adequate protection of property rights in the event of a change in sovereign authority, investors should factor possible sovereignty changes into their investment decisions.

### **Copyright**

Israel's present copyright law is based on the United Kingdom Copyright Act of 1911, with subsequent amendments. Protections include the exclusive right to (a) copy or reproduce the work; (b) produce, reproduce, perform or publish translations; (c) publicly perform plays or novels; and (d) make recordings of literary, dramatic or musical works. Criminal penalties are also provided for certain commercial infringing activities.

The Knesset recently passed new copyright legislation.. In general, this law is an improvement over the old Israeli law, in that it is more modern its structure, terminology and scope. Temporary copies are explicitly protected and a "making available" right is explicitly provided. Under this law, a person who is a non-Israeli national has no rights in their sound recordings that were not published for the first time in Israel, unless the person is a national of country that has an agreement with Israel concerning sound recordings. In the case of the United States, the Israeli government promulgated an order which implements a 1950 bilateral agreement between Israel and the United States which does protect U.S. sound recordings.

The term of protection for sound recordings is 50 years; for other works, it is the lifetime of the author plus 70 years.

Copyright law in Israel also falls short of certain protections that have become common in the copyright laws of developed countries including, protection of "technological protection measures," "rights management information," provisions related to internet service provider liability and safe harbors and parallel import protection. Israel has also not acceded to the "WIPO Internet Treaties."

### **Transparency of Regulatory System**

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

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

### **Efficient Capital Markets and Portfolio Investment**

Credit is allocated on market 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.

Three large banks - Bank Hapoalim, Bank Leumi, and Israel Discount Bank - dominate Israel's banking sector. Bank Hapoalim and Bank Leumi each had assets of approximately USD 85 billion as of September 30, 2007. Discount had assets of almost USD \$49 billion. Bank Hapoalim was fully privatized in 2000. A little more than 10% of the shares of Leumi remain in the hands of the State of Israel, and the bank remains on the agenda of the Government of Israel to complete privatization. A group led by Matthew Bronfman purchased 26% of the shares of Discount in 2005. The group has the right to purchase an additional 25%, which remains in the hands of the government.

Many Israeli firms are not publicly traded or are controlled through integrated holding companies. In the case of publicly traded firms where ownership is widely dispersed, the practice of "cross-shareholding" and "stable shareholder" arrangements to prevent mergers and acquisitions is common, but not directed in particular at preventing potential foreign investment. Hostile takeovers are a virtually unknown phenomenon in Israel, given the high concentration of ownership of most firms.

Israel has no laws or regulations regarding the adoption by private firms of articles of incorporation or association that limit or prohibit foreign investment, participation, or control.

### **Political Violence**

Israel is a parliamentary democracy with a stable domestic environment. Nonetheless, the unresolved conflict between Israel and the Palestinians means that the potential for politically inspired violence and terrorism exists. The State Department web site provides updated information on travel advisories: <http://travel.state.gov>

Israel signed peace treaties with Egypt (1979) and Jordan (1994), and its borders with them are open. The borders with Lebanon and Syria are closed, and the potential for violent incidents remains, the most recent example being the 2007 conflict with Hizbullah.

### **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. There

are several NGOs that focus on public sector ethics. Transparency International has a local chapter in Israel.

### **Bilateral Investment Agreements**

Israel has protection of investment agreements with Albania, Argentina, Armenia, Bulgaria, Croatia, Cyprus, Czech Republic, El Salvador, Estonia, Ethiopia, Georgia, Germany, Hungary, India, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Serbia-Montenegro, Slovakia, Slovenia, South Korea, Thailand, Turkey, Turkmenistan, Ukraine, Uruguay, Uzbekistan. Agreements are waiting to be ratified with China, Guatemala, South Africa, and Azerbaijan.

### **OPIC and Other Investment Insurance Programs**

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

### **Labor**

Israel's civilian labor force numbers approximately 2.9 million people. Highly skilled and well educated, the Israeli labor force is the economy's major asset. More than 40% of the work force has more than 13 years of education and over 22% have 16 or more years of education. More than 30% of university students specialize in fields with high industrial R&D potential, including engineering, mathematics, physical sciences, and medicine. According to the Investment Promotion Center, there are more than 135 scientists out of every 100,000 workers, the highest in the world. The rapid growth of Israel's high-tech industries in the late 1990s increased the demand for workers with specialized skills. However, media coverage of a nationwide secondary teachers' strike often cited declining test scores by Israeli students in comparison to students from other countries, and raised fears that reduced budgets and low teacher salaries were affecting the quality of the Israeli education system.

As a result of the difficult security situation, global slowdown, and slowdown in the high tech sector, unemployment reached a level of 10.7% in 2003, and has subsequently declined since then, reaching a level of 7.4% in 2007.

The number of Palestinian workers has declined drastically due to security concerns, though some of that ground has been regained in 2008. The number of legal foreign workers has significantly declined in the last few years as a result of government policies to reduce the number of foreign workers in order to encourage employment of Israelis. There are currently around 95,000 non-Israeli workers legally employed in Israel. The government estimated in November 2008 that there were between 80,000 and 150,000 illegal foreign workers in Israel.

The national labor federation, the Histadrut, organizes about one-third of Israeli workers. Collective bargaining negotiations in the public sector take place between the Histadrut and government entities. In the private sector, negotiations at the national level between the Histadrut and the employers association are supplemented by local negotiations to finalize details. The number of strikes has declined significantly as the public sector has gotten smaller. However, strikes remain a viable negotiating vehicle in many difficult wage negotiations.

Israel strictly observes the Friday afternoon to Saturday afternoon Sabbath and special permits must be obtained from the government authorizing Sabbath employment. At the age of 18, most

Israelis are required to perform 2-3 years of national service. Until age 50, Israeli males are required to perform 30-50 days of military reserve duty annually, during which time they receive compensation from National Insurance companies.

### Foreign-Trade Zones/Free Ports

Israel has one free trade zone, the Red Sea port city of Eilat. In addition to the Eilat Free Trade Zone, there are three ports that offer free trade: Haifa Port (including Kishon), the Port of Ashdod and the Port of Eilat.

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

Benefits available under the grants option include both direct government subsidization of the investment (detailed below) and reduced tax rates. The amount of the grant is based on planned investment in fixed assets, such as buildings and equipment. The GOI usually requires that at least 30% of the investment be financed by the investor's own equity. Under the provisions of the grants scheme, 20% of the approved program for industrial projects should be completed within 24 months of the date of approval. The investment program should be completed within 5 years of the date of approval.

The investment incentives provided under the grant option include:

- tax benefits and accelerated depreciation, and
- direct grants, which depend on the type of project and its location in the country.

Grants available as a percentage of investment value in Areas A and B

| Type of Investment   | Priority Area A | Priority Area B |
|--|-----------------|-----------------|
| Industrial Projects up to NIS 140 million (took out \$ as it will vary depending on when they do deal) | 24%             | 10%             |
| Industrial Projects above NIS 140 million  | 20%             | 10%             |
| Hotels and Accommodations  | 24%             | 10%             |
| Other Tourism Enterprises  | 15%             | 0%              |

Approved industrial investments in Area A are eligible under the grants option for tax exemptions for the first two years and five additional years of reduced taxes.

Companies choosing the grant program receive tax benefits as well for a period of seven consecutive years, starting with the first year in which the company earns taxable income (grants are not considered income). Tax benefits are determined by the percentage of foreign control: the more foreign control in the enterprise, the higher the benefits. If at least 25% of an Approved Enterprise's owners are foreign investors, the enterprise is eligible for a 10 year period of tax benefits

In addition to the benefits noted above, investments in certain industries in the Negev region may be eligible for an additional 8% grant, under the "Negev Law."

## Foreign Direct Investment

Foreign Direct Investment in Israel totaled USD 14.3 billion in 2006, an increase of almost 200% compared with FDI of USD 4.8 billion in 2005. The sharp increase is due in large part to Berkshire Hathaway's purchase of 80% of Iscar Metals for USD 4.4 billion and HP's (Hewlett Packard)'s purchase of Mercury Interactive for USD 4.5 billion.

Foreign Direct Investments for the first 9 months of 2008 totaled about USD 8.6 billion. Source: Bank of Israel

## Web Resources

[Ministry of Industry & Trade](#)  
[Investment Promotion Center](#)  
[State Department Website](#)  
[Multilateral Investment Guarantee Agency](#)  
[The Overseas Private Investment Corporation](#)  
[The National Committee for Labor Israel](#)  
[Bank of Israel](#)

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## The U.S. Commercial Service — Your Global Business Partner

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/eac>.

**Comments and Suggestions:** We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: [Customer.Care@mail.doc.gov](mailto:Customer.Care@mail.doc.gov). Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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# Israel: A Country Commercial Guide

## Trade & Project Financing in Israel

### Sections

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[How the Banking System Operates](#)

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[U.S. Banks and Local Correspondent Banks](#)

[Project Financing](#)

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### How do I get paid?

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 acceptable to most local banks.

When substantial investment and engineering (as required for custom-made products) are involved, it is not unusual for exporters to demand advance payment of a certain portion of the selling price. The Bank of Israel authorizes advance payment of up to 35% or \$200,000, whichever is lower. The \$200,000 limitation is not applicable for the importation of equipment.

Payment schedules vary. For raw materials, components and semi-finished goods, credit is usually limited to 60 days. For equipment and machinery, extended schedules may range from six months to two years.

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 \(ExIm\) Bank](#) financing. Eximbank has most of the leading Israeli banks as correspondents and may supplement private sources of export financing with medium and long-term loans.

### How the Banking System Operates

Israel has a modern and sophisticated banking system. The remaining government-owned shares of the largest bank, Bank Hapoalim, were sold in 2000. The government reduced its stake in the second largest bank, Bank Leumi, to 35 percent in 2002. In 2000, Citibank was the first large international bank to set up a full branch in Israel. HSBC soon followed suit. Bank of America also has a representative office in Israel. The government does not interfere in the day-to-day management of the banks. Most types of loans and project financing traditionally available in industrialized countries are available in Israel.

## Foreign-Exchange Controls

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

## U.S. Banks and Local Correspondent Banks

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

## Project Financing

The [U.S. Export-Import Bank \(Eximbank\)](#) and the [U.S. Overseas Private Investment Corporation \(OPIC\)](#) offer project financing and other financial services. Eximbank provides a range of financial programs ranging from medium and long term guarantees, insurance programs, working capital guarantee to project finance. The Project Finance Division provides financing to projects that are dependent on the project cash flows for repayment. For more information see the Eximbank website at <http://www.exim.gov>. OPIC finances overseas projects through 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>.

## General Financing Availability

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 (Eximbank), which can provide U.S. exporters with export credit insurance, pre-export financing and working capital guarantees; and other sources. Eximbank can also provide established Israeli buyers with fixed-rate financing for their purchases from U.S. exporters. Eximbank'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>

### Bilateral Funding Organizations

There are four 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. In December 2008, the foundation approved investments in twelve new projects, with a combined budget of roughly \$28 million between U.S. and Israeli companies. 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. During its 31 years, BIRD has approved over 780 projects, investing over \$260 million, which have generated an estimated \$8 billion in sales. BIRD's website is <http://www.birdf.com>.

#### *U.S.-Israel Science and Technology Commission (USISTC)*

The USISTC promotes collaborative science and technology activities between interested private sector entities. In 1993, the U.S. and Israeli governments agreed to contribute \$30 million (\$15 million each) to fund joint ventures between U.S. and Israeli firms in a number of technology specific areas, as well as to remove regulatory impediments to cooperation. For information, companies should consult the USISTC website at <http://www.usistc.org>.

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

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

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

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

### **The U.S. Commercial Service — Your Global Business Partner**

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**Comments and Suggestions:** We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: [Customer.Care@mail.doc.gov](mailto:Customer.Care@mail.doc.gov). Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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# Israel: A Country Commercial Guide

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### Business Customs

Visiting U.S. companies find Israel's business environment very similar to that in the United States. It is a professional and westernized business environment and most U.S. businesspeople feel very comfortable doing business here. Appointments can be made on fairly short notice, but punctuality is, desired. Usually, Israelis arrive well prepared for meetings and are very direct. Business cards in English or in English and Hebrew are recommended. It is very expensive and often a difficult task to have business cards made at short notice in Israel. Major hotels will likely offer to make photocopies of a sample card if you need additional cards at short notice. It is often better to have these photocopied cards than no cards at all. Email addresses and websites should be included with your contact information.

American business travelers will find business dress in both the private sector and government offices to be much less formal than in the United States. Israelis know that many U.S. businesspeople dress formally for meetings; however, this does not mean they will do the same, particularly in summer months. Business suits are appropriate for meetings with VIPs, some private sector companies, and senior government officials.

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

Most businesses and government offices are open 40-45 hours/week, Sunday thru Thursday. It may be possible to schedule appointments for Friday morning, but no appointments or business are done on Saturdays. Common office hours are from 8:00 a.m. to 5:00 p.m. Retail outlets are open Sunday through Thursday from 9:00 a.m. to 7:00 p.m. and on Fridays, from 9:00 a.m. to 2:00 p.m. Shops in malls usually remain open until around 10:00 p.m. Banks are open in the mornings, Sunday through Friday and twice a week in the afternoon. The American Embassy in Tel Aviv is open 8-4:30 Monday-Friday. Israel is two hours ahead of Greenwich Mean Time (GMT), and does observe Daylight Savings Time.

## Travel Advisory

The U.S. State Department issues travel advisories and warnings. Since September 2000, there has been a travel warning in place that was issued by the Department of State currently containing a recommendation to remain mindful of security factors when considering travel to Israel and Jerusalem, to defer travel to the West Bank and to avoid all travel to the Gaza Strip due to current safety and security concerns. For the most current information see the Department of State Travel Warning for Israel or visit U.S. Embassy Tel Aviv's website at <http://israel.usembassy.gov/publish/consular.htm>.

All travelers are advised to refer to the latest Country Specific Information for Israel and travel advisories issued by the Bureau of Consular Affairs, Department of State, Washington, D.C. Internet address: <http://travel.state.gov>. The State Department advises U.S. citizens who plan to be in the region for a substantial period of time to participate in the Online Internet Registration for U.S. citizens residing or traveling abroad at: <https://travelregistration.state.gov/>. Registrants can receive e-mail updates to Consular Information Sheets, Public Announcements and Travel Warnings specific to the countries they choose. This site will allow both short- and long-term travelers abroad to provide their itinerary, residence, and emergency contact information. Organizations such as travel agencies or firms with employees overseas may also enter information on their clients or staff.

## Visa Requirements

Passports, an onward or return ticket, and proof of sufficient funds are required for entry to Israel and the occupied territories. A three-month visa may be issued free of charge to holders of U.S. passports upon arrival, and may be extended by the Ministry of the Interior. Visitors who plan to travel to Arab countries without diplomatic relations with Israel may request to have their Israeli entry visas stamped on a separate form at the port of entry. Interested U.S. visitors who have been refused entry or have experienced difficulties with their visa status during previous visits, or who have overstayed a visa during previous visits, can obtain information from the Israeli Embassy in Washington, D.C. or an Israeli consulate regarding the advisability of attempting to return to Israel.

Americans of Palestinian ancestry or Israeli American dual nationals may be subject to more particular restrictions and should read the Country Specific Information for Israel, cited above.

Except during periods of closures, U.S. citizens, except those of Palestinian ancestry, may enter and exit the West Bank on a U.S. passport with an Israeli visa. It is not necessary to obtain a visitor's permit from the Palestinian Authority. American citizens of Palestinian ancestry should check the Country Specific Information for the latest updates on entry and exit requirements for Israel, Gaza and the West Bank.

International crossing points are now in operation between Israel and Jordan at the Arava crossing (Wadi Al-Arabah) in the South (near Eilat), and the Jordan River crossing (Sheikh Hussein Bridge) in the North (near Beit Shean). Prior visas are not necessary for American citizens using these two crossing points to enter either Israel or Jordan, but such travelers will have to pay a fee. Visas should be obtained in advance for those wanting to cross the Allenby Bridge, which links Jordan and the West Bank. (Note: Palestinian Americans with past or current residency status in the West Bank or Gaza must cross into Jordan using the Allenby Bridge). Procedures for all crossings into Jordan are subject to frequent changes.

Travelers interested in the most up-to-date border crossing information should contact the U.S. Embassy in Tel Aviv or the U.S. Consulate General in Jerusalem. For further entry information, travelers may contact the Embassy of Israel, 3514 International Drive, NW, Washington, D.C. 20008, telephone (202) 364-5500, or the Israeli Consulate General in Los Angeles, San Francisco, Miami, Atlanta, Chicago, New Orleans, Boston, New York, Philadelphia, or Houston.

U.S. Companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should go to the following links.

[State Department Visa Website](#)

[United States Visas.gov](#)

[Consular Section of the U.S. Embassy Tel Aviv](#)

### **Telecommunications**

Israel's national and international telecommunications systems are constantly improving and are competitive internationally. Internet access is available from at least five different service providers. Calling cards have become very popular and can be used in most payphones for both local and international calls. All Israeli post offices, and some private vendors, offer calling cards in shekel denominations. Cell phones are available for rental at Ben Gurion Airport or through hotels. 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. According to the Israel Ministry of Communications, the penetration rate of mobile phone subscription is 95% (6.3 million mobile subscribers on 4 networks).

Telephone credit cards are also widely used and operated by such companies as AT&T, MCI and Sprint. Many Israeli companies have modern data communication equipment, providing an immediate business link with clients and customers both domestically and internationally.

### **Transportation**

Israel is a small country - about the size of New Jersey. Rental cars, taxis and limousines w/driver are readily available to the visiting U.S. businessperson at comparable U.S. prices. U.S. drivers may rent cars with a valid U.S. license or an international drivers license. The accident rate in Israel is high and we recommend hiring a driver or using caution when self-driving. Israel has an extensive road network that connects the entire country. Israel also has advanced inland (bus and plane) and international transportation facilities.

One of the most notable advances in transport in Israel in recent years has been the modernization of the train system, which is still undergoing expansion. The system currently runs along Israel's Mediterranean coast, being particularly useful for connections between Haifa, Tel Aviv and the airport, as well as the most recent link to Jerusalem. Commuter trains have become a popular means of travel between these points as the rush-hour traffic and congestion continues to grow around Tel Aviv and Jerusalem. 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, near the Beer Sheva region.

Ben Gurion International Airport is located between Tel Aviv and Jerusalem, and offers connections to several international destinations. Ben Gurion is the country's center of air passenger and cargo operations. A new international terminal was completed and entered service in late 2004. Frequent internal air services connect the major cities of Tel Aviv, Haifa and Jerusalem to Eilat in the south and to the Galilee region in the north.

Limited internal air service is available on Fridays and Saturdays.

The three main ports, located in Haifa, Ashdod and Eilat, offer full freight services for international shipping.

### **Language**

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

### **Health**

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

Doctors and hospitals often expect immediate cash payment for health services. U.S. medical insurance is not always valid outside the United States. Supplemental medical insurance with specific overseas coverage has proven useful. The international traveler's hotline at the Center for Disease Control, telephone (404) 332-4559, has additional health information.

### **Local Time, Business Hours, and Holidays**

Most businesses and government offices are open 40-45 hours/week, Sunday thru Thursday. It may be possible to schedule business appointments for Friday morning, but no appointments or business are done on Saturdays. Common office hours are from 8:00 a.m. to 5:00 p.m. Retail outlets are open Sunday through Thursday from 9:00 a.m. to 7:00 p.m. and on Fridays, from 9:00 a.m. to 2:00 p.m. Shops in malls usually remain open until around 10:00 p.m. Banks are open in the mornings, Sunday through Friday and twice a week in the afternoon. The American Embassy in Tel Aviv is open 8-4:30 Monday-Friday.

Israel is two hours ahead of Greenwich Mean Time (GMT), and observes Daylight Savings Time.

#### *2009 Israeli Holidays*

|              |                                      |
|--------------|--------------------------------------|
| April 20     | *Passover (first day)                |
| April 26     | *Passover (last day)                 |
| May 8        | *Israel Independence Day             |
| June 9       | *Shavuot (Pentecost)                 |
| September 30 | *Rosh Hashanah (New Year-first day)  |
| October 1    | *Rosh Hashanah (New Year-second day) |
| October 9    | *Yom Kippur (Day of Atonement)       |
| October 14   | *Succot (Feast of Tabernacles)       |
| October 21   | *Simhat Torah (Rejoicing of the Law) |

\*Israeli National Holidays: All businesses in Israel are closed

### **Hotels and Restaurants**

Israel has a variety of business hotels and restaurants that offer a wide range of services and international cuisine. Most hotels and major restaurants accept internationally recognized credit cards

such as Visa, MasterCard, Eurocard, American Express and Diners Club. Prices are comparable to major metropolitan areas in the United States. In Israel, the food and water is generally safe, although bottled water is often preferred, widely available, and fairly inexpensive. Visitors should be wary of any food that may have been exposed too long in the hot, open air. Diet drinks are very popular as well as a variety of fresh made fruit shakes and popular beverages from the United States. Coffee bars and pastry shops are on almost every street corner, and many small kiosks offer regional specialties such as falafel and shwarma sandwiches.

### **Temporary Entry of Materials and Personal Belongings**

In general, Israeli practices follow international standards and conventions. Trade samples of negligible or low value (under US\$1), non-merchandise samples and printed advertising material are usually exempt. Trade samples with a value up to US\$100 should have an ATA Carnet if brought into Israel. If valued over US\$100 an import license is required. Duty paid may be redeemed providing the goods are re-exported before the end of six months.

Video cameras and other electronic items must be declared upon entry to Israel. Please note that the Embassy has received reports from travelers that these items are sometimes seized by Israeli customs and security officials and are sometimes returned either damaged after an often lengthy delay, during which time the contents of the hard drive may be downloaded and the loss or compromise of sensitive business or personal data may occur. It is advisable to contact the Embassy of Israel in Washington or one of Israel's consulates in the United States for specific information regarding customs requirements.

Definitive information on customs requirements for the Palestinian Authority is not available. Please see our information on customs regulations at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1468.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1468.html).

### **Web Resources**

[Internet-Based Registration System \(IBRS\)](#)  
[State Department Travel Advisory](#)  
[U.S. Embassy Israel Consular Services](#)  
[State Department Visa Website](#)  
[Online Internet Registration for U.S. citizens](#)  
[United States Visas.gov](#)  
[U.S. Commercial Service Tel Aviv](#)

### **The U.S. Commercial Service — Your Global Business Partner**

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/eac>.

**Comments and Suggestions:** We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: [Customer.Care@mail.doc.gov](mailto:Customer.Care@mail.doc.gov). Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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# Israel: A Country Commercial Guide

## Contacts, Market Research & Trade Events

### Contacts

[U.S. Commercial Service Tel Aviv and Jerusalem](#)

### Market Research

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

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

### Trade Events

Please click on the link below for information on upcoming trade events.

[Local catalog shows in Israel](#) as viewed on the local U.S. Commercial Service website.

[Trade events listed at Export.gov](#) where you may search for trade events by country, industry, state, date and event type.

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**Comments and Suggestions:** We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: [Customer.Care@mail.doc.gov](mailto:Customer.Care@mail.doc.gov). Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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# Israel: A Country Commercial Guide

## Guide to our Services

### Guide to our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

[Click here](#) for more information on the services the U.S. Commercial Service offers.

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