



Israel

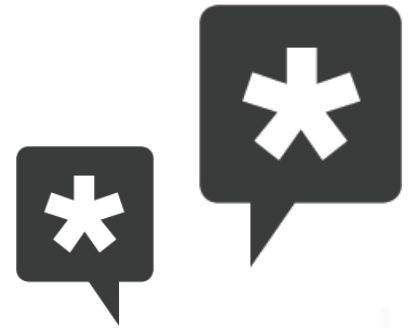
Is Israel a good country to do business in now?

Yes, we believe it is, but individual companies will have to weigh the risks carefully.

Here's why

Israel's generous policies to encourage foreign investment and its highly skilled workforce make it an excellent prospect for doing business. Israel is often called the 'Second Silicon Valley' owing to the success of its high-tech industry. On the other hand, security issues and uncertainty regarding regional political problems are valid concerns. A protracted war in the region could wreak havoc with the Israeli economy and society. Before embarking on a business venture in Israel, business people must evaluate the rewards and risks based on their own comfort levels.

Fast Facts



Population: 7.3 million

Language/s: Hebrew, Arabic (English is common for business)

Religion/s: Judaism is the official state religion and 76% of the population is Jewish; Muslims 16%; religious freedom is guaranteed under Israeli law

Land area: 22,072 sq km (8,522 sq miles), including Jerusalem and Golan

Currency: New Israeli shekel (NIS)

Capital: Jerusalem

Internet domain: .il

International dialing code: +972

Innovation ranking¹: 8 (out of 82 countries)

Digital economy ranking¹: 26 (out of 70 countries)

Macroeconomic indicators:¹

	2010	2011	2012
GDP (US\$)	\$204.6 billion	\$215.4 billion	\$227.3 billion
GDP per capita (US\$)	\$27,534.40	\$28,363.11	\$29,289.23
Real GDP growth	4.7	5.4	4.7
Inflation (CPI)	2.7	3.7	3.4

Economy

Israel has a technologically advanced market economy with highly developed agricultural and industrial sectors. Israel's strong venture capital industry has helped Israel to become one of the world's leading capital markets and a centre for high technology.

According to the OECD, growth in real GDP in 2011 should exceed that of 2010, but rising labour-supply constraints and further interest rate hikes will temper activity in 2012.



Fast Facts

Politics

The nation of Israel as it is known today was created from the division of the former British colony of Palestine after World War II. The founding of Israel was the culmination of the Zionist movement, whose aim was to create a homeland for Jews who were scattered all over the world. Following the Nazi Holocaust, pressure grew for the international recognition of a Jewish state, and in 1948 Israel came into being.

Israel has a parliamentary system of representative government. The unicameral parliament, called the Knesset, has 120-seats and is elected every four years. The president serves as the formal head of state with largely ceremonial powers and is elected by the legislature for a five-year period. The leader of the majority party or the ruling coalition in the Knesset serves as the prime minister.

The current president is Shimon Peres, now a member of the centrist Kadima party. He twice served as prime minister under the Labour party and won the Nobel Peace Prize in 1994 for his role in signing the Oslo peace agreement with the Palestine Liberation Organisation.

The current prime minister, Binyamin Netanyahu, of the right-wing Likud party, came to power after an unclear election in February 2009.

Doing business

- While Israel is an informal country, it is best to dress more formally for an initial meeting as a sign of courtesy and respect. Men should wear suits and ties, while conservative dresses, skirts or pantsuits are best for women. After the first meeting, it is appropriate for visitors to dress more informally in keeping with their Israeli associates.
- Shaking hands is not a traditional custom in Israel, but westerners may extend their hand in greeting and should not be offended if Israelis do not initiate handshaking.
- Exchanging business cards is also a new ritual in Israel, so visitors should not be surprised if Israelis are not prepared with their own cards.
- Maintaining eye contact is acceptable in Israel, and visitors may also notice that Israelis keep a closer physical distance than westerners are accustomed to.
- Israelis tend to be very expressive and as such may raise their voices with each other and visitors. They are also very direct and honest in a manner that to westerners may at times seem like rudeness, but is not.



Doing business (continued...)

- Israeli business people tend to be skilled negotiators, and foreigners should prepare for tough and friendly negotiations. In addition, Israelis tend to focus on today - sometimes appearing impatient - and to make quick decisions.
- Punctuality tends to be relaxed in Israel, though this is beginning to change. Visitors should strive to be punctual while at the same time allowing up to 20 minutes before thinking that an Israeli counterpart is late. When setting work deadlines, foreigners are advised to leave a small buffer.
- During informal times with Israelis, such as at dinner, it is acceptable to discuss family, compliment Israeli culture, history or sports, and even continue with business discussions. Visitors should refrain, however, from speaking about the Israeli government, politics or religious issues. If, on the other hand, an Israeli host brings up these topics, a visitor should be a good and patient listener.



References

¹ Taken from the Economist Intelligence Unit's report: 'A new ranking of the world's most innovative countries' that ranks innovation in 82 countries. Innovation is defined as the application of knowledge in a novel way, primarily for economic benefit. Companies deem it vitally important as a competitive tool. Government policymakers see it as essential for economic growth.

¹ Digital economy ranking is the Economist Intelligence Unit's measure of the quality of a country's information and communications technology (ICT) infrastructure and the ability of its consumers, businesses and governments to use ICT to their benefit. When a country uses ICT to conduct more of its activities, the economy can become more transparent and efficient.

¹ Source: Organisation for Economic Co-operation and Development, www.oecd.org (Real GDP growth and inflation), and International Monetary Fund, www.imf.org (GDP and GDP per capita). 2009 and 2010 figures are OECD and IMF staff predictions. Real GDP growth and inflation are defined in percentage change from previous period.



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