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Business Opportunities in Israel



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In order for one to be able to understand how to identify business opportunities in Israel, some background regarding this unique compilation of this nation could be of help.

Israel is a small nation, both in territory and in population. Its geography is very diverse, from its northern rainy regions of the Galilee and Golan Heights in the north, to its arid desert land in its southern regions. The majority of its length shores on the Mediterranean Sea. Israel was considered as lacking natural resources, until several years ago, when large offshore natural gas reserves had been discovered in its territorial waters.

Israel is surrounded by four Arab nations, Lebanon, Syria, Jordan and Egypt. Lebanon and Syria are hostile nations, whereas with Jordan and Egypt Israel had achieved peace agreements. In addition, Israel's regime includes the Gaza strip and the West bank, with a population of over 2 million Palestinians.

Israel's population currently amounts to 8.5 million inhabitants, containing two large minorities which are under-represented in the work force – the Israeli-Arab minority (particularly women) and the ultra-orthodox Jewish minority. Despite that, Israel has succeeded in developing a strong and stable economy, vastly relying on its prominent Hi-Tech business sector. This is manifested especially in the field of Research and Development, which

is one of the largest in the world, when compared to the nation's size and population. Evidence for that can be seen in numbers – 4.3% of Israel's GDP is generated from this field, which had given Israel the title of "Start-Up Nation".

This significant achievement has developed due to several characteristics of the Israeli people. One important factor is the Jewish attitude to education, as a historical part of Jewish culture: in the Judaic culture children begin reading at a very early age, particularly if they come from conservative families. The culture of debate and the questioning of various possible perspectives is rather common in the Israeli society. Naturally, this manner of thought process correlates naturally to that of scientific research. Academic institutes such as the Technion, The Hebrew University in Jerusalem or the Weizmann Institute of Science have been founded prior to Israel's independence, indicating to the importance the leaders of the Zionist movement attributed to the establishment of higher education infrastructure. Today, 47% of Israel's adult population has a university degree, higher than the OECD average of 43%.

Another factor leading for the exceptional success of the Israeli entrepreneurship and innovation spirit, is necessity. A major example is Israel's water treatment industry, which today is a global leader in the field. Since its early days, Israel had to deal with the shortage of water, which has increased through the years due to expansion of population as well as climate changes. Effective water solutions had to be invented, and a prominent example can be seen in "Netafim", the company which invented drip irrigation, technology which today can be found all over the world. Today Israel is a world power in water management, having been created solutions for waste water recycling and reuse in agriculture by development of desalination plants. As a matter of fact, today Israel's success in this industry enables it to aid other regions with similar continuous drought problems, such as California.

Another example for Israeli innovation is in the creation of new modified types of fruits and vegetables, the best known being the cherry tomato. The early days of Jaffa orange and banana crops made room to the development of new crops of avocado, mango and watermelon, as well as precision agriculture such as medicinal cannabis, to aquaculture in which sturgeons raised in Kibbutz Dan in the Galilee deliver caviar that competes with the Russian and Iranian caviar from the Caspian Sea.

The strongest example for Israel's necessity-driven entrepreneurial and innovational character can be seen in its defense and security sector. As mentioned above, Israel's history has been embedded with threats to its existence since its founding. The ongoing need for securing Israel's protection has led to developing numerous innovations in this field, in which Israel is a world leader. In fact, the defense industry can be credited as a driving force to Israel's Hi-Tech industry, as many Israeli technological innovations, as well as professionals, and of course methods of research and knowledge acquisition, have started their way in this industry.

The dot-com boom at the end of the previous century had enabled the creation of the first Israeli startups, mainly in the telecommunication and internet sectors, where Israel had already strong companies such as Amdocs and Checkpoint. These startups benefited (as do current startups) from the management and technological skills of young army officers and the technical and mathematical skills of newly arrived immigrants from the former Soviet Union in the 1990s. Entrepreneurship became a well-managed process since then, with incubators and venture capital funds accompanying the hundreds of companies, leading to Israel's nickname of "The Startup Nation".

Today, Israel houses hundreds of startups in applied computer science, communications and life sciences, such as medicine and genetics, providing solutions for various problems all around the world (<http://solutionnation.info/>).

The proliferation of successful startups has created a new limited economical elite of millionaires and multi-millionaires, which increased the social inequality in the nation. In addition, many of these bright minds left the "Silicon Wadi" (the Arabic word for "valley") in favor of the Silicon Valley in California, creating an increasing demand for technology experts in Israel. This, in turn, induced the creation of an ecosystem favoring the new Israeli dream of entrepreneurship, vastly supported by the community, giving entrepreneurs the status of nation heroes. Entrepreneurs need investors, which is an additional field in which considerable advancements have occurred in the last 20 years, and today various type of investor entities specialize in numerous specific fields of technology.

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