

U.S.-Israel Trade: A Flourishing Relationship

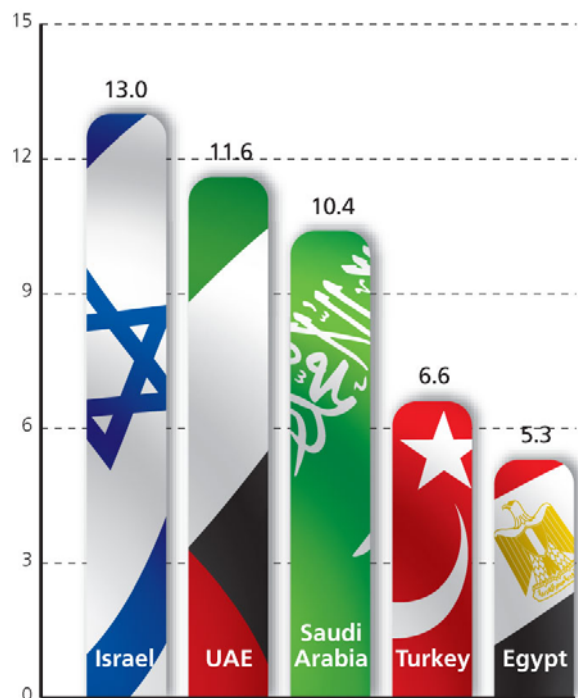
During the past 60 years, Israel has emerged as arguably America's premier Middle East trading partner and a leading source of investment opportunities and innovative technologies for U.S. firms and entrepreneurs. In recognition of the close alliance between the two nations, the United States signed its first-ever Free Trade Agreement (FTA) with Israel in 1985, which resulted in a seven-fold increase in trade.

This landmark agreement helped to orient Israel's trade posture toward America, strengthening the U.S.-Israel relationship and ensuring that Israel's greatest friend is also its largest trading partner.

U.S.-Israel Trade Fundamentals Are Strong

Israel has become the number one Middle East destination for U.S. exports, according to Department of Commerce figures. In 2007, the value of U.S. exports to Israel, totaling \$13 billion, exceeded the value of U.S. exports to any other country in the region. Leading U.S. exports to Israel include military equipment, machinery, agricultural commodities, computer hardware and software, and cultural and information products.

U.S. Exports to the Middle East in 2007 (in billions of dollars)



Israel is the number one destination for U.S. exports in the Middle East.

With a population of just over seven million, Israel ranked as America's 20th leading trade partner in 2006, ahead of countries such as Russia, Spain, Australia, and Indonesia.

Israel is a Major Attraction for U.S. Investors and Companies

Israel is a preferred target for U.S. investment, attracting billions of dollars annually from American companies and investors looking to acquire cutting-edge technologies and secure a high rate of return.

A recent Deloitte & Touche survey of U.S. venture capital (VC) fund managers found that 70 percent rated Israel as a top destination in terms of continuous availability of quality investment opportunities. In 2006, Warren Buffet's Berkshire Hathaway made its first-ever foreign acquisition, buying 80 percent of Iscar, an Israeli maker of precision blades and drills, for \$4 billion.

With a population of just over seven million, Israel ranks as one of America's leading trade partners.

Israel has become the preeminent foreign outpost of the U.S. computer, telecommunications and software industries. Looking to take advantage of its educated and innovative workforce, American companies such as Intel, Motorola, Cisco and Microsoft maintain

research or manufacturing facilities in Israel. Intel alone has almost 7,000 employees in Israel, making it the country's largest private-sector employer.

Israeli Businesses Add Value to the U.S. Economy

Israelis also invest in America. Israel led all other Middle Eastern countries in direct investment in the United States from 2002 to 2005, according to Department of Commerce figures. During that period, Israelis invested about as much in U.S. firms and properties as residents of all other Middle Eastern countries combined.

Israeli companies are busy creating jobs throughout America. For example, according to a recent AP news report, 15 Israeli companies have opened shop in the Cleveland suburb of Beachwood in the past four years, thanks in part to the outreach efforts of the Ohio Department of Development's Tel Aviv office. Some of these firms have brought their headquarters and even manufacturing operations over from Israel, adding stable, high-paying jobs to the local economy.

Israel's Plasan Sasa, a kibbutz-owned company and leading manufacturer of armor kits for civilian and military vehicles, bought a carbon fiber composites plant in Bennington, Vermont, in 2006. The Vermont enterprise, renamed Plasan USA, has expanded its workforce from 67 to more than 200 employees and undergone substantial capital improvements. It is now filling orders for thousands of armor kits for the U.S. military's Mine Resistant Ambush

Protected (MRAP) vehicles, and also makes carbon-fiber parts for several American sports car models.

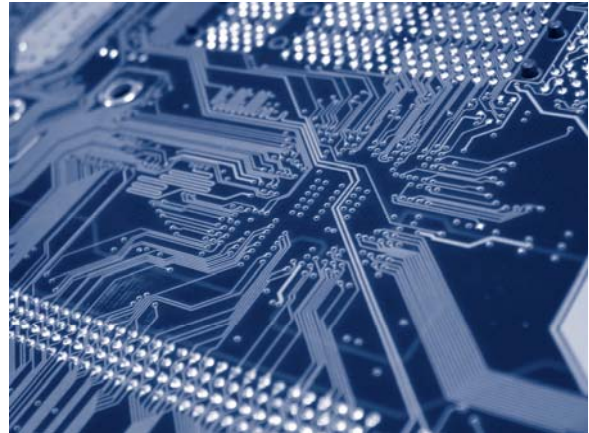
Israel's Check Point Software Technologies, maker of FireWall-1, one of the world's leading network security programs, maintains its U.S. headquarters in Redwood City, California, and has offices in 17 other states. In 2004, Check Point acquired the well known, San Francisco-based anti-virus and anti-spyware software developer Zone Labs for \$114 million in cash and 5.3 million of its own shares.

U.S.-Israel trade and investment is a two-way street, and provides tremendous benefits for both countries. Bilateral economic ties have truly become one of the pillars of the U.S.-Israel relationship.

Further Steps to Enhancing U.S.-Israel Trade

While the trade relationship between the United States and Israel remains robust, both countries can still take several steps that would further enhance the relationship and provide further incalculable benefits to the two allies. Such steps may include:

- Continuing to fight the Arab League boycott of Israel, which impacts U.S. companies and investments in Israel as well as Israeli companies of U.S. origin.
- Evaluating methods for integrating the U.S.-Israel Free Trade Agreement with other regional agreements, starting with the U.S.-Jordan FTA.



Israel is one of the leading technology hubs in the world.

- Lightening the burden for Israelis wishing to travel to the U.S. by expanding the menu of visas for which they are eligible, or adding Israel to the Visa Waiver Program, which would allow for paperwork-free, short-duration visits to the United States.
- Supporting joint U.S.-Israeli research-and-development efforts by enhancing the mission and status of government-chartered, grant-making institutions such as the Binational Industrial Research and Development fund (BIRD), the Binational Agricultural Research and Development fund (BARD), and the Binational Science Foundation (BSF).