



DEATH VALLEY, which sits between California and Nevada, got its name in 1849, during the California Gold Rush, when 13 prospectors died crossing it in a wagon train on their way to the gold fields. It has the world's highest recorded temperature, 57 degrees Centigrade, and average yearly rainfall of only two inches (five centimeters). Crossing Death Valley is perilous.

Israel has its own Death Valley, according to Yossi Beinart, Chief Executive Officer of the Tel Aviv Stock Exchange. It is the arid financial desert for mid-sized Israeli firms that are no longer infant start-ups; that need a lot of capital to attain sustained independent growth; and that “perish” (i.e., are swallowed by bigger firms) due to, among other things, lack of money.

Beinart spoke at the first Israel Growth Conference, held on June 1 at the Tel Aviv

Stock Exchange (TASE). The conference was initiated by Wix, a web development company, one of the few companies successfully crossing Death Valley (see *The Jerusalem Report*, March 9), and sponsored by the business daily Calcalist.


Earlier, Beinart told *TheMarker*'s Meirav Arlosoroff, “We have a financing failure. Mid-sized companies with annual sales of around 20 to 50 million shekels (\$12.5 million) and a market cap of NIS 150 million run into funding difficulties. They don't want to increase debt and prefer to raise share capital, but they're too small for the Israeli stock market. So, in the end, they're sold.”

The gathering brought a group of mid-sized companies seeking independent growth together with key government officials such as Avi Licht, Deputy Attorney General (Economics and Finance), and

Moshe Asher, head of Internal Revenue.

The TASE venue, a lovely new building on Tel Aviv's Achuzat Bayit Street, is symbolic. The TASE is in decline with both falling turnover and fewer listed firms. The number of public companies trading on TASE has dropped 27 percent, from 654 in 2007 to only 475 in 2014. As many as a quarter of currently listed firms are thinking of delisting.

The decline at the TASE, which Beinart is mandated to reverse, is paradoxical because Israel is drowning in money. Pension-fund assets are at a record NIS 1.2 trillion (\$308 billion – about the size of Israel's Gross Domestic Product) and bond and stock prices are at record highs. But, for many reasons, start-up companies that choose not to exit prefer other stock exchanges for their initial stock issue, such as America's NASDAQ, where 63 Israeli



Crossing Death Valley

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firms are traded. Of those, 46 are also listed on the TASE. Most start-ups find it far easier to sell to a big multi-national rather than scale up and remain independent. Meanwhile, as much as half of new pension-fund assets are invested abroad, rather than in Israel.

ADDRESSING THE conference, I asked the participants: Israel is not Switzerland – Why?

Switzerland, like Israel, has about eight million people. Yet, Switzerland has 48 companies on the Forbes magazine list of the biggest 2,000 global companies. And, no, they are not all banks. Fewer than a third are in financial services. In contrast, Israel has only 10 companies on this list, and just two, Teva and Check Point Software, are non-financial. Teva is older than Methuselah, and Check Point was founded

in July 1993. Since then, not a single Israeli start-up has grown to global size. Meanwhile, despite its extremely strong currency and astronomical wages, Switzerland has \$300 billion in annual exports.

It is crucially important to know why Israel is not Switzerland. Start-ups that are acquired often see their ideas relocated to other countries where they generate jobs and exports. Those benefits are thus lost to Israel. Why can't start-ups scale up here at home? Why is the start-up nation not also the scale-up nation?

I gave a very simple answer to this complex question. It is not just lack of money. It is simply very difficult to do business in Israel, especially for a start-up seeking to grow independently.

Each year, the World Bank has its experts in Israel measure how hard, or how easy, it is to do business here, compared with

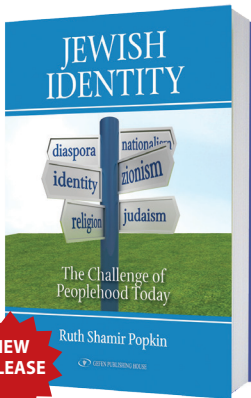
other countries. They perform nearly a dozen different ordinary business activities – paying taxes, registering a new firm, listing titles for land, collecting a debt, and so on – and measure the time and expense. In 2015, Israel ranks only 40th overall in “ease of doing business”; 53rd in ease of starting a business; 121st in getting a construction permit; 109th in getting electricity; 97th in paying taxes; 135th in registering property; and 111th in enforcing contracts. In contrast, if you want to go bankrupt, it's easy – Israel ranks 24th.

Dealing with bureaucracy is not a problem for giant whales, which have armies of people to deal with it. But for minnows struggling to grow up, it's a hassle. When a huge check is offered by a foreign acquiring firm, it is tempting to grab it rather than battle daily with mountains of red tape.

It is frustrating to me, and to companies

Jewish Identity

By Ruth Shamir Popkin



NEW RELEASE

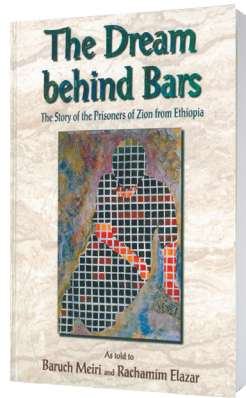
However difficult it may be to accommodate the many complex and continually changing Jewish identities under the single roof of Judaism, Dr. Shamir Popkin contends that we have no alternative – neither for Israelis nor for the Jews of the Diaspora. But if that overarching identity is to be preserved, Jews must internalize the core ideas of multiculturalism to create a multifaceted Jewish identity that positively reflects the freedoms of today's world.

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The Dream Behind Bars

The Story of the Prisoners of Zion from Ethiopia

By Baruch Meiri

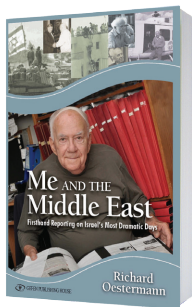


The heroic story of Ethiopian Jewry's modern day suffering, struggle and exodus to the Promised Land is told in this book. Meiri and Elazar document the terrifying experiences of the Ethiopian prisoners of Zion and the dramatic rescue missions of Operations Moses and Solomon to airlift them from Sudan.

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Me and the Middle East

By Richard Oestermann

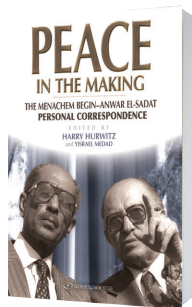


From his escape with the famous rescue of the Danish Jews during the Holocaust and throughout fifty years as a Middle East correspondent for Scandinavian newspapers, Richard Oestermann has found himself at the crux of the great historical moments of our time. Complete with exclusive interviews with prominent figures such as Truman, Ben Gurion, Agnon and Boutros-Ghali, Me and the Middle East gives us front-row tickets to the events that shaped the region for years to come, and a glimpse into the unique personalities behind them.

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Peace in the Making

By Zvi Harry Hurwitz & Yisrael Medad

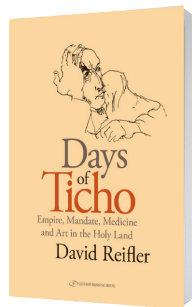


Here, for the first time, is the complete correspondence between Israel's Prime Minister Menachem Begin and Egypt's President Anwar el-Sadat as they wrestled with what would become their Nobel Peace Prize-winning accomplishment. Covering the period from June 1977 until a day before Sadat's assassination in October 1981, the Begin-Sadat correspondence affords a behind-the-scenes glimpse into the efforts, crises, and agonizing decisions these two leaders faced and overcame to achieve peace.

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Days of Ticho

By David Reifler

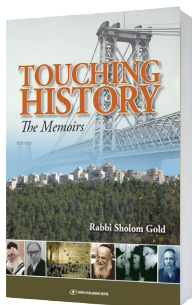


Dr. Avraham Albert Ticho was a Viennese-trained ophthalmologist who immigrated to Ottoman ruled Jerusalem in 1912. There he married his cousin, the artist Anna Ticho, and together they made their mark on the history of the Land of Israel. In Days of Ticho, the Tichos' story is told in all its fascinating detail. Their personal history is presented against the backdrop of a variety of historical perspectives – histories of medicine, art, civilian institutions, governments, and war; the struggles and growth of the Yishuv, the Jewish community in Palestine; and the conflicts that arose between Jews and their Arab neighbors.

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Touching History

By Sholom Gold

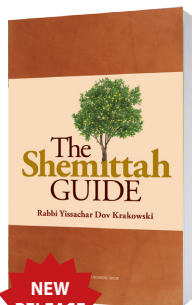


With sensitivity, depth, warmth, and plenty of humor, Rabbi Gold opens a fascinating window on the tumultuous and dynamic years of destruction and rebuilding that preceded and followed the founding of the Jewish state, and offers an insider's perspective on life in the land he holds so dear.

HC | 388pp | ISBN 9789652296399 | \$29.95 | 110 NIS

The Shemittah Guide

By Yissachar Dov Krakowski



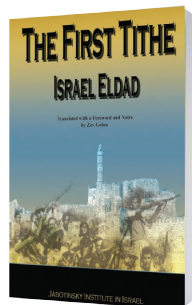
NEW RELEASE

This guide is the first English guide on shemitta to offer a singular approach on shemitta observance based on earlier leading rabbinic opinions and on what has become common practice in today's Israeli Torah communities. The guide is easy enough for the beginner yet sufficiently sophisticated that even the well versed can appreciate it.

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The First Tithe

By Israel Eldad



An inside look at the secret workings of the pre-State Lehi underground. Eldad was one of the three-man Central Command of Lehi (also known as the Stern Group). His memoirs shed light on the relations between the Irgun, Lehi and Hagana as well as on the personal lives and interactions of future prime ministers and national leaders.

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PB | 420pp | ISBN 9789654160193 | \$17.95 | 80 NIS



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attending the forum, that this bureaucratic tangle is unnecessary, easy to fix and totally without benefit to anyone. Yet it persists.

In Estonia, citizens pay their annual personal income tax online and it takes 20 minutes. In 2006, Georgia, a Soviet-style socialist red-tape factory, ranked 98th in the world in ease of doing business. The president of Georgia understood that this could not go on. He sent experts to benchmark Singapore and copied what they do. The result? Georgia rose to 8th in the world in 2012 and attracted much foreign capital as a result. Israel is no less clever than Estonia or Georgia. It is simply a matter of will.

I recounted how the late Lee Kwan Yew, founding president of Singapore, fought to attract foreign multi-nationals to his country.

PRIOR TO a visit by Intel CEO Andy Grove, Lee ordered that palm trees be planted all along the highway from Changi Airport to downtown to help persuade Grove to bring Intel to Singapore. Those palm trees still exist. As they sway in the breeze, they tell Singaporeans, “We must struggle every single day to make our city state attractive for business.” And it is. Singapore ranks first in ease of doing business, with per capita GDP two-thirds higher than that of Israel.

Prior to the forum, I surveyed a small number of Growth Conference companies to discover what they perceive to be their main obstacle. Several cited tax complexities. One noted that it tried to bring 200 experts to Israel, but the Interior Ministry refused to issue visas. As a result, the hiring took place in Hong Kong and New York.

One of the main obstacles to growth is, according to my respondents, difficulty in hiring local talent. Fewer young people study high-level high school math and physics, which would equip them for science and engineering studies at university.

I asked them which Israeli company was their role model? Several cited Mobileye, a company that makes advanced radar systems that warn drivers of potential collisions. Founded in 1999, Mobileye did the largest initial public offering of stock ever by an Israel company, raising nearly \$1 billion on the New York Stock Exchange last year. It employs 350 people, many of them at its R&D center in Jerusalem, and has annual revenue exceeding \$100 million.

Licht, a brilliant and highly promising Justice Ministry civil servant, who rightly or wrongly is regarded by many start-ups as hostile to their growth aspirations, asked rhetorically, “Why don’t we encourage [start-up] companies to grow independently? Nobody [in government] told us this is a goal!”

ISRAEL SHOULD CHANGE FROM START-UP NATION TO SCALE-UP NATION. WE SHOULD STRIVE FOR 10 COMPANIES EACH TO REACH \$10 BILLION IN REVENUE, IN THE NEXT DECADE

He urged participants to demand a “one-stop shop” (a single government authority that could deal with all the issues start-ups face when seeking to grow and remain independent). He also told the companies represented at the gathering not to threaten to leave Israel. “Far better to say why your presence here helps the State of Israel,” he urged, “than to threaten to leave.” Licht insisted that the government seeks to balance the needs of growth start-ups with the interests of the general public.

Labor MK Manuel Trajtenberg, chairman of the committee convened in 2011 to respond to the social-protest movement, noted that two decades ago, employment in high tech amounted to less than 10 percent of Israel’s labor force, and it still remains at that level today despite countless policy discussions and reports. He berated past governments for their tardiness, noting that natural gas was discovered some eight years ago, but only now is the government dealing with the problem that the companies developing Tamar and Leviathan gas fields are a monopoly.

Nir Zohar, president of Wix and an initiator of the conference, noted that Israel’s booming cyber industry would not exist

today if Check Point had not grown independently, and instead been acquired. Check Point did its initial stock offering very early, in 1996, only three years after it was founded. It remains an Israeli-based firm, with \$1.5 billion in annual revenue. Many of today’s cyber start-up founders cut their teeth at Check Point, a market leader in Internet firewall protection.

“EACH OF the growth companies can potentially create an entire industry,” he observed. “Israel should change from start-up nation to scale-up nation. We should strive for 10 companies each to reach \$10 billion in revenue, in the next decade.”

Beinart told TheMarker the TASE is starting a new trading platform for growth companies that will have different (more friendly) rules than those now prevailing at the TASE. Traded companies will do their financial reporting in English, and the Chief Scientist’s Office will be enlisted to encourage coverage of the member companies by analysts, vital to promote trading and investment in their shares.

“There is potential here for 100 to 500 mid-sized technology companies,” Beinart said, “which are the true future of Israel. If we manage to bridge their valley of death and get them to raise money in Israel instead of being sold to foreign investors, we can revive the stock market and stoke more economic growth. Instead of institutional investors’ money fleeing overseas because they don’t have anywhere to invest, the Israeli public savings can be invested in mid-sized technology companies in Israel.”

Remember these names: Vidmind, WIX, Fiverr, Gett, Outbrain, Perion, Payoneer, Applause, Gigya, Solaredge, My Heritage. These are all Israeli companies, founded between around 2003 and 2009, that truly want to grow independently rather than be acquired. They have banded together to help one another and to voice their complaints.

Let us wish them well and track their progress as they cross Death Valley. If most are still alive and independent a year or two from now, both they and us will benefit. ■

The writer is senior research fellow at the [S. Neaman Institute](#), Technion and blogs at [www.timnovate.wordpress.com](#)