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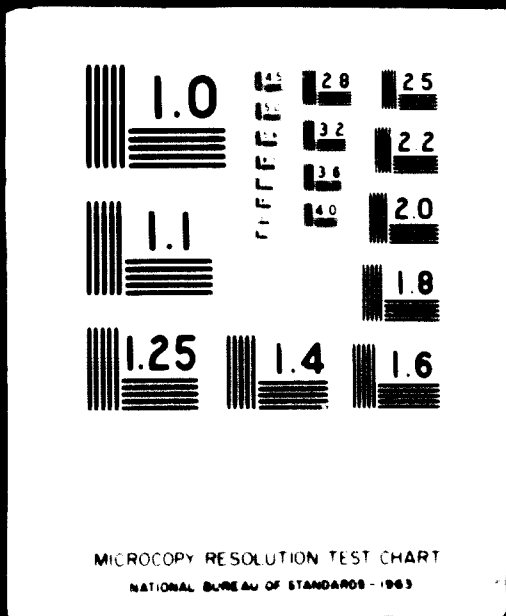
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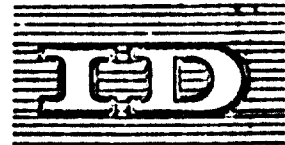
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**INDUSTRIAL INVESTMENT PROMOTION ACTIVITIES OF THE  
UNITED STATES OFFICE OF  
THE ISRAELI INVESTMENT AUTHORITY**

submitted by

**The Israeli Investment Authority**

D02219

ID/WG.4/1

**INDUSTRIAL INVESTMENT PROMOTION ACTIVITIES OF THE**

~~OF ISRAEL IN THE U.S. UNIDO, 1967~~

**US OFFICE OF THE ISRAELI INVESTMENT AUTHORITY.**

**UNIDO. 1967. 14 p.**

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

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## I. BACKGROUND

### Date of foundation

The Investment Authority agency in the United States was formally created in 1960. Before this date promotion of capital investment in Israel was done by the Consul for Economic Affairs at the Israeli Embassy.

### b. Statement of Purposes

The purposes of the investment authority are to encourage economic initiative and investments of foreign and local capital with a view to:

1. the development of the productive capacity of the national economy, the efficient utilization of its resources and economic potential and full utilization of the productive capacity of existing enterprise;
2. the improvement of the balance of payments of the state, the reduction of imports and the increase of exports;
3. the absorption of immigration, the planned distribution of the population over the area of the state and the creation of new sources of employment.

The investment authority in the United States has 14 employees.

There are 10 workers in the main office in New York including:

The executive director.

An economic adviser.

Public relation consultant.

A technical adviser.

The branches in Chicago and Los Angeles include a director and a secretary.

1. Budget :

The budget for 1967 of the agency amounts to \$300,000.; about 50% of the budget goes to direct salary and wages.

2. Offices in other countries:

The investment authority maintains offices in the following cities:

.. ISRAEL : Tel Aviv, EL-AL Building, 32 Ben Yehuda Str.

.. UNITED STATES OF AMERICA:

New York 22, 850 Third Ave.

Chicago, 936 North Michigan Ave.

Los Angeles, 659 South Highland Ave.

- EUROPE: Zurich, Stampfenbachstrasse 3

- UNITED KINGDOM:

London, 2 Palace Green

Where the authority is not directly represented, it enjoys the full cooperation of the economic representatives of the State of Israel.

II. Activities of the Investment Authority:

a. Major functions of the

The major functions of the investment authority include:

- (a) General promotion of investment from the United States and Canada
- (b) Keeping abreast of new developments in order to keep Israel current
- (c) Initiation of contacts with potential investors in order to interest them in projects in Israel

Through its offices the authority provides potential investors with information on investment opportunities, cost factors, and advises on proposals initiated by investors themselves. The authority also makes contacts for the investor with appropriate government departments, possible local partners, suppliers and customers, etc.

b. Types of industries served:

The Investment Authority serves all types of industries but particularly searches for investments in those branches which are most advantageous for the Israeli economy. An extensive survey has been undertaken recently to determine these branches. Short surveys of each branch was prepared and is sent to the potential investors.

Following is a list of some of these branches.



BRANCH

1. Furs and Leather Goods
2. Irrigation equipment:
  - a. Irrigation parts
  - b. pumps
  - c. pipes
  - d. electronic control boards
  - e. desalination equipment
3. Machinery and Equipment:
  - a. Food processing equipment
  - b. equipment for the chemical industry
  - c. equipment for bakeries
  - d. institutional kitchens
  - e. building and construction machinery and equipment
4. Medical and Hospital Equipment:
  - a. medical equipment
  - b. medical electronic equipment
  - c. prosthetics and equipment for the physically disabled
  - d. laboratory equipment
  - e. pharmaceuticals
5. Fine Chemicals:
  - a. pesticides
  - b. bromines
  - c. industrial chemicals
6. Electric and Electronic Equipment:
  - a. transformers
  - b. electric motors
  - c. welding instruments
  - d. measuring and control instruments
7. Industrial Diamonds Tools and Hard Metal Tools
8. Optical Equipment
9. Printing and Publishing
10. Sub-contracting:
  - a. tools and dies
  - b. machinery
  - c. automotive spare parts

By no means, the above list is all-inclusive. Any business enterprise with a potential for generating exports, or import substitution is welcomed.

c. Examples of projects processed:

(a) Zenith Corp. and a prominent Israeli industrialist established a \$3,000,000 plant which will make television and radio sets and appliances.

(b) E.W. Bliss of Canton, Ohio, opened a wholly-owned subsidiary which makes power presses and does contract work.

(c) Revlon opened its first overseas plant in Israel.

(d) The hotel industry.

The New 440-room Tel Aviv Hilton was opened last September, joining the Sheraton Dan and the Caesarea resort hotel, as luxury hotels with American investments.

d. American Investors in Israel :

More than 200 American companies now have investments of capital or know-how in Israel. The total is growing every year. The investments are done in manufacturing industries, real estate and services. And it is difficult to point out any special branch <sup>in</sup> which the United States investors respond more favorably. Once you have a good and profitable project you can expect favorable response.

Private investments by Americans in Israeli enterprises through U.S. companies specializing in raising equity and loan capital for investment in a variety of Israeli ventures have been made on a continuing basis.

Today there are four major companies in this category active in the United States. Between them they have approximately 40,000 investors and total assets in excess of \$200,000,000

#### Achievements.

##### A) General Data:

From \$90 million in 1962, annual inflow of foreign capital rose to \$152 million in 1963 and to \$174 million in 1964. Foreign investments (including portfolio) were only \$115 million in 1965 and about \$110 million in 1966. Possible reasons for the decline are falling stock prices, the dampened real estate boom, and the Government's selectivity policy regarding investments; in 1965, approved investments from the United States and Canada were \$1.2 million, Latin America \$3.5 million, sterling bloc \$2.6 million, France \$5.7 million, Switzerland \$3.1 million and West Germany \$1.7 million. The 1965 approvals included 90 industrial projects of which 50 were linked to the export of at least 50% of the output and 17 that specified smaller percentages.

##### b) Projects processed by the Investment Authority.

In 1966 the Investment Authority surveyed about 112 projects for establishment of new plants, joint venture programs and know-how agreements. About 1/3 of those projects were successfully processed i.e. a contract had been established between the American investors and Israeli Companies. The projects processed were from all branches of manufacture, agriculture, hotels, and services.

ADMINISTRATION OF THE AUTHORITY

a) Relations with authority and partners:

Connection and relations with Israeli main office are made directly and also contact is maintained with individual enterprises as necessary. The agency receives the basic guide lines from Israel as the types of industry in which Israel is interested, in as well as up to date reports on the general economic and industrial situation in Israel. The Agency receives also special reports on specific industries. According to this, the Agency creates the proper connections with potential investors who are apt to be interested in different programs such as know-how, direct investment, etc.

The agency also provides current information to the head quarters.

b) Connection with industrial projects needing foreign assistance.

Connections between the agency and the industrial projects in Israel are usually made through the main office in Israel, but in addition to the above, the agency helps any enterprise to obtain information on all problems and helps organize tours to Israel for the investors as well as encouraging Israelis to study the market abroad.

c) Verification and modification of project data.

Verification and modification of projects data are done by the head-quarters in Israel. Cases vary, some local enterprises, after being set up and in need of financial assistance for expansion etc. submit the project to the head quarters office, and after study by the office, the project is forwarded to the agency for contact with potential investors;

In some cases the reverse is true; investors contact the agency for possible investment in Israel; in this case, the agency inquires as to the ability and the financial position of the proposed investor and sends its report to the head quarters for decision as to further action.

d) Cases in which the investment authorities receives requests:

Application for approval of projects:

The initiator of a project for which he desires approval under the Law for the Encouragement of Investments must submit a detailed description of the project to the Investment Centre. Applications for approval should be submitted on a standard form, obtainable from the Investment Centre and the Investment authority prior to commencement of the project. The initiator will be expected to supply the following information in as much detail as possible and where necessary, to supplement the form by means of an appendix:

1. proposed location of the plant (it should be mentioned whether the plant is to be established in a development area);
2. A description of the products to be manufactured, the estimated turnover of the enterprises and the sales estimates of each of the main products.
3. A breakdown of the cost component by quantity, value, type of unit in each case, etc. on the following: raw materials, auxiliary and packaging materials, fuel, electricity and water, labour management costs, general expenses and one-time promotional changes.

- The estimated "added value" in foreign currency in the case of exports and/or estimated foreign currency saved by replacement of imports.
5. An estimate of proposed exports with a breakdown according to country of export. Agreements or other documents indicating the validity of the estimates should be attached as well as market surveys, where undertaken.
  6. A detailed description of the actual use of the funds to be invested i.e. cost of land, building, equipment, machinery, installations, running-in expenses, working capital, etc.
  7. A breakdown of the invested capital, local and foreign, by sources and type (share, loan, government loan, etc.) giving details of sources in each case (names and addresses of investors) and terms of loans;
  8. In the case of the expansion of an existing enterprise, a breakdown of the additional capital to be invested and of its use must be given. The figures should relate only to the project for the expansion of the enterprise. The latest company balance sheet must also be attached.

e) Identification of prospective investors.

Through the years, connections have been developed with industrial groups, banks, institutions etc., which the Agency uses in order to reach new prospective investors for a given type of project. In some cases, the Agency uses simply the different directories such as Dun & Bradstreet, Standard & Poor, etc.

f) contact and p. prospective investors.

constant relations with economic organizations, companies and investor's clubs are of major importance. The Investment Authority works with a public relations and advertising company on a monthly basis, which in turn helps the Agency in circulating information through newspapers, and economical and professional publications as well as preparation of informative surveys and brochures, which are distributed to investors and organizations.

An extensive survey has been undertaken recently to determine which branches of industry are most profitable from the point of view of the private investor as well as the most advantageous for the Israeli economy as a whole. Concerted efforts are made by the Investment Authority to attract investors to these fields in which foreign technical know-how, capital investments and foreign markets outlets are required.

g) Role in negotiations with prospective investors.

Once the Investment Authority contacts the potential investor, it sends its report to the Headquarters. Usually the American investor is interested in contacting a partner in Israel who knows the local working conditions and will be able to manage the enterprise. The Investment Authority provides the connections between the two parties concerned and while the two parties deal directly, the agency here and in Israel followup the project and if needed, assist the two parties in consultations, market research, economic data and other government assistance.

IV. Problems encountered in promotional activities.

It is a mistake to think that there are huge amounts of capital waiting to be invested in the developing countries. The contrary is true; the competition in attracting investment is very intense and it is possible to get the needed investments only if the conditions offered by the developing countries are somehow better than the conditions in the developed countries in order to compensate for the risk which the potential investor undertakes.

Some basic conditions are required in order to promote investments:

- 1 - Political stability
- 2 - Personal and property security,
- 3 - Friendly atmosphere towards the foreign investor
- 4 - Profits
- 5 - Good market potential,

Promises given in general terms welcoming foreign investment does not satisfy businessmen, who are used to liberal rules based on the law. They prefer that the benefits, grants and other incentives to encourage investment will be part of the law specifying clearly their rights.

In order to attract and hold foreign capital in Israel, the State of Israel in 1950 enacted the Law for the Encouragement of Capital Investment, affording specified relief from income and other taxes customs duties, and foreign exchange controls for investment of foreign capital in undertakings approved by the Director of the Investment Center of the State of Israel.

3) Attracting response of prospective investors.

The task of finding investors who will in fact establish a plant in



a foreign country is very difficult.

There are two types of potential investors to deal with; first, American businessmen who have their own plans and wish to invest in our country, they ask for information and connections with potential partners, etc.

Second, the potential investors the Agency tries to interest in investment in Israel; In order to get any positive response, a specific idea, or project should be submitted, specifying the plan, the commodities to be produced, manpower training, cost of production, marketing possibilities in Israel and abroad, the government help extended to the project, the profits breakdown, etc.

Often, even after many long discussions and even after undertaking advanced steps here and in Israel, including visits to Israel, market research etc., the investor decides at last to drop the idea of investment abroad, not because conditions are not attractive, but because he does not want to be involved in business thousands of miles away.

**b) Obtaining qualified staff:**

These phenomena do not have to be discouraging, we can say that if one out of twenty potential investors, does in fact invest in Israel, we are satisfied.

The negotiations with potential investors must be carried out by a professional man who is familiar with the economic situation in Israel and who is able to answer immediately any question that the investor will arise. At the same time, he must be familiar with the American

The investment authority finds it most convenient to send some of its staff members from Israel, who after a short period become familiar with the American economy and are able to handle the matter.

c) **Defining the interests of specific investors:**

The law for the Encouragement of Capital Investment is one of the important instruments for encouraging investors. Amongst the principal benefits accorded projects approved under the law are the exemption from certain direct and indirect taxes, property taxes and estate duty. "Approved

Enterprise" status is granted in the main to industrial enterprises where foreign currency earnings account for at least 50% of turnover, and to enterprises established in development areas.

Recent amendments to the law have provided for the granting of further far-reaching incentives. The major change contained in the amendment is that of giving an outright grant to "approved enterprises".

The owner of an industrial enterprise which is approved during the period 7.1.66-12.31.69 and which is established and put into operation before

1.1.1972 be entitled to cash grants up to 33.3% of the investment in machinery and equipment, government loans up to 55% of the investment in fixed assets at a low interest rate, tax concession and accelerated depreciation allowances.

In addition, benefits other than these will be available to industrial enterprises not necessarily those which have the status of an "approved enterprise". The benefits are far-reaching and include:

**Government development loans for industries**

**Assistance in constructing industrial buildings in development areas**

**Loans for working capital in development areas and industries which export.**

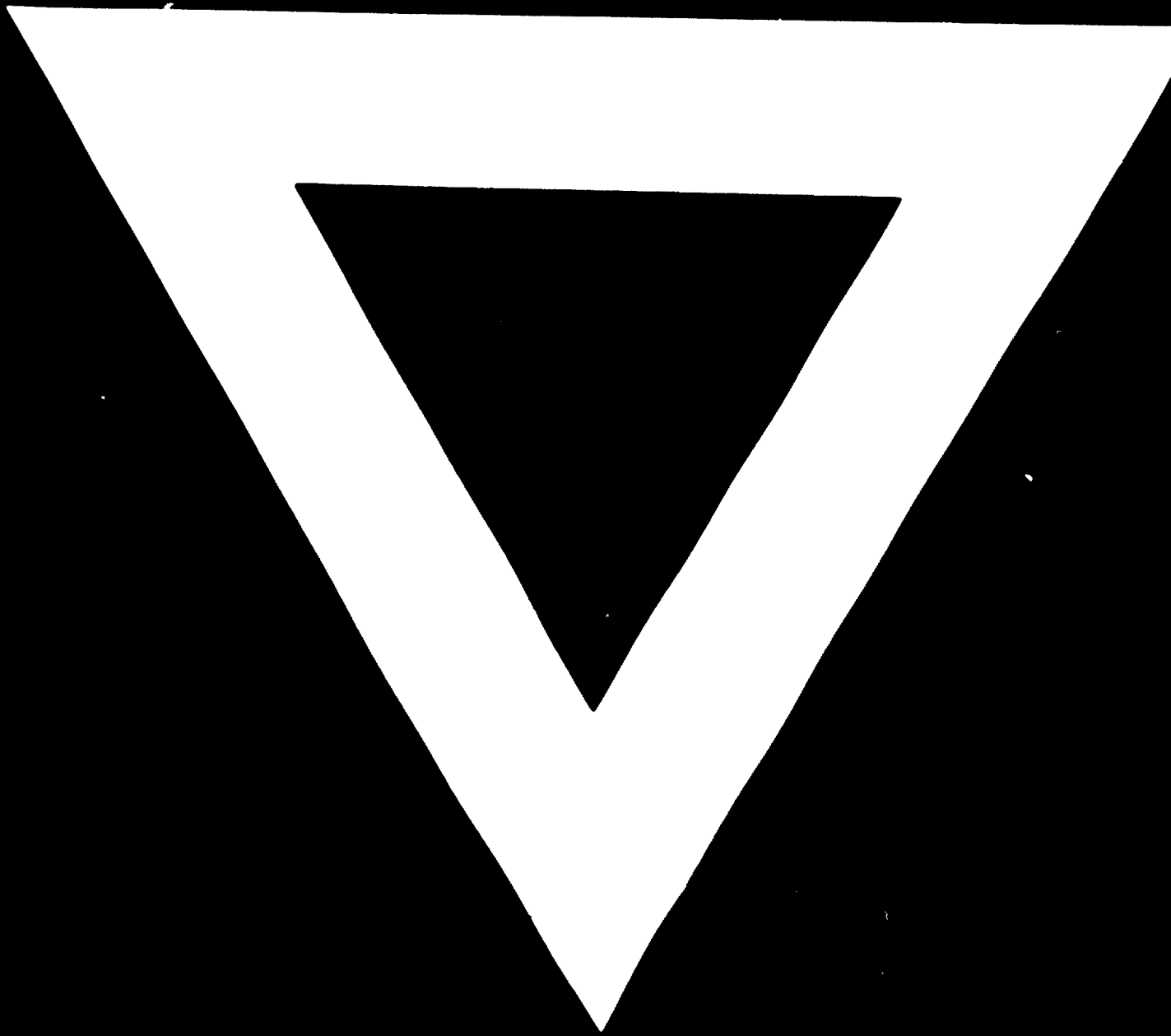
...tion in ...ing costs in development ...  
...ated depreciation allowances to industrial enterprises,  
...ance in expansion of existing industries.

V. ROLE OF UNCTAD IN THE INVESTMENT PROMOTION

It is to be noted that UNCTAD can play an important role in the international investment field by:

1. Establishing an information center to answer questions on investment problems; how and where to get know-how for different industries and performing studies on special problems set by the different investment promotion agencies.
2. Providing developing countries with current studies on direct and indirect foreign investment of capital exporting countries.
3. Furnishing current information about investment opportunities in the developing countries, to be circulated to all potential investors such as investment companies, banks, etc.
4. Financing preliminary and feasibility studies made by prospective investors.
5. Finding ways to give some guarantees to investors on their investment in developing countries.





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