

Innovation nation

The future belongs to those who innovate. Israel is seizing the future. With 8.5m people, it has more companies on NASDAQ than almost any other country outside North America and ranks third in the World Economic Forum's ranking of most innovative economies. Israeli startups receive nearly 20% of global private investment in cyber-security, punching 200 times above our relative weight. Israel recycles 87% of its waste water, five times more than the runner-up. Israeli cows produce more milk per animal than those of any other country.

People everywhere benefit from Israeli innovations in their mobile phones, car navigation systems, life-saving drugs, medical devices—even the cherry tomatoes in their salads. Equally, Israel's intelligence services have helped stop dozens of terrorist attacks in dozens of countries. These successes are buttressed by world-class universities and research institutions like the Technion, the Weizmann Institute and the Volcani Agriculture Institute.

Technology without free markets does not get you very far. All national economies are engaged in a race in which the public sector sits astride the shoulders of the private sector. In our case, the public sector got too bloated. Under a policy I called "Fat man/Thin man", we put it on a strict diet and removed barriers to competition that hampered the private sector, enabling it to sprint forward.

We controlled public spending, lowered tax rates, reformed welfare and pensions, removed foreign-exchange controls, dismantled monopolies, privatised government companies and created new capital markets. The result has been 14 years of nearly continuous GDP growth of 4-5% annually, lowering the debt-to-GDP ratio from roughly 100% to 62%.

We leverage government spending on military intelligence by encouraging veterans to form thousands of civilian IT and cyber-startups, which we regulate as little as possible. Government investments in roads and railways open up land for housing, which is developed by private contractors.

For 50 years government companies searched to no avail for offshore gas. Once we enabled private companies to search, they found gas deposits worth many billions of dollars. The government's take of these gas revenues will help fund our future needs in education, welfare and infrastructure.

Israel became an economic tiger because we chose to be a nimble mammal rather than a fossil. Benefiting from the nexus of big data,

connectivity and artificial intelligence, we are rapidly developing new industries.

Fifty years ago, Israel failed in its effort to develop a car industry. Yet in the past decade we have had 500 startups in automotive technology which receive billions of dollars of investments each year. In 2013 Google bought Waze, a crowd-sourcing navigation system, for \$1bn. In 2017 Intel paid \$15bn for Jerusalem-based MobileEye, entrusting it to oversee Intel's worldwide autonomous-vehicle businesses. Our universal digital health database holds great promise for breakthroughs in preventive and personalised medicine.

Since technology alone does not guarantee our future, we must keep promoting entrepreneurship and fight excessive regulation. In the past two years I have chaired a cabinet committee that takes a machete to the weeds of over-regulation, and Israel has moved from 27th to 16th in the Global Competitiveness Index.

High-tech diplomacy

What are the lessons of Israel's economic miracle for 2018 and beyond? The first is: *innovate or perish*. The second is: *innovate to create alliances and advance peace*.

Our technological prowess has brought us many new friends, alongside our irreplaceable alliance with America. We negotiated economic pacts with Japan and China. Relations with India are booming. Twice within a year I visited Africa. I am the first Israeli prime minister to visit Australia and Latin America.

But perhaps the most promising change is closer to home. Many Arab countries now see Israel not as an enemy but as an indispensable ally in our common battle against militant Islam. They also seek Israeli technology to help their economies. The potential normalisation with Arab states could help pave the way for peace with the Palestinians.

In 1968, in "The Lessons of History", the great American writer Will Durant wrote:

The influence of geographic factors diminishes as technology grows. The character and contour of a terrain may offer opportunities for agriculture, mining or trade, but only the imagination and initiative of leaders, and the hardy industry of followers, can transform the possibilities into fact; and only a similar combination (as in Israel today) can make a culture take form over a thousand natural obstacles.

In the half-century since those prophetic words were written, Israel has indeed overcome a thousand obstacles. Its ingenuity offers hope for every nation under the sun. ■



Economic dynamism can help make friends as well as fortunes, argues **Binyamin Netanyahu**, prime minister of Israel

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