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Israel's economic miracle explored

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The same week a New York Times columnist called Tel Aviv "one of the world's foremost entrepreneurial hot spots," about 25 Portlanders heard Israeli businessman Dr. Emmanuel Navon explain how Israel has become "the Silicon Valley of the Middle East."

Navon's visit was sponsored by the Jewish Federation of Greater Portland and hosted by Eric Rosenfeld. Navon, who was on a cross-country speaking tour, is the founder of the Navon Group, which opens market opportunities for Israeli companies in Africa. He was a consultant for Arttic, the leading group in Europe and Israel specializing in technology-related partnerships.

The NYT column (The Tel Aviv Cluster, by David Brooks, Jan. 12), noted that Israel leads the world in civilian research-and-development spending per capital. It ranks second behind the United States in the number of companies listed on the Nasdaq, a fact also noted by Navon.

Israel has gone from functioning like a third world country in the 1970s to becoming the Silicon Valley of the Middle East through three factors, said Navon. Economic reform, the influx of skilled immigrants from the former Soviet Union and a venture capital spirit with which Israelis' turned adversity into advantage have fueled that change.

"For 10 years, 1975-85, Israel functioned like a third-world economy," said Navon, noting it was socialist, had a poor infrastructure, government ownership of many industries and protectionist customs.

Following hyperinflation in the late 1970s, Israel pulled itself out of that failed Soviet style economy with economic reforms that dramatically cut public ownership and government spending and privatized government companies.

"Reforms would not alone have given birth to Israel's economic miracle," said Navon.

The influx of highly trained immigrants from the former Soviet Union was a second factor in that miracle. He said immigrants who were starting a new life were not afraid also to start a new business.

That entrepreneurial spirit meshed well with native Israeli's spirit of innovation.

"Life threatening situations compelled us to be creative and successful," said Navon. "We owe a big debt to our enemies."

For instance, in the 1960s France was Israel's primary supplier of military supplies. When France distanced itself from Israel to strengthen ties with the Arab world, Israel was forced to become expert in building and repairing its own military equipment.

Israel has turned warfare to its advantage, said Navon, noting that the military has produced a wealth of technology that also has civilian applications aiding Israel's high tech boom.

"Another aspect is the social network created by the IDF," said Navon. In addition to compulsory military service after high school, Israelis also have reserve duty every year for up to a month. "For a few days, people leave civilian life behind. ... People with different social backgrounds share meals or tents and talk."

"It's a great networking system," he said. "Executives and entrepreneurs patrol borders together for hours and talk," which has sparked many deals and start-up companies.

Another example of turning adversity into an advantage is the hostile desert environment that makes up much of Israel. Israeli agricultural kibbutzim learned to desalinate the Negev desert soil to make it arable. Additionally, the lack of water spurred the creation of drip irrigation, which is



now used worldwide.

Israel's Netafim, a manufacturer and distributor of low-flow irrigation products and drip systems, operates in 110 countries, Navon said.

"Because of Netafim's indispensable technology countries have opened relations with Israel," he said.





In coming years, Navon said he predicts Israel will take a similar lead role in energy technology: "In coming years, Israel should lead the way in the renewable energy resources weaning the world from oil."

"The focus on renewable energy will make the world more secure, preserve the environment and also be a key element in achieving peace in the Middle East," he said.

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