The State of Israel

The Advisory Committee for Examining National Security Aspects in Foreign Investments

September 2022

The Activity of The Advisory Committee for Examining National Security Aspects in Foreign Investments for the year 2021

The Advisory Committee for Evaluating National Security Aspects of Foreign Investments (hereinafter: **the committee)** began operating at early 2020, following the 2019 state security cabinet resolution B/372 (hereinafter: **cabinet resolution**). The committee was established under the chairmanship of the Chief Economist of the Ministry of Finance, and its members include senior representatives from the National Security Council and the Ministry of Defense, as well as observers from the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Economy and Industry and the National Economic Council.

The model adopted in the cabinet resolution is based on the basic recognition that foreign investments could carry many benefits. Foreign Investment lead to improved productivity, higher competitiveness, higher employment rates and higher tax revenues due to the entry of new capital, technologies and knowledge. However, alongside the opportunities created by foreign investments, in some cases, they entail risks related to national security. In recent years, many countries, including OECD member states, have established arrangements that allow limitations on foreign investments, in order to protect national security.

In 2021, the committee discussed approximately 36 billion NIS of potential foreign investments in Israel's economy, in areas under its jurisdiction. According to the cabinet resolution, these foreign investments are subject to the approval of the regulators listed in the resolution. The content of the discussions of the committee, as well as the advice provided to the regulatory bodies are confidential.

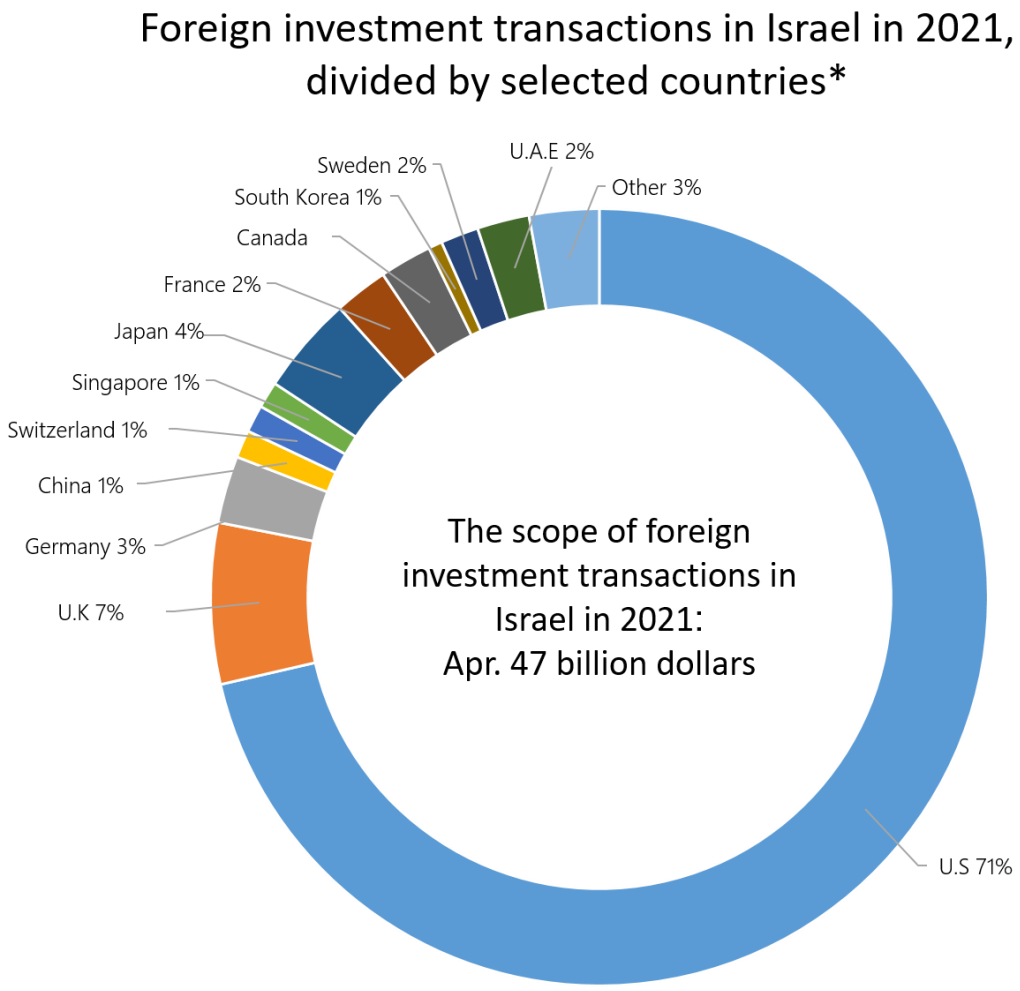
The regulatory bodies which are authorized to consult with the committee regarding foreign investments, subject to their approval, are the following: the Bank of Israel, Israel Securities Authority, The Capital Market, Insurance and Savings Authority, as well as the ministers and officials in the Ministry of Finance, the Ministry of Transportation and Road Safety, the Ministry of Communications and the Ministry of Energy, including the Water Authority, the Electricity Authority and the Natural Gas Authority, which are authorized by law to grant permission for foreign investment. As stipulated in the cabinet resolution, the advisory committee must submit its reasoned recommendation within 30 days of receiving the application.

The committee monitors the implementation of the cabinet resolution on a regular basis, and reports to the cabinet in writing, periodically, and upon the cabinet's request. In these reports, the committee includes the results of its examination and recommendations for amendments to the resolution and its activities, if necessary.

In order to support the committee's work, and in accordance with the cabinet resolution, a database of all foreign investment transactions in Israel was established by the Chief Economist Department at the Ministry of Finance. One of the advantages of this database is that it provides detailed information on specific transactions, whereas the Central Bureau of Statistics publishes only aggregate data. Thus, the database is useful for identifying trends and characteristics that may be missed in aggregated data. Moreover, the database provides additional information that is not included in other official databases (such as those of the Central Bureau of Statistics, the OECD and UNCTAD), including the parent companies of the investing companies (if any) and their countries of origin.

The foreign investment report that is expected to be published later this year will provide additional details on the foreign investment data collected by the Chief Economist's Department, as well as their relative uniqueness compared with other official databases.

The data collected during the reported period reveal the following picture regarding foreign investment transactions in the Israeli economy:

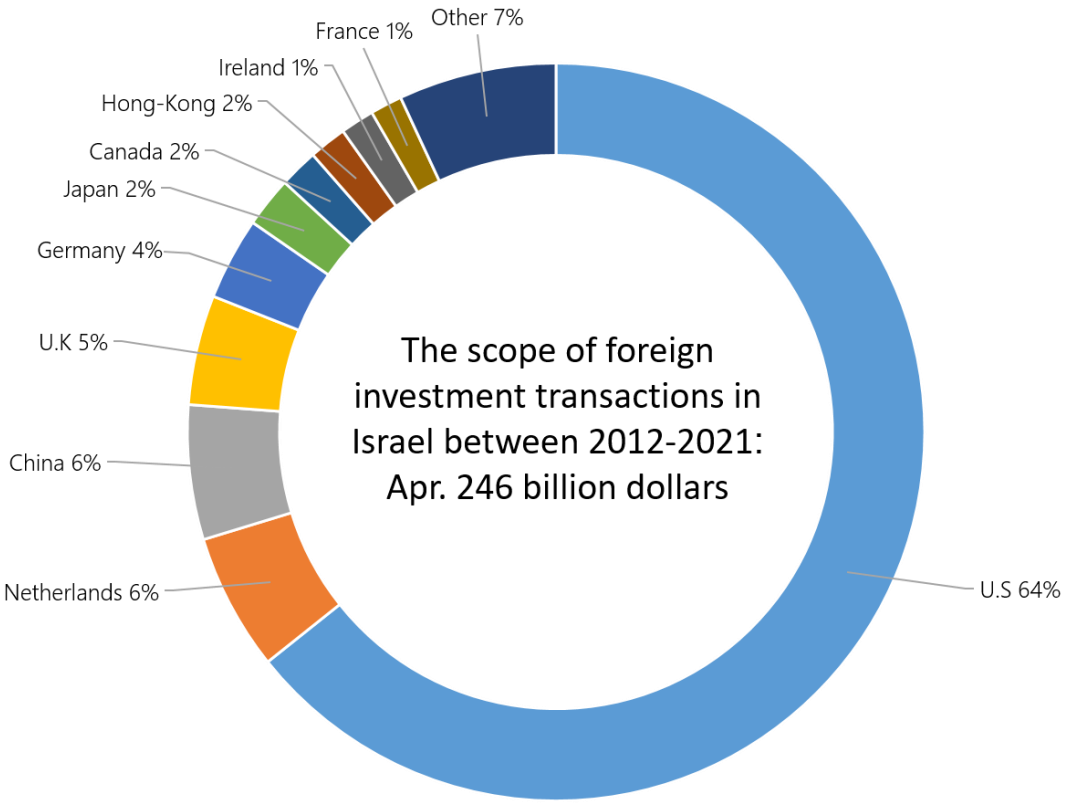


Source: Foreign Investment Data Database, Chief Economist Division

*Shown are countries whose share in total investments that exceeds 1%

**Aggregate investments from the countries whose share is less than 1%

Foreign investment transactions in Israel between 2012-2021, divided by selected countries*



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Resolution number B/372 of the Committee of Ministers for National Security Affairs (the State Security Cabinet) dated to October 30, 2019, refers to *"Establishing a process and a mechanism for examining the national security aspects of foreign investments"*. The resolution, which details, among other things, how to contact the committee and its timetables, can be found in the following links:

https://www.gov.il/he/departments/policies/dec372_2019 (Hebrew)

https://www.gov.il/en/departments/policies/foreign-investment-board (English)