

Developments in the digital age

Israel's business opportunities in the UK are increasing due to a program called Digital Britain

By Juan de la Roca

The UK has been one of Israel's most important trading partners for nearly 100 years. From 1917 until 1948, Palestine was a British mandated territory, and most of its exports -- mainly citrus fruit -- went to the UK. This trend continued after Israel attained independence in 1948. In that year, total exports amounted to 1.5 million pounds sterling, the equivalent of \$6 million at the time. Today, that would amount to roughly \$300 million, the bulk of which went to the UK.

In 2008 Israeli exports amounted to \$80 billion, of which \$2.3 billion went to the UK. The relative fall in the market share of the UK since 1948 is understandable. In its early years, Israel's economy was primarily agricultural. But within a few years the country became industrialized, and its export trade grew larger and more diverse. As agriculture declined and industry expanded, the percentage of Israeli exports going to the UK fell. Still, the UK is Israel's second-largest market after the US.

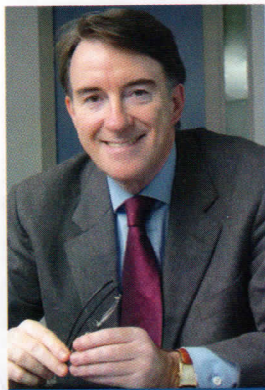
For many Israeli companies Britain is the gateway to Europe, and many of these companies have offices in the UK. London is second only to New York as a source of funds. Israeli companies are traded on either the New York or London stock exchange. The number of local companies traded in other stock markets is very small.

The number of business opportunities in the UK, especially for Israeli companies, has increased thanks to a government program called Digital Britain. It is the initiative of Lord Peter Mandelson of the British Labour Party. He serves as first secretary of state; secretary of state for business, innovation and skills; president of the Board of Trade; and lord president of the council.

The goals of the program are the following:

- To complement and assist the private sector in delivering the effective modern communications infrastructure necessary for the new digital technologies.
- To enable Britain to be a global center for the creative industries in the digital age, delivering an ever-widening range of quality content, including public services.
- To ensure that people have the capabilities and skills to flourish in the digital economy and that all can participate in the digital society.

Lord Mandelson, UK Secretary of State for Business,



Lord Peter Mandelson

told *Financial Horizons*: "Digital Britain is about supporting the development of a wide range of technologies across the digital sector -- from TV and radio to telecom. We've paid particular attention to the next generation of high-speed broadband, both wired and wireless, where innovation and investment will be crucial to the UK's future competitiveness. But Digital Britain is also about making sure people can access and use the technology and that the sort of content people want and need is available over our new networks."

Lord Mandelson, Israel is a very hi-tech oriented country. How can Israeli companies with the necessary technology participate in the program?

By investing in Digital Britain, we are looking to boost the UK's status as a power on the global digital stage. The UK is already home to Europe's largest ICT industry, employing over a million people and contributing 10% of UK GDP. But we also welcome companies seeking to bring quality investment to the UK. With the strength of Israel's technology sector, this is a real opportunity for business and partnership. With more than 200 Israeli companies with a presence here and almost 40 listed on the AIM and London Stock Exchanges, Israeli companies are finding the UK an attractive destination.

When the program is completed, will there be need for new technologies and/or services? Will the completion of the program generate demand for new services or content?

Digital Britain marks an important step forward, but it is not the end of the process. By supporting the development and deployment of new technologies, by encouraging people to use

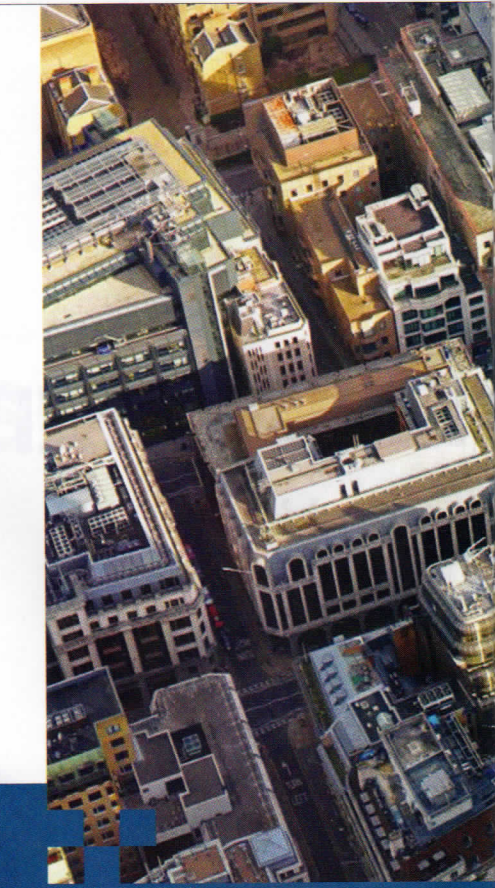


Photo by: Jason Hawkes

them and by promoting the creation of attractive content to run on them, we pave the way towards more innovation and further advancements. The way people do business, communicate and look for entertainment will continue to evolve. Digital Britain is intended to help that progress along.

What kind of expenditure will Digital Britain eventually generate?

Independent sources have estimated that Digital Britain is likely to generate over £1.5 billion of expenditure.

Digital Britain in Israel

The British Embassy in Tel Aviv, through the efforts of Richard Salt, the embassy's director of trade and investment, is very active in promoting Digital Britain in Israel. In September, together with TBK Consult UK and TBK Consult Israel, the embassy organized a seminar on Digital Britain and how Israeli companies can participate in the program.

Salt told *Financial Horizons*, "There are many business opportunities for Israeli hi-tech companies in the Digital Britain program. The program will generate expenditure of over 1.5 billion pounds. There is a need for technologies in such areas as mobile broadband fiber for the home; Saas and cloud computing; security technologies; speech and natural text input; location and tracking services; and power management. I am confident that the Israeli hi-tech industry, which is well known for its high level of innovation, will be able to supply some of the technologies needed to implement the Digital Britain program."

Haim Oren the managing director of TBK Consult in Israel, says, "If one wants to do business with the



UK, it is advisable to do it with a local partner. And TBK can supply the necessary contacts."

Paul Cunningham, the TBK manager in the UK, explains that while TBK is involved in promoting hi-tech business ventures and trade, the UK offers exciting business opportunities in other fields.

Hi-tech is not the only area of opportunity for Israeli businesses.

The UK is the world's fifth largest economy after the US, Japan, China and Germany. It has a GDP of approximately \$2.5 trillion and a per capita GDP of \$40,000. That is a lot of buying power and a lot of goods and services to export.

In 2007, Israel imported goods and services from the UK amounting to \$2.7 billion. It has a bilateral trade of \$5 billion; but with a small effort, it could easily reach \$6 billion.

Salt adds, "In Israel, the UK is seen as a natural trading partner, and indeed there is no reluctance from the UK to buy Israeli products provided that price, quality, delivery and customer service can be met. UK exporters feel at home and do well in Israel; company law is based on English law, and there are no language barriers. Israel is a remarkable success story for UK business, and UK exports to Israel's small but lively market continue to prosper. There are super opportunities for UK and Israeli companies in both markets in a range of sectors, particularly life sciences such as health care and science and technology. But it does not stop there. Both UK and Israeli companies are increasingly taking part in projects associated with infrastructure, financial services and energy, including sustainable and renewable energy, tourism and new and emerging technologies," says Salt.

The 2012 Olympics in London

London will host the next Olympic Games in 2012. It is the only city in the UK to host the modern Olympics since their inception in 1894. The municipal authorities have already begun making the necessary arrangements. The pre-Olympic preparations have a budget of 10 billion pounds.

While the Digital Britain program opens up exciting business opportunities for the Israeli hi-tech industry, so do the 2012 Olympic Games. Today, any event of the magnitude of the Olympics has a very large hi-tech component. For example, there is a need for mobile communication systems for a wide range of security technologies. And there are many areas in which Israeli technology is on the cutting edge. Israeli firms are able to benefit from the UK'S Olympic success. They can bid for, and secure, 2012 contracts. CompeteFor (www.competefor.com) is the online site used to publish London 2012 and Games-related contracts. It acts as a brokerage service between buyers throughout the London 2012 supply chain and potential suppliers. Through the registration on CompeteFor, UK Trade & Investment (UKTI) can identify those who have an interest in partnering with a UK business and/or in establishing a presence in the UK, and UKTI can advise them on how to make this journey.

Having a British presence can potentially allow overseas firms to benefit from their attempt to secure business in future multinational sporting events around the world. Although London is the host city of the 2012 games, major events such as sailing and BMX racing are taking place outside the capital. British companies from across the UK are encouraged to bid for Olympic business and, likewise, overseas investors are encouraged to look at the UK opportunity when considering their investment location.

