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# ISRAEL: ITS ECONOMIC TRANSFORMATION

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# EXECUTIVE SUMMARY

In this paper, we aim to discuss the major factors leading to Israel's remarkable economic transformation since it became a modern state in 1948. The declaration of its independence and its gradual transformation into a state made them create a culture of national and global importance. In this article, we will include a brief account of the country's ancient history, its pre-state background and its influence, the changes of its economic policies that would account to the nation's expansion and fluctuations, and the legal systems and framework that helped in its evolution. Although these factors indicate a positive effect on its economic revolution and status, making them one of the high-ranking nations among the Organization for Economic Cooperation and Development (OECD) members, Israel is identified to be one of the countries with the highest poverty standing, high level of socio-economic gaps and income inequalities, and a weakening productivity growth. In conclusion, we aim to examine closely the contradictory macro indicators of the country's economic standing to have a full understanding of its transformation since becoming a state in 1948.

# INTRODUCTION

Israel is located in the Middle Eastern part of the Mediterranean Sea bordered by Lebanon, Syria, Jordan and Egypt. It has a total area of 8,630 sq. miles, of which 8,367 sq. miles is the land area and is divided into four geographical regions: three parallel strips running north to south and a large, mostly arid, zone in the southern half. The people of Israel are called Jews or referred to as Jewish people with their own unique culture and trail. The history of Israel started some 35 centuries ago when the Jews abandoned its nomadic ways to settle to become a nation. It is known by many names - Eretz Yisrael which means Land of Israel; Zion, named after one of Jerusalem's hills; Palestine, from Philistia which was used by the Romans; the Promised Land; and the Holy Land, to name a few. Today, Israel is populated by over 7.8 million people with about 5.9 million Jews and 1.6 million are Arabs. The country is characterized by a broad range of lifestyle, from modern to traditional families, from religious to secular, urban to rural and a lot more. (Facts About Israel: History, 2010)

## I. HISTORY

### A. Biblical Times

One of the major storylines throughout the history of the world is from the scriptures about the Lord's relationship to the house of (Jacob) Israel. It is important to date back, to the time of Abraham - who the Lord made a promise, to a place to call his own, the power to act in God's name and a large posterity, in return the Lord wants Abraham and his descendants to be a righteous example to the rest of the world and make his name known (Decker, 2014). Jewish history began about 4,000 years ago (c. 17th century BCE) with the patriarchs - Abraham, his son Isaac, and grandson Jacob, later given the name Israel.

### B. Modern Israel

Modern Israel began in the early 1880s, which was the setting of the Zionist Movement in Palestine then under the 400 years Ottoman Rule. The Zionists were Jews from Poland who wanted to return to their biblical home to build a state (BBC, 2012). These immigrants joined the Jewish community in Palestine in putting up new rural settlements, establishing industries, reviving liturgy and literature, restoring Hebrew as its national language, and creating new institutions (Israeli Foreign Ministry). This was however, met with resistance by the Arab population who had been living in the land uninterrupted for over 1,300 years (Wollenberg, 2003).

### C. British Rule

Palestine was controlled by Britain from 1917 to 1948 which helped develop the economy of Israel. Unproductive and arid lands were cultivated, industrial businesses were founded, power plants and other infrastructures were built. The government's financial systems were established, as well. Taxes were collected to for community welfare, education and health services (Dan, 2015). The reported average growth rate of domestic product grew by 13.2 percent during the British domination (E.G, 2014). British Foreign Minister Balfour acknowledged the establishment of the Jews' national home in Palestine named as The Balfour Declaration in November 1917, created a great deal of conflict between the two parties.

## D. IMMIGRATION: The Early Years

The collision between the Arabs and the Jews was brought closer by the events in Europe during that time because after 1933 Hitler turned the power of the German state against the Jews which increased the number of Jewish immigrants to Palestine (BBC, 2012) to about 35% by the end of 1947 (Halevi). The massive immigration gave a boost to the economy by increasing the national product growth for interstate consumption and exportation (E.G, 2014). Furthermore, the German government was required to pay USD 111.5 billion to Israel for the damage of the Holocaust. This contributed to about 87.5% of Israel's income.

However, the intolerance of the Jewish presence in Palestine has caused a widespread opposition which resulted to Independence War in 1948 (Wollenberg, 2003). On November 29 1947, the United Nations adopted the Partition Resolution dividing the Palestine into two - 56 percent of the land was for the Arabs and 43 percent for the Jews (Bard, 2016). The conflict was intensified after the vote which escalated to become a civil war within a week.

## II. State of Israel

On last day of the British Mandate in May 1948, the announcement of the existence of the State of Israel as the world's only Jewish State and the only liberal democratic nation in the Middle East. The independent state was supported and recognized by the United States of America and other countries because according to the Jerusalem Center for Public Affairs, the United States detest intolerance and discrimination as they experienced the same plight during World War II (Richard, 2008). Soon after the declaration of the state, its economy soared high when it embarked on a course of rapid industrialization. The recognition of Israel as the state of the Jewish people where the Jews said yes, the Arabs said no, sadly this tradition of rejection from the Palestinian leadership continues today. Jewish people arose and where its spiritual, religious and political character was shaped, here they attained their sovereignty to develop its economy, from small establishments that deals primarily with agricultural products, and clothing, to an open high-tech industry, from using modern methods and advanced manufacturing technologies.

Be that as it may, this brought the invasion of five Arab states – Egypt, Lebanon, Syria, Iraq, and Jordan (BBC, 2012), with a few fought again in 1956, 1967 and 1973 (Swirski, 2011). The Israelis scored a strategic victory in 1949 which made the Arab world even more unstable (BBC, 2012), with most of them fleeing or were forced to leave Palestine under the Israeli rule, resulting to a refugee crisis which still lingers on until today (Swirski, 2011).  
(Refer to Appendix A for the historical timeline).

## III. Transformation

### A. POPULATION

With the inception of Israel as a state, a law of return was established that "Every Jew has the right to immigrate to Israel". By the purpose of this law "Jew" means a person who was born of a Jewish mother or has become converted to Judaism and who is not a member of another religion (The Law of Return). The main factor for the positive increase in population was the fact that the immigrants are coming from

all over the world. The Jewish people in Israel has about 73% Israeli-born, while 18% are immigrants from North America and Europe and almost 9% are from Africa and Asia. Thousands of Jewish people from the former Soviet Union and Europe, plus Israeli-born descendants and Ashkenazi Jews, account for 50% of Jews in Israel. Population crossed the two million mark in 1958 nine years after the establishment of the State of Israel, indicating a positive population growth rate. Majority of them were survivors from the Nazi camps, as well as members of communities whose migration originated from the Arab countries in Asia and North Africa (Israel Population, 2016).

*(Please refer to the Appendix B for the population line graph from 1950 to 2016).*

## B. ISRAEL LABOR MARKET

When the Soviet Union was dissolved in 1989, Soviet Jews immigrated in large numbers to Israel and close to one million were absorbed by Israel making this an opportunity for higher income and socio-economic security. Most of the Soviet Jewish immigrants are highly educated and have come with a good deal of labor market experience, in effect they are employable and therefore fitting for a generous package of benefits. (Goldner, Eckstein, & Weiss)

In addition, the human capital is one of the key factors that led to the rise of Israel in becoming a technological powerhouse. Immigrants consist of highly educated and intelligent people such as scientists, engineers, technicians and skilled professionals that are tactical, innovative and cultural risk-taker (Chorev and Anderson, 2006). These people contributed a lot in the success of Silicon Wadi.

## C. ECONOMY

Between the establishment of the state to about 1973, Israel did not possess natural or financial resources, monetary reserves, and had very little economic infrastructure and a few public services. In addition, they had a quasi-socialist economy which is the lack of privately owned economic entities including banks, therefore, the burden of handling the main issues to establish the system fell upon the public sector. The massive inflow of immigration in the 1950 to 1960s required a massive capital so they can provide food, clothing, shelter, set up civil services and financial systems.

The first Prime Minister of Israel, David Ben-Gurion, further claimed for an additional compensation to support Israel's economy after the crisis by holding a conference in New York City which was joined by 23 major Jewish national and international organizations. The assembly accumulated USD 52 million in government bonds from the American and Canadian Jews (E.G, 2014). The resources were used to for industrial and agricultural development projects allowing Israel to survive the economic crisis after the war.

### 1. Trade Agreement

A trade agreement with the European Economic Community (EEC) was established in 1964, which made Israel a free trade area for industrial products making export a comparative advantage as taxes were not collected (E.G, 2014). But in 1962 the government devalued the Israeli pound as a requirement of the General Agreement on Tariffs and Trade (GATT) to meet upward price pressures. With this, various exchange rates were abolished and parity was lowered from 1.80 to 3.00 pounds per dollar followed by a partial liberalization of imports (Bordo & Eichengreen, 2007).

The Six Day War of 1967, allowed control over the West Bank which led to Israel's economic upsurge. The government spent a huge chunk of its income on infrastructures employing about 40 percent of Palestinians on the construction and agriculture sector (E.G, 2014). This was; however, interrupted by the British pound devaluation which made them match the devaluation by reducing the

exchange rate from 3.00 to 3.50 pounds to a dollar. After four years of economic expansion, Israel's economy gradually declined as the pound was further devalued from 3.50 to 4.20 to the dollar in 1971. This was coupled with inflationary pressures (Bordo & Eichengreen, 2007).

The Arab - Israeli war in 1973 caused a significant growth in government deficit with the increase in defense expenditure, and the increased monetary requirement to provide domestic welfare programs such as unemployment benefits, child allowances, old age pensions and minimum income support. The war has triggered the proclamation of the oil embargo leading to an oil crisis causing short and long term effects on global relations, politics and the economy.

## 2. Peace Treaty

Perhaps the first recorded advancement of Israel was in 1979, which was the signing of the Peace Treaty with its major military adversary, Egypt. This was followed consequently by the signing of the Oslo accords, which established the Two Palestinian Authority between Gaza Strip and West Bank. A year after, Jordan signed its peace treaty with the state. These treaties have helped Israel improve on its global relations, hence expanding its international trade (Swirski, 2011).

## 3. Oslo Accords

Even though the Oslo Accords calls for a five-year limited autonomy, establishment of a police force, election of council and Israel to withdraw from Jericho, Gaza and the West Bank (CNN Library, 2016), it did not lead to a formation of an Arab state nor the colonization of Palestinian territories. This conflict is carried out until today in small-scale confrontations, which also led to a major uprising in 1987 and 2000. These created drawbacks to Israel's economy because of its high economic and social costs. The economic crisis was caused by the need of monetary support for the military and at the same time, the pressing demand to provide housing and employment for the immigrants (E.G, 2014).

## 4. Capitalism

The second major conflict, gave Israel a negative GDP growth for two years. With high defense expenditures, Israel's GDP reached 7.3% in the mid 2000 ranking it 6<sup>th</sup> on the CIA World Factbook list on defense investments with about one fifth is funded by the United States government (Swirski, 2011). The high expenditure made them develop a sophisticated military industry which at present became a strategic important sector in their export market. They are a major global player in the arms market and is ranked as the 6<sup>th</sup> largest arms exporter in 2014 accounting to about 10% of the country's export market (Swirski, 2011).

The long-term effect of the 1973 war snowballed over a decade causing political upheaval and a triple digit inflation in 1984 to 1985 which reached a peak OF 450% putting an end to the highly-centralized government controlled economy. In 1985, the capitalist economy replaced the socialist economy of Israel. To help them with their stabilization plan, the United States of America under Ronald Reagan rule extricated Israel from its financial straits and offered a USD 1.5 billion grant to Israel.

The plan included the reduction of government debt through continuous economic reforms which included freezing prices, wages and exchange rates. The public supported this and expected their leaders to take steps that would release Israel from its troubled economy. Wages were eroded to more than 12-14%, the state's budget was cut by taking out subsidies on basic products which of course lead to increased prices which reached to about a billion US dollars.

In addition, a 4% cut was taken out from its defense budget showing how serious Israel's government is willing to pay to succeed. The final step of the stabilization plan was the very high interest rates caused by a dispute between their political leaders and the Bank of Israel which led to stopping the government from taking loans from the Bank of Israel and its freedom to control its interest rates.



The most noteworthy outcome of the stabilization plan was the significant decrease of the inflation rate from 450% to 20% within a year, the 15% budget deficit shrunk to 0, new institutions were born, the Bank of Israel was reborn to an independent institution and the making of the all-powerful Finance Ministry of Israel providing it vast control to take care of the state's budget to prevent it from falling back into its economic state in the 1980s. Israel made it through the 2008 financial crisis, which resulted to a price decrease in shares and corporate bonds (Stanley, 2008), because of a well-established budget policy which focuses on limiting spending targets and deficit levels making them the country they are today.

The government has about 40% share of its GDP today and with the reduction of the government's share in the economy, the performance of private companies is enhanced by opening the Israeli economy to foreign and competitive imports as the country has low raw material supply accounting to having a higher import share than their export market. Gas is the only known natural resource that they have relied on for exportation (Dennis, 2015). They have; however, developed an alternative source of energy for production purposes. But despite of having a low raw material resource, they are known to have driven the world market in science and the technology sector.

Furthermore, capitalism has led reforms to its capital markets and pension savings by making the public responsible of its pension plans. The reform of its capital market with its release of foreign currency trading and the end of fixed exchange rates, was an outcome of Israel's monetary policy. The success of the stabilization plan is credited to Prime Minister Shimon Peres, who was known to be the general who lead the victory.

*(Please refer to Appendix C with the graph showing the GDP of Israel from 1940 to 2020 (projection)).*

## 5. Privatization

The privatization of industries led to the flourishing of the high-tech industry and services. Israel is known to the Silicon Wadi and best known for its capabilities in research and development which gave birth to technology innovative products which are sold to international information technology giants such as Microsoft, HP and intel to name a few. Foreign investors' Warren Buffett and Donald Trump of the real estate business are reported to have heavily invested in Israel's developed market economies. And, because of Israel's advanced R&D capabilities in technology, Israel is known to be 'the shining image of a start-up nation'.

It is reported that more than 270 multinational corporations and about 320 advanced R&D facilities have been established throughout Israel (Ziva, 2016), and that has attracted many international businesses to invest in Israel. Moreover, the government is encouraging foreign investment by providing tax break incentives for R&D. The foreign investments have also contributed to the economic growth of the country. Furthermore, their technological advancement was used to cut diamonds and is used in pharmaceuticals which are their leading industry exports.

Israel has also been known to be the leading provider of the desalination machine. In effect, the state of Israel had signed an agreement with Governor Jerry Brown to export the water technology to California to help drought (Dennis, 2015).

## D. TECHNOLOGICAL POWERHOUSE

Israel's Silicon Wadi is the second most successful in high technology industry following United States' Silicon Valley (Kaplan, 2000 and Rosenberg, 2002). It is located in Tel Aviv and is the technological core generating innovations in Information and Communications Technology (ICT), hardware and software design, electro-optics, data communications, internet, etc. Factors affecting the success of Israel include government policies which supported promoting national innovation and industrial competition.

The growth of Israel's technology industry is attributable to its high-skilled work force and exceptional academic resources (Trajtenberg, Avnimelech and Teubal, 2006). Its R&D percentage contributed to the Gross Domestic Product (GDP) by 3.93 in 2013 and 4.2 in 2014 and is the highest in the world as compared to 2.4% in the OECD countries. This indicates that Israel is the leading nation for R&D.

In developing the high-tech clusters, the government supported the proposals of skilled immigrants by providing technological incubator programs. Universities collaborate with industries to do research incubation. R & D were carried out by major universities such as Ben-Gurion University of the Negev, Technion-Israel Institute of Technology, Hebrew University of Jerusalem, Weizmann Institute of Science. The scientific R& D through the universities' owned by Technology Transfer Companies (TTCs) were commercialized and now have entrepreneurship centers, such as the Tel Aviv University and Bronica Entrepreneurship Center at Technion.

Another factor that transformed Israel into a Israeli Silicon Wadi is the thriving VC (Venture Capital) industry which helped create the cluster effects to maintain the growth of high-tech clusters. It can be inferred that the successful cluster development was due to effective collaborations among the government particularly OCS, the universities and industries.

Yozma (Hebrew for "initiative") program supported investments oriented sectors during 1993-2000. Founder of Israel's Venture Capital industry "Yozma" which was a government initiative had attracted follow-up funds to provide more capital for investments. The investments on R&D are 4.5% of GDP and have powered the high-tech start-ups with a total of 2,436 comprising 855 VC-backed companies during 1993-2000.

The OCS' policy to support R&D investments, resulted in the number of Israeli imitating in the US has grown very rapidly at the average rate over 10% per year, placing Israel as the 14th largest foreign recipient of US patents. Its patents are mainly in the areas of biotechnology, communications, and technological areas of computer. Today, Israel is known as model of high-tech clusters in which its success is due to its VC landscape policy to support entrepreneurship.

## IV. THE IMPACT OF WAR

In 1967 Israel occupied the west financial institution and Gaza strip and incorporated their markets into its own (S.Roy & L.Farsakh, 2005). The Israeli economy at that time was found ten times the dimensions of the Palestinian financial system, its product diversification improved, and the manufacturing region's GDP percentage was greater than 4 instances large.

The differences in length and shape had been therefore between a large, superior, and wealthy economic system and a small, underdeveloped, and poor economy each theoretical analysis and empirical research advise that the dynamics of this sort of relationship always generate two opposing forces that disproportionately have an effect on the smaller economy and form its development.

A positive result is an accelerated demand for the goods of the small economy, a diffusion of technology and information, as well as other spread consequences as a result of the geographical proximity to a large market leading to subcontracting, joint ventures, and coordination in tourism and different services.

Destructive repercussions stand up from the disappearance of many industries in the small financial system, its confinement to generating low-talent items, and the emigration of a large phase of its labor force to the neighboring economy, in addition to different international locations. Those effects are acknowledged in the literature as backwash results or polarization effects, springing up from the capability of efficient, huge-scale industries in the advanced financial system to out-compete inefficient small-scale industries in the much less advanced financial system, and appeal to its labor and capital.

The Israeli occupation of the Palestinian territory in 1967 advised a battle which has been stretching to this date without a solution in sight. The warfare has varied greatly in depth with erupt extreme violence, inclusive of at some point of the primary and 2nd intifadas(also known as the Al-Aqsa Intifada was the

second Palestinian uprising against Israel – a period of intensified Israeli-Palestinian violence), at the side of lengthy intervals of low-depth violence.

Whilst political and religious explanations for the struggle flourish, exceedingly little is thought about the economic perspective. That is a crucial hassle as much of the conflict literature acknowledges the key significance of monetary elements in modern conflicts. This allowed Palestinian employees to go into the Israeli exertions market, at the same time as stopping real development in the occupied territory itself.

Just about 8 years since the economic crisis in 2001 to 2003, their economy had recovered dramatically. The income per capita reached to about USD 20,000.00, in par to similar a developed country. Furthermore, after economic recession, its GDP growth rate is reported to have an average of 0.95 percent from 1980 until 2016, reaching an all time high of 4.30 percent in the second quarter of 1984.

In 2003, Israel started to decrease the welfare payments to promote the real free market. It established the Histadrut, organisation of trade unions. They aim to be the lead in the agricultural, cooperative, construction, social and industrial sectors. They have replaced the traditional manufacturing procedures to a more sophisticated one, to come up with the best products in the market. The EU and US is known to be their target market.

Israel joins the Organization for Economic Co-operation and Development (OECD) in 2010 which was a momentous occasion for Israel's economy. Becoming a member to OECD allows government to shape policy and upgrade economy so that it becomes known as a leading economy throughout the world.

Last 2015, the nation was ranked 8th most powerful country in the world by the U.S. News and World Report. They were ahead of Canada, Italy, Pakistan, India, Saudi Arabia, Iran, and others (The Library, 2016).

## CONCLUSION

The occupational regime was a factor in Israel's economic transformation. Palestinian workers flooded the nation's labor market with highly skilled and low cost workers which directly contributed to its national prosperity. Moreover, the Palestinian's labor market made it easier for Israeli's to acquire their owned businesses, because of the very low labor cost with higher yield.

Secondly, the introduction of the Jerusalem Law established the status of a united conglomerate of Jewish cities and identifying Jerusalem as its capital. Israeli settlements in Palestinian cities increased the domestic market to about 50 percent of its population size. The captive market was blocked from imports and local Palestinian production was suppressed.

Although in 1967 the Arab nations were boycotting Israel, the "Open Bridges" policy still allowed the West Bank to export to the Arab world, which was taken advantaged by the Israeli's as the West Bank label was not snubbed. Products were then falsely labeled as West Bank and were sold to unsuspecting Palestinian consumers. This practice accessed unreachable markets in the Arab world.

In addition, Israel's abundant natural resources such as oil and water and exploitation of these natural resources made Israel a productive region.

Lastly, they have strengthened relation with other powerful countries by requesting for more aid and support as well as establishing peace with Arab countries, a strategy to convert the defense budget to other sectors. They have mastered the strategies to go through crises, and have adopted new business practices to drive economic growth which they have done so well and kept their economy in progress reaching its highest potential at the same time having a backup resolution for any other unforeseen threat to minimize any form of impact to its economy. These all contributed to its economic development and transformation.

The nation is becoming politically stronger right now, it has become popular over time, Israel's diplomatic ties have expanded massively around the world but most of its new friendships are more likely based of common interest.

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# APPENDIX A

Table 1

**Timeline of Historical Highlights: Biblical Times**

Period	EVENT
17th-6th C. BCE	Biblical Times (BCE- Before the Common Era)
c.17th Century	Abraham, Isaac, Jacob - patriarchs of the Jewish people and bearers of a belief in one God - settle in the Land of Israel. Famine forces Israelites to migrate to Egypt
c.13th century	Exodus from Egypt: Moses leads Israelites from Egypt, followed by 40 years of wandering in the desert. Torah, including the Ten Commandments, received at Mount Sinai
13th-12th centuries	Israelites settle in the Land of Israel
c.1020 c.1000 c.960 c. 930 722-720 586	Jewish monarchy established; Saul, first king. Jerusalem made capital of David's kingdom. First Temple, the national and spiritual center of the Jewish people, built in Jerusalem by King Solomon. Divided kingdom: Judah and Israel Israel crushed by Assyrians; 10 tribes exiled (Ten Lost Tribes). Judah conquered by Babylonia; Jerusalem and First Temple destroyed; most Jews exiled

Notes: (The Israel Ministry of Foreign Affairs, 2010)

Table 2

**Timeline of Historical Highlights: The Second Temple Period**

Period	EVENT
538-142 538-515 332	Persian and Hellenistic periods Many Jews return from Babylonia; Temple rebuilt. Land conquered by Alexander the Great; Hellenistic rule.
166-160 142-129 129-63 63 63 BCE-313 CE 63-4 BCE (CE - The Common Era)c. 20-33 66 70 73	Maccabean (Hasmonean) revolt against restrictions on practice of Judaism and desecration of the Temple Jewish autonomy under Hasmoneans. Jewish independence under Hasmonean monarchy. Jerusalem captured by Roman general, Pompey. Roman rule Herod, Roman vassal king, rules the Land of Israel; temple in Jerusalem refurbished Ministry of Jesus of Nazareth Jewish revolt against the Romans Destruction of Jerusalem and Second Temple. Last stand of Jews at Masada.
132-135 c. 210	Bar Kokhba uprising against Rome. Codification of Jewish oral law (Mishna) completed.

Notes: (The Israel Ministry of Foreign Affairs, 2010)

Table 3

**Timeline of Historical Highlights: Foreign Domination**

Period	EVENT
313-636	Byzantine rulec.
390	Commentary on the Mishna (Jerusalem Talmud) completed.
614	Persian invasion
636-1099	Arab rule
691	On site of First and Second Temples in Jerusalem, Dome of the Rock built by Caliph Abd el-Malik.
1099-1291	Crusader domination (Latin Kingdom of Jerusalem)
1291-1516	Mamluk rule
1517-1917	Ottoman rule
1564	Code of Jewish law (Shulhan Arukh) published.
1860	First neighborhood built outside walls of Jerusalem's Old City.

Notes: (The Israel Ministry of Foreign Affairs, 2010)

Table 4

**Timeline of Historical Highlights: Foreign Domination**

Period	EVENT
1904-14	Second Aliya, mainly from Russia and Poland.
1909	First kibbutz, Degania, and first modern all-Jewish city, Tel Aviv, founded.
1917	400 years of Ottoman rule ended by British conquest; British Foreign Minister Balfour pledges support for establishment of a "Jewish national home in Palestine"

Notes: (The Israel Ministry of Foreign Affairs, 2010)

Table 5

**Timeline of Historical Highlights: British Rule**

Period	EVENT
1918-48	British rule
1919-23	Third Aliya, mainly from Russia
1920	Histadrut (General Federation of Labor) and Haganah (Jewish defense organization) founded.
1921	Vaad Leumi (National Council) set up by Jewish community (Yishuv) to conduct its affairs.
1922	
1924	First moshav (cooperative village), Nahalal, founded.
1924-32	Britain granted Mandate for Palestine (Land of Israel) by League of Nations;
1925	Transjordan set up on three-fourths of the area, leaving one fourth for the Jewish national home.
1929	Jewish Agency representing Jewish community vis-a-vis Mandate authorities set up.
1931	
1933-39	Technion, first institute of technology, founded in Haifa.
1936-39	Fourth Aliya, mainly from Poland.
1939	Hebrew University of Jerusalem opened on Mount Scopus.
1939-45	Hebron Jews massacred by Arab terrorists.
1941	Etzel, Jewish underground organization, founded.
1944	Fifth Aliya, mainly from Germany.
1947	Anti-Jewish riots instigated by Arab terrorists.
	Jewish immigration severely limited by British White Paper.
	World War II; Holocaust in Europe.
	Lehi underground movement formed; Palmach, strike force of Haganah, set up.
	Jewish Brigade formed as part of British forces.
	UN proposes the establishment of Arab and Jewish states in the Land.

Table 6

**Timeline of Historical Highlights: State of Israel**

1948	End of British Mandate (14 May)
	<a href="#">State of Israel proclaimed (14 May).</a>
	Israel invaded by five Arab states (15 May).
	Israel Defense Forces (IDF) established.
	War of Independence (May 1948-July 1949).
1949	Armistice agreements signed with <a href="#">Egypt</a> , <a href="#">Jordan</a> , <a href="#">Syria</a> , <a href="#">Lebanon</a> .
	Jerusalem divided under Israeli and Jordanian rule.

	<a href="#"><u>First Knesset (parliament) elected.</u></a>
	Israel admitted to United Nations as 59th member.
1948-52	Mass immigration from Europe and Arab countries.
1956	<a href="#"><u>Sinai Campaign</u></a>
1962	<a href="#"><u>Adolf Eichmann tried and executed in Israel for his part in the Holocaust.</u></a>
1964	National Water Carrier completed, bringing water from Lake Kinneret in the north to the semi-arid south.
1967	<a href="#"><u>Six-Day War; Jerusalem reunited.</u></a>
1968-70	Egypt's War of Attrition against Israel
1973	<a href="#"><u>Yom Kippur War</u></a>
1975	Israel becomes an associate member of the European Common Market.
1977	Likud forms government after Knesset elections, end of 30 years of Labor rule.
	Visit of Egyptian President Anwar Sadat to Jerusalem.
1978	<a href="#"><u>Camp David Accords include framework for comprehensive peace in the Middle East and proposal for Palestinian self-government.</u></a>
1979	<a href="#"><u>Israel-Egypt Peace Treaty signed.</u></a>
	Prime Minister Menachem Begin and President Anwar Sadat awarded Nobel Peace Prize.
1981	Israel Air Force destroys Iraqi nuclear reactor just before it is to become operative.
1982	Israel's three-stage withdrawal from Sinai Peninsula completed.
	Operation Peace for Galilee removes Palestine Liberation Organization (PLO) terrorists from Lebanon.
1984	National unity government (Likud and Labor) formed after elections.
	Operation Moses, immigration of Jews from Ethiopia.
1985	<a href="#"><u>Free Trade Agreement signed with United States.</u></a>
1987	Widespread violence (Intifada) starts in Israeli-administered areas.
1988	Likud government wins elections.
1989	<a href="#"><u>Four-point peace initiative proposed by Israel.</u></a>
	Start of mass immigration of Jews from former Soviet Union.
1991	Israel attacked by Iraqi Scud missiles during Gulf war.
	<a href="#"><u>Middle East peace conference convened in Madrid;</u></a>
	<a href="#"><u>Operation Solomon, airlift of Jews from Ethiopia.</u></a>
1992	Diplomatic relations established with China and India.
	New government headed by Yitzhak Rabin of Labor Party.
1993	<a href="#"><u>Declaration of Principles on Interim Self-Government Arrangements for the Palestinians signed by Israel and PLO, as representative of the Palestinian people (Oslo Accords).</u></a>
1994	<a href="#"><u>Implementation of Palestinian self-government in Gaza Strip and Jericho area.</u></a>
	<a href="#"><u>Full diplomatic relations with the Holy See.</u></a>
	<a href="#"><u>Morocco and Tunisia interest offices set up.</u></a>



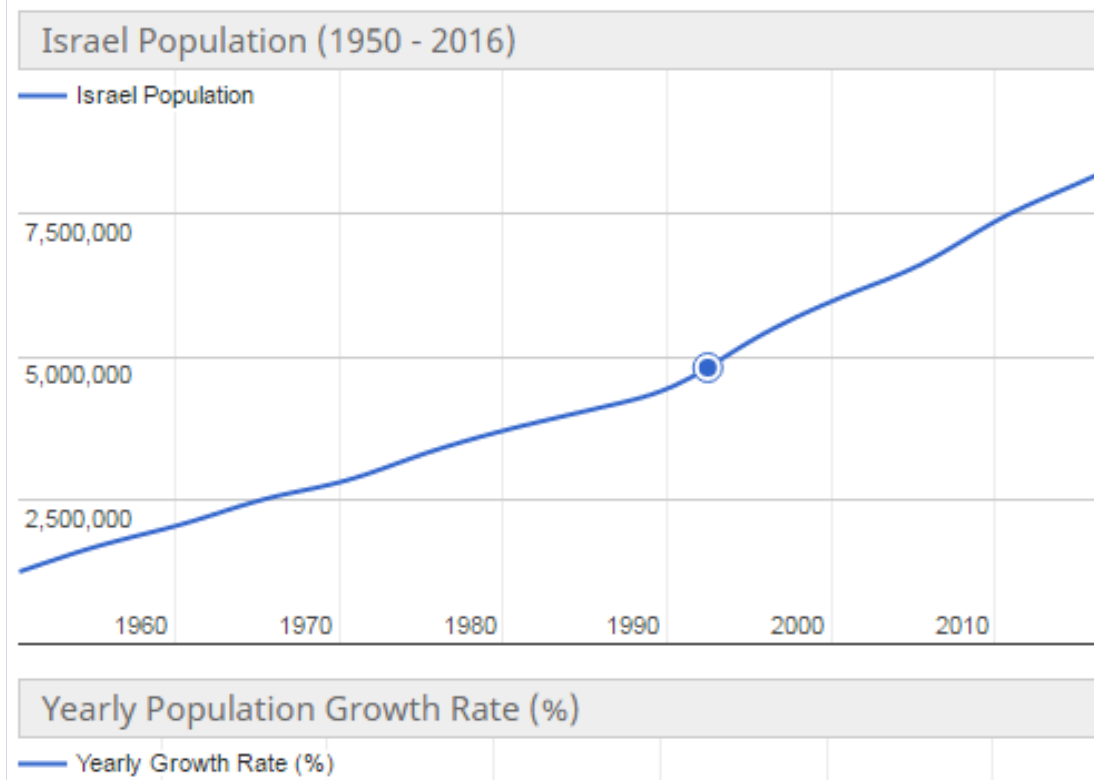
	<a href="#">Israel-Jordan Peace Treaty signed.</a>
	<a href="#">Rabin, Peres, Arafat awarded Nobel Peace Prize.</a>
1995	<a href="#">Broadened Palestinian self-government implemented in West Bank and Gaza Strip; Palestinian Council elected.</a>
	<a href="#">Prime Minister Rabin assassinated at peace rally.</a>
	Shimon Peres becomes prime minister.
1996	Fundamentalist Arab terrorism against Israel escalates.
	<a href="#">Operation Grapes of Wrath, retaliation for Hizbullah terrorists' attacks on northern Israel.</a>
	<a href="#">Trade representation offices set up in Oman and Qatar.</a>
	<a href="#">Likud forms government after Knesset elections.</a>
	Binyamin Netanyahu elected prime minister.
	Omani trade representation office opened in Tel Aviv.
1997	<a href="#">Hebron Protocol signed by Israel and the PA.</a>
1998	<a href="#">Israel celebrates its 50th anniversary.</a>
	<a href="#">Israel and the PLO sign the Wye River Memorandum to facilitate implementation of the Interim Agreement.</a>
1999	Ehud Barak (left-wing One Israel party) elected prime minister; forms coalition government.
	<a href="#">Israel and the PLO sign the Sharm-el-Sheikh Memorandum.</a>
2000	<a href="#">Visit of Pope Paul II.</a>
	<a href="#">Israel withdraws from the Security Zone in southern Lebanon.</a>
	Israel admitted to UN Western European and Others Group.
	<a href="#">Renewed violence (Second Intifada). Prime Minister Barak resigns.</a>
2001	Ariel Sharon (Likud) elected Prime Minister; forms broad-based unity government.
	<a href="#">The Sharm-el-Sheikh Fact-Finding Committee report (Mitchell Report) issued.</a>
	<a href="#">Palestinian-Israeli Security Implementation Work Plan (Tenet ceasefire plan) proposed.</a>
	<a href="#">Rechavam Ze'evy, Minister of Tourism, assassinated by Palestinian terrorists.</a>
2002	<a href="#">Israel launches Operation Defensive Shield in response to massive Palestinian terrorist attacks.</a>
	<a href="#">Israel begins building the anti-terrorist fence to stop West Bank terrorists from killing Israeli citizens.</a>
	Prime Minister Sharon disperses the Knesset, calling for new elections to be held on 28 January 2003.
2003	<a href="#">Right-of-center coalition government formed by Prime Minister Ariel Sharon.</a>
	<a href="#">Israel accepts the Roadmap.</a>
2005	<a href="#">Israel carries out the Disengagement Plan, ending Israel's presence in the Gaza Strip.</a>
2006	After Prime Minister Sharon suffers a stroke, Ehud Olmert becomes acting prime minister.
	Following elections on 28 March, Prime Minister Ehud Olmert forms new government led by the Kadima Party.
	<a href="#">Israel carried out military operations against Palestinian terrorists in Gaza after kidnapping of Israeli soldier.</a>

	<a href="#"><u>The Second War in Lebanon, during which Israel carried out military operations against Hizbullah terrorism from southern Lebanon, following missile attacks and kidnapping of two Israeli soldiers.</u></a>
2007	<a href="#"><u>Shimon Peres elected President by the Knesset.</u></a>
	<a href="#"><u>Israel declares Gaza "hostile territory" following Hamas violent takeover of Gaza Strip.</u></a>
2008	<a href="#"><u>Israel celebrates its 60th anniversary.</u></a>
	<a href="#"><u>Israel launches its Gaza Operation (Operation Cast Lead) in response to the barrage of over 10,000 rockets and mortars fired from the Gaza Strip.</u></a>
2009	Benjamin Netanyahu is elected Prime Minister in national elections held in February 2009, and forms a broad-based coalition government
	<a href="#"><u>The city of Tel Aviv celebrates its 100th anniversary.</u></a>
2010	<a href="#"><u>Israel joins the Organization for Economic Co-operation and Development (OECD).</u></a>

Notes: (The Israel Ministry of Foreign Affairs, 2010)

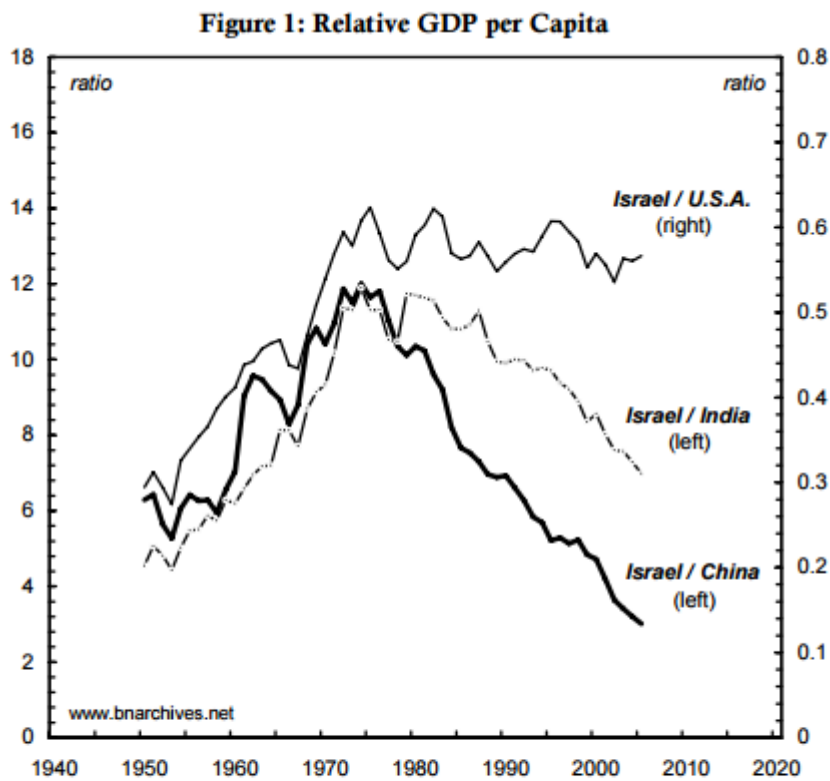
## APPENDIX B

### ISRAEL'S POPULATION GROWTH: 1950 to 2016



<http://www.worldometers.info/world-population/israel-population/>

## APPENDIX C



NOTE: GDP per capita is measured in constant 1990 International Geary-Khamis dollars that represent purchasing power parity (PPP). Data for 2004-5 are measured in constant 2000 \$US and spliced with prior observations.

SOURCE: Angus Maddison, [World Population, GDP and per Capita GDP, 1-2003 AD](#); [World Development Indicators](#).