Israeli innovators build new 'Silicon Valley'

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A handout picture made available by the France-Israel Foundation shows David Kadouch (L), product manager for Google Israel, speaking to French bloggers in Haifa on June 20. With a concentration of start-ups just behind that of Silicon Valley and an impressive pool of engineers, Israel is becoming the new standard for high-tech, with a unique business model. A

With a concentration of start-ups just behind that of Silicon Valley and an impressive pool of engineers, Israel is becoming the new standard for high-tech, with a unique business model.

Internet-related activities contributed 9 billion euros (12.6 billion dollars) to the Israeli economy in 2009, representing 6.5 percent of GDP, according to a report from management consultancy McKinsey.

The sector is worth more than the construction industry (5.4 percent of GDP) and almost as much as health (6.8 percent).

The web economy has also created a total of 120,000 jobs, accounting for 4 percent of the country's workforce, McKinsey says.

From Microsoft to Intel through Google, IBM and Philips, almost all the giants of the Internet and technology have set up important research and development centres in Israel, spawning products and systems used worldwide.

"Israel is the country with the most engineers in its population, and it ranks second behind the United States in the number of companies listed on Nasdaq," said David Kadouch, product manager at Google Israel, which opened its R&D operation in 2007 and currently has 200 employees.

"It's really a second Silicon Valley. Besides the multinationals, all the major American investment funds are present," he said.

"The scientific community is very active, there is plenty of manpower and especially an entrepreneurial culture. There is a huge ecosystem around high tech, and what is fundamental is that here we think global."

Some 500 start-ups are created every year in the country of 7.7 million people, which grew by 4.7 percent last year according to the Organisation for Economic Cooperation and Development against an average of 2.8 for its member countries.

The OECD forecast for Israel in 2011 is 5.4 percent.

Israel's higher education institutions, particularly the Technion, the prestigious technological university in the northern city of Haifa, must take a large share of the credit for this creativity.

"All the groups have set up subsidiaries here because of the proximity of

the talents of the Technion university where there are (people with) excellent CVs," said Yoel Maarek, president of Yahoo Research Israel, which employs about 50 people.

"I myself have studied at the school of bridge engineering in France but when IBM hired me it was thanks to my degree from the Technion," he said.

The huge Technion campus comprising 19 schools for 12,000 students trained 70 percent of the country's current engineers and 80 percent of the executives of Israeli companies listed on Nasdaq.

"Many students... are already snapped up by large foreign companies," said Ilan Marek, professor of chemistry at the Technion.

"In the early 2000s, we broke down the barriers between the four classical branches of science, allowing the students to move between fields and have a more global vision," he said.

"The key to the development of a country is to train leaders in science."

Saul Singer, co-author with Dan Senor of the book "Start-up Nation: The Story of Israel's Economic Miracle," believes the often maverick nature of many Israelis also plays a role.

"The lack of respect for authority is typical in Israel, it's a cultural thing, in line with start-up creating. There is no authority, it is very informal. There are two big factors, drive and determination, and taking risks. We have a very exciting business model," he said.

"In Israel there is a constant struggle with all kinds of adversity," he added. "These adversities are a source of creation and energy. Israel is a country with a purpose, a mission."

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