

THE ELMER WINTER ...

“YOU OUGHT TO KNOW GAZETTE”

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February 6, 2009

Dear Friends:

This is a Red Alert!

Why? Well, the economic recession (ours in the USA and Israel's) can push back, yes, adversely effect the excellent business relationships that we have developed between us over the years.

Unfortunately, all of the discussions taking place relate to the various peace proposals suggested between the Israelis, the USA and the Palestinians while little or practically no discussions are taking place that relate to the dangers of a reduction in business relationships between Israeli and American businesses that have played such an important part in the building of a strong and viable Israeli economy ... with many advantages also passing over to hundreds of U.S. companies.

So why a Red Alert!?

We cannot allow the recessions, which are worsening in the USA and in Israel, to set back Israeli investments, R&D projects, a decline in the Israeli stock market, the closing of American factories in Israel, grants to Israeli universities, etc.

I can point to 12 serious concerns that cause me to call for a Red Alert ... concerns that we need to address now before Israeli and U.S. businesses run into a serious derailment. We can't allow a deterioration of the relationship that we worked so hard to develop over the years. We must successfully keep it going well.

What are these concerns? Let me share these 12 worries that I have:

Concern 1: Many of us are not aware of the seriousness of the recession in Israel. You need to know the following facts concerning the economic melt-down that is taking place in Israel.

Here are some reports from the Israeli press:

“The Bank of Israel released its new economic forecast for 2009 and it shows Israel currently in a recession with negative economic growth of 0.2%. The central bank predicts unemployment will rise to 7.6% on average, the budget deficit will reach 4.1% of GDP and the ratio of national debt to GDP will rise to 82.3% by the end of the year.” (*Ha'aretz*, 1/26/09)

“2009 will be a difficult year, a recession year, for the Israeli economy and its citizens; much worse, in fact, than all previous forecasts predicted.” (*Ha'aretz*, 1/26/09)

“Bank of Israel Governor Stanley Fischer slashed the benchmark interest rate by .75 percent (on Monday), bringing it down to 1%, the lowest in Israeli history.

The latest Central Bureau of Statistics figures indicate a hard landing for the Israeli economy in the final months of 2008. Three-month trend figures for September-November 2008 show an annualized 7.6% drop in industrial output, and an annualized 8.1% drop in industrial output excluding high tech.

Figures released by employment agency Manpower Professional showed a 39% drop in demand for finance sector employees in the fourth quarter of 2008, compared with the previous quarter. In the third quarter there had been a much more modest fall in demand of just 2.5%, while the drop in demand in the second quarter of 2008 compared with the first quarter was 7%.” (*Globes*, 1/21/09)

“Employment Service reports record layoffs

A Senior Employment Service official said that December 2008 was the worst month he could recall.

The Israel National Employment Service reported that 17,500 employees were fired in December 2008 compared with 10,400 in the corresponding month of 2007.

The Employment Service said that this is a record number of layoffs in one month. Employment Service Director of Research and Economics David Tzarfati said, ‘There has never been anything like this before. In recent years the

average monthly number of layoffs has been 10,000, so this time we are talking about an increase of 80%.” (Globes, 1/25/09)

Concern 2: *American companies with investments in Israel are taking a hard look at the profitability of their investment in Israel.* The press reports almost daily that American corporate executives are pruning overseas investment to strengthen their P & L Statements. Reports indicate that many of our companies are finding that some of their overseas investments are doing poorly to a point where they are being shut down.

Hundreds of American companies have subsidiaries in Israel. If they are losing money there, you can expect to read in the press, “Another American factory closes up in Israel”. We worked hard to interest these companies over the years to open in Israel. We can’t allow closed doors.

Concern 3: *Many U.S. companies are not presently investing abroad ...* let alone in Israel. Some of their investments are being made in places other than Israel.

The U.S. recession has put a lid on foreign investments at this time despite the advantages that Israel offers. U.S. companies are trying to straighten out their U.S. operations and stay above water. They are putting a hold on foreign investments.

I am not reading about U.S. companies entering into joint ventures with Israeli companies. If they invest in factories outside the U.S., chances are that they will go to Macedonia, China or India.

We need to step up our efforts and create new strategic programs that will make Israel the place to invest *tomorrow*.

Concern 4: *Many American companies do not have funds to invest in R&D in Israel. Israel has been the ideal place to conduct R&D.* To beat back the recession in the USA and Israel, companies need to be innovative, develop new products and services. *The place to do this is Israel.*

We need to keep American companies tuned in to the unique assets they can acquire in Israel ... new and innovative products. We must make sure that an R&D investment in Israel is a “*win-win*” situation.

Concern 5: *A “Buy American” policy may shut off or slow down purchases by American companies and individuals to buy products made in Israel.* There is strong sentiment in the USA that, in order to create jobs, Americans

should buy products carrying the label, "Made in the USA". Israel has developed many unique products that should not be sidelined. We need to maintain "Buy Israel" products that are unique while we still buy American products to help beat our U.S. recession.

Concern 6: *The uncertainty of a peace agreement and the Israeli elections may say to American corporate executives, "by-pass Israel".* American companies want to do business in ordinary times where the political climate is stable, predictable, safe and secure. At the present time, there is some uncertainty that exists as to a possible peace agreement with the Palestinians, the continuation of rockets being fired by Hamas into Israel, etc. We need to show potential investors in Israel that hundreds of American companies are doing business successfully in Israel despite the Gaza rockets.

Concern 7: *As a result of the recession in Israel, outstanding Israeli universities may find a lessening of R&D support from some Americans who have seen their own net worth decline.* This is a hard blow to Israeli educators, scientists, engineers, etc. ... personnel who depend on grants from the USA. The serious drop off in the U.S. stock market cannot be allowed to cut off grants to Israeli universities that are needed to do their important work. *We must keep up the necessary funding of Israeli universities.*

Concern 8: *There is worry amongst Americans that Hamas will continue firing rockets into Israel with the Tel Aviv airport being bombed.* This airport is very important to Israeli companies ... importing and exporting, as well as personal travel. The threat of the airport bombing serves as a deterrent to doing business in Israel. *Hamas must be stopped from bombing Israel!*

Concern 9: *Many Americans will not buy, hold Israeli stocks.* Many Israelis depend on American investments through stock offerings in America to finance their business. As the U.S. market declines, the prices of many Israeli stocks decline.

It is difficult, almost impossible, for Israeli stocks to become listed for the first time on the New York Stock Exchanges. This obviously effects expansion possibilities

Concern 10: *Tourism from the U.S. to Israel will decline during the U.S. recession.* This will have a negative effect on Israeli jobs, hotels, restaurants, etc.

We need to keep up tourism to Israel. How about a joint personal visit plus a business visit?

Concern 11: *Let President Barack Obama and Secretary Hillary Clinton lead to keep up strong support for Israel.* They and their assistants must know how important it is to the Israeli and U.S. economies to sustain a positive continuing economic relationship. This benefits the U.S. and Israel.

President Obama, in my opinion, should have an economic team to maintain a high level of business exchange between the U.S. and Israel.

Concern 12: Israel must let it continue to be known that Israel properly handled its actions in Gaza as long as Hamas fired rockets into Israel. There are many who are suggesting a boycott of Israel on the theory that Israel's conduct of warfare in Gaza represented "overkill".

It is up to us to defend Israel's position based upon an effort to shut off, for once and for all, Hamas indiscriminate bombing of Israel.

Here we are ...

What can we, yes, should we do to help Israel pull out of the recession?

The answer to me is clear. It's one we, in CEGI, used over the years (spelled out in our "Greenies") and that is "Circle the wagons" and make a difference.

How do we do this?

1. **As individuals** ... buy products carrying the label "Made in Israel". That can be industrial products, foods, clothing, etc. Check the Internet and you will find plenty of resources.
2. **Get your children to participate in Birthright** ... free trips to Israel ... an important "get to know and understand Israel" ... excellent plan.
3. **Support all organizations that have an Israeli component.**
4. **Visit Israel.** Make it a combined business/pleasure trip. This will give you a chance to connect up with Israeli companies.
5. **As a corporate executive,** check your company's purchases. Compare these items to products made in Israel and make the Israeli purchase.

6. **Talk to your friends in business.** Tell them about the many advantages Israel offers to them whether it be investments, R&D, purchases, etc.
7. **Participate in the American-Israel Chamber of Commerce.** They will help you connect up.
8. **Talk to your friends in the retail business.** Interest them in stocking and selling Israeli products.

Yes, I know I am putting a lot on your plate ... but you wouldn't expect less.

Israel needs us. Let's respond as we have in the past.

Best wishes,

Elmer

Elmer L. Winter

ELW:ca/mg/bd