



Submission

Australia-Israel Free Trade Agreement

April 2021

The Australia-Israel Chamber of Commerce ('AICC') sees a modern Free Trade Agreement ('FTA') between Australia and Israel as a key opportunity to build upon closer economic and trade relations between the two countries, as well as strengthening academic and industry collaborations, science, technology and innovation partnerships and direct investment into Australia.

A modern FTA with Israel will provide two-way benefits allowing both countries to integrate their digital economies, allowing improved people, capital and ideas mobility that will help generate new jobs, and create global export and trade opportunities. Both countries are democracies, part of World Trade Organisation ('WTO') and have identified similar industry sectors as priorities for future growth.

FTAs play a vital role in expanding Australia's interests in new and emerging markets, providing customs duty concessions for member states and, in more modern FTAs, agreement on digital frameworks for doing business. As an example, the Australia-Singapore Digital Economy Agreement ('DEA') has upgraded the already globally ambitious digital trade provisions existing under the Singapore-Australia Free Trade Agreement through the inclusion of a Digital Economy chapter.¹ The DEA contains, among other things, robust rules in relation to the transfer of data across borders, improves the protection of source code, establishes commitments on compatible e-invoicing and e-payment frameworks and has established new benchmarks for improving safety and consumer experiences online.² The inclusion of similar advanced digital trade provisions in an FTA between Israel and Australia would be directly transferrable to the existing digital markets in both countries. This in turn would provide Australian and Israeli businesses with greater opportunities, protections and compatibility within the digital economy.

Spending on Research and Development ('R&D') has increased globally from US\$1.75 trillion in 2013 to US\$2.19 trillion in 2019.³ An FTA will allow Australia to draw on the established R&D network in Israel. The COVID-19 pandemic drove a global increase in telework, telehealth, online retail, online

¹ Department of Foreign Affairs and Trade, *Australia-Singapore Digital Economy Agreement: Summary of Key Outcomes*

[Australia-Singapore Digital Economy Agreement: summary of key outcomes | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](https://dfat.gov.au/australia-singapore-digital-economy-agreement-summary-of-key-outcomes)

² Department of Foreign Affairs and Trade, *Australia-Singapore Digital Economy Agreement*

[Australia-Singapore Digital Economy Agreement | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](https://dfat.gov.au/australia-singapore-digital-economy-agreement)

³ Australian Trade and Investment Commission, *Global Trade and Investment Megatrends*
[Global trade and investment megatrends PDF](#)

education and digital services.⁴ The Australia-Israel FTA presents opportunities in relation to the digital economy, goods and services, and mobility and investment.

The Digital Economy

Israel is a thriving Innovation Hub, nurturing a successful high-tech ecosystem, with a highly qualified and skilled workforce. During the first quarter of 2021, Israeli technology firms raised a record US\$5.4 billion of investment, of which US\$1.5 billion was raised for cybersecurity and US\$1.2 billion for fintech.⁵ There are now over 50 unicorns from Israel (privately held start-ups valued at over US\$1 billion), the most unicorns per capita in the world. Over 320 multinationals have R&D facilities located in Israel.⁶

Israel has a long-standing history of being a global leader in technology innovation. This is evident from Israel's presence on the NASDAQ Stock Exchange as well as the calibre of companies carrying out operations in Israel. Google, Microsoft and Samsung are prime examples. Australia has a significant opportunity to leverage from this expertise and tap into commercial networks in Israel through an FTA.

Cyber Security

At least US\$147 billion was spent on cybersecurity products and services globally in the last year.⁷ Israel's cyber security industry accounted for 31% of global investments in the sector, second only to the United States. Israel's cyber security industry is responsible for 10% of the country's exports, with an estimated worth of US\$10 billion in 2020.⁸ These statistics indicate the scale of opportunity for Australian firms to connect into, with Australian cyber security providers generating approximately \$3.6 billion in revenue - just \$600 million attributed to international markets.

The recently released International Cyber and Critical Technology Engagement Strategy⁹ recognises that cyber and associated innovation and security is critical to Australia's future. Israel's advanced cyber experience could be translated into the Australian context to help improve Australia's cyber capabilities and position Australia as a leading player in the region.

It is well known in the cyber industry that Australia has a skills shortage in cyber expertise and Israel could help bridge this gap, allowing a transfer of skills, training, experiences, and cyber innovation. We are of the view that an Israel-Australia FTA would enable advances in skills mobility, and capital for critical cyber infrastructure, including cloud-based initiatives. The Department of Foreign Affairs and Trade's ('DFAT's') Cyber Cooperation Program could also benefit from Israeli collaboration and know-how.

Example – Cyber Hive Technology

Israel is undergoing a big transformation from start-up nation to scale-up nation, especially in the cyber security space. About 20 Israeli companies are currently listed on the ASX, making Israel the third largest source of foreign company listings. Despite this, there are often still issues with regards to sovereignty around the use of Israeli cyber security products and services in Australia, which often means that our Government agencies and larger organisations miss out on gaining access to some of the best cyber products in the market.

⁴ Australian Trade and Investment Commission, *Global Trade and Investment Megatrends*
[Global trade and investment megatrends PDF](#)

⁵ Meitar Law Offices, *The Israeli Tech Review Q1 2021*
[מצגת PowerPoint \(ivc-online.com\)](#)

⁶ Globes, *Israel has more unicorns than all of Europe*
["Israel has more unicorns than all of Europe" - Globes](#)

⁷ Australian Cyber Security Growth Network, *Australia's Cyber Security Sector Competitiveness Plan 2020 Update*
CYB9842_2020_SCP_digital_and_print_COMPLETE_v13_WEB.pdf

⁸ Israeli National Cyber Directorate, *Israeli Cyber Industry Continues to Grow: Record Fundraising in 2020*
[The Israeli cyber industry continues to grow: record fundraising in 2020 | Israel National Cyber Directorate \(www.gov.il\)](#)

⁹ <https://www.internationalcybertech.gov.au/our-work>

Data shows that in the first half of last year, the Israeli cyber industry, despite the global coronavirus pandemic, raised \$1.2 billion. This period also saw the birth of two Israeli “unicorns”. Overall, between 20 & 25 percent of all cyber “unicorns” are Israeli. About 29% of the world’s cyber investments are made in Israel. There are currently 540 cyber firms in Israel, compared to 250 companies 10 years ago. Israeli exports in the field of cyber defence stood at \$6.5 billion in 2019, a 600 percent increase since 2011.

According to the World Economic Forum, an estimated 70% of new value created in the economy over the next decade alone will be based on digitally enabled business models. Today, in Australia, digital trade enables \$43 billion of economic value in our domestic economy. By 2030, this will increase more than threefold to an estimated \$192 billion. So, harnessing technological change especially on the cyber front, adapting to its disruption and leveraging its opportunities, both here but especially offshore, will be vital to our economic recovery post COVID-19 and indeed, well beyond.

The challenge ahead of us, and for the world, is to create an environment that makes the most of this enormous promise while avoiding and where necessary, mitigating the risks and negative uses of cyber and critical technology. This includes through international engagement and cooperation. Technology enabled threats, like many challenges that transcend borders, require an internationally coordinated response.

An FTA would allow for greater cyber security cooperation which would be beneficial for both the Australian and Israeli Governments.

Precedents

We recommend both countries consider successful FTA precedents, including the provisions relating to eCommerce, intellectual property, anti-competitive practices and dispute resolution within the Singapore-Australia FTA and Canada-Israel FTA.

We encourage the consideration of the below eCommerce provisions:

- Agreement to not impose customs duties on electronic transmissions between the two countries.
- Undertaking to make publicly available electronic versions of all existing publicly available trade administration documents.
- Actions to introduce transparent and effective measures to protect consumers against fraudulent or deceptive commercial activities, as well as measures conducive to the development of consumer confidence.
- Cooperation to enhance the acceptance of paperless trading bilaterally and internationally.
- Introduction and maintenance of legal, regulatory and administrative measures for the protection of personal information of an electronic commerce user.

Goods and Services opportunities

Financial Services

There are over 20 Israeli companies listed on the ASX, with a combined market cap of A\$2 billion. An FTA will facilitate deeper participation by Australian financial institutions in Israel (and vice versa). Further, an FTA will aid in strengthening financial services trade and investment and enable future growth in the bilateral economic relationship as a whole.

An FTA will lead to increased transparency, regulatory decision making and streamlining of regulation, including through regular engagement between Australian and Israeli regulators on issues of mutual interest, allowing swift and efficient resolution. Mutual recognition of legislation will simplify participation of financial services organisations in either jurisdiction, and lower the barriers and costs associated with cross-border operations.

Lowering the regulatory barriers in each country will enable Australian financial services businesses to better compete in Israel as well as leading to opportunities to raise capital from Israeli investors, and vice versa. Australia has extensive expertise in financial services relating to banking, non-bank lending, non-cash payment systems, and funds management (in many different asset classes, including property, mining, exchange traded funds, agriculture, private equity and renewable energy and Environmental, Social and Corporate governance ('ESG') which would likely be in demand by the Israeli financial sector.

Recommendation: Israel be recognised as a jurisdiction that satisfies the requirement under the streamlined licensing regime, Foreign Financial Services Providers ('FFSP'). This regime is available for those who wish to provide financial services in Australia. In order to take advantage of this regime, the FFSP must be authorised under a 'sufficiently equivalent overseas regulatory regime' for similar financial services.

This kind of initiative would affect a large component of the Australian economy, including insurers, banks, non-banks, investment fund managers, superannuation trustees, and financial and corporate advisors as they are all required to hold licenses and would be subject to regulatory requirements in Israel, as would their Israeli counterparts.

Education

The AICC recognises the importance of international academic and scientific collaborations between Australia and Israel for both research and commercialisation projects. Similarly, important international business-to-business engagement can be facilitated by international research collaboration.

The inclusion of education provisions in the FTA would provide both countries with a significant opportunity to draw on the strengths of each country and to benefit from successful research and collaboration.

Recommendation: We recommend that the Federal Government provide funding mechanisms to help facilitate international partnerships between Australian and Israeli universities and industry, with a particular focus on the identified growth areas such as cyber, defence, advanced manufacturing and food and agribusiness while also fostering entrepreneurship and innovation that leads to job creation and exports. Further, the Federal Government should consider policy measures which would allow for the preferential access to grant funding for research collaboration between Australia and Israel.

Defence

The AICC recognises that free trade may lead to increased defence cooperation which could position Australian companies to participate in Israeli global supply chain opportunities.

As Australia is well positioned to participate in high technology, (relatively) low volume manufacturing and technical services activities (particularly in Defence, Medical, High Tech Agricultural areas), an FTA would significantly reduce associated overhead expenses and 'red tape' allowing more agile and cost-effective Australian offerings. We note that there are currently barriers in navigating import/export opportunities as well as complex tariffs and Goods and Services Tax ('GST') requirements which in turn can jeopardise rapid opportunities.

Recommendation: The FTA to include streamlining of red tape relating to import and export of defence hardware, as well as tariff and tax benefits.

Example – Varley Rafael Australia

Varley Rafael Australia (VRA) is a joint venture between The Varley Group and RAFAEL Advanced Defence Systems. It combines Australia's oldest Defence enterprise with a world leader in Defence technology. VRA represents a unique opportunity for Australia. It will drive the development of sovereign capability, investment in innovation and jobs, and export opportunities for Australian industry. VRA will deliver cutting edge Australian produced and supported capabilities. These include the SPIKE LR2 Anti-Tank Guided Weapon (ATGW), the TROPHY Active Protection System (APS) for combat vehicles and the TORBUSTER 4th Generation Torpedo Counter-Measure (TCM) for submarine self-defence.¹⁰

Advanced Manufacturing

Advanced manufacturing presents an opportunity for Australia and Israel to collaboratively improve products and processes with innovative and cutting-edge technology. Both countries are well placed to partner together for the mutual benefit.

Advanced manufacturing accounts for roughly half of Australia's \$100 billion annual manufacturing output.¹¹ The success of Australia's advanced manufacturing is in part due to the collaboration with R&D institutions and the manufacturing sector. Advanced manufacturing in Israel is highly advanced in relation to digital systems such as Internet Of Things, cyber security and AI. Utilising this expertise from Israel can consolidate Australia's industry 4.0-driven manufacturing sector through commercial partnerships.

Example – Swinburne University

Swinburne University's Industry 4.0 Test Lab has partnered with Israeli company Platane, to research techniques for manufacturing high volume, lightweight composites. The project will use a world-first process for 3D printing of industrial scale.

Platane was chosen considering its proven experience in Industrial Internet of Things and AI-based optimization solutions for advanced manufacturing and its strong track record of successful deployments in the aerospace, automotive and composites sectors.

An FTA may encourage additional investment by both the Australian and Israeli Governments for investment in advanced manufacturing programs. Equal investment by the two Governments would strengthen relationships between the countries resulting in mutually beneficial opportunities.

Food and Agribusiness

Under an FTA, agriculture technology transfers could support either country's food security, input efficiencies and sustainability, and help drive Australia's agriculture export growth. This would allow Australia to maintain its competitive position as a globally-leading agricultural exporter by continuously identifying new ways to reduce cost and optimise operations on-farm and throughout the supply chain.

There are a number of current collaborations between Australia and Israel in relation to food and agribusiness – an FTA would provide for greater synergies between the two countries.

¹⁰ VRA Systems, *About Us*
[About Us \(vrasystems.com.au\)](http://vrasystems.com.au)

¹¹ Australian Trade and Investment Commission, *Manufacturing*
[Manufacturing - Austrade's industry capability information - Austrade](#)

Example 1– Fieldin

Israeli agtech company Fieldin has invested in Victoria’s thriving agriculture sector by establishing its Australian headquarters in Mildura. Mildura provides a base for Fieldin to directly service horticulture customers in the Sunraysia, Riverland and Riverina regions as well as the rest of Australia. Fieldin’s smart farming platform helps growers manage and optimise pesticide applications, harvest activities and other critical field operations.

Example 2– Biofeed

Israeli Biofeed has developed a technology designed to deal with fruit fly infestation. Biofeed enhances green pest control through the slow release of lures to manipulate insect behaviour. Biofeed’s technology can potentially solve the Fruit Fly issue in South Australia, Queensland and WA without harmful pesticides or environmental damage.

Example 3– DTS Systems

Australian company DTS Systems has developed microwave technology that assists in stunning cattle, allowing slaughter in a Kosher manner. This technology can be exported to countries that export beef and lamb and can potentially drive down the cost of Kosher meat both in Israel and globally.

MedTech and Pharma

Australia and Israel have a strong and collaborative relationship in medical technology and pharmaceuticals. There are currently 1,827+ co-author publications between Australia and Israel across 27 research fields since 2010 to 2019.¹² An FTA between Australia and Israel would allow for even greater synergies and opportunities between the countries.

Australia is currently home to various leading MedTech and Pharma companies. An FTA would allow highly specialised experts from Israel to travel to, and take part in, the development of innovation in various fields. We note that there are currently barriers to development and innovation with the current visa system in place for Israeli citizens which is further discussed in the mobility and investment section of this submission.

Example – Garvan-Weizmann Centre of Cellular Genomics

The establishment of the Garvan-Weizmann Centre of Cellular Genomics has become the third largest single cell genomic sequencing centre in the world (only beaten by the world famous Sanger and Broad Institutes, the latter a joint venture between Harvard and MIT). Scientists from both organisations continue to expand the work they do together, including cancer, diabetes and other autoimmune diseases including therapies for COVID.

Example – Teva¹³

As a leading global pharmaceutical company, and leader in speciality and generic medicines Teva provides essential medicines to millions of patients around the world every day.

Teva have established a Drug Discovery Facility in Sydney, employing 120 people, half of which are employed in their R&D facility. The R&D facility conducts discovery and early development of therapeutic protein drugs, particularly therapeutic antibodies. The R&D laboratories, located in

¹² Personal communications, Israel Liaison Office Parkville, 28 April 2021

* publications: articles only, excluding conference papers, reviews, book chapters and books

¹³ Teva Australia, *Biologics Research and Development*

[Biologics Research and Development \(tevapharma.com.au\)](https://www.tevapharma.com.au)

Sydney, employ state of the art technologies to identify, produce and characterise therapeutic protein candidates. When these potential drugs have been demonstrated to have suitable drug-like properties and genuine scope to provide patient benefit they are transferred to other parts of Teva's R&D organisation for further development and progression to the clinic.

Mining and Natural Resources

Although Israel does not have a domestic mining industry, its technology is well suited to the sector. Combining with Australian assets and world leading mining expertise, joint ventures represent an opportunity to grow the Australian mining industry for a global market. Collaboration under joint ventures would provide benefits for Australian and Israeli companies, including driving the delivery of next generation automation within the global resources sector.

We note that there are currently joint ventures in place between Australian and Israeli companies in the mining sector. Mine site automation has been made available to the global resources sector through the use of Israeli autonomous technology solutions, together with Australian mine site logistics and supply chain management expertise. This tailor-made collaboration presented a significant export opportunity which would not have been possible without the joint venture.

Example – Razor Labs

Israeli AI Startup, Razor Labs commenced working collaboratively with leading mining companies in Australia such as Newcrest and BHP to solve high impact problems, predominantly by applying malfunction prediction software as a service, gathering data insights and optimising circuits for production. The company has now grown to have a offices in Perth and Brisbane, employing and training local talent and contributing to the AI ecosystem in Australia.

An FTA between Australia and Israel would promote further collaboration within the AI ecosystem.

Infrastructure and Procurement

The development of infrastructure through the facilitation of trade and investment provides opportunities for businesses and generates employment. Israel is expected to open infrastructure procurement opportunities to tender for large scale projects in order to address identified gaps in expertise. The key focus areas for Israel is transportation (public/mass transport, roads, rail, ports and airports), water and energy (including renewable energy), and the telecommunications network. With significant expertise across these areas, an FTA would assist in providing facilitating opportunities for Australian businesses to be competitive in tendering for these opportunities.

Mobility and Investment

Distance and flights

An FTA between Australia and Israel represents an opportunity to facilitate greater volumes and value in the movement of people and cargo between the two countries. Outside of the COVID-19 environment, business mobility remains a major barrier and facilitating the temporary and permanent movement of both service providers and investors will greatly enhance opportunities for both Australia and Israel.

The vast distance between Australia and Israel will not change, however Boeing's 787-9 Dreamliner now allows for non-stop flights between the two countries. Prior to international borders closing as a result of the global pandemic, EL AL Israel Airlines flew a commercial flight from Perth to Tel Aviv, taking 14 hours and 12 minutes. Given the current pandemic and Israel's strong track record in managing COVID-19, a travel bubble between Australia and Tel Aviv, combined with non-stop flights, could support resumption of increased commercial activity between the countries.

An FTA would encourage greater movement of people between Australia and Israel. This in turn, should increase non-stop flights between the two countries.

Recommendation: We encourage the Governments of both countries to support and incentivise regular non-stop flights to increase people and cargo travel between the countries as well as the possibility of pursuing open skies agreements in the future.

Current visa system for Israeli business

The current visa system for Israeli business stakeholders requires a subclass 600 Visitor Visa. We are of the view that an FTA would overcome unnecessary roadblocks which exist under the current arrangement, with appropriate provisions for the movement of people. An FTA would allow for an exchange of people between Australia and Israel in a time effective and efficient manner, ensuring leading expertise can enter the country and participate in various commercial activities in a streamlined manner.

Australia is currently competing with countries like Singapore and China for Israeli investment, skills and knowledge. As it currently stands, the existing visa system creates additional hurdles for Australian and Israeli cross-border investment.

Recommendation: We recommend that Israel is added as a country eligible for its citizens to apply for an Electronic Travel Authority (ETA). An ETA would allow Israeli business visitors to enter Australia in a more streamlined manner. Importantly, the ETA would allow for individuals to take part in conferences trade fairs and seminars as the process for gaining an ETA is less cumbersome.

Should Australia grant Israel access to an ETA (Subclass 601) visa, Israel would be similarly placed to the following countries:

- | | |
|----------------------------|---|
| – Andorra | – Malta |
| – Austria | – Monaco |
| – Belgium | – Norway |
| – Brunei | – Portugal |
| – Canada | – Republic of San Marino |
| – Denmark | – Singapore |
| – Finland | – South Korea |
| – France | – Spain |
| – Germany | – Sweden |
| – Greece | – Switzerland |
| – Hong Kong (SAR of China) | – Taiwan (excluding official or diplomatic passports) |
| – Iceland | – The Netherlands |
| – Ireland | – United Kingdom—British Citizen |
| – Italy | |

- Japan
- Liechtenstein
- Luxembourg
- Malaysia
- United Kingdom—British National (Overseas)
- United States of America
- Vatican City

The benefit of being able to access an ETA visa is that Israeli businesses and investment can more readily take place in Australia. The visa can be applied for online for business visitors to Australia and can be granted within 24 hours or instantly. Alternatively, Israel could be treated like EU countries and be eligible for an eVisitor visa.

Either Visa alternative proposed would represent an improvement and signal Australia is globally competitive in attracting cutting edge talent and investment from Israel.

Illustrative Example – SparkBeyond

SparkBeyond's story started in Israel in 2013, when embarking on a journey to create a novel problem-solving solution using data and AI. The company empowers Fortune 500 companies, across different industries and different locations, to solve their most complex challenges. Due to interest from Australian companies, SparkBeyond established an office in Melbourne during November 2018.

Initial challenges faced included complexity of working across jurisdictions with different regulatory environments. This has improved with the implementation of a Double Tax Treaty, but challenges remain when negotiating contractual terms between SparkBeyond's Israeli entity and Australian customers.

Strict visa requirements for Israeli-based employees entering Australia has meant that SparkBeyond's CEO has never visited the Australian office. Unfortunately, a delay to a visa prevented him from presenting the keynote at a recent Australian innovation event. This is a disadvantage as it deters the flow of people and ideas between SparkBeyond's Israel HQ and their Australian employees/clients.

The benefits of streamlined mobility provisions in an FTA would enable businesses such as SparkBeyond to connect more easily to people and ideas that will help Australian businesses innovate and grow. Through SparkBeyond's local team, they have been able to cross-pollinate the Australian business environment with the ideas that they are generating with clients around the world and this would be greatly improved by enabling businesses such as SparkBeyond to send their people to Australia to meet clients and understand the local business context.

Illustrative Example – ParKam Australia

The current visa system has been a barrier to the business of Israeli company, ParKam. Two years ago, ParKam CEO Asaf Nammani was invited to be the keynote speaker at the prestigious Amazon Web Service summit. However, he was unable to attend the event as he did not receive a visa for Australia on time.

Broad regional opportunities

With the signing of the Abraham Accords, Israel is now doing direct business with Gulf States such as Bahrain and United Arab Emirates ('UAE'). An FTA between Australia and Israel could provide a valuable opportunity for Australian companies to be part of this new regional transformation in trade and investment, technology collaboration and tourism. The Abraham Accords provide greater normalisation of relations between businesses in Israel and the Gulf States. An FTA with Israel will encourage Australian businesses to leverage Israel's relationships which have been formed under the Abraham Accords. This in turn will provide Australian businesses with more capacity to travel within the region and investment opportunities. The AICC has entered into a Memorandum of Understanding (MOU) with the Australia Bahrain Business Council and is in the process of entering into a MOU with the Australia UAE Business Council to promote Australian business. This relationship will be of even greater value to Australian business with an FTA between Australia and Israel.

The Australia-Israel Chamber of Commerce

The Australia-Israel Chamber of Commerce (AICC) is Australia's pre-eminent international Chamber of Commerce and one of the country's most prestigious and active national business organisations. The AICC's national network comprises over 1,000 leading Australian companies across a broad range of industry sectors.

The AICC has offices in Sydney, Melbourne, Adelaide, Brisbane and a sister office in Tel Aviv. Each of these offices manages an extensive and impressive member network and events program to enhance non-partisan business networking at senior levels and vigorously promotes bilateral trade through inbound and outbound trade missions.

For further information regarding the AICC, please visit www.aicc.org.au

For enquiries relating to the AICC's submission, please contact:

Leon Kempler AM, Chairman, Australia-Israel Chamber Commerce, leon@aicc.org.au

Marcus Mandie, National Co-ordinator, CEO Victoria, marcus@aicc.org.au

Michelle Blum, CEO NSW, michelle@aicc.org.au,

John Cluer, CEO WA, perth@aicc.org.au

Rilka Warbanoff, CEO SA, executive@aicc.org.au

Simon White, CEO QLD, simon@aiccqld.org.au