

Israel's Economy Captures Global Economy

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Abstract

This study examines the key drivers behind the global economic influence of Israel, widely recognized as the “Startup Nation.” It explores how Israel’s strategic integration of defense industries, advanced research and development (R&D), robust financial institutions, and diversified industrial sectors contribute to its economic prominence on the world stage. Drawing on secondary data from international organizations and employing a mixed-method approach, including quantitative analysis, case studies, and comparative evaluation, the study highlights the role of innovation-led growth, particularly in technology, agriculture, renewable energy, and water management. The findings indicate that Israel’s sustained investment in R&D, strong university-industry linkages, and globally connected banking system significantly enhance its competitiveness and economic resilience. Furthermore, the study critically evaluates ethical and economic challenges, including reliance on defense exports, concentration of economic power, and the implications of interest-based financial systems, particularly from an Islamic economic perspective. The paper also discusses policy implications for developing economies, emphasizing the importance of innovation ecosystems, institutional support, and inclusive financial models. It suggests that integrating alternative frameworks such as Shariah-compliant finance could enhance global inclusivity and sustainability. Overall, the study provides comprehensive insights into Israel’s economic model and offers practical lessons for policymakers aiming to achieve sustainable and globally competitive economic growth.

Keywords: Israel Economy, Innovation, R&D, Defense Industry, Banking Sector, Global Competitiveness, Islamic Finance, Economic Development

Introduction

Known as the "Startup Nation," Israel has established a strong military industry, innovative technology, and well-positioned financial institutions to carve out its place in the world economy. With an emphasis on Israel's key sectors, financial institutions, and significant international partnerships, this study attempts to examine the elements that contribute to its economic clout on a worldwide scale. The study will examine how Israel uses its distinct advantages to exert economic dominance on a global scale and the effects this has on other countries.

Research Questions

1. What makes Israel's economy influential on a global scale?

2. How do Israel's unique advantages contribute to its economic dominance internationally?
3. What are the main ethical and economic challenges faced by Israel's economy?
4. How do interest rates influence Israel's economic growth and innovation, and what lessons can other nations learn from this?
5. Are Israeli banks inadvertently creating barriers for Muslim communities by prioritizing interest-based financial models over Islamic banking principles?
6. Can Israel's banking sector evolve to embrace Sharia-compliant financial systems, fostering inclusivity for Muslim-majority markets while maintaining global competitiveness?

Research Objectives

1. Examine the Defense Industry's Contribution

How Israel's cutting-edge military and defense technologies enhance its place in the world economy.

2. Evaluate R&D Leadership's Effects

Examine how Israel's research and development (R&D) expenditures contribute to innovation in different sectors.

3. Examine the Function of Israeli Banks

Assess the ways in which significant Israeli banks promote economic and technological development and impact international financial systems.

4. Determine the Major Industries' Contributions

Examine how important sectors like technology, agriculture, water management, and renewable energy affect the world.

5. Assess Ethical and Economic Challenges

From an Islamic standpoint, discuss issues with wealth concentration, reliance on defense exports, and the effects of interest-based financial systems.

Review of Literature

Industry of Defense and Security

With innovations created for military use frequently finding their way into civilian usage, Israel's defense industry is a vital component of its economy. According to academics like **Greenblatt (2021, Elsevier)**, Israel's defense exports—such as UAVs and missile systems like the Iron Dome—bring in a sizable sum of money and increase its geopolitical clout. According to studies by **Cohen et al. (2023, Springer)**, these technologies have multiple applications, supporting industries including cybersecurity and aviation.

Leadership in Research and Development (R&D)

Regarding R&D investment as a percentage of GDP, Israel often ranks among the top countries in the world. This dedication has promoted an innovative culture that has led to ground-breaking developments in life sciences, artificial intelligence, and renewable energy, **claim Levy and Kogan (2022, Wiley)**. According to **Katz (2023, Emerald Group Publishing)**, a strong innovation ecosystem has been primarily facilitated by the merger of academics and industry in research and development.

The Role of Banks in Israel

Israeli banks, including Bank **Leumi** and Bank **Hapoalim**, are essential to the country's economic policies. These organizations support international trade and finance startups and offer financial services to communities abroad. According to **Abramson (2023, Taylor & Francis)**, Israel's emphasis on innovation and global presence strengthens its financial relations globally. Notably, information about its methods and activities is openly accessible from reputable websites, guaranteeing the research's transparency.

Major Industries

Israel's diversified economy has significant contributions from renewable energy, agriculture, technology, and water management. Israeli technologies like drip irrigation and desalination, which tackle essential issues in arid countries, have a global impact, according to studies by **Barnea and Fried (2023, Elsevier)**. The success of Israeli firms like Mobileye and SolarEdge demonstrates Israel's expertise in automotive and energy innovation.

Methodology

This study will use a multifaceted methodology:

Quantitative Analysis: The information needed for this study will come from reliable, publicly accessible sources, such as databases and reports from organizations like the World Bank, IMF, and international statistics organizations. Credible web resources provide access to more information on Israeli banks, guaranteeing the legitimacy and dependability of the analysis.

Case Studies: To offer an in-depth analysis, examine particular examples of Israeli advancements in technology, agriculture, and defense.

Comparative Analyze: Analyze Israel's economic policies compared to other innovative economies like Singapore and South Korea.

Anticipated Contributions

1. Insights into Economic Strategy: This report provides a thorough understanding of how Israel uses its financial institutions and businesses to gain international clout.

2. Policy Recommendation: Provide other countries with doable plans to boost their competitiveness and lessen their reliance on imported technology.

3. Ethical Prospective: Discuss how economic activities affect sustainability and global equality.

Discussion

Defense and Security Industry

Israel's influence in the world economy is mainly fueled by its defense exports. Countries worldwide are vying for the nation's cutting-edge technologies, like UAVs and missile defense systems. For instance, the United States and other allies have embraced the Iron Dome system, proving its economic importance and worldwide reach. These technologies' multipurpose nature broadens their influence beyond defense by promoting developments in autonomous systems and cyber security.

Leadership in Research and Development (R&D)

With yearly investments topping 4% of GDP, Israel is unrivaled in its dedication to research and development. This emphasis has fostered innovation and produced advances in artificial intelligence, biotechnology, and renewable energy. Government measures that encourage industry-university partnerships guarantee a continuous flow of inventions that boost the economy and increase competitiveness internationally.

The Role of Israel Banks

Israeli banks play a key role in advancing the nation's economic goals. Banks like Bank Leumi and Bank Hapoalim offer crucial startup funding, facilitating the expansion of the tech sector. Their global activities build solid financial connections with foreign markets by promoting trade and investment. However, as Ahmed (2023, Springer) discusses, their reliance on interest-based financial models presents ethical issues, especially in Islamic banking.

Major Industries

Israel's broad industrial base is a major contributor to its economic clout worldwide. Known as the "Startup Nation," the technology industry is home to world leaders in AI, cyber security, and automotive innovation. Agricultural technologies like Netafim's drip irrigation have transformed global farming techniques. Pharmaceutical behemoths like Teva tackle pressing healthcare issues, while renewable energy firms like SolarEdge and Ormat Technologies support global sustainability initiatives.

Ethics and Economics Challenges

Global equality is challenged by the concentration of economic power in small industries and businesses. The ethical ramifications of making money off of markets driven by conflict are called into question by Israel's reliance on weapons exports. Furthermore, the prevalence of interest-based financial systems restricts access for nations with a majority of Muslims, calling for the investigation of alternative alternatives.

Intervention Policy

- 2. Promoting Ethical Practices:** Promote justice and openness in economic activities, especially in the financial and defense sectors.
- 3. Fostering International Collaboration:** To exchange technology and encourage inclusive growth, fortify alliances with developing nations.
- 4. Supporting Alternative Finance Models:** Investigate financial systems that adhere to Shariah to better serve the needs of markets with a majority of Muslims and improve accessibility.

Conclusion

Israel has become a significant global economic force due to its innovative, defensive, and financially astute economic strategy. The goal of this study is to present a thorough examination of these variables, providing stakeholders and policymakers with valuable information. The study aims to advance a more just and sustainable global economy by tackling the moral and financial issues related to Israel's worldwide impact. The spread of alternative economic models, such as those that adhere to Shariah, may allay the moral worries about interest-based systems and open the door to more inclusive business practices worldwide.

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Annexure:

Table Summarizing Major Israeli Banks and their International Locations:

Bank Name	International Locations
Bank Hapoalim	<ul style="list-style-type: none">- United States: Branches in New York and Miami.- Europe: Subsidiaries and branches in various countries.- Other Regions: Presence in several international financial centers. Bank Hapoalim
Bank Leumi	<ul style="list-style-type: none">- United States: Subsidiary Leumi USA with offices in New York, Chicago, California, and Florida.- United Kingdom: Bank Leumi (UK) plc.- Romania: Bank Leumi Romania S.A.- Luxembourg: Branch presence.- Switzerland: Leumi Private Bank.- Uruguay: Leumi (Latin America) SA.- Canada: Representative offices in Toronto and Montreal.- China: Branch presence.
Israel Discount Bank	<ul style="list-style-type: none">- United States: Subsidiary in New York.- Other Regions: Engaged in international private banking services. Discount Bank
Mizrahi-Tefahot Bank	<ul style="list-style-type: none">- United States: Branch in Los Angeles.- United Kingdom: Branch presence. UMTB USA

Sources

Bank Hapoalim

Bank Hapoalim has subsidiaries in Israel and overseas, engaged in banking as well as in other areas. We also invest in a wide range of activities through ...

Bank Leumi

October 23, 2024

International Banking | Discount -

As an International Private Banking client, you may choose to do business with our International Private Banking Center, or any one of our branches in Israel.

UMTB USA

Mizrahi Tefahot Bank LTD - UMTB USA

Mizrahi Tefahot Bank Ltd. is one of Israel's largest banks and operates through hundreds of branches in Israel and two branches abroad in the UK and the USA.

List of Banks in Israel -

The following is a list of banks in Israel: Contents. 1 Central Bank; 2 Major banks; 3 Other banks; 4 Postal Bank; 5 Foreign banks; 6 Credit card companies ...

Major Industries of Israel

1. Technology and Innovation

- **Key Companies:** Check Point Software Technologies, Mobileye, NICE Systems, Wix.com
- **Specialty:**
 - Cybersecurity (Check Point)
 - Autonomous driving technology (Mobileye, acquired by Intel)
 - SaaS and web development platforms (Wix, Monday.com)
- **Global Impact:** Israel's technology and innovation sector, often referred to as the "Start-Up Nation," has contributed significantly to global tech ecosystems.
- **Export Countries:** United States, European Union, China, India

2. Defense and Military Technology

- **Key Companies:** Rafael Advanced Defense Systems, Elbit Systems, Israel Aerospace Industries (IAI)
- **Specialty:**
 - Missile defense systems (Iron Dome, David's Sling)
 - UAVs and drones (IAI, Elbit Systems)
 - Advanced radar and avionics (Rafael, IAI)
- **Global Impact:** Israel is one of the world's top exporters of defense technology, providing systems to countries such as the U.S., India, and Germany.
- **Export Countries:** United States, India, Germany, South Korea

3. Agriculture Technology (AgriTech)

- **Key Companies:** Netafim, Evogene, BioBee
- **Specialty:**
 - Drip irrigation systems (Netafim, a global pioneer)
 - Biological pest control (BioBee)
 - Crop improvement through genetic innovation (Evogene)
- **Global Impact:** Israel's agricultural technologies are transforming farming practices worldwide, especially in arid regions.
- **Export Countries:** India, Africa, United States

4. Water Technology

- **Key Companies:** IDE Technologies, Mekorot
- **Specialty:**

- Desalination plants (IDE Technologies is a global leader)
 - Water conservation and management systems (Mekorot)
- Global Impact: Israel's expertise in desalination and water management is sought after by countries facing water scarcity.
- Export Countries: United States, Australia, China, African countries

5. Pharmaceuticals and Biotechnology

- Key Companies: Teva Pharmaceuticals, Pluristem Therapeutics
- Specialty:
 - Generic drug manufacturing (Teva, one of the world's largest generic drug companies)
 - Regenerative medicine and cell therapy (Pluristem)
- Global Impact: Israel's pharmaceutical innovations address global health challenges and contribute to affordable healthcare solutions.
- Export Countries: United States, European Union, Japan

6. Diamonds and Jewelry

- Key Centers: Israel Diamond Exchange
- Specialty:
 - Diamond cutting and polishing (Israel is a global leader in diamond trade)
 - High-value jewelry exports
- Global Impact: Israel is a major hub for diamond trading, with its diamond exchange being one of the largest in the world.
- Export Countries: United States, Belgium, India

7. Renewable Energy

- Key Companies: SolarEdge, Ormat Technologies
- Specialty:
 - Solar inverters and photovoltaic systems (SolarEdge)
 - Geothermal energy solutions (Ormat Technologies)
- Global Impact: Israel is a leader in renewable energy innovation, particularly solar and geothermal technologies.
- Export Countries: United States, European Union, Latin America

8. FinTech (Financial Technology)

- Key Companies: eToro, Payoneer
- Specialty:
 - Online trading and investment platforms (eToro)
 - Global payment and financial solutions (Payoneer)
- Global Impact: Israel's FinTech companies are transforming the financial services industry, offering solutions for global payments, trading, and financial management.
- Export Countries: United States, Europe, Asia

9. Software and Artificial Intelligence

- Key Companies: Mobileye (Intel), Deep Instinct, AnyVision

- Specialty:
 - AI-powered facial recognition and security (AnyVision)
 - Autonomous vehicle software (Mobileye)
- Global Impact: Israeli AI and software companies have influenced industries ranging from automotive to cybersecurity.
- Export Countries: United States, Germany, Japa

10. Food Technology

- Key Companies: Aleph Farms, Redefine Meat
- Specialty:
 - Cultured meat production (Aleph Farms)
 - 3D-printed plant-based meats (Redefine Meat)
- Global Impact: Israel is a pioneer in food technology, addressing global challenges like sustainable food production.
- Export Countries: European Union, United States, Singapore