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FACULTY OF INTERNATIONAL RELATIONS
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BACHELOR THESIS

**The Economic, Social and Cultural Development between
the State of Israel and the Czech Republic**

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Declaration

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Prague, May 2015

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Aldar Tsybyktarov

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INTRODUCTION

This thesis introduces geographic, demographic, and economic profiles of the two countries in question. To understand the current relations and socio-economic ties it is essential to investigate the history that these two countries share, though it is not the subject of this thesis. The past shows that both countries have gone through territorial disputes and wars which effected not only the society but also the economy. Current diplomatic relations are introduced, and the economic ties are thoroughly investigated.

Economic cooperation between Israel and the Czech Republic, such as the balance and structure of goods, balance of services, foreign direct investments, and similar are evaluated. Some areas of cooperation which are especially relevant, such as cutting-edge technological innovation, research, and real-estate development are analyzed in greater detail. Furthermore, bilateral programs of a social and cultural manner are introduced. This includes; mutual promotion of cultures, educational exchange programs, joint research, and similar.

The methods used to obtain qualitative data include research in official sources – mainly in databases of national banks or national statistical offices. This analytical data from official sources is used to examine indicators such as the development of the balance of trade and to estimate the value of the balance of services between the two countries.

Qualitative data is obtained through personal interviews of representatives of the Israeli Embassy in Prague. This data mostly concerns cultural events and how they may have influenced the material or cultural education of the spectators.

It may happen that accurate official data is not available from neither Czech nor Israeli sources or it is simply not recorded. An example of such a case is that neither of the two countries have data about the structure or the value of exchanged services between the two countries. This limitation is overcome by formulating a hypothesis concerning the missing data and then testing it. In this case, it is done by looking at the structure of the Israeli balance of services with all countries and testing whether the structure of the exchanged services with Czech Republic could match the general trend. Individual components of the services account such as scheduled transportation services or tourist arrivals are examined.

The aim of the thesis is to assess whether this international cooperation has benefited the citizens of both countries through economic growth, and, through the growth of the value of human capital which is attained through education, social inclusion and cultural events. The two last chapters of this thesis offer a prognosis and an evaluation of results.

1. OVERVIEW AND ECONOMIC CHARACTERISTICS OF ISRAEL AND THE CZECH REPUBLIC

1.1. GEOGRAPHY

The Czech Republic and Israel are relatively small countries, neither of them are in the top 100 largest countries in the world according to area. Despite the fact they are small, both countries have natural diversity and countless points of interests. Czech Republic is known for its fertile soil, beautiful forests, lakes and rivers. Israel is famous for its urban areas in the north, deserts in the south and unique water bodies such as the Sea of Galilee or the Dead Sea. Though the official capital of Israel is Jerusalem, many governmental offices and major business are located in Tel Aviv.

Table 1: Geography of the Czech Republic and Israel

	Czech Republic	Israel
Area	78,867 sq km	20,770 sq km
Arable land	40.88 %	13.62 %
Capital	Prague	Jerusalem (disputed)
Neighbors	Austria, Germany, Poland, Slovakia	Egypt, Jordan, Lebanon, Syria
Coast line	0 km (landlocked)	273 km
Climate	Temperate; cool summers, cold, cloudy, humid winters	Temperate; hot and dry in southern and eastern deserts
Highest point	Sněžka – 1 602 m	Har Meron – 1 208 m
Lowest point	Elbe river – 115 m	Dead Sea – -408 m
Natural resources	Coal, kaolin, clay, graphite, timber, arable land	Timber, potash, copper ore, natural gas, phosphate rock, magnesium bromide, clays

Source: The World Factbook. *Central Intelligence Agency* [online]. [cit. 2015-04-11]. Available at: <https://www.cia.gov/library/publications/the-world-factbook/>

1.2. DEMOGRAPHICS

The demographics of Israel and Czech Republic are quite different in many factors. For example, the Israeli population, according to the median age, is approximately 10 years younger than the Czech population and the Israelis have a much higher birthrate when compared to the Czechs. Some demographic similarities include a very high life expectancy, for CZ it is 78 years and for Israel it is 81 years. Both countries have a high urbanization rate – in fact, Israel is one of the most urbanized countries in the world.

Table 2: Demographics of the Czech Republic and Israel

	Czech Republic	Israel
Nationality	Czech	Israeli
Official language	Czech	Hebrew
Ethnic groups	Czech 64%, Moravian 5%, Other 31%	Jewish 75%, non-Jewish 25%
Population	10,627,448 (July 2014 est.)	7,821,850 (July 2014 est.)
Median age	41 years	30 years
Birth rate	10 births / 1 000 of population	18 births / 1 000 of population
Life expectancy	78 years	81 years
Urbanization rate	73% of total population	92% of total population
Major urban areas	Prague	Tel Aviv, Haifa, Jerusalem

Source: The World Factbook. *Central Intelligence Agency* [online]. [cit. 2015-04-11]. Available at: <https://www.cia.gov/library/publications/the-world-factbook/>

1.3. POLITICS

Israel and Czech Republic are modern parliamentary democracies with the executive power placed on the shoulders of the president, prime minister and the cabinet of the prime minister. The Czech Republic has a bicameral parliament composed of the Senate and the Chamber of Deputies while Israel has a unicameral parliament called the Knesset.

Table 3: Politics of the Czech Republic and Israel

	Czech Republic	Israel
Government type	Parliamentary democracy	Parliamentary democracy
President	Miloš Zeman	Reuben Rivlin
Head of government	PM Bohuslav Sobotka	PM Benjamin Netanyahu
Legislative branch	Bicameral Parliament	Unicameral Knesset
Judicial branch	Supreme Court	Supreme Court

Source: The World Factbook. *Central Intelligence Agency* [online]. [cit. 2015-04-11]. Available at: <https://www.cia.gov/library/publications/the-world-factbook/>

1.4. ECONOMY

The Czech Republic and Israel have a similar GDP, GDP per capita and in general, a comparable standard of living. The unemployment levels in both countries are under 8% and the inflation rate is below 1%. These indicators demonstrate that both the economies are healthy and likely to be successful in the competitive, global environment.

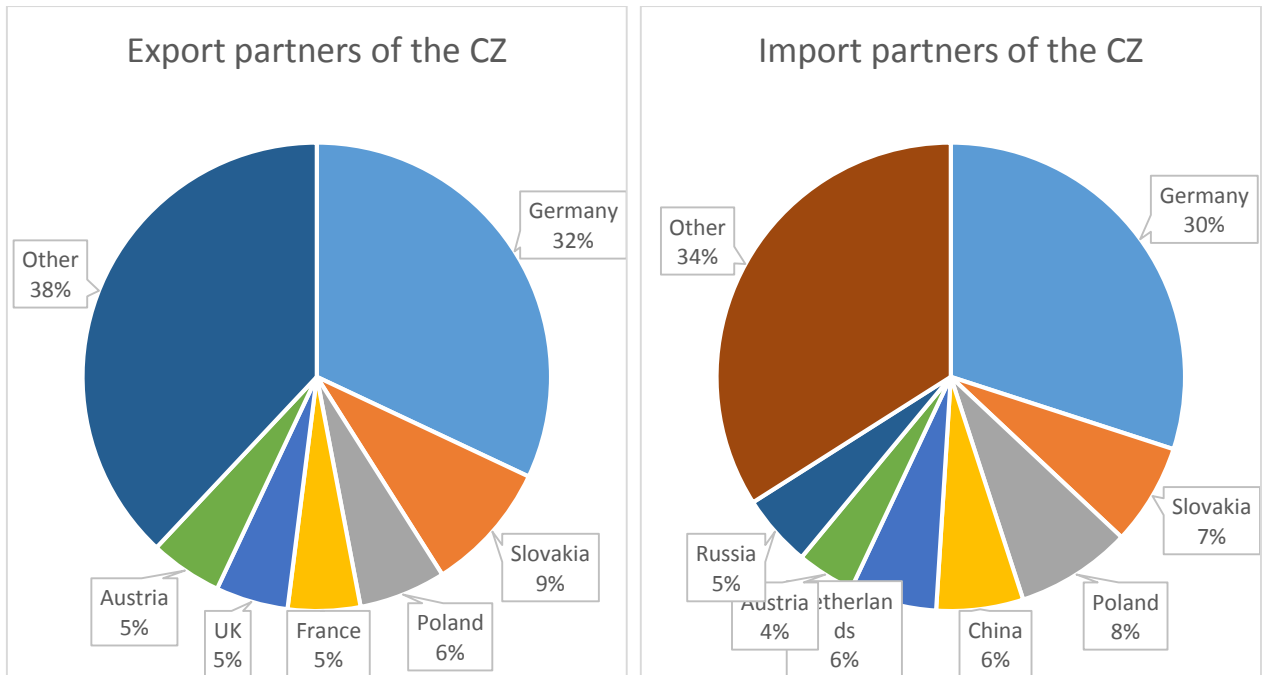
Table 4: Economic indicators of the Czech Republic and Israel

	Czech Republic	Israel
GDP (PPP)	\$299.7 billion (2014 est.)	\$268.3 billion (2014 est.)
GDP per capita (PPP)	\$28,400 (2014 est.)	\$33,400 (2014 est.)
Labor force	5.416 million (2014 est.)	3.784 million (2014 est.)
Unemployment rate	7.9% (2014 est.)	6.6% (2014 est.)
Public debt	43.5% of GDP (2014 est.)	67.4% of GDP (2014 est.)
Inflation rate	0.5% (2014 est.)	0.5% (2014 est.)
Current account balance	\$522 million (2014 est.)	\$11.49 billion (2014 est.)
Total export	\$147.3 billion (2014 est.)	\$63.21 billion (2014 est.)
Total import	\$135.1 billion (2014 est.)	\$69.73 billion (2014 est.)

Source: The World Factbook. *Central Intelligence Agency* [online]. [cit. 2015-04-11]. Available at: <https://www.cia.gov/library/publications/the-world-factbook/>

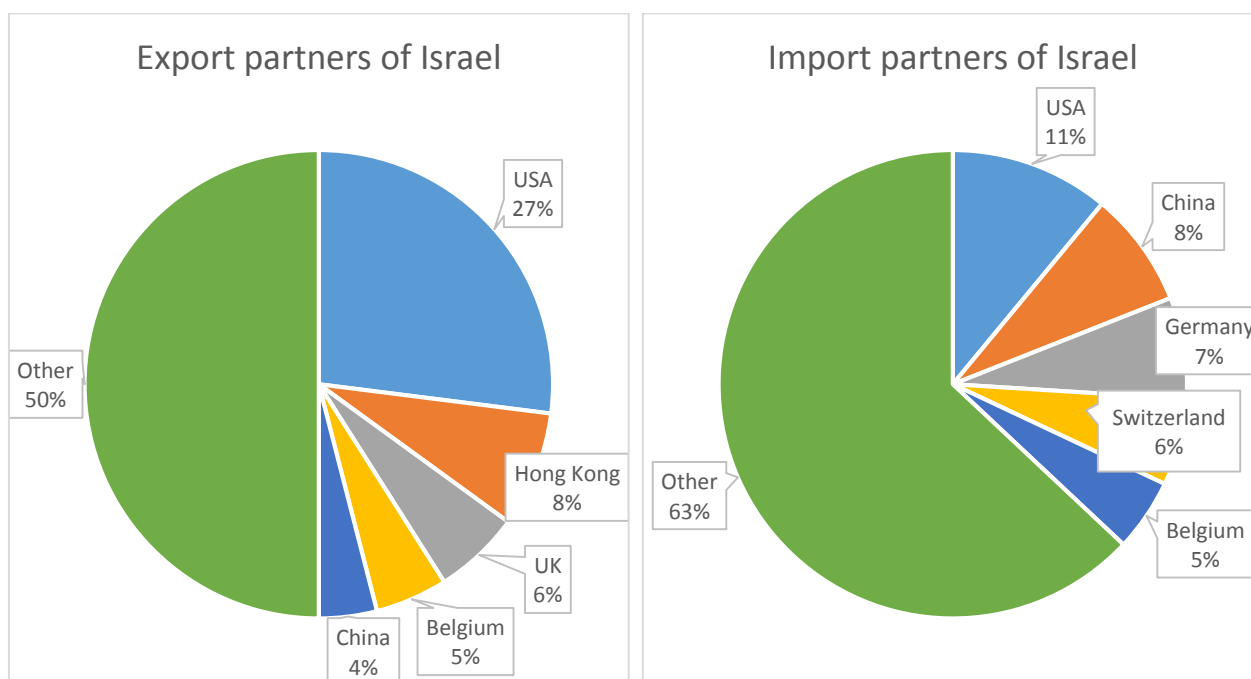
Apart from the basic economic indicators, we can also examine who are the most significant export and import partners of the Czech Republic and of Israel.

Figure 1: Export and import partners of the Czech Republic (% of total, 2012)



Source: The Observatory of Economic Complexity: The Czech Republic (2012). *Massachusetts Institute of Technology* [online]. [cit. 2015-04-11]. Available at: https://atlas.media.mit.edu/en/explore/tree_map/hs/export/cze/show/all/2012/

Figure 2: Export and import partners of Israel (% of total, 2012)



Source: The Observatory of Economic Complexity: The State of Israel (2012). *Massachusetts Institute of Technology* [online]. [cit. 2015-04-11]. Available at:
https://atlas.media.mit.edu/en/explore/tree_map/hs/export/isr/show/all/2012/

2. HISTORY OF THE COOPERATION OF THE CZ AND ISRAEL

The investigation of history of the two states is not the subject of this thesis, however, it seems essential to explore it to some extent in order to shed light on a few major historical events which shaped the current relationship of the two countries. Only the most notable and important events are discussed.

At this time the Czech-Israeli relations are most likely the best they have ever been and that is thanks to the first president of the Czech Republic Václav Havel who has resumed diplomatic relations with the Jewish State 25 years ago. Currently, Czech Republic and Israel have very strong political, economic and cultural ties.

Figure 3: Illustration of diplomatic relations between Czech Republic (Czechoslovakia) and Israel.



Source: Author's elaboration

2.1. RELATIONS BEFORE THE FORMATION OF THE STATE OF ISRAEL

A Jewish population is believed to have settled in Prague around the 10th century A.D. and shortly after established their own quarter in a part of Prague now called Josefov. For over 1000 years the followers of Judaism have been one of the largest religious minorities in the Czech lands. In 1708 one out of four inhabitants of Prague was Jewish.¹ In 1921 there were over 125 000 Jews living in the land of nowadays Czech Republic².

¹ Virtual Jewish World: Prague. Jewish Virtual Library [online]. [cit. 2015-04-20]. Available at: <http://www.jewishvirtuallibrary.org/jsource/vjw/Prague.html>

² World Jewish Population: 2010. The Jewish Data Bank [online]. [cit. 2015-04-20]. Available at: http://www.jewishdatabank.org/Reports/World_Jewish_Population_2010.pdf

After the First World War, Czechoslovak presidents Tomáš Garrigue Masaryk and Eduard Beneš expressed their support to Jewish communities and put measures in place so as to enable them to live peacefully in Czechoslovakia. This bond was bilateral, and the Jews were orderly citizens who supported governmental policies, including those against the newly established Nazi regime in Germany.

Tomas Garrigue Masaryk was the first head of state to visit British Palestine in 1927. To honor this friendship, the Jewish state has named several streets and villages in Israel after this distinguished Czechoslovak gentleman. Today we can visit a small village – a kibbutz, near Haifa called Kfar-Masaryk, which means “Masaryk’s village”.

Following the Munich pact of 1938 Czechoslovakia was forced to give up a significant part of its territory called Sudetenland to Hitler’s Germany. Czechoslovak representatives were not invited to discuss the pact and it could be said that they were “betrayed” by superpowers Great Britain and France who acted in their own interest. Arguably, the situation of Israel today is very similar to the situation of Czechoslovakia following the Munich pact. Though Israel is the only democracy in the Middle East, it doesn’t receive much solidarity or support from current European superpowers. Since the Czechs have experienced such a situation of betrayal, they are more sympathetic towards Israel.

After the Second World War, at the UN General Assembly, Czechoslovakia voted in favor of partition of Palestine into Arab and Jewish states, thus enabling the future formation of the Independent Jewish State of Israel. After the declaration of the State of Israel on the 14th of May 1948, Czechoslovakia was the third country to recognize its existence on 18th May 1948. The only countries which recognized Israel before Czechoslovakia were the USSR (17th May 1948) and Israel’s biggest ally today, the United States of America, which recognized the independence of the Jewish State on the day of its declaration.³

³ Israel's Diplomatic Missions Abroad: Status of relations. Israel Ministry of Foreign Affairs [online]. [cit. 2015-04-20]. Available at: <http://mfa.gov.il/MFA/AboutTheMinistry/Pages/Israel-s%20Diplomatic%20Missions%20Abroad.aspx>

2.2. SUPPLY OF CZECH ARMS AND MILITARY TECHNOLOGY TO ISRAEL

Very shortly after the establishment of the independent State of Israel, the country was attacked by its Arab neighbors. This armed conflict was called the 1948 Arab-Israeli war. The war was a result of escalated tension between the Israelis and Palestinians combined with mutual dissatisfaction with British policies that attempted to divide land between Palestinians and Jews. In May 1948 Israel was invaded by Egypt, Syria, Jordan and Iraq.

Czechoslovakia supported Israel in this conflict by supplying infantry weapons, ammunition, and fighter aircrafts⁴. Most of the weapons from Czechoslovakia were smuggled under the “Operation Balak”; a secret and fast delivery of arms to Israel to avoid embargoes and barriers that could slow down the delivery. Though this smuggling operation clearly violated the resolution S/723 of the UN Security Council, Czechoslovakia helped anyway risking heavy sanctions.⁵

The supplied arms included 34 500 P-18 rifles, 5 515 MG34 machineguns, 10 000 vz. 24 bayonets, 900 vz. 37 heavy machineguns and 500 vz. 27 pistols, over 25 million bullets and 23 Avia S-199 fighter jets.⁶

Some of the arms supplied to Israel were of German production as they were obtained by Czechoslovakia after the Second World War. However, most of the supplied weapons were of Czechoslovak production which was, of course, a large contract for Czech producers of arms. The companies that cooperated in the production of arms for Israel were “Česká Zbrojovka”, “Zbrojovka Brno” and “Zbrojovka Vsetín” The S-199 fighter aircrafts were built by the Prague-based company “Závod Avia”⁷.

⁴ LAFFIN, John. 1982. The Israeli Army in the Middle East Wars 1948-73. Osprey. ISBN 978-0850454505. p. 8

⁵ Security Council: 46 (1948). Resolution of 17 April 1948 [S/723]. United Nations [online]. [cit. 2015-04-20]. Available at: <http://unispal.un.org/UNISPAL.NSF/0/9612B691FC54F280852560BA006DA8C8>

⁶ BREGMAN, Ahron. 2002. Israel's wars: a history since 1947. 2nd ed. New York: Routledge, xvii, 272 p. ISBN 04-152-8716-2. p. 24

⁷ KRUPP, Michael. Sionismus a stát Izrael: historický nástin. Vyd. 1. Překlad Marek Zikmund. Praha: Vyšehrad, 1999, 242 s. Moderní dějiny, sv. 1. ISBN 80-702-1265-9. p. 17

Czechoslovak military support of Israel wasn't only a business contract, but also a political gesture therefore the contract prices remain unspecified. It is noteworthy, that at that time, Czechoslovakia was also in a time of political instability and needed fighter aircrafts and arms almost as desperately as Israel, yet, the government decided to take this risk and export weapons to its ally in need.

The delivery of modern and high quality Czechoslovak arms was a very significant form of aid and undoubtedly helped Israel to defend itself from the invasion of the neighboring Arab states. A former IDF pilot Hugo Maron who fought in the 1948 Arab-Israeli war has told the Czech television in 2008 "The only weapons that we had originated from Czechoslovakia"⁸. The first Israeli PM David ben Gurion said "Czechoslovakia has saved Israel from defeat and destruction"⁹. We can only speculate whether Israel would exist today was it not for such significant support from Czechoslovakia.

2.3. MODERN-DAY RELATIONS OF THE STATE OF ISRAEL AND THE CZ

The Czech-Israeli relations have suffered immensely in the year 1950. The unpredictable communist regime initially supported Israel by supplying arms, but after several years decided to change its foreign policy towards the Jewish State. This change is attributed to pressure from the USSR, which as a part of its ideological propaganda attempted to suppress religious belief and create feelings of anti-Semitism in the society. The aversive standing towards Israel escalated in the year 1967 when the communist regime decided to terminate all diplomatic relations between Czechoslovakia and the Jewish state.

Another sudden change happened after the Prague Spring of 1989 when the communist regime was overthrown in Czechoslovakia and the attitudes towards Israel have changed yet again. The Israeli government well understood that the negative stance towards Israel in the decades prior to Prague Spring was the outcome of pressure exerted by the USSR and both sides softly turn to a new page in the bilateral relations. In 1948 Czechoslovakia trained Israeli pilots in its land, and in 2008 Israel

⁸ Hugo Maron: Izrael přežil hlavně díky československým zbraním. Czech Television [online]. [cit. 2015-03-15]. Available at: <http://www.ceskatelevize.cz/ct24/exkluzivne-na-ct24/38711-hugo-marom-izrael-prezil-hlavne-diky-ceskoslovenskym-zbranim/>

⁹ Ibid.

returned the favor and invited the pilots of the Czech Air Force to train in the Negev desert to prepare them for conditions in Afghanistan¹⁰. This demonstrates that Czech-Israeli relations are warm, and the times when diplomatic ties were absent are forgotten.

In 2002, Israeli Foreign minister Netanyahu visited Prague and told the Czech PM Miloš Zeman “Israel has no better friends in Europe than the Czech Republic”¹¹. The Czech Republic was also the only European country that voted against upgrading the Palestinian Authority’s status to “non-member observer state” at the UN General Assembly on 29th November 2012. Another reason why the Czech Republic today is more supportive of Israel, probably more than any other country in Europe is because the Czech Muslim community is very small¹² and therefore the government does not face pro-Palestinian pressure. Czech president, Miloš Zeman, refers to Israel as the “island of democracy in the Middle East” and indicated that the Czech Republic is supportive of the Jewish State when he was there on an official visit in 2013¹³. The Czech Republic has an embassy in Tel Aviv and three honorary consulates; in Haifa, Jerusalem and Ramat Gan – a suburb of Tel Aviv. The State of Israel has its Embassy in Prague.

¹⁰ Czech Air Force pilots train for Afghan mission in Israel. Czech News Agency [online]. [cit. 2015-04-20]. Available at: http://www.ceskenoviny.cz/news/index_view.php?id=350692

¹¹ Why Czechs were lone EU vote against Palestinians. REUTERS [online]. [cit. 2015-04-20]. Available at: <http://uk.reuters.com/article/2012/11/30/uk-czech-palestinians-idUKBRE8ATOP020121130>

¹² Religious minorities in the Czech Republic. Czech Statistical Office [online]. [cit. 2015-04-20]. Available at: <http://www.czso.cz/sldb2011/redakce.nsf/i/analyzy>

¹³ Zeman v Izraeli: S teroristy se nevyjednává, ale bojuje. Czech Television [online]. [cit. 2015-04-20]. Available at: <http://www.ceskatelevize.cz/ct24/svet/245089-zeman-v-izraeli-s-teroristy-se-nevyjednava-ale-bojuje/>

3. ECONOMIC COOPERATION

In the light of the history discussed in the previous chapter the State of Israel and the Czech Republic succeeded in establishing strong economic ties. Between the years 1991 and 1999 the Czech Republic and Israel signed a total of five bilateral agreements which remain valid today.¹⁴ Other agreements which were not in harmony with EU legislation had to be discontinued when the CZ joined the European Union in 2004. The five agreements which are currently in force deepen cooperation in the fields of civil aviation, taxation, agriculture, customs cooperation and mutual protection of investments.

The trade between the Czech Republic, a member state of the EU, and Israel has been made completely liberal in 2004 on the basis of the “EU-Israel Association Agreement”¹⁵ which was accepted by the European Parliament and the Israeli Knesset in 2000 and became legally binding and applicable to the CZ when it joined the EU four years later. Israel is also in the Euro-Mediterranean Partnership (Euromed) which promotes economic integration of countries south of the EU¹⁶. Euromed aims to achieve mutually acceptable and favorable trading terms which will essentially allow for the easier imports to the EU.

¹⁴ Obchodní a ekonomická spolupráce s ČR. Ministry of Foreign Affairs of the Czech Republic [online]. [cit. 2015-04-20]. Available at: http://www.mzv.cz/jnp/cz/encyklopedie_statu/blizky_vychod/izrael/ekonomika/obchodni_a_ekonomicka_spoluprace_s_cr.html

¹⁵ Countries and regions: Israel. European Commission [online]. [cit. 2015-04-20]. Available at: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/israel/>

¹⁶ Ibid.

3.1. TRADE OF GOODS AND SERVICES

The Czech Republic is not a major destination of Israeli export. However, vice-versa is true - the Czech Republic is one of the top ten importers to the Jewish State. The balance of trade between the two countries has a ratio of 3:1 in favor of the Czech Republic. This means that the Czech Republic exports much more to Israel than Israel does to the Czech Republic – a testimony that Czech products such as vehicles can find their clients on the competitive Israeli market.

3.1.1. BALANCE OF GOODS

The export from Czech Republic to Israel, in the measured period from 2004 until 2014 inclusively, has been growing at a steady pace. The Czech has a long-term trade surplus with Israel, meaning that the balance of trade with this country is active.

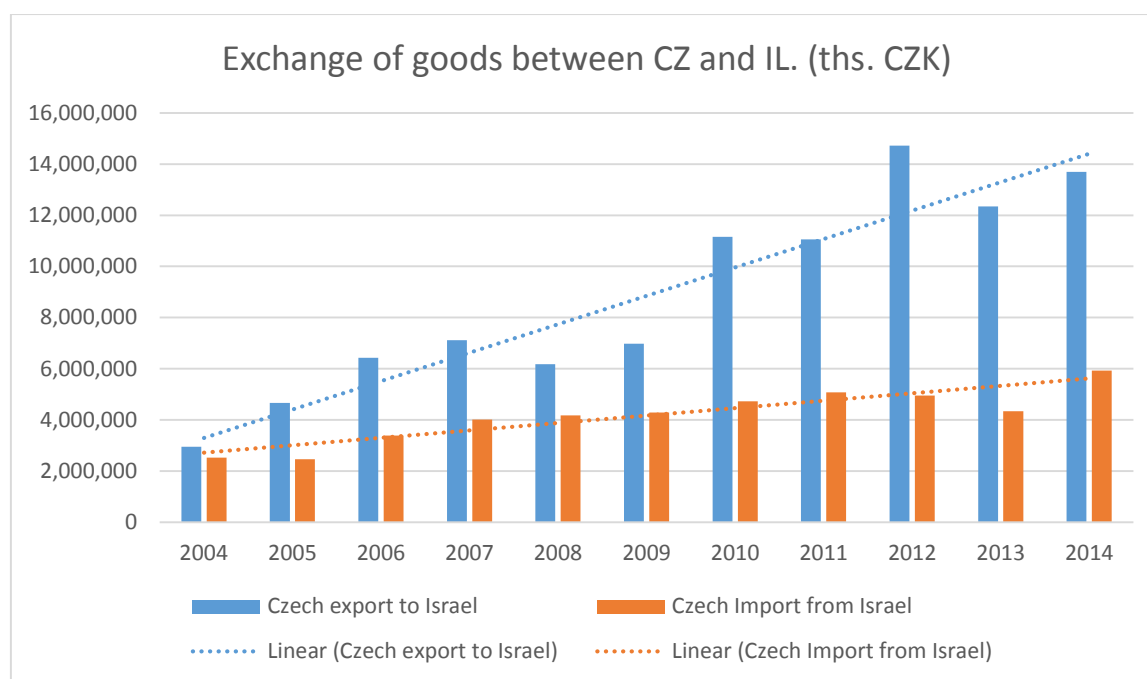
Table 5: Import and Export between the Czech Republic and Israel. Figures in thousands CZK.

Year	Import from Israel to CZ	Export from CZ to Israel	Turnover	Balance (NX)
2004	2,523,204	2,945,128	5,468,332	421,925
2005	2,459,496	4,660,578	7,120,074	2,201,082
2006	3,389,823	6,422,744	9,812,567	3,032,921
2007	4,012,868	7,118,453	11,131,321	3,105,586
2008	4,171,744	6,180,431	10,352,175	2,008,687
2009	4,282,190	6,971,066	11,253,257	2,688,876
2010	4,727,432	11,156,376	15,883,807	6,428,944
2011	5,075,601	11,052,779	16,128,380	5,977,178
2012	4,953,807	14,719,898	19,673,705	9,766,091
2013	4,333,387	12,342,571	16,675,958	8,009,184
2014	5,923,751	13,701,099	19,624,850	7,777,348

Source: External Trade Database. *Czech Statistical Office* [online]. [cit. 2015-03-15]. Available at: <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

To ease understanding, the data from the table can be visualized in a bar graph which clearly shows that the average annual growth rate of Czech export to Israel is a positive figure. Based on the above table, the pace of growth is 19,4% per year. On the other hand, the average annual growth rate of Israeli export to the Czech republic is only 9,9% per year which is a lower growth than Czech export to Israel, but nevertheless it is still a very economically favorable value.

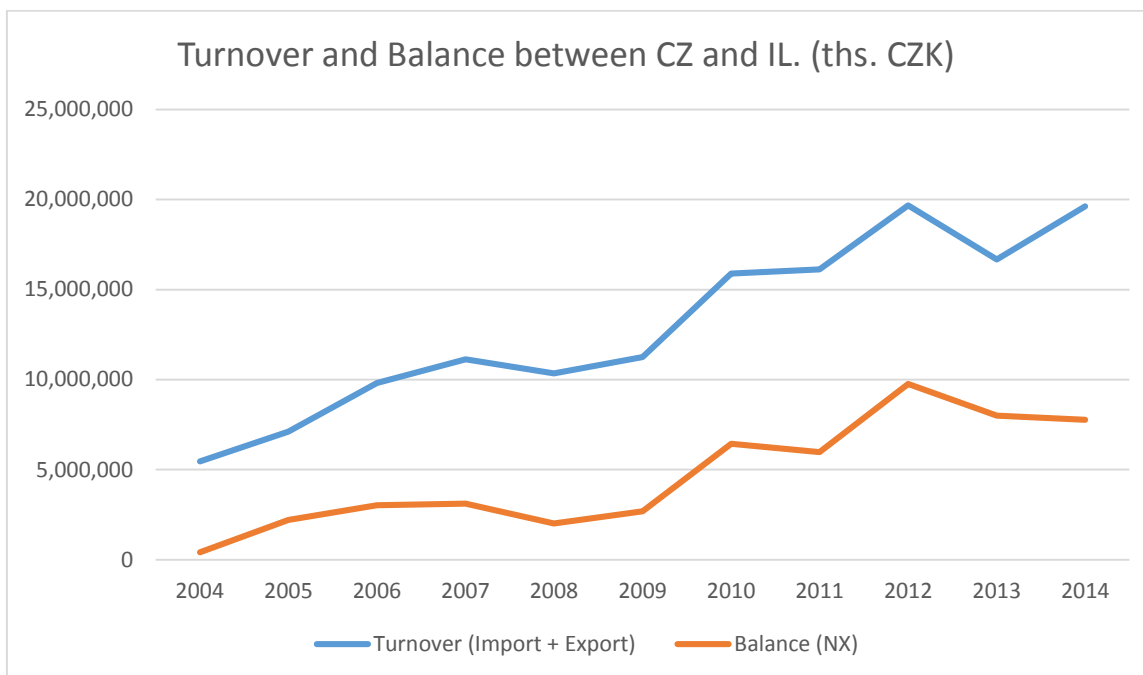
Figure 4: Exchange of goods between the Czech Republic and Israel. (ths. CZK)



Source: External Trade Database. *Czech Statistical Office* [online]. [cit. 2015-03-15]. Available at: <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

From the perspective of Czech Republic, the net export (NX) to Israel has grown at an amazing pace of 63% per year. Just for comparison, the annual growth rate of net export from Czech Republic to its number one export partner Germany in the same time period is only 17%. This is a proof that cooperation with Israel is growing at a steady pace and that the two countries have lots to offer to each other and there is large potential for future cooperation. The total turnover (sum of export and import) of traded goods between Czech Republic and Israel is also constantly growing at an average pace of 16% per year as illustrated in the below graph.

Figure 5: Turnover and Balance of trade of good between IL and CZ. (ths. CZK)



Source: External Trade Database. *Czech Statistical Office* [online]. [cit. 2015-03-15]. Available at: <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

3.1.2. STRUCTURE OF TRADED GOODS

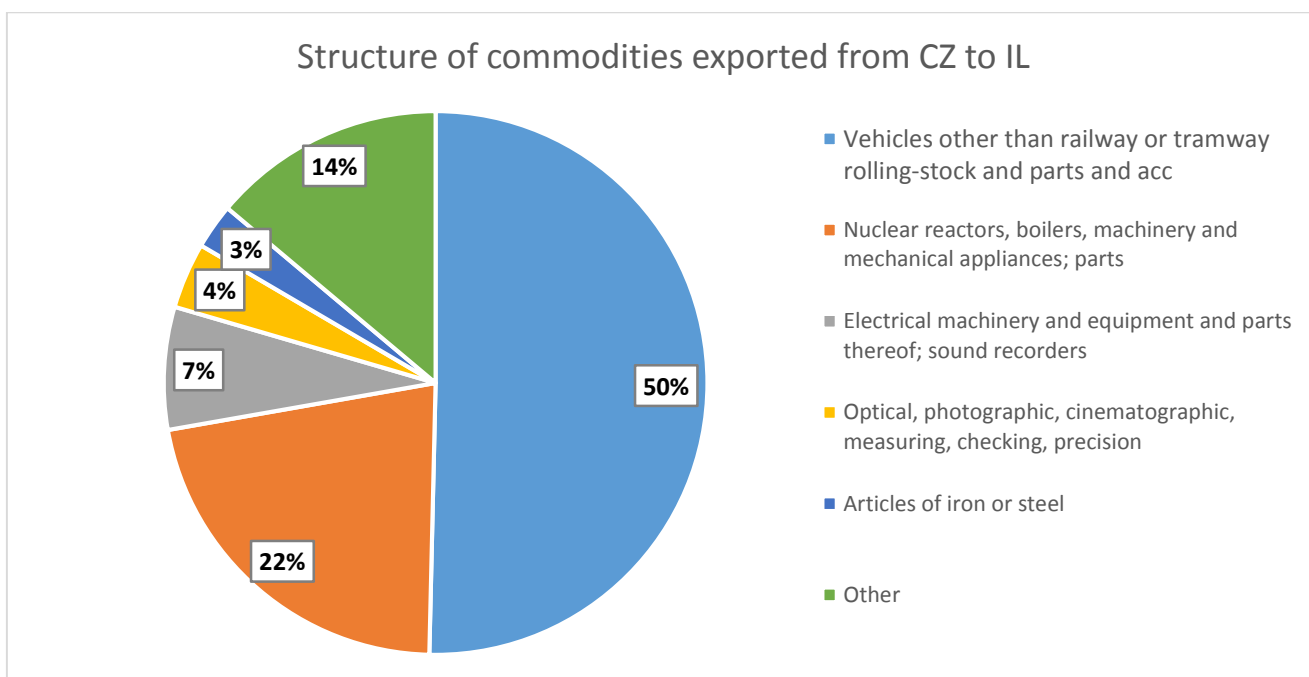
Israel is a country which creates cutting-edge technology¹⁷, chemical and pharmaceutical products which are demanded in the Czech Republic. On the other hand, Israel lacks heavy machinery and does not have any automobile plants, therefore many vehicles and machines are imported from the Czech Republic.

If we examine the commodities exported from the Czech Republic to Israel, we can see that vehicles make up for approximately a half of total export by value from CZ to IL in the year 2014. Commodities, which are not in the Top 5 of exported goods to IL make up for only 14% of total

¹⁷ Roots of the Israeli-Czech friendship. The Jerusalem Post [online]. [cit. 2015-04-29]. Available at: <http://www.jpost.com/Magazine/Opinion/Roots-of-the-Israeli-Czech-friendship-331771>

exports. This relative lack of diversification of goods could be a potential threat to the Czech Republic if the Israeli demand for Czech vehicles will decrease, or if the Czech automotive production will suffer from a crisis or a shortage of production inputs. The leader of the automobile industry in the Czech Republic is Mladá Boleslav based company ŠKODA AUTO a.s. which is also the largest exporter in the country¹⁸. In addition to the Škoda automobile plant, Hyuindai Nošovice and TPCA Kolín are also major automobile producers. After just a brief look at the Israeli roads and streets, it is evident that all three mentioned brands of vehicles, produced in the CZ are very popular in Israel. The remaining commodities which are exported from CZ to IL have a much smaller significance when compared to cars. These commodities are predominantly technologies and devices required for high-tech research, medicine, and the internet-technology sector and similar.

Figure 6: Pie chart of the Top 5 commodities exported from CZ to IL



Source: External Trade Database. *Czech Statistical Office* [online]. [cit. 2015-03-15]. Available at: <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

¹⁸ Českým exportérům vládne Škoda, vývoz desítky největších stagnuje. E15 NEWS [online]. [cit. 2015-05-03]. Available at: <http://zpravy.e15.cz/byznys/prumysl-a-energetika/ceskym-exporterum-vladne-skoda-vyvoz-desitky-nejvetsich-stagnuje-1093473>

Table 6: Top 5 commodities exported from Czech Republic to Israel

Code	Commodity	Value CZK(ths.)
87	Vehicles other than railway or tramway rolling-stock and parts and acc.	6,901,041
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts	2,995,617
85	Electrical machinery and equipment and parts thereof; sound recorders	998,658
90	Optical, photographic, cinematographic, measuring, checking, precision	536,982
73	Articles of iron or steel	367,205

Source: External Trade Database. *Czech Statistical Office* [online]. [cit. 2015-03-15]. Available at: <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

The structure of goods exported from Israel to the Czech Republic is significantly more diversified. The largest group of exported commodities is pharmaceutical products – it accounts for only one quarter of the total exported value of goods from Israel to CZ. Goods exported from Israel to CZ which are not in the Top 5 make up the “other” section of the pie graph which accounts for 37% of total exports to CZ. This is a proof that Israeli export to the CZ is well diversified and that it is very likely protected from structural issues, or economic downturns which can influence a specific sector of the economy.

The largest company in Israel, and also the biggest exporter according to the Israeli Ministry of Economy is Teva Pharmaceutical Industries¹⁹. This company also accounts for a large part of exported pharmaceuticals to the Czech Republic including not only generic drugs but also innovative drugs such as Copaxone which is a drug for treating sclerosis. The Israeli company is represented in the CZ through its subsidiary Teva Pharmaceuticals CR, s.r.o – a company which in the year 2012 had assets in the value of almost three billion CZK and sales for almost 2 billion CZK according to the PwC audit conducted in 2013²⁰.

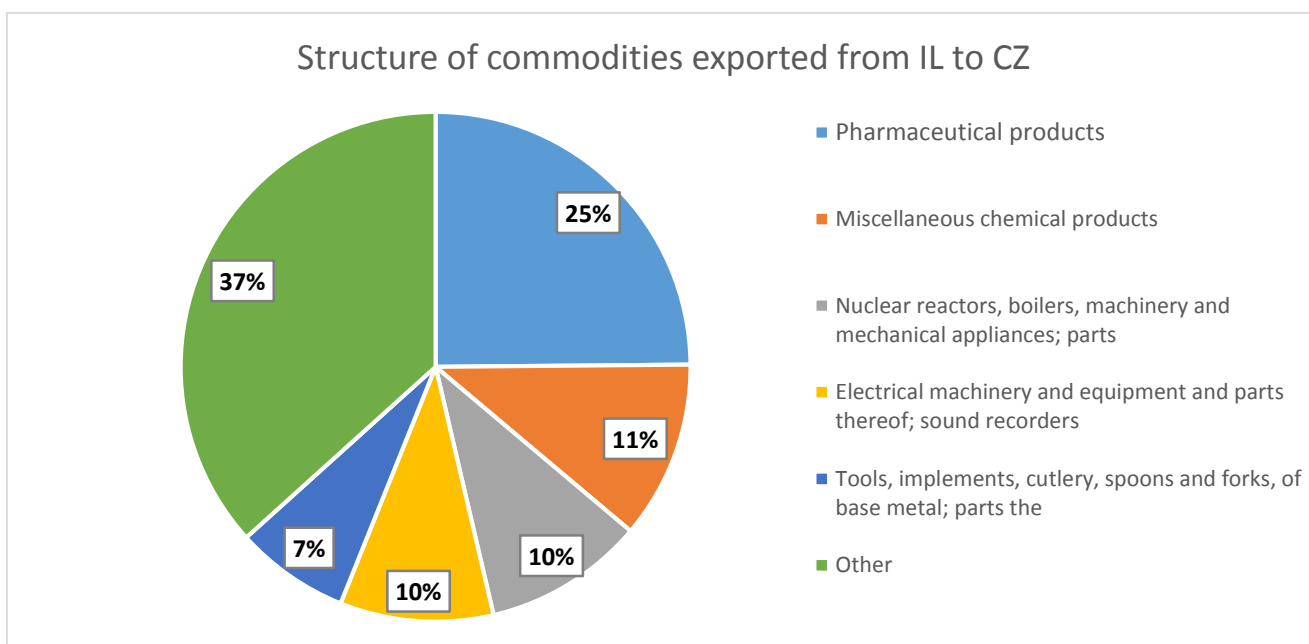
Apart from pharmaceuticals, Israel exports chemicals, minerals and refinery products to the Czech Republic. The Haifa based companies Bazan Oil Refineries (ORL) and Haifa Chemicals are major

¹⁹ Teva - Israel's Largest Company. Invest In Israel [online]. [cit. 2015-05-03]. Available at: <http://www.investinIsrael.gov.il/NR/exeres/CAEAA95D-CDE2-41F8-952F-712C94E81770.htm>

²⁰ Sbírka listin Teva Pharmaceuticals CR, s.r.o. Ministry of Justice of the Czech Republic [online]. [cit. 2015-05-03]. Available at: <https://or.justice.cz/ias/ui/vypis-sl-detail?dokument=17309255>

exporters of refined petrochemical products in 2014²¹. The largest company exporting minerals is Israel Chemicals (ICL) – a company which owns the Dead Sea Works plant in the Northern part of the Dead Sea. This company exports fertilizers, chemicals and minerals to almost the whole world, including the Czech Republic.

Figure 7: Pie chart of Top 5 commodities exported from Israel to Czech Republic



Source: External Trade Database. *Czech Statistical Office* [online]. [cit. 2015-03-15]. Available at: <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

Table 7: Top 5 commodities exported from Israel to Czech Republic

Code	Commodity	Value CZK(ths.)
30	Pharmaceutical products	1,472,837
38	Miscellaneous chemical products	667,909
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts	604,577
85	Electrical machinery and equipment and parts thereof; sound recorders	576,535
82	Tools, implements, cutlery, spoons and forks, of base metal; parts the	429,185

Source: External Trade Database. *Czech Statistical Office* [online]. [cit. 2015-03-15]. Available at: <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

²¹Ranking of Chemicals, Minerals, Refinery. DUN'S100 [online]. [cit. 2015-04-07]. Available at: <http://duns100.globes.co.il/en/rating?did=1000962756>

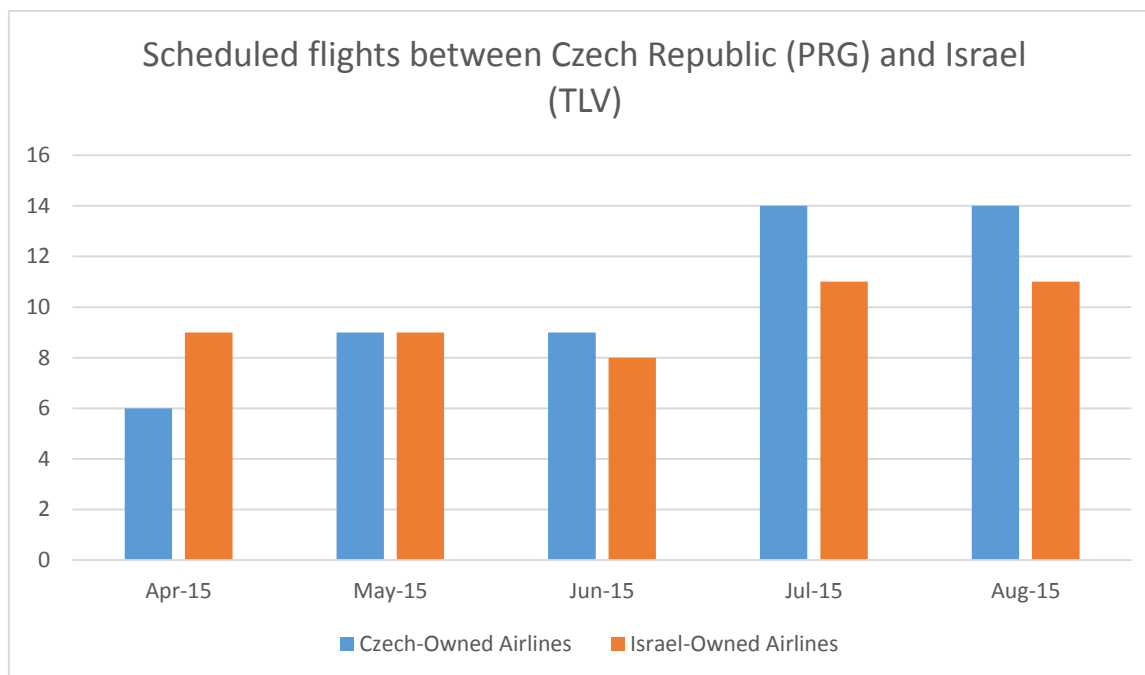
3.1.3. BALANCE OF SERVICES

The Czech National Bank publishes information about the goods balance, but unfortunately, it does not provide data about the exchange of services between Israel and the Czech Republic. The Israeli authorities do not publish official data about the trade of services with the CZ either. Though we do not have official data, the Czech Ministry of Foreign Affairs indicates, that the largest items on the balance of services between the two countries is Transport and Tourism²² which is in harmony with the Balance of Services of the State of Israel with all countries (See Annex 3 and Annex 4) .

Regarding transportation, the largest Czech companies that export civil transportation services to Israel are the Czech Airlines and Travel Service. These two airlines account for an average of 10 scheduled return flights to Tel Aviv every week, of course, depending on the season. On the other side, the only Israeli airline exporting its services to Czech Republic by flying to Prague is the state-owned company El Al. This airline operates approximately 9 scheduled return flights to Prague every week. There are other airlines operating between Prague and Tel Aviv, for instance WizzAir, however, it is not a Czech or Israeli company, and therefore it is not discussed in greater detail. The below bar graph shows the amount of scheduled flights of Czech or Israeli companies between the major airports in each country, specifically, David ben Gurion Airport in Tel Aviv, Israel and the Václav Havel International Airport in Prague, Czech Republic.

²² Obchodní a ekonomická spolupráce s ČR. Ministry of Foreign Affairs of the Czech Republic [online]. [cit. 2015-04-20]. Available at: http://www.mzv.cz/jnp/cz/encyklopedie_statu/blizky_vychod/izrael/ekonomika/obchodni_a_ekonomicka_spoluprace_s_cr.html

Figure 8: Number of scheduled flights from Prague to Tel Aviv.

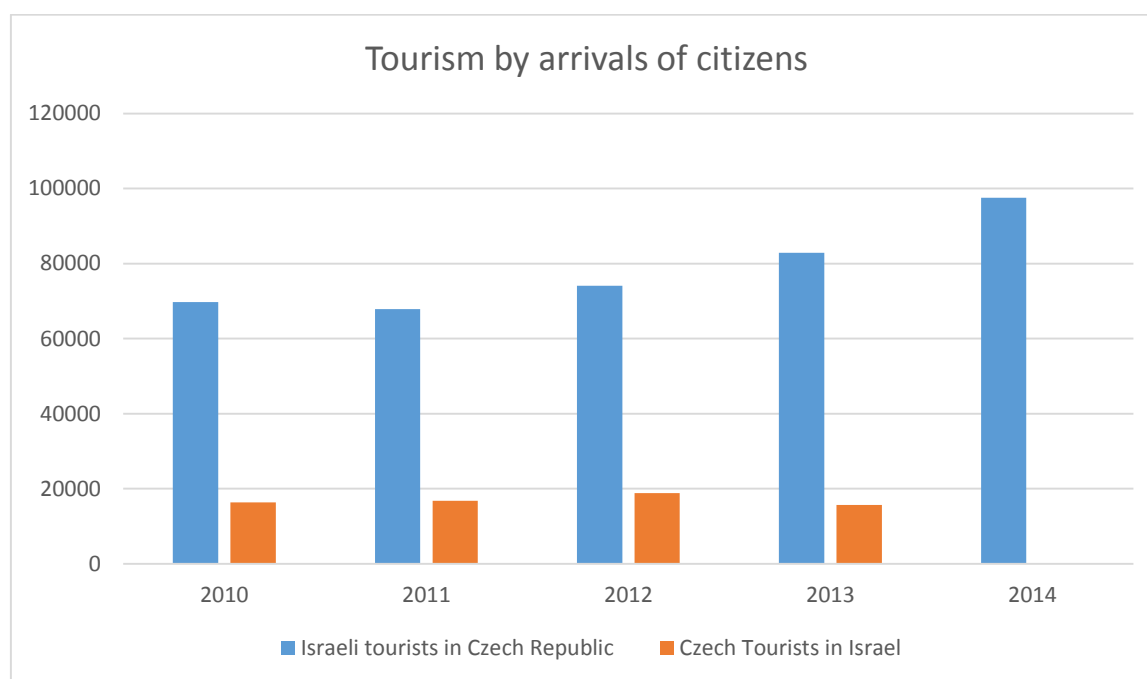


Source: Flight Schedule. PRAGUE AIRPORT [online]. [cit. 2015-04-18]. Available at: <http://www.prg.aero/cs/informace-o-letech/destinace-a-aerolinky>

After transportation services, the second largest item on the Balance of Services between Israel and Czech Republic, according to the Czech ministry of Foreign Affairs is Tourism. This type of touristic activity can be quantified by estimating the number of Israeli citizens arriving in the Czech Republic and the number of Czech citizens arriving in Israel in a specific year. The below graph indicates that both the Balance of Goods and the Balance of Services have a trend which is in favor of the Czech Republic. Israeli tourists visit the CZ not only for organized or individual tourism but also for weddings. Since Israel requires a religious ceremony, many couples choose to avoid this regulation by getting married elsewhere – for example in the Czech Republic. There are approximately 4 times more Israeli tourists visiting Czech Republic than Czech tourists travelling to Israel. Practically this means that Israelis spend money in CZ and by doing so aid the economy, while Czechs do the same whilst in Israel but there are not as many of them. The graph below is an estimation of travelers; it shows the number of Czech citizens who have entered the state of Israel in a specific year. This data is compared to the number of Israeli citizens who were accommodated in hotels, hostels, apartments, camps and other forms of facilities in Prague. Since

the vast majority of Israelis enter the Czech Republic through Prague Airport and have the city of Prague as their primary destination, the below estimate is believed to be accurate for the country as a whole.

Figure 9: Tourism between Israel and the Czech Republic.



Source: VISITOR ARRIVALS(1), BY COUNTRY OF CITIZENSHIP. Israeli Central Bureau of Statistics [online]. [cit. 2015-04-18]. Available at: http://www1.cbs.gov.il/shnaton65/st23_05.pdf and Tourism unit: Statistics (Guests, Overnight Stays, MICE). City of Prague [online]. [cit. 2015-04-18]. Available at: http://cestovniruch.praha.eu/jnp/en/statistics/_2011_2012/index.html. No data for Czech Tourists visiting IL in 2014.

3.2. FOREIGN DIRECT INVESTMENTS

By definition, a Foreign Direct Investment (FDI) is a controlling ownership in a business enterprise in one country by an entity based in another country²³. According to the Czech Ministry of Foreign Affairs, there are no Czech companies that have invested in Israel, meaning that definition of an FDI in Israel has not been matched by any Czech company.²⁴ The absence of these investments is quite logical. Israel, unlike many other countries does not offer a cheap labor force or easy and convenient access to minerals. Israel is a relatively small market and the political situation, more specifically the not-so-warm relations with its Arab neighbors doesn't make Israel a geographically interesting market for Czech investments. The current economic trends, together with globalization, are likely to change this state and eventually enable Czech capital to enter the Jewish State.

On the other hand, Israeli companies have found fertile soil for their investments in the Czech Republic. An example of such a company, is Omikron Group a.s. an Israeli real estate developer whose references include over 20 completed residential and commercial projects in various locations in the Czech Republic²⁵. In some cases it is hard to identify Israeli capital in the Czech Republic. For example, Omikron Group a.s. is a major shareholder of a company called "Linkin Invest s.r.o."²⁶ which is used to fund the residential project Staromodřanská Rezidence which comprises of 93 apartments and is currently in construction in a popular part of Prague²⁷.

Another significant Israeli developer constructing residential and commercial buildings in the Czech Republic is the Daramis Group. This company delivered over 1200 apartments during 15 years of its operation on the Czech market²⁸. Daramis is responsible for the projects Zelené Město,

²³ Definition of foreign direct investment. FINANCIAL TIMES LEXICON [online]. [cit. 2015-04-03]. Available at: <http://lexicon.ft.com/Term?term=foreign-direct-investment>

²⁴ Investiční klima. Ministry of Foreign Affairs of the Czech Republic [online]. [cit. 2015-04-03]. Available at: http://www.mzv.cz/jnp/cz/encyklopedie_statu/blizky_vychod/izrael/ekonomika/investicni_klima.html

²⁵ Realizované projekty. OMIKRON GROUP [online]. [cit. 2015-04-07]. Available at: <http://www.omikrongroup.cz/?p=projekty-realizovane>

²⁶ Výpis z obchodního rejstříku Linkin Invest s.r.o. Ministry of Justice of the Czech Republic [online]. [cit. 2015-04-07]. Available at: <https://or.justice.cz/ias/ui/rejstrik-firma.vysledky?subjektId=717435>

²⁷ Představení projektu. Staromodřanská rezidence [online]. [cit. 2015-04-29]. Available at: <http://www.staromodranskarezidence.cz/>

²⁸ About the group. DARAMIS GROUP [online]. [cit. 2015-04-29]. Available at: <http://www.daramis.com/>

Karlín Park, Sedmikráska, Marina Island and many more²⁹. In 2014 Daramis Group invested over 1,5 billion CZK into the construction of a residential project in Prague-Hrdlořezy³⁰. This is one of the largest investments of an Israeli company in the Czech Republic.

An Israeli company, Teva Pharmaceuticals is not only a major exporter of goods to the Czech Republic, but also the largest investor Israeli investor. Teva Pharmaceuticals Industries Ltd. is the owner of the Ivax Pharmaceuticals plant in the Czech city of Opava. In 2008 Teva invested over 1,6 billion CZK into the modernization of this plant – this was the largest FDI that came into the Czech Republic in that year and at the same time the largest investment into the Czech pharmaceutical sector since the year 1989.³¹ This investment caused the production of that plant to double and created over 400 jobs³².

²⁹ References. DARAMIS GROUP [online]. [cit. 2015-04-29]. Available at:

<http://www.daramis.com/en/homepage/residential>

³⁰ Izraelská skupina Daramis investuje přes miliardu do bytů v Hrdlořezích. E15 NEWS [online]. [cit. 2015-04-29]. Available at: <http://zpravy.e15.cz/byznys/reality-a-stavebnictvi/izraelska-skupina-daramis-investuje-pres-miliardu-do-bytu-v-hrdlorezech-1031853>

³¹ Izraelská farmaceutická firma v Česku. Shekel: [online]. [cit. 2015-04-29]. Available at:

<http://www.shekel.cz/30751/izraelska-farmaceuticka-firma-v-cesku>

³² Izraelská firma investuje v Opavě 100 milionů dolarů. Novinky: [online]. [cit. 2015-04-29]. Available at:

<http://www.novinky.cz/kariera/135040-izraelska-investice-v-opave-100-milionu-dolaru.html>

3.3. COMMERCIAL RESEARCH

In 2009 the Czech Republic and Israel signed the “Agreement between the Government of the Czech Republic and the Government of the State of Israel on Bilateral Cooperation in Private Sector Industrial Research and Development” in which both countries agree to support commercial research and development in the private sector³³.

The result of this agreement is the formation of the GESHER/MOST program³⁴ which was implemented in 2010 with the goal to support applied research and experimental development in the high-tech sectors in both countries, especially; IT, technologies for sustainable growth, agricultural technologies, biotechnologies, and modern machinery such as nanotechnologies, robotics or the development of new materials.

The program is intended for joint research projects conducted by Czech and Israeli companies. The goal of the program is to distribute over CZK 600 million³⁵ before 2016 from Israeli and Czech governmental funds to support applied research in the specified fields conducted by small, medium and large private enterprises. This program is coordinated by both of the governments and the Czech governmental agency Czech Invest.

³³ Obchodní a ekonomická spolupráce s ČR. Ministry of Foreign Affairs of the Czech Republic [online]. [cit. 2015-04-20]. Available at: http://www.mzv.cz/jnp/cz/encyklopedie_statu/blizky_vychod/izrael/ekonomika/obchodni_a_ekonomicka_spoluprace_s_cr.html

³⁴ About the program. GESHER MOST [online]. [cit. 2015-04-20]. Available at: <http://czechinvest.org/1program-geshermost>

³⁵ GESHER MOST. CZECH INVEST [online]. [cit. 2015-04-20]. Available at: <http://www.czechinvest.org/en/bridge-between-the-czech-republic-and-israel-to-provide-czk-600-million-for-research>

4. SOCIAL AND CULTURAL COOPERATION

The social and cultural cooperation between the two states is heavily interconnected. The cooperation between the State of Israel and the Czech Republic allows for the two countries to better share cultural wealth, as well as to create professional and social ties. The two countries involved do not only cooperate in areas of business and commercial research as described in the previous chapter, but also in the fields education, performing arts, cultural events and so on. The cooperation is discussed in the framework bilateral agreement called “Programme of Co-operation in the Field of Education, Science and Culture between the Government of the Czech Republic and the Government of the State of Israel for the Years 2012 – 2015”³⁶.

4.1. UNIVERSITY EXCHANGE PROGRAMS

The Ministry of Education Youth and Sports of the Czech Republic closely cooperates with the Israeli Ministry of Foreign Affairs through the Embassy of the State in Israel in Prague in the sphere of exchange programs. The goal of this cooperation is to deepen the collaboration between academic institutions, arrange exchange for university and students and encourage the mobility of academic staff through scholarships.

On the basis of bilateral contracts³⁷ between the CZ and Israel, every year approximately 15 Czech students can study in Israel for a semester or attended or a summer course with tuition paid by the Israeli Ministry of Foreign Affairs. Czech university students can apply to study in Israel for one semester, attended a summer school focused on learning Hebrew language. Academic staff can apply for funding if they choose to visit an Israeli institution of higher learning. These exchange programs work both ways; the Czech Ministry of Education Youth and Sports also welcomes approximately 15 Israeli students every year and provides for their accommodation and tuition.

³⁶ Bilateral contract. Embassy of Israel in Prague [online]. [cit. 2015-04-20]. Available at: <http://embassies.gov.il/Praha/Departments/Documents/agreement2012-15.doc>

³⁷ Exchange with Israel. Ministry of Sports and Education of the Czech Republic [online]. [cit. 2015-04-20]. Available at: http://www.msmt.cz/file/34107_1_1/

In addition to offering scholarships, the department of public diplomacy of the Israeli Embassy in Prague runs a program called “Study in Israel” which advertises Israeli universities and informs perspective students of possibilities to pursue university studies in Israel. The Czech Center in Tel Aviv has a similar campaign and it attracts Israeli high school graduates to consider studying at a prestigious university in the CZ. Both embassies provide consultations and assistance about studies abroad free of charge.

Two specific examples of successful Czech-Israeli cooperation in the field of academics can be found in Czech Republic’s leading institutions, Charles University in Prague and Masaryk University in Brno. The Prague Center for Jewish Studies of the Faculty of Philosophy of Charles University cooperates with various Israeli universities, for example with the Hebrew University of Jerusalem³⁸.

Thanks to this cooperation, the Prague-based University can invite Israeli academics and artists to visit the CZ and share their message. The Center for Jewish studies organizes the so-called “Israeli week at Charles University”³⁹ which is an annual event which identifies current topics of Israeli Studies, such as politics, society, culture and art.

In Brno, at the Masaryk University the Theodor Herzl Chair fund was established in 2013⁴⁰. This is a fund which financially supports Israeli scientists working at the Masaryk University, and Czech scientists conducting research in Israel at the Interdisciplinary Center Herzliya. Although the Theodor Herzl Chair is officially considered a Czech-Israeli fund, only Israel contributes to it financially.

³⁸ Conferences PCZS FF UK [online]. [cit. 2015-04-29]. Available at: <http://pcjs.ff.cuni.cz/konference>

³⁹ About. PCZS FF UK [online]. [cit. 2015-04-29]. Available at: <http://pcjs.ff.cuni.cz/node/220>

⁴⁰ Herzl Chair. Eretz [online]. [cit. 2015-04-29]. Available at: <http://eretz.cz/2013/04/projekt-herzl-chair-masarykove-univerzite-brne/>

4.2. FESTIVALS AND EVENTS

Both governmental and non-governmental institutions are involved with the organization and coordination of cultural events such as festivals, exhibitions, and concerts and similar. The head of Cultural Affairs of the Embassy of Israel in Prague, Mrs. Jurková has explained: “There are dozens of private initiatives which bring Israeli culture to the Czech Republic”. The task of the cultural departments of Embassies is not necessarily to organize events, but mainly to support existing initiatives with know-how and by bringing artists from abroad.

4.2.1. DAYS OF JERUSALEM AND DAYS OF PRAGUE

The program Days of Prague⁴¹ is an annual multiday festival which takes place in Israel and is a part of the Israel Festival initiative⁴². The Days of Prague, as the name suggests, aims to bring Czech culture to a number of cities throughout Israel. Especially Czech music, art, literature, cuisine, theater and cinematography is presented to the Israeli audience in the course of several days each year.

After the successful model of Days of Prague was established, the Israeli Embassy in Prague decided to support this model and bring it to the Czech Republic. The event called “Days of Jerusalem”⁴³ is a festival which promotes modern Israeli culture in Prague. The program of the festival includes dance, video-art, music, film and culinary art. The festival takes place in the Czech capital every June.

Both of these events are coordinated by the respective embassies and supported by governmental and non-governmental agencies such as The Czech-Israel Chamber of Commerce, The Israel-Czech Chamber of Commerce and Industry, The Czech Center in Tel Aviv, the City of Prague and

⁴¹ Days of Prague. Ministry of Foreign Affairs of the Czech Republic [online]. [cit. 2015-04-27]. Available at: http://www.mzv.cz/telaviv/en/culture_and_education/archive/days_of_prague.html

⁴² About the event. Israel Festival [online]. [cit. 2015-04-27]. Available at: <http://israel-festival.org/en/>

⁴³ The program. Days of Jerusalem [online]. [cit. 2015-04-27]. Available at: <http://www.dnyjeruzalemavpraze.cz/en/contact/>

the Municipality of Jerusalem. Private enterprises sponsor these events financially or with publicity, these sponsors are for example the Czech Airlines, Škoda Auto or Staropramen.

4.2.2. CINEMATOGRAPHY

Czech Republic is the home to annual film festivals such as the prestigious Karlovy Vary International Film Festival and the Febiofest International Film Festival⁴⁴. The Embassy of Israel assists both of these festivals with their initiative to bring Israeli films and Israeli celebrities to Czech Republic. For example, the 2015 edition of Febiofest will be attended by top Israeli directors Mr. Eran Riklis and Mr. Nadav Lapid⁴⁵. Apart from cooperation with major and prestigious film festivals in the CZ, the Embassy of Israel in Prague strives to support smaller festivals such as AniFilm⁴⁶ which can be greatly enriched by the attendance of an Israeli artist, actor or producer.

On the other hand, Israel is the venue to two major film festivals with Czech attendance. The Haifa International Film Festival presents films from over 40 countries, including the Czech Republic. With the support of the Czech Center in Tel Aviv, the Czech representative in the year 2014 was the Viktor Tauš film called Clownwise⁴⁷. Another noteworthy event is the Czech Film Week, which is a short film festival which takes place annually in Israeli movie theaters and its aim is to present cotemporary Czech films to the Israelis⁴⁸.

The ultimate goal of the embassies is to support the establishment of new Czech-Israeli partnerships and allow them to work sustainably and independently from governmental institutions promoting this cooperation. The Czech and Israeli governments agreed in 2014 that they will continue with their efforts to deepen this partnership and encourage the creation of more Czech-Israeli films.

⁴⁴ Homepage FebioFest [online]. [cit. 2015-04-14]. Available at: <http://www.febiofest.cz/en>

⁴⁵ Program. FebioFest [online]. [cit. 2015-04-14]. Available at: <http://www.febiofest.cz/en/guests>

⁴⁶ Homepage. AniFilm [online]. [cit. 2015-04-14]. Available at: <http://www.anifilm.cz/en/>

⁴⁷ Haifa International Film Festival [online]. [cit. 2015-04-29]. Available at: <http://tel-aviv.czechcentres.cz/news/haifa-international-film-festival3/>

⁴⁸ Czech Film Week [online]. [cit. 2015-04-29]. Available at: <http://tel-aviv.czechcentres.cz/news/czech-film-week4/>

4.2.3. MUSIC AND PERFORMING ARTS

Israeli music is brought to Czech Republic through various concerts, festivals and similar cultural events. There are dozens of small and large events which feature Israeli artists in the Czech Republic.

An example of such a festival, which features Israeli artists is the annual International United Islands of Prague Festival⁴⁹, where several Israeli musicians performed in the past years. After several years of successful cooperation, the organizers of United Islands of Prague were invited to travel to Israel in 2012 to the Exposures festival which is an exhibition for international music promoters. This journey was funded by the Israeli Ministry of Foreign Affairs.

The Czech city of České Budějovice is the venue for the Budějovický majáles⁵⁰ – an annual festival organized completely by students and on a voluntary basis. This festival is a not-for profit event which relies on commercial sponsors, municipal and governmental sponsors. The event lasts for 6 days. In the 2014 edition, the Israeli DJ duo “Black girl/White girl” performed twice at this festival. In addition to the DJ duo, one of the galleries in the city center became the venue for the Israeli photo-exhibition depicting Tel Aviv. The organizers of the festival, together with the Israeli Embassy in Prague tried to arrange a workshop and a discussion evening with the Israeli writer Edgar Keret.

All of the above events were supported by the Embassy of the State of Israel in Prague. The embassy offered consultations, shared contacts and in some cases provided material or financial support. There are many more events and festivals which promote Israeli culture.

⁴⁹ United Islands of Prague [online]. [cit. 2015-04-29]. Available at: <http://unitedislands.cz/en/partneri/>

⁵⁰ Budějovický Majáles [online]. [cit. 2015-04-29]. Available at: <http://budejovickymajales.cz/>

5. AGENCIES PROMOTING COOPERATION

The economic, social, educational and cultural cooperation between the State of Israel and the Czech Republic is not merely a result of historic events, but far more so the product fruit of diligent work of governmental institutions and other interested parties. The cooperation of today is a part of the framework which is set by the bilateral agreement which was discussed in the previous chapter.

Though there are commercial initiatives which promote cooperation, only the most notable and significant institutions of both a governmental and a non-profit character are discussed below.

5.1. EMBASSY OF ISRAEL IN PRAGUE

One of the most active institutions promoting Czech-Israeli cooperation is the Embassy of Israel in Prague. The embassy is in close cooperation with the Israeli Ministry of Foreign Affairs and with the Czech Ministries of Culture, Education, Industry and Trade and Foreign Affairs.

Apart from consular services and diplomatic issues, the embassy has four additional departments which are specifically designed to promote the cooperation between the two states in the previously mentioned fields. These departments are as follows.⁵¹

The department of public diplomacy⁵² strives to present Israel as a modern, lively and dynamic country with a high standard of education. This department also deals with academic affairs and therefore it close cooperates with the Czech Ministry of Education. The department of public diplomacy runs the program called “Study in Israel”.

⁵¹ Israeli Embassy in Prague [online]. [cit. 2015-04-29]. Available at: <http://embassies.gov.il/Praha/Departments/Pages/Departments.aspx>

⁵² Study in Israel Program [online]. [cit. 2015-04-29]. Available at: <http://embassies.gov.il/Praha/Departments/Pages/academic-affairs.aspx>

The department of commercial affairs⁵³ represents the Israeli governmental and semi-governmental institutions which are of an economic character. These institutions are primarily the Israeli Ministries of Industry and Trade, Finance, Environment, Transport, Healthcare, Agriculture and the semi-governmental Israeli export institute. This department aims to bring these Israeli institutions into closer contact with the Czech Czech-Israeli chamber of commerce in Czech Republic and in Israel. The department of commercial affairs is also active in the preparation of bilateral trade agreements between the CZ and Israel and in monitoring the trade between the two countries as well as co-coordinating the program of commercial research.⁵⁴

The cultural department⁵⁵ tries to support natural initiatives and match demand for modern Israeli culture in the Czech Republic. The department helps to establish new contacts, promote an event, assist with organizational matters, especially when dealing with Czech authorities and in some cases material support is also provided. In the case of a significant event which will expose modern Israeli culture to the Czech public the Embassy can sponsor it by express its support for the event which will raise the prestige and credibility of the given event. In the case of very significant events, the Embassy can invite the ambassador to personally attend it. Furthermore, the department of cultural affairs can arrange technical support from Israel – for instance various types of footage, documents, media, and exhibitions can be brought from Israel to the CZ. The department is also made aware of Israeli artists coming to Czech Republic and it can arrange more events for the artist while he is in the CZ. The head of the Department of Cultural Affairs adds: “*The Embassy tries to bring Israeli culture to all parts of the Czech Republic, and not just Prague*”.

The department of press affairs⁵⁶ deals with questions of the general public and the press in the CZ regarding matters which concern Israel. This department closely cooperates with the commercial and cultural department to inform about events which are organized or supported by the Embassy in the Czech Republic.

⁵³ Commercial affairs. Embassy of Israel in Prague [online]. [cit. 2015-04-29]. Available at: <http://embassies.gov.il/Praha/Departments/Pages/commercial-affairs.aspx>

⁵⁴ Ibid

⁵⁵ Ibid

⁵⁶ Ibid

5.2. CZECH EMBASSY AND CZECH CENTER IN TEL AVIV

The Czech Embassy and the Czech Center in Tel Aviv are located in the same building and both are established and funded by the Czech Ministry of Foreign Affairs⁵⁷.

The Czech Embassy predominantly deals with visa and consular services, but it also has a commercial department which encourages trade and investments, and it has a cultural department which organizes and supports events in Israel.

The Czech Center in Tel Aviv doesn't specialize in the promotion of commerce, but in cultural events. The center organizes exhibitions, promotes Czech contemporary art, works of Czech photographers, Czech cinematography, and Czech music and theater all over Israel⁵⁸. Apart from this, the center provides information about educational opportunities and encourages the general Israeli public to visit the Czech Republic.

5.3. CZECH INVEST AND CZECH TRADE

Czech Invest is a governmental agency which was established in 1992 by the Czech Ministry of Industry and Trade⁵⁹. The purpose of this agency is to advise and support foreign companies in investing in the Czech Republic. Though Czech Invest does not have an office in Israel, this agency is very successful in attracting investors and establishing new partnerships. Czech Invest supported Teva Pharmaceuticals with its investments in the CZ and also mediated the negotiations which led to the establishment of the GESHER/MOST project⁶⁰. After the GESHER/MOST project was implemented, Czech Invest was in charge of allocating Czech governmental funding to applicants

⁵⁷ Homepage. Czech Embassy Tel Aviv [online]. [cit. 2015-04-02]. Available at: <http://www.mzv.cz/telaviv/en/index.html>

⁵⁸ Cultrue. Czech Center Tel Aviv [online]. [cit. 2015-04-02]. Available at: <http://tel-aviv.czechcentres.cz/services/kultura/>

⁵⁹ About. Czech Invest [online]. [cit. 2015-04-2]. Available at: <http://www.czechinvest.org/en/about-czechinvest>

⁶⁰ GESHER-MOST. Czech Invest [online]. [cit. 2015-04-02]. Available at: <http://www.czechinvest.org/en/bridge-between-the-czech-republic-and-israel-to-provide-czk-600-million-for-research>

from the Czech Republic. Czech Invest also coordinated the Czech Accelerator project which was active between 2011 and 2014 and allowed representatives of Czech IT companies to travel to Israel and attend training, workshops and consultations⁶¹.

The Czech Trade Promotion agency⁶² was established five years after Czech Invest, in 1997, also by the Ministry of Industry and Trade of the Czech Republic with the purpose of supporting international trade with the CZ. Czech Trade introduces potential Czech suppliers to Israeli companies and provides information and assistance regarding doing business in and with the Czech Republic. This promotion agency also organizes buyer's visits to the CZ and meeting with Czech companies. Czech Trade has a regional hub in Tel Aviv and it assists the Czech government with arranging governmental visits to Israel⁶³.

5.4. CZECH-ISRAEL CHAMBER OF COMMERCE

The Czech-Israel Chamber of Commerce⁶⁴ is a Czech non-governmental and non-profit organization which was established in 1996 with the goal to assist the development of trade and economic ties between entities in CZ and Israel. This chamber works closely with the commercial department of the Embassy of Israel in Prague, the Czech Embassy in Tel Aviv, other Czech and Israeli ministries and its Israeli counterpart, the Israel-Czech Chamber of Commerce and Industry.

The Chamber mainly supports Czech business which are seeking to export to Israel by providing them with important contacts, relevant information, professional assistance and legal services. Apart from this, the Chamber organizes various formal and informal⁶⁵ events. For example, conferences for managers of high-tech companies which export their products to Israel, or less formal events such as discussion evenings where representatives of businesses can network with each other and the present politicians and learn about new opportunities concerning the trade between Czech Republic and Israel.

⁶¹ Homepage. Czech Accelerator [online]. [cit. 2015-04-17]. Available at: <http://www.czechaccelerator.cz/>

⁶² About. Czech Trade [online]. [cit. 2015-04-17]. Available at: <http://www.czechtrade.cz/o-czechtrade/>

⁶³ Zástupci desítek českých firem jednali v Izraeli o obchodní spolupráci. iHNED [online]. [cit. 2015-04-17]. Available at: <http://archiv.ihned.cz/c1-61319870-zastupci-desitek-ceskych-firem-jednali-v-izraeli-o-obchodni-spolupraci>

⁶⁴ Czech Israel chamber of commerce: [online]. [cit. 2015-04-17]. Available at: <http://www.cisok.cz/o-nas/>

⁶⁵ Ibid

5.5. ISRAEL-CZECH CHAMBER OF COMMERCE AND INDUSTRY

The Israel-Czech Chamber of Commerce and Industry was established in 2010 as an Israeli non-profit organization⁶⁶. It is a voluntary institute which strives to develop commercial relations between the CZ and Israel.

The Chamber mainly supports Israeli export business which are interested in entering the Czech market. Just like its Czech counterpart, the chamber cooperates with ministries, embassies and governmental intuitions and helps businesses by providing information, consultations, legal services, and similar. It is noteworthy, that this chamber will even assist companies with arranging corporate rates in hotels, priority boarding with Czech Airlines or even a better price for a Škoda vehicle⁶⁷.

⁶⁶ Israel-Czech Chamber of Commerce and Industry: [online]. [cit. 2015-04-17]. Available at: <http://www.iccci.org.il>

⁶⁷ Ibid

6. PROGNoses, THREATS AND FUTURE OPORTUNITIES

According to the 2014 study of the International Monetary Fund⁶⁸ the economic indicators of the State of Israel are to follow a similar trend as in the previous years. Practically, this means that Israel's GDP should continue to grow at a steady pace with the levels of unemployment remaining low and the inflation in a controlled oscillating zone from 1 to 3%.

Despite this rather optimistic prognosis, there are still several threats which might chase away Czech investors. The price of labor force, land, and real estate is high and it is expected to grow. Since Israel's political situation denies the Jewish State access to the markets of neighboring markets, investors might find the high prices of production factors as an obstacle which is hard to overcome and impossible to compensate through sales by geographical expansion to neighboring countries.

Czech companies certainly continue to see many opportunities in Israel. The demand for Czech automobiles is high and it is not expected to fall as there are currently no projects to construct automobile plants in Israel and no new competitors on the horizon which are striving to enter the Israeli automobile market. The reconstruction and modernization of railways and infrastructure in Israel can be an interesting opportunity for Czech metallurgy and construction companies.

On the other hand, the Czech government is in constants search of companies that can fulfil the criteria of tenders for software solutions, industrial technologies and infrastructure. Since Israel invests over 5% of its GDP into research, it is likely that Israeli companies will have the high-tech technologies which are demanded by the Czechs. Another interesting opportunity for potential business.

⁶⁸ ISRAEL: Selected issues 2014. International Monetary Fund [online]. [cit. 2015-04-17]. Available at: <http://www.imf.org/external/pubs/ft/scr/2014/cr1448.pdf>

7. CONCLUSION

Czech-Israeli relations have been very warm since 1990 and we can say that the Israeli general public sees the Czechs as a trustworthy partner in security matters, and in trade. Many Israelis still remember that the Czechs had helped them when they were at war and in desperate need of arms. The Israelis returned the favor and enabled Czech pilots to train for Afghanistan mission in Israel.

The history that the two nations share includes many friendly political gestures such as visits of presidents or prime ministers from both sides – this is one of the reasons why older generations see the Czech-Israeli relationship as unique and meaningful. On the other hand, the younger generations are informed about this old partnership through cultural and social activities that are organized or supported by the ministries, chambers of commerce and the embassies. The ultimate goal of these institutions is not only to preserve the good relationships that the Israel and Czech Republic have, but also to deepen them even further.

I believe, that the governmental and non-governmental institutions are successful in this endeavor. As a proof, I can mention the successful economic cooperation that we see today. I don't think this would be possible without good relations, mutual trust, public support and a firm legal basis.

The exchange of goods and services between the Czech Republic and Israel is constantly growing at a steady pace. Major Czech companies such as Škoda Auto sell a significant part of their production on the Israeli market. Almost every year, the amount of flights between Tel Aviv and Prague is growing. This proves that there is a higher demand for transportation services, and that tourism is also developing. The industrial and services sectors of both countries profit.

Israeli foreign direct investments created hundreds of new jobs in the Czech Republic in meaningful and perspective fields. In addition to new jobs, the Czechs will have an opportunity to receive training while working for an Israeli pharmaceutical or developer company. This will surely make the local workforce more qualified and trained. The Israeli investors chose to reinvest profits back into the businesses in Czech Republic, creating a win-win situation. Though it is unfortunate that circumstances don't allow Czech companies to invest in Israel, I believe that the optimistic prognosis of the IMF will be correct and that after a few years of growth, Czech companies will have an opportunity to invest in Israel.

The cooperation is functional in other areas as well. For example, every year over 15 Czech students receive a scholarship from the Israeli ministries to study in Israel. The system also works vice-versa. Friendly events which promote Israeli culture in the Czech Republic are very popular, and apart from a cultural experience, the viewer develops a positive relationship towards Israel or Czech Republic respectively.

To conclude, the international cooperation of Israel and Czech Republic produced countless economic benefits and enabled the value of the human capital of citizens to grow both in Israel and in the Czech Republic.

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II. APPENDIX

i. ABBREVIATIONS

CZ – Czech Republic

CZK – Czech Crown

EU – European Union

FDI – Foreign Direct Investment

IDF – Israel Defense Forces

IL – Israel

NIS – New Israeli Shekel

USD – United States Dollar

USSR – Union of Socialist Soviet Republics

ii. GLOSSARY

State of Israel: The country located in Western Asia, bordering Lebanon, Syria, Egypt and Jordan. The disputed Palestinian territories will not be discussed in this thesis.

Economic development: is a process facilitated by policy makers and diplomats which promotes the growth of the standard of living, economic stability, competitiveness and infrastructure.

Social and Cultural development: is a process closely related to economic development, arguably it is even interconnected. Social and cultural development promotes the growth of the value of human capital by education, social inclusion, and cultural growth.

Cooperation: the process of working together towards a common goal or towards a result, which will be the product of all involved parties and will allow them to benefit therefrom.

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v. ANNEXES

i. Annex 1: Structure of Export from CZ to Israel in 2014 in CZK (ths.)

Code	Commodity	Stat. value CZK(thsh.)
87	Vehicles other than railway or tramway rolling-stock and parts and acc	6,901,041
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts	2,995,617
85	Electrical machinery and equipment and parts thereof; sound recorders	998,658
90	Optical, photographic, cinematographic, measuring, checking, precision	536,982
73	Articles of iron or steel	367,205
29	Organic chemicals	342,462
94	Furniture; bedding, mattresses, mattress supports, cushions and simila	123,495
39	Plastics and articles thereof	108,471
95	Toys, games, and sports requisites; parts and accessories thereof	97,725
62	Articles of apparel and clothing accessories, not knitted or crocheted	95,345
72	Iron and steel	94,777
40	Rubber and articles thereof	79,613
48	Paper and paperboard; articles of paper pulp, of paper or of paperboar	75,705
27	Mineral fuels, mineral oils and products of their distillation; bitumi	75,373
96	Miscellaneous manufactured articles	68,360
70	Glass and glassware	66,438
93	Arms and ammunition; parts and accessories thereof	52,225
22	Beverages, spirits and vinegar	45,243
71	Natural or cultured pearls, precious or semi-precious stones, precious	44,403
88	Aircraft, spacecraft, and parts thereof	43,681
19	Preparations of cereals, flour, starch or milk; pastrycooks products	38,722
17	Sugars and sugar confectionery	32,665
69	Ceramic products	29,216
20	Preparations of vegetables, fruit, nuts or other parts of plants	27,637
23	Residues and waste from the food industries; prepared animal fodder	26,552
44	Wood and articles of wood; wood charcoal	25,649
76	Aluminium and articles thereof	25,219
68	Articles of stone, plaster, cement, asbestos, mica or similar material	21,184
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigment	20,901
83	Miscellaneous articles of base metal	19,587
74	Copper and articles thereof.	19,254
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain	19,025
30	Pharmaceutical products	16,455
49	Printed books, newspapers, pictures and other products of the printing	14,955
86	Railway or tramway locomotives, rolling-stock and parts thereof; railw	14,422
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparatio	10,483
61	Articles of apparel and clothing accessories, knitted or crocheted	9,812
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	9,375
28	Inorganic chemicals; organic or inorganic compounds of precious metals	9,080
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit	8,826
04	Dairy produce; birds eggs; natural honey; edible products of animal or	8,754
65	Headgear and parts thereof	8,387
42	Articles of leather; saddlery and harness; travel goods, handbags and	8,178
21	Miscellaneous edible preparations	8,003
64	Footwear, gaiters and the like; parts of such articles	6,878
82	Tools, implements, cutlery, spoons and forks, of base metal; parts the	6,651
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and	6,406
59	Impregnated, coated, covered or laminated textile fabrics; textile art	5,667
34	Soap,organic surface-active agents,washing preparations,lubricating pr	4,167

38	Miscellaneous chemical products	4,125
60	Knitted or crocheted fabrics	3,969
63	Other made-up textile articles; sets; worn clothing and worn textile a	3,565
92	Musical instruments; parts and accessories of such articles	2,530
75	Nickel and articles thereof	1,865
26	Ores, slag and ash	1,723
13	Lac; gums, resins and other vegetable saps and extracts	1,355
18	Cocoa and cocoa preparations	1,263
31	Fertilisers	1,172
37	Photographic or cinematographic goods	799
05	Product of animal origin, not elsewhere specified or included	704
35	Albuminoidal substances; modified starches; glues; enzymes	537
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding c	436
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimm	394
57	Carpets and other textile floor coverings	388
54	Man-made filaments	227
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper	183
91	Clocks and watches and parts thereof	183
07	Edible vegetables and certain roots and tubers	172
01	Live animals	155
52	Cotton	140
03	Fish and crustaceans, molluscs and other aquatic invertebrates	116
97	Works of art, collectors pieces and antiques	46
46	Manufactures of straw, of esparto or of other plaiting materials; bask	41
81	Other base metals; cermets; articles thereof	33
15	Animal or vegetable fats and oils and their cleavage products; prepare	21
55	Man-made staple fibres	12
79	Zinc and articles thereof	9
41	Raw hides and skins (other than furskins) and leather	6
80	Tin and articles thereof	3
10	Cereals	2
45	Cork and articles of cork	0

Source: Czech Statistical Office

ii. Annex 2: Structure of Export from Israel to CZ in 2014 in CZK (ths.)

Code	Commodity	Value CZK(thsh.)
30	Pharmaceutical products	1,472,837
38	Miscellaneous chemical products	667,909
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts	604,577
85	Electrical machinery and equipment and parts thereof; sound recorders	576,535
82	Tools, implements, cutlery, spoons and forks, of base metal; parts the	429,185
29	Organic chemicals	328,898
90	Optical, photographic, cinematographic, measuring, checking, precision	264,196
39	Plastics and articles thereof	221,282
28	Inorganic chemicals; organic or inorganic compounds of precious metals	144,437
21	Miscellaneous edible preparations	108,347
07	Edible vegetables and certain roots and tubers	89,723
94	Furniture; bedding, mattresses, mattress supports, cushions and simila	84,353
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparatio	74,350
08	Edible fruit and nuts; peel of citrus fruits or melons	72,752
17	Sugars and sugar confectionery	64,739
73	Articles of iron or steel	64,180
32	Tanning or dyeing extracts; tannins and their derivates; dyes, pigment	54,419
31	Fertilisers	51,389
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	50,736
93	Arms and ammunition; parts and accessories thereof	48,255
20	Preparations of vegetables, fruit, nuts or other parts of plants	46,172
71	Natural or cultured pearls, precious or semi-precious stones, precious	33,390
49	Printed books, newspapers, pictures and other products of the printing	33,213
76	Aluminium and articles thereof	31,223
83	Miscellaneous articles of base metal	27,306
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit	26,287
06	Live trees and other plants; bulbs, roots and the like; cut flowers an	24,787
61	Articles of apparel and clothing accessories, knitted or crocheted	24,061
52	Cotton	22,828
40	Rubber and articles thereof	21,874
95	Toys, games, and sports requisites; parts and accessories thereof	17,670
48	Paper and paperboard; articles of paper pulp, of paper or of paperboar	15,858
42	Articles of leather; saddlery and harness; travel goods, handbags and	14,978
16	Preparations of meat, of fish or of crustaceans, molluscs or other aqu	12,631
54	Man-made filaments	11,707
62	Articles of apparel and clothing accessories, not knitted or crocheted	11,249
09	Coffee, tea, maté and spices	8,467
34	Soap,organic surface-active agents,washing preparations,lubricating pr	8,366
22	Beverages, spirits and vinegar	7,209
87	Vehicles other than railway or tramway rolling-stock and parts and acc	6,409
27	Mineral fuels, mineral oils and products of their distillation; bitumi	6,213
70	Glass and glassware	5,050
03	Fish and crustaceans, molluscs and other aquatic invertebrates	4,747
96	Miscellaneous manufactured articles	3,869
81	Other base metals; cermets; articles thereof	3,767
19	Preparations of cereals, flour, starch or milk; pastrycooks products	3,478
64	Footwear, gaiters and the like; parts of such articles	2,263
69	Ceramic products	2,183
13	Lac; gums, resins and other vegetable saps and extracts	1,842
88	Aircraft, spacecraft, and parts thereof	1,574

35	Albuminoidal substances; modified starches; glues; enzymes	1,501
44	Wood and articles of wood; wood charcoal	1,274
72	Iron and steel	1,147
74	Copper and articles thereof.	1,088
63	Other made-up textile articles; sets; worn clothing and worn textile a	1,002
68	Articles of stone, plaster, cement, asbestos, mica or similar material	757
97	Works of art, collectors pieces and antiques	679
18	Cocoa and cocoa preparations	477
55	Man-made staple fibres	473
65	Headgear and parts thereof	308
15	Animal or vegetable fats and oils and their cleavage products; prepare	300
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and	288
86	Railway or tramway locomotives, rolling-stock and parts thereof; railw	220
92	Musical instruments; parts and accessories of such articles	140
59	Impregnated, coated, covered or laminated textile fabrics; textile art	139
91	Clocks and watches and parts thereof	101
67	Prepared feathers and down and articles made of feathers or of down; a	49
79	Zinc and articles thereof	17
01	Live animals	14
11	Products of the milling industry; malt; starches; inulin; wheat gluten	5
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimm	5
04	Dairy produce; birds eggs; natural honey; edible products of animal or	1

Source: Czech Statistical Office

iii. Annex 3: Israeli Services Account – Export 2000 – 2013 in USD (mil.)

Year	Total	Haulage and transport	Tourism	Insurance	Other services	Government services
2000	15.7	2.5	4.1	0.0	9.0	0.1
2001	12.5	2.1	2.6	0.0	7.8	0.0
2002	11.7	2.1	2.1	0.0	7.4	0.0
2003	13.1	2.6	2.1	0.0	8.3	0.0
2004	15.4	3.2	2.5	0.0	9.7	0.0
2005	16.9	3.7	2.9	0.0	10.3	0.0
2006	19.1	3.7	3.3	0.0	12.1	0.0
2007	21.4	4.4	3.8	0.0	13.2	0.0
2008	24.8	5.2	4.8	0.0	14.8	0.0
2009	22.5	3.2	4.4	0.0	14.8	0.0
2010	24.8	4.3	5.1	0.0	15.3	0.0
2011	27.4	4.5	5.3	0.0	17.6	0.0
2012	30.9	4.5	5.5	0.0	20.8	0.0
2013	33.1	4.5	5.7	0.0	22.9	0.0

Source: Central Bureau of Statistics of Israel.

iv. Annex 4: Israeli Services Account – Import 2000 – 2013 in USD (mil.)

Year	Total	Haulage and transport	Tourism	Insurance	Other services	Government services
2000	12.1	4.2	2.8	0.3	4.5	0.2
2001	11.9	3.7	2.9	0.3	4.7	0.2
2002	10.8	3.5	2.5	0.4	4.3	0.2
2003	11.2	3.7	2.6	0.4	4.3	0.2
2004	12.9	4.3	2.8	0.4	5.1	0.2
2005	13.8	4.7	2.9	0.4	5.6	0.2
2006	15.1	4.8	3.2	0.4	6.5	0.2
2007	17.7	5.7	3.7	0.4	7.7	0.3
2008	19.9	6.6	3.7	0.5	8.9	0.3
2009	17.5	5.4	3.3	0.4	8.2	0.3
2010	18.8	5.8	3.7	0.4	8.6	0.3
2011	20.5	6.5	3.8	0.5	9.4	0.3
2012	21.0	6.4	3.8	0.5	10.1	0.3
2013	20.3	6.4	4.0	0.5	9.1	0.3

Source: Central Bureau of Statistics of Israel.