




Israel may be located in the Middle East, but it shares close commercial ties with Europe. European countries have a lot to offer Israeli companies that are looking to grow. If your Israel-based company is considering expanding to Europe, you may be wondering whether this is a smart move and where in Europe you should establish a business presence. In this post, we'll look at some of the best European countries for Israeli businesses so you can make an informed decision.

How many Israeli companies are doing business in Europe?

Increasing numbers of Israeli companies have been establishing a business presence in Europe — especially technology startups. Israel has earned its reputation as the startup nation, and these startups have often crossed Israel's borders.

A 2021 report found [912 Israeli tech companies operating](#) in the European Union (EU) and the United Kingdom (UK). These companies collectively employ over 24,000 European residents. Of these Israeli startups, 38 percent belong to the IT and enterprise software sector. The internet sector is the second most represented, though to a far lesser degree. Other sectors include communications, life sciences, miscellaneous technologies, cleantech, and semiconductors.



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[Other prominent industries in Israel](#), including mining, diamond-cutting and polishing, finance, tourism, and transportation, don't lend themselves as readily to international expansion, so many companies in these industries remain concentrated within Israel. These companies can still benefit from hiring internationally, however.

Technology has long been a globalized industry. Israel's tech startups industry emerged in the late 1980s and early 1990s and has, over the last decade, garnered attention from investors and tech giants globally. Since 2010, startup funding [for Israeli entrepreneurs has increased four-fold](#).

As this industry continues to grow and make a name for itself internationally, Europe will likely remain an attractive place for Israeli companies to branch out. Israel's close commercial ties with Europe are evidenced in the fact that [some Israeli industries have adopted](#) EU technical standards rather than international standards for products. Friendly relations and shared goals for innovation between Israel and Europe make Israeli-European partnerships productive and valuable for both parties and the global market.

What makes Europe a good place for Israeli companies to branch out?

International growth tends to be a crucial goal for Israeli startups because Israel itself has

some inherent limitations — namely, that raw materials and energy sources are in short supply and that the Israeli market is relatively small. So, what makes European countries in particular a smart destination for Israel business expansions? Europe offers many attractive qualities for Israeli companies looking to go international, including:

Qualities Europe offers for Israeli companies

- ✓ Political stability
- ✓ Market size
- ✓ Proximity
- ✓ Cultural adaptability
- ✓ R&D partnerships and grants

- **Political stability:** According to World Bank data, the average political stability index rating — which ranges from -2.5 points as the most unstable to 2.5 points as the most stable — is [-0.4 for Asia](#) and [-0.94 for the Middle East North Africa \(MENA\) region](#). In contrast, Europe boasts an [average rating of 0.59](#), with many countries earning ratings well above 1 point.
- **Market size:** The sheer size of the European market also makes this continent a great choice for Israeli companies wanting to expand their reach. The growth potential that companies have in Israel is limited. By expanding into Europe, they can connect with other businesses and consumers in the countries where they establish a presence and throughout the continent more broadly since much of Europe functions as a single market.
- **Proximity:** Some Israeli companies choose to expand to the U.S., which can be a smart move. However, Europe has the advantage of being closer geographically. Even London, the European business hub farthest from Israel, is still just a five-hour flight away. Proximity also means operating in similar time zones, which makes it easier to conduct business between Israel and European countries and to be available during the same business hours.
- **Cultural adaptability:** Even where cultures differ, Israeli companies are familiar with European culture and are comfortable adapting to that cultural climate. It's also notable that many Israelis speak English as a second language, and English functions as a lingua franca in much of Europe.
- **R&D partnerships and grants:** A valuable perk for tech companies is the research and development (R&D) and innovation partnerships Israel shares with Europe. In 1996, less than a decade after the EU's Framework Programme for Research and Technological Development began, [Israel became the first non-European country](#) to join. The Israel-Europe R&D Directorate (ISERD) plays a key role in managing many bilateral agreements between Israel and European countries and regions. These programs also involve research grants, which [fund around 100 new projects](#) every year.

Top European countries for Israeli business expansions

Israeli companies have found success in many European markets. The right place for your business expansion depends on several factors, including your industry and your goals. For example, wanting to reach a new consumer market may lead you to a different country than if your goals were to hire experts to work remotely for your company. Let's look at some top

destinations to consider.

1. The United Kingdom

The United Kingdom is [the No. 1 destination](#) for Israeli tech companies in Europe. The UK, in general — and London, in particular — is a desirable location for businesses that want to develop an international presence. Factors like the regulatory environment and legal systems, capital-raising potential, low corporate tax rates, and highly educated workforce all attract international companies to the UK, including Israeli companies.



Beyond these general qualities that make Britain a [top destination for international expansions](#), the UK is also attractive to Israeli companies, in particular, because of the close relationship between the two nations. For example, the [UK-Israel Tech Hub was created in 2011](#) to foster tech partnerships between the two countries and has been mutually beneficial. Another example of the deep-rooted relationship is the [UK-Israel Trade and Partnership Agreement](#), a bilateral trade agreement that solidifies the partnership of the two countries post-Brexit.

2. Germany

Germany is the [largest economy in the EU](#) and is the second most popular destination for

Israeli tech startups, with [240 companies in the country](#) that employ over 3,000 residents. In addition to its prosperous economy, [Germany offers several key benefits](#) as an expansion destination. For one, it has the largest consumer market in Europe, both in terms of the number of consumers and purchasing power, and it's home to a skilled workforce.

Germany's location in central Europe can also be helpful for Israeli companies that want to establish a centralized European headquarters. Germany and Israel have shared close economic cooperation for decades. The German Israeli Startup Exchange Program (GISEP) facilitates connections between German and Israeli startups. But now, the German Israeli Network of Startups & Mittelstand ([GINSUM](#)) [is helping forge connections](#) between Israeli startups and the German mittelstand — that is, small and medium-sized companies — by promoting cross-country innovations and digitization strategies.

3. The Netherlands

The Netherlands is also a smart choice for Israeli companies looking to gain a foothold in Europe. There are currently [117 Israeli tech companies](#) that employ more than 1,200 people in the country. The Netherlands offers a pro-business climate and a highly educated workforce. The Netherlands is also an [especially tech-savvy country](#), making this a good place to find interested consumers and qualified workers for technology companies.

According to the Netherlands Foreign Investment Agency, [Israel and the Netherlands share](#) cultural values that make it easy to do business with each other. The Dutch appreciate boldness, directness, and flexibility in doing business — all qualities they see reflected in the Israeli way of doing business. According to the [Education First English Proficiency Index](#), the Dutch also speak English more proficiently than any other non-native speakers, which can be helpful if English is the European language an Israeli business is most comfortable using.

The Netherlands offers enticing tax incentives to international recruits and those starting a limited company, called a “besloten vennootschap” (BV) in Dutch. The [30% tax ruling](#), also called the 30% facility, is for highly skilled and specialized employees recruited to fulfill a role with a company based in the Netherlands. Assuming they meet all qualifications, the

recruiting employer may grant them a tax-free allowance of up to 30% of their gross salary.

Additional qualifications individuals must meet vary, factoring in things like where the employee lives, the employee's salary, and if the employer agrees to the applicable ruling. Requirements are less restrictive for certain individuals, including Ph.D. and Master's [graduates under 30](#) years of age and medical specialists in training.

Contractors may establish a BV and list themselves as an employee rather than an owner to be legally qualified to meet the 30% facility requirement.

The Port of Rotterdam, [Europe's largest port](#), is also located in the Netherlands. The port provides quick access to major Western European centers and is working to lessen its environmental impact and improve efficiency. The port sees nearly [8.5 million containers](#) carrying more than 14 million 20-foot equivalent units (TEU).

4. Spain

Many Israeli companies have also looked to Spain as an expansion destination. The Spanish government welcomes foreign direct investment (FDI) and encourages it through business-friendly regulations. In 2019, the country had an [inflow of US\\$44 billion in FDI](#), according to the United Nations Conference on Trade and Development (UNCTAD).

Spain is of special interest to companies in other Spanish-speaking countries, such as those in Latin America, as the perfect spot for European operations. However, it's also a popular choice with Israeli companies. There are [135 Israeli tech startups there now](#), employing over 900 Spanish residents. The relationship between Spain and Israel is strong, as seen in the existence of the [Israel-Spain Industrial R&D Cooperation Framework](#), a program implemented by EUREKA and Eurostars.

5. Cyprus

One of the best European countries for Israeli business is separated from Israel only by the

Mediterranean Sea. The geographical proximity of Cyprus can make it stand out for Israeli companies that want to be able to travel back and forth easily between an Israeli and European business location. Through this neighboring country, Israeli companies can gain access to the EU Single Market.

According to the [head of the Cyprus Trade Center in Israel](#), many Israeli companies already have regional headquarters or remote offices in Cyprus. There is clear cooperation between Israel and Cyprus across various industries, including defense, tourism, R&D, and health. When it comes to Israeli tech companies, in particular, there are [30 companies and nearly 1,200 employees](#) in Cyprus, which is impressive, considering the country's small size.




How will ETIAS visa requirements affect Israeli travel to Europe?

For most of the EU, along with a few additional countries and microstates in Europe, people traveling internally from country to country do not need to go through border crossing regulations. This arrangement is known as the Schengen Area and essentially functions as a single jurisdiction when it comes to internal travel. In 2016, the European Commission began plans to [bolster security measures for travelers](#) outside the Schengen Area entering the EU.

The result was the European Travel Information and Authorization System (ETIAS). This system affects travelers who do not currently need a visa to visit the Schengen Zone. These

travelers, including Israelis, will need to go through a visa waiver pre-screening program to identify potential risks. Travelers can complete the ETIAS process online. This requirement is coming into effect gradually and is expected to be in [full effect by the end of 2022](#).

What does this mean for Israeli companies expanding to Europe? It simply adds an extra step that will make business trips to Europe a bit more complicated. If you're permanently relocating employees or hiring Europeans to run your European subsidiary, however, then this will only affect company members in Israel who travel to your European office. Some Israeli companies may want to consider hiring Europeans remotely. This can be a great way to tap into the potential of the European market without ever leaving Israel.



Hiring remotely can be a great way to tap into the European market without ever leaving Israel.

You can find highly qualified employees in Europe to help propel your company to success. Today, the remote workforce has become a mainstay for many companies. Israeli companies can take advantage of this trend to expand their reach virtually. Keep in mind that you cannot directly employ workers in another country without a business presence there, unless these workers fit the description of independent contractors.

An ideal solution for many companies is to work with an Employer of Record (EOR) that can put your European employees on their payroll and handle other HR functions to ensure you employ them in a way that is fully compliant with the laws of the employee's home country.

Seize European business opportunities from Israel with Globalization Partners

Growing internationally can be a daunting process, but it can also help you grow and make a bigger splash globally. If you plan to expand to European countries or hire remote workers but want to forgo the complications of travel and establishing a branch or subsidiary of your company in these countries, consider working with Globalization Partners — a global EOR with a [presence throughout Europe](#), including country-specific expertise for 187 countries. We can simplify your international growth with our suite of online tools and local experts, and we can serve as the EOR for your European employees.

To learn more about hiring employees internationally, [download our Global Hiring Handbook](#).