



MARKETPLACE: Shlomo Maital

Three Good Things

“HERE ARE THREE GOOD THINGS that happened today!” This is how Anat Dolev, bubbly Voice of Israel broadcaster, opens her weekday afternoon program on Reshet Bet, “At Three with Anat Dolev.”

It is my favorite radio hour. Dolev’s bouncy optimism is infectious. It contrasts starkly with the doom-and-gloom scary journalism of the print and visual media, which compete to bombard us with unrelieved stories about rape, incest, murder, violence and corruption. Sometimes Dolev has to really stretch to find three good things. But she never fails.

So, Dolev, here is my own version. In contrast to the major setbacks Israel has recently suffered in the diplomatic arena, here are three good things that happened to Israel in the economic sphere in May. The unifying thread is that all three involved Israel ‘graduating’ to a higher league or higher ‘grade.’

Israel is finally in the top 20 most competitive countries in the world!

Each year, the Swiss business school IMD ranks some 60 leading nations according to how competitive they are in global markets. The 2010 rankings have just been released. They show that Israel has risen dramatically in the past year, from 24th place to 17th. Only Taiwan and Malaysia rose by more ‘rungs.’

Why did Israel’s competitiveness rise so sharply, at a time when many countries are struggling with the aftermath of the global crisis?

Israel’s improvement occurred in two of the four main dimensions: Government efficiency and business efficiency. Through prudent fiscal policy and deficit control, Israel rose from 23rd to 16th in government efficiency, in sharp contrast to the spate of screaming headlines about rampant corruption. In business efficiency, Israel rose from 20th to 14th, primarily due to “finance” (Israeli banks continued to supply credit, while banks in many other countries slashed their lending to strengthen their balance sheets), productivity and efficiency, and attitudes and values (Israeli businesses are entrepreneurial and think globally). Israel now joins the 20 most competitive nations in the world for the first time. This is important because IMD’s competitiveness measure is closely linked with economic prosperity.

Israel is not an emerging market anymore!

It is now official. A market data company known as MSCI measures performance of stocks globally. MSCI computes two indexes. One is known as MSCI Emerging Markets. This measures market capitalization of stocks in 26 emerging economies, including Argentina, Jordan,

Malaysia, Pakistan, and Turkey. Emerging market stocks are regarded as risky. Until this week Israel was included in the category of emerging markets.

Israel has now graduated to the MSCI World index, which measures 1,500 stocks in the developed markets of the world. Israeli stocks now join those of the US, Sweden, Germany, France, Singapore, and the UK.

The impact of Israel’s graduation has been dramatic. On Wednesday, May 26, the Tel Aviv Stock Exchange saw record trading of stocks, with trading volumes eight times higher than the daily average. The cause was the reclassification of Israeli stocks, such as Teva Pharmaceuticals, now defined as “MSCI World” rather than “MSCI Emerging.” Many institutional investors are now able to add them to their portfolios because they are in a lower-risk category. Since Israel has emerged from the global crisis in a rather strong position, the reclassification will hopefully pull more investment funds from abroad.

Israel is now an official member of the Organization for Economic Cooperation and Development (OECD).

The OECD is a ‘club’ comprised of Western market-based economies. At a ceremony May 27 at OECD headquarters in Paris, Prime Minister Benjamin Netanyahu said Israel’s admission to the OECD was a “vote of confidence in the future.” Israel is among three new members admitted, including Slovakia and Estonia. There are now 34 member countries.

I think that a major benefit of OECD membership for Israel will be consistent best-practice benchmarking. A massive data-collection system provides uniform data for OECD member countries. We will now be able to compare Israel to its counterparts in technology, innovation, infrastructure, education, economy and other key areas. Perhaps this will inculcate a competitive best-practice mindset, in which Israeli business and political leaders measure their goals and achievements consistently against other leading nations and act quickly to close gaps.

This process has already begun. In a report announcing Israel’s acceptance to the club, the OECD noted that Israel has a dubious crown: The highest level of poverty among all its members, with one Israeli in every five defined as poor. This fact has generated considerable debate and hopefully will lead to action.

There is good news out there, lots of it. I think people want to hear it. Perhaps the media will one day reexamine their basic assumption that scandal attracts more eyeballs than counting our multiple blessings. ●

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