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# A SWISS-ISRAEL MERGER?

Not quite, but Israel certainly has a lot to learn from Switzerland, which has nearly double its per capita GDP

**"I WISH** you all a stormy and courageous Knesset Session that will increase the respect for this House, and will advance the building of the home we all share." Those were President Reuven Rivlin's words at the opening of the Knesset's winter session on October 31.

Courageous? Increase respect? Building our home? Well, hardly. But stormy? You bet. Knesset members screamed at each other, hurled insults, walked out of sessions en masse, and any semblance of orderly debate was soon in shambles.

Look for the Israeli public's rock-bottom regard for its Knesset and government to plunge to new lows, as parliament wrangles over minor issues and ignores major ones such as poverty, hi-tech, education and pensions for the elderly.

By the way, where were our MKs for three months? Do all Israel's crises wait patiently for their return from junkets abroad, paid for by taxes? Who among us gets three months of paid vacation?

A survey by the Israel Democracy Institute reports that more than half of Israelis think Knesset Members do not work hard; 78% of respondents do not trust key institutions of democracy; only a third trust the government and Knesset; and fewer than one in five trusts Israel's political parties.

Israel is not the only nation where governance is dystopic and democracy is dysfunctional. There are many others.

In contrast, there are countries where governance functions rather well, and democracy works efficiently. A great deal can be learned from such countries. Why then don't we? Why don't dysfunctional countries study well-governed functional ones?

I've spent my career teaching and working with managers. One of the tools I teach is called best-practice benchmarking. All strong companies practice it. It simply means, if you do something, find those who do it better, learn how and why, and then adapt what they do to improve your performance.

At the Technion Institute of Management, we led some 25 trips abroad, from 2001 to 2009, visiting great global companies with Israeli managers and learning what those companies do through the soles of our feet. Those trips were invaluable. One of the most memorable was our visit to Nestlé, in Vevey, Switzerland, where we heard from top management how to build and run a market-leading global company

It is a mystery to me why so few countries, including Israel, practice such benchmarking. It is cheap, powerful, impactful and logical.

One explanation is Israel's DNA. Young Israelis bursting with self-confidence tackle really hard problems and launch start-ups to solve them. They believe they have the answers and others don't. The same self-confidence, or near arrogance, seems to blind

us to learning from others. We know it all.

The Technion recently bestowed an honorary doctorate on Canada's Governor-General, David Johnston. On this occasion, Johnston gave a brilliant short speech about how Canada welcomes and manages diversity, especially among religions, and how diversity inspires creativity.

Canada's big neighbor to the south, the United States, is grappling with many problems Canada has largely solved, such as health insurance. Do Americans look north to learn and improve? Almost never. In the US, Canada is often mocked or ignored.

**ON NOVEMBER 10**, I spoke to a gathering in Lucerne, Switzerland, sponsored by the Swiss-Israel Chamber of Commerce. The title of the meeting was "Start-up Nation Israel Meets Switzerland." Several brilliant Israeli entrepreneurs – SimilarWeb, Lumus Optical, Anobit, AudioBurst, Cyverse – told their marvelous stories.

I, myself faced a tough dilemma, of the "coals to Newcastle" variety. Switzerland ranks No. 1 in the world in innovation, according to the widely respected Global Innovation Index, and No. 2 in global competitiveness, according to the World Competitiveness Yearbook. Israel ranks No. 21 in both innovation and global competitiveness.

Switzerland, with the world's strongest currency, now worth more than the dollar,

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AVI KATZ

has super-high wages, yet still manages to sell more than \$300 billion in industrial exports yearly. Israel's goods exports totaled 64 billion dollars in 2015, down 7 percent from 2014. In 2000, it cost 1.8 Swiss francs to buy a dollar; today, only 0.96, a 44 percent increase in value.

Tourists know how costly it is to buy anything in Switzerland. Despite this, Switzerland has a huge export surplus, equal to 11 percent of its Gross Domestic Product (GDP) in 2015. Switzerland has the world's highest level of wealth per adult and its GDP per capita is nearly double that of Israel. Its population is about the same,

however, at just over eight million.

So, what in the world can Israel teach the world's best-practice benchmark?

Here is what I learned, while preparing my talk.

*Neue Zürcher Zeitung, Nov. 10, 2016 (Zurich): Switzerland and Israel Merge! New Nation to be Called Swlssrael. Swiss President Johann Schneider-Ammann and Israeli President Reuven Rivlin met secretly in Davos and hammered out the details. The two parliaments will ratify the merger in January. Combined GDP nearly \$1 trillion.*

This newspaper account is of course pure fantasy, even folly, for many reasons.

These days, countries do not merge, but instead tend to split apart. In 1900, there were only 53 independent countries in the world. Today, there are nearly 250 countries, if you include inhabited dependent territories.

In the past century, decolonization and independence movements have broken countries apart. After December 1991, the USSR dissolved into 15 independent countries. In 1980-82, Yugoslavia split into six republics – Slovenia, Croatia, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia – and two autonomous provinces within Serbia, Vojvodina and Kosovo. Quebec

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voted not to split from Canada but may try again.

So, if countries do not merge, but rather do the opposite and disassemble, what is the logic of a Swiss-Israeli merger? What can each of the two countries bring to the table?

If, in an imaginary world, consulting companies did due diligence on this merger, what would they study? First – what can Israel learn and gain from Switzerland? Second, a much tougher question – what can Switzerland learn and gain from Israel?

Let us begin with what Israel can learn from Switzerland. First and foremost, I believe, is governance. No country can prosper if it is badly governed.

**SWITZERLAND HAS** a collective head of state – its seven-member Federal Council, the nation’s cabinet. One council member is chosen as president each year by the Assembly (similar to the US House and Senate) for a one-year term. The current president, Johann Schneider-Ammann, is an electrical engineer and business leader and ran Ammann Group, a family company with more than 1 billion euros in annual revenue, before entering politics.

Switzerland has 20 cantons and six half-cantons, and each canton has its own constitution, parliament, government and courts. The ever-logical Swiss understood, when they wrote their federal constitution in 1848, that politics are local, and citizens must be empowered to run their cities and villages and take responsibility for it.

The Swiss practice direct democracy. Many laws are decided by a referendum, and any law passed by parliament can be challenged and put to a referendum if 50,000 signatures are gathered.

Switzerland has four official languages – French, German, Italian and Romansh. German language and culture dominate, with two-thirds of Swiss speaking German as their mother tongue. This diverse blend of cultures and language, with a large ethnic majority and several minorities, is glued together by a strong sense of love of country and a clever constitution.

Israel does not have a constitution. In the past, efforts to construct one have failed.

I know that MK Roy Folkman (Kulanu), an accountant, former adviser to Jerusalem Mayor Nir Barkat and a Major in the IDF reserves, has spoken of the canton system as a possible creative integration of the virtuous one-state vs. two-state solutions of the

Palestinian conflict. Kulanu leader Moshe Kahlon, as finance minister, is wholly focused on economic issues and on his make-or-buy promise to control housing inflation and the cost of living.

Kulanu’s politics are self-described as “center-right.” If Kahlon, Kulanu and its 10 MKs ever do manage to multi-task and turn Folkman loose to move his creative ideas forward, new interest in the Swiss governance system will arise.

Numbers and statistics never tell the full story. So, I spoke with my friends Moshe and Jenny Gerstenhaber, who have lived for many years in Arbaz, a lovely Swiss mountain village two hours from Geneva. Moshe was born and raised in Israel and built Kall Kwik, the largest print and copy franchise in the United Kingdom.

Moshe and Jenny say the Swiss have “regulated systems for political processes and follow them scrupulously. The Swiss take responsibility for decision-making seriously [in referendums] and their outlook is what will be good for the country as a whole. The Swiss are pedantic and exacting. After the Fukushima disaster [the Japanese nuclear plant that collapsed due to an earthquake and tsunami and spread dangerous radiation in March 2011] the Swiss accelerated their shut-down of nuclear plants. Switzerland has good, reliable civil servants, making it easier to govern with only seven ministers.”

I would add one more thing, told to me in Switzerland. The Swiss prefer Swiss-made products over imported ones and housewives will buy green Swiss tomatoes instead of red Moroccan ones. This helps explain their export surplus. I wish Israelis would do the same.

**WHAT, THEN,** can Switzerland learn from Israel?

“Creativity, tenacity and courage, resilience, personal and social energy, quick uptakes of innovation and invention, and the instant social openness and social friendliness of the Israeli people,” say the Gerstenhabers.

And, I would add, the fearless defiance of bold young people, who leave well-paying jobs to launch start-ups, fall on their faces, get up and try again, fail again, and ultimately, succeed. Their hi-tech industry has given Israel economic growth rates much higher than that of Switzerland.

Someone very close to me recently declined a well-paying prestigious job with a leading venture capital firm to become CEO of a fledgling start-up, at zero pay. Having taught MBA students abroad, I know very few countries where young people would make a similar choice.

In the end, Switzerland and Israel will not merge. But they, and all countries, can do much more to share best practices across their borders.

Israel can learn much from Switzerland about how to govern a diverse population – diverse in beliefs, religion and political values. Switzerland can learn much from Israel on how to energize young people to tackle huge challenges and try to change the world against enormous odds.

Globalization has brought a blessed expansion in trade and wealth. But it also has a downside.

Writing in Public Administration Review, University of Haifa scholars Eitan Adres, Dana Vashdi and Yair Zalmanovitch find that, in a four-country study, globalization tends to lead to a retreat of citizen participation in collective action and political collaboration. Fealty to country simply becomes far less important in a global world.

In a global world, goods and services cross borders with supreme ease. But what about ideas? Why don’t best-practice ideas about how to deal with social, economic and political problems do the same?

Years ago, I taught global macroeconomics to Technion students. My course required teams of students to choose a foreign country, any of about 200, and prepare a macroeconomic report on it. I was surprised when a large majority of the teams chose Switzerland.

“Hey, Israel is not Switzerland!” I rebuked them, echoing a well-known phrase used often at the time to explain or excuse governmental screw-ups. Israel does not have great nations like France, Germany, Austria and Italy on its borders, but instead Lebanon, Syria and Gaza.

The students replied that, nonetheless, Switzerland, a small country of tall mountains and disciplined diverse people, was one Israel could learn much from.

How right they were. ■

*The writer is senior research fellow at the S. Neaman Institute, Technion and blogs at [www.tinnovate.wordpress.com](http://www.tinnovate.wordpress.com)*