FEAR, GREED, AND THE EXCLUSION OF THE ‘LOCAL’
IN THE FORMATION OF A GLOBAL GAMING
INDUSTRY IN ISRAEL

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ABSTRACT

The digital games industry is predominantly helmed by giant game companies catering for unified global themes. Despite the rise of handy tools and online stores that provide more opportunities for independent developers, games contents rarely reflect Israel’s current lifestyle. This paper focuses on the volatile history of Israeli games culture as we explore the specific circumstances that deterred developers from creating games engaged with the local way of life. We observe how endogenous and exogenous factors encourage companies and creators to deliberately strip regional characteristics from their products while adhering to global trends. This tendency is widespread in the commercial and independent games industries. As gaming becomes a dominant media and art form, we urge new actions to promote games inspired by local culture, themes, and aesthetics.

Keywords
Games history, Regional game studies, Israeli Gaming History, Subcultures, Globalization.

INTRODUCTION

While digital game consumption transcends national boundaries and migrates between cultures, the centers of production and publishing remain dominated by a relatively small number of corporations headquartered in North America, Japan, the UK, and to a lesser extent Western Europe, South Korea, and Australia. Game industries in other regions tend to conform with that reality.

Hence, we have witnessed a collective effort in academic and industrial circles that seeks to criticize game history’s silence regarding local, locality, and locatedness in games (Wolf 2015; Liboriussen et al. 2016; Swalwell 2021; Navaro-Ramzel et al. 2022).

In line with the ever-growing field of research of regional game studies and the emergence of an internationally acclaimed gaming industry in Israel, this essay reviews games creation in Israel from the formative decades to the present. Spanning more than
forty years, we wish to examine how the local games industry and the games it produced were shaped by political, economic, and social circumstances. Related to this history are ideological shifts marked by the transition from socialist policies to a liberal economy and urban middle-class life, emerging definitions of leisure and entertainment, which are interrelated with preoccupations and anxieties over possible “social degradation” and “immorality.” Particularly, we wish to highlight the reasons that encouraged the local gaming industry to assimilate with hi-tech culture and shared global themes, in terms of storyline, aesthetics, and gameplay conventions.

So far, no thorough inquiry into the Israeli games industry’s roots and culture has been made. The unique social and political climate in which games are played and created in Israel is worthy of investigation. This study is intended to open such a dialogue and contribute to the further maturation of the Israeli games industry.

To cover the period until the 2000s, we have primarily used press material in the National Library Newspaper Collection, the records at Beit Ariela Public Library in Tel Aviv, and the archive of the Israeli Broadcasting Cooperation, the Internet Archive and private collections. The dataset for the later period is based on online sources. The sources are in Hebrew. Another valuable source for the study of the Israeli Video Games Ecosystem is a report published by Deloitte in 2018 (updated in 2022) to attract new venture capitalists to invest in emerging technologies and opportunities in the local market. This report is the most profound attempt to assess the scale and worth of the video games industry in recent years.

The 1980s: THE ORIGINS OF THE INDUSTRY

Since its reformulation in 2003, the Israeli gaming industry has tended not to support games based on local culture. Instead, this “Start-Up Nation” has witnessed the growth of major game companies specializing in virtual casinos and casual gaming, most notably free-to-play social games on social and mobile platforms.

The following is an attempt to contextualize games and their creators historically. It is argued that games that address the local market and/or preserve a degree of cultural specificity dominated the market until the late 1990s. Their importance began to wane in the first decade of the second millennium, until they all but disappeared a decade later.

After the 1973 war, Israel suffered multiple economic crises that lasted more than a decade. The first half of the 1980s (known as the lost years in the history of Israeli economy) experienced both inflation and foreign debt that seemed to spiral out of control (Razin et al. 1993, 16, 32). In July 1985, the government launched an Economic Stabilization Plan that redefined critical parameters of the political economy. A neoliberal development model was adopted, based primarily on the reduction of state intervention, the liberalization of the capital markets, and the significant opening of the economy to the world. It combined changes in economic coordination towards free enterprise, allowing, among other things, a hi-tech form of organization (Maron et al. 2017, 12–13; Shafir et al. 2000, 2, 7). At the same time, software development was recognized as an industrial sector entitled to government assistance (Breznitz, 2007, 63). This change in approach stimulated the emergence of Israel’s software industry and indirectly contributed to the first round of independent start-ups (Avnimelech et al. 2004, 31). Software companies competed for dominance of the Hebrew word-processor market, for example. Hebrew-speaking programs teaching computer basics, blind typing practices, and ASCII were also in demand.
Video games were not on the agenda, even though the diffusion of video games in the United States had sparked national interest in Israel by mid-1981. In ‘The invasion of the space games,’ nationwide newspaper *Maariv* associated the phenomena with white-collar educated adults, who traditionally did not play flipper machines (Segal 1981). Reports that the arcade machine covered seed investment costs within days encouraged local retail entrepreneurs to open several arcade halls across the country. Such venues, nicknamed Galaxy, appeared in Tel-Aviv, Haifa, and the suburbs.

With the growing diffusion of home computers in the 1980s, computer edutainment developers emerged. The first wave of entrepreneurs were small-scale retailers, specialized in selling computer hardware and software to a rapidly growing home market. A.D.M. Computers was a vigorous hardware and software retailer that produced dozens of edutainment software for children and young adults. This included, among other things, a program for learning chess, a maze game; a shooter inspired by *Space Invaders* that exercises math; a homeland quiz on varied topics (e.g., the wars of Israel, army commanders, military operations, geography and Zionism); a series of fairy-tale games aimed at helping kids acquire proficiency in English. Other programs focused on cognitive skills and topics related to the curriculum of elementary school (e.g., electricity, algebra and mathematics, biology, and even ecology). Tkoaa Computers Ltd. produced similar edutainment programs to support the curriculum of elementary school in Hebrew and English linguistics, the Bible, geography, and math. Their flagship product was however an interactive encyclopedia. Tkoaa won a competitive edge by targeting the new immigration wave of Russians in the late 1980s and early ’90s. Among other things, we can find a Russian-speaking lexicon that provides some basic information on the Jewish tradition, holidays, feasts, the customs of Shabbat and kosher food. It even includes the “hangman” minigame, with a character holding a hanukkiah.

News that the PC game market was becoming more remunerative than software did not greatly change the preferences of the relatively more established developers to focus on business software and edutainment (Noy 1985). Within these establishments game hobbyists started to emerge, however. In 1984 during their army service, Ilan Rav and Dani Katz created a MS-DOS clone for the 1981 arcade game *QIX*. They named it *Xonix*. Although not commercial, the game spread fast and inspired *Tetris* creators Dimitry Pavlovsky and Vadim Gerasimov to write their version of the game.

Possibly the first Israeli commercial PC game that targeted an international audience was a maze-based game called Labyrinth, released in 1987 by Eldata Computers. The events of the First Intifada (Arabic: انقاضة intifāḍah) moved the twenty-six old developer Mike Medved, who recently immigrated to Israel from the United States, to release a game based on the events. The infamous *Intifada* game was released in 1989 in English and Hebrew. The game puts the player in the role of an Israeli soldier who is sent to restore order against Palestinian protestors. The policy of the government dictates his arsenal of weapons. In turn, his actions in the field can affect the policies of future governments (Figure 1). Despite informal distribution channels, the game spread like wildfire across the country, and eventually raised national alarm (Perez 1989).
THE 1990s: SHOPPING MALLS, ADVERTISING AND MASS CULTURE

By the beginning of the 1990s the Israeli hardware and software industries experienced a surge of growth, while the cost of development declined. Two bottlenecks of the Israeli IT industry had become evident: first, banks were still the only ones responsible for allowances. Venture funds were not available to facilitate both deeper and more consistent R&D activities. Thus, software developers were unable to secure enough capital to expand. Second, business and management skills were lacking, especially with regard to planning, marketing, and finance. The economy still favored small businesses and did not provide incentives to prosper. A pivotal event that characterized the Israeli IT in the early 1990s was the massive immigration of thousands of engineers from the former Soviet Union. The USSR started to democratize and break up, and Jews, who had been unable to emigrate until that time, began the last large immigration wave into Israel. The Israeli government secured the help of the United States in raising 10 billion in bonds to finance the settlement of many immigrants (20 per cent of the total population in less than one decade), providing extensive financial resources. These and other reasons unleashed a wave of new firm formations. In 1989 the later period in the development of the IT industry began (Avnimelech et al. 2004, 31; Breznitz 2007, 62–63, 74, 77).

In this climate operated several software companies that managed to take local game development to the next level. One of them was Machshevet, a publisher of technical textbooks in Hebrew and importer of PC hardware and software. Machshevet was quick to license the rights to distribute Eidos, LucasArts, and Will Wright games. Their first attempts at localization included only the games’ covers, disk labels, instruction booklets, and the intro screen. Machshevet gradually moved to full localization projects of point & click adventure games. Loom of LucasArts (1990) was the first international franchise to be fully localized into Hebrew (Figure 2). Other examples included Fasci and Lost in Time of Coktel Vision (1991, 1995), Simon the Sorcerer 1 & 2 by...

The experience with localization projects and connections with international producers encouraged Machshevet to venture into original development. Against the backdrop of the Iraqi War of 1993, it created an aerial battle game called A Fateful Flight (Tissa Goralit in Hebrew). The game puts the player in the role of an Israeli pilot bombing targets in Iraq. In 1995, it released the critically acclaimed educational game Strawberry Magic for the local market. The first example of a full-length retail game that targeted international players was Master of Dimensions (1996), a 2D adventure game in English with optional subtitles in Hebrew. In 1997, Machshevet released Granix (or Granny in Germany; Armed and Delirious in Western Europe and the United States). This was a classic point-and-click humoristic adventure, where the heroine was an English-looking grandma. This product also targeted an international audience. Both games received mixed reviews. For one, players found the themes quite

Figure 2: PC game Loom of Lucas Arts was fully localized to Hebrew, 1990.

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awkward; second, the games were far from being state-of-the-art in terms of graphics and code.

Machshevet’s initiatives to penetrate a global market were interrupted, and the company was sold to an emerging software publisher and distributor called Media Plus. The localization projects resumed under this new trademark. A point of reference is the *Pink Panther*’s adventure game by Wanderlust Interactive (1997). Local actors dubbed the game, and the humor was culturalized (adapted to the local cultural environment), thus contributing to the popularity of the franchise in Israel. But this company was broken up and sold off. Around that time a small studio called Kidum Multimedia released another action-strategy game targeting international players, called *Virus* (1997). The goal of the game was to fight a virus that is spreading through the player’s PC. The levels used the names of files and folders from the local hard drive. Warnings that no real damage could be caused to the computer were printed on the game’s cover. Reception was unfavorable primarily because the game system was highly unbalanced. Nevertheless, Machshevet and its descendants should be regarded as pioneers in distribution and localization of international games in Israel and the development of original retail games that target both local and global audiences.

Between 1975 and 1995 Israel’s GDP grew sevenfold and its “dollar product” increased by about 600 per cent. At the end of 1996, this growth rate placed the per capita income of Israelis at $16,690 and in twenty-first place internationally, ahead of some member countries of the European Union, such as Spain. In recognition of its rapid growth, in April 1997, Israel was added by the IMF, together with Singapore, South Korea, Hong Kong, and Taiwan, to its list of “developed” countries (Shafir et al. 2000, 1). By the mid-1990s consumerism and unfettered marketeering had become the most visible features of the relative departure from the Zionist-socialist political economy. Shopping centers and international franchises were taken as visual affirmations of prosperity and the decline of the former collectivist-nationalist world, with its institutions and beliefs (Applbaum et al. 2004, Introduction).

The case of Bug Multi-Systems typifies the new trends. Established in 1984, the company has grown to become the largest chain of retail that focused on electronics, totaling 73 branch stores in all major shopping malls across the country. It holds exclusive rights to import Sega, promoting it also by publishing one of the first game magazines in Israel dedicated to games, *WIZ*. As Sega representatives it organized e-sport contests, and eventually opened its own publishing house for games made in Israel. Soon enough other chain stores that specialized in games and related hardware emerged (e.g., Atid Computers, Freak). Concurrently, big retailers of books, media, DVDs, and pop products opened multimedia departments throughout the country.

**Advergames**

The diffusion of Israeli advergames is another outcome of the Americanization of the markets. In the 1990s major foodstuff and beverage companies used games as a marketing device to increase the consumption of their products. Young and inexperienced developers were commissioned to create basic simple games to be used as a marketing tools. The games were rather thin in gameplay and plot and low in quality by market standards, nevertheless they were distributed for free and their language was Hebrew. Since the foodstuff conglomerates seldom intervened in the development of these games beyond safeguarding their interests, it left developers with enough room for creative freedom. For example, a game produced for Vered Ha-Galil, one of the local chocolate companies, included an Easter egg. On idle the Vardit, the cow-heroine, started singing a folklore Hasidic song “Messiah! Messiah!” (Figure 3). A quarter of a decade later, Israeli advergames are being looked at with nostalgia for a
generation of kids that grew up in the 1990s. Aside from localization projects and educational games, advergames kickstarted the Israeli gaming industry by providing inexperienced young developers with a chance to emerge.

![Figure 3](image_url)

**Figure 3:** PC advergame *Vardit in the Chocolate Trail* of P.M.D, 1995.

**Interactive TV**

Similarly, the multiplication of state-regulated television channels and the diffusion of regulated multi-channel cable television in the early 1990s created a demand for new content opening new opportunities before young creators. Inspired by the Danish TV format *Hugo*, the National Educational Channel ran an interactive TV game show called *Dov’ale* (1993). In this game the players controlled an indolent couch potato-type character by using the telephone dials at home. The action imitated domestic tourism attractions, such as riding on an inflatable tube in the Jordan River or driving a Jeep in the Israeli Negev desert. More levels were created after the show was transferred to a better time slot on National Channel 1 between 1995 and 1997. In 1994 *Hugo* debuted on cable television Channel 6, after the franchise was purchased by Saban Entertainment, who sublicensed it to ICP Israel. The Danish troll was culturalized to fit the Israeli market and became a smash hit. *Hugo*’s relatively long success on the silver screen (1994–97) moved Machshevet (and later Media Plus) to license the rights to create three PC games using this franchise (*Dovrat*, 1996). The protagonist’s voice was different from the one on TV and the games were unsuccessful. Concurrently, a leading edutainment company named Compedia licensed and localized into Hebrew several Hugo games produced elsewhere. One of these games *Hugo and the Evil Mirror*, became a smash hit.

**The Golden Age of Retail Games**

The next significant step in the emergence of a local gaming industry has to be ascribed to Hed-Arzi. Established as one of the two most important publishing houses for Israeli music in the 1960s, Hed-Arzi gradually expanded to books, videos and multimedia. By the mid-1990s the conglomerate had already obtained exclusive distribution rights from many international game companies, including Electronic Arts. By 1998 it had close to monopoly conditions over selling PC games and consoles in Israel. The company maintained a nationwide network of sales agents, and expanded further into the retail market. It directly owned or had shares in many chain retail stores in Israel, including
Tower Records, Top10, and Tzomet Sfarim. By then—and until it ran into financial difficulties and was sold in 2003—Hed-Arzi was the dominant powerhouse in gaming in Israel.

Since the company traditionally focused on local content and targeted the local market, its approach was entirely different from that of Machshevet. Their first attempt as a game publisher was a marketing-spin on a popular TV series, *The Comedy Store* (1996). The game was quite elementary, a collection of minigames with the characters from the show as protagonists. The CD included some video sketches produced especially for the game. Similarly, Hed-Arzi encouraged music artists to release their CD albums with a multimedia track. Next, Hed-Arzi Multimedia arm commissioned a small studio of two brothers Renard and Roy Gluzman, to produce a point & click adventure game directed for the Israeli market. *In the Interest of Ratings* (1996) was a fully dubbed comic detective adventure game telling the story of an incompetent detective who goes on holiday at a fictional suburban hotel in Hadera only to be embroiled in a bizarre murder case. The game contained intertextuality, inside jokes, irony, and cynicism. *In the Interest of Ratings* received negative reviews in the press, including the technology branch of Haaretz, a leading newspaper. The game however received positive reviews in youth-oriented magazines. Ultimately the game was a success. Under the trademark of Guillotine, the duo continued to develop independent games. Their next outing *Piposh* was released in 1999 and several sequels followed until 2003. The point & click adventure game series follows the quirky adventures of its main character, flawed actor Hezi Piposh, a morbidly tactless guy in his attempts to reach Hollywood and “make it big” (Figure 4). The games became a cult hit in Israel, hailed for their unique humor, original characters and satirical look at Israeli society. Renard is notable for being one of a few Israelis who have managed to develop a computer game within the country and distribute it successfully in Israel. The demand for games that capture the local culture moved Hed Arzi multimedia CEO Eyal Shemi to quit his office and open a production company. Shemi created a series of humoristic trivia games in Hebrew, *You Think You Are Smart* (1998–2001), inspired by the *You Don’t Know Jack* franchise. Renowned actor and comedian Tal Friedman dubbed the host of the show, and he was also much identified with the brand.

![Figure 4: PC game Piposh of Guillotine, 1999.](image)

By 1998 more than 71 per cent of Israel’s industrial exports were high-technology, and by 2000 the IT industry alone accounted for more than 70 per cent of the country’s GDP growth, by far the highest percentage in the world (Breznitz 2007, 62–63). The
high-technology industry shifted to the forefront of Israel’s industrial landscape, and the software sector was the site of a spectacular wave of successes. Meanwhile, the average age and education level of the entrepreneurs declined sharply. Graduates of the military’s technological and intelligence units founded growing numbers of software companies right after they completed their service (Yogevo 2001). Of particular interest is the gaming company Pixel Multimedia, founded by ex-Israeli Air Force pilots headed by Rami Weitz. Weitz’s studio specialized in 3D rendering of topography based on aerial photos. Pixel managed to pitch its technology to Electronic Arts (EA), who in turn commissioned Pixel to create a game based on this technology. *Jane’s IAF: Israeli Air Force* (1998) was released under *Jane’s Combat Simulations* series (Figure 5). The game is set in the Middle East, and features a multiplayer online arena and several individual campaigns, including the recreation of historical operations from the 1967 Six-Day War, the 1973 Yom Kippur War, and the 1982 Lebanon War. The game also included cutscenes of AIF footage. The air fight game represents a milestone in the Israeli gaming industry, as it is the only successful incursion by an Israeli gaming company in the global retail market. In Israel the game with a Hebrew patch was branded *Kohav Kahol* (blue star) and distributed by Hed-Arzi multimedia, bundled with a flight simulator joystick. Despite commercial success, the sequel was canceled after EA strategically decided to focus on Sport related games. Rebranded as PixelPlay, Weitz calculated a new course and moved to develop free-to-play social games, and Interactive TV. In 2007 the company was bought by Oberon Media.

![Figure 5: PC game Jane's IAF: Israeli Air Force of Pixel, 1998.](image)

The most ambitious attempt at hybrid local-global production was an expansion pack to EA’s *FIFA: Expansion Pack* between 2000 and 2002. The initiative came from Hed-Arzi Multimedia to produce an expansion pack that would include Hebrew commentary.
and skins of the national soccer league. For years, the game remained at the no.1 selling charts in the Israeli retail market. The initiative was interrupted in 2002 after EA accused Hed-Arzi Multimedia of breaching employment contracts.

2000: GAMING IN THE LIGHT OF THE DOT.COM

In the early 2000s, in the wake of the bursting of the dot.com bubble, Israel experienced an economic slowdown. A turning point was reached in 2002, when the second Palestinian Intifada and a subsequent wave of terrorist activity, an economic crisis, and an unusually favorable government coalition provided the political opportunity for the MoF to roll back redistribution by imposing long-desired cuts that resulted in rising poverty and a substantial decline in the effectiveness of wealth redistribution in reducing income inequality. The Israeli high-tech cluster was affected to a considerable extent since it is biased towards smaller companies, and venture capitalists were concentrated in early-stage investing (Avnimelech et al. 2004, 37). Concurrently, the traditional gaming industry experienced increasing hardships: the transition to online digital distribution disrupted the video games industry’s value chain, eclipsing the role played by the physical distributor and retailer. This and rampant piracy, seriously challenged retail game publishers and distributors (Beyrav 2007).

Studios which remained loyal to the retail market admitted failure. The first-person shooter (FPS) Rising Eagle: Futuristic Infantry Warfare is another milestone in the emerging gaming industry. The game is set in 2040 around futuristic warfare where the United States, the European Union, Iran, Israel, and China are involved. The game was developed by Yaron Dotan and a team of ten using the Nebula 2 engine. It was released in 2007 in a subscription model and became free in April 2008 with the release of the Gaza expansion. Rising Eagle has witnessed several hundred international players a day. The game was however indented with technical fouls and the political context hampered success. Media critics classified Rising Eagle under the same category as FPS games made by Syrian developer Afkar Media Under Siege and Under Ash or Hezbollah’s propaganda game series Special Forces. In 2009 the game was awarded best retail game of the year by the Israeli Game Industry Association (Beyrav 2008; GameIS 2009). Shortly afterward the studio ceased development and announced it would not support the servers. Despite its shortcomings internationally, the local gaming community embraced the game, and several gaming sites maintained leagues and events around the title until the last official server was closed in 2014.

Concurrently, higher-speed Internet access, and the advent of free-to-play mobile and browser-based games in Java or Flash technologies, brought about an influx of small game initiatives, those inspired by local culture are indicated here: Falafel King (2001) is a freeware browser game made in Flash. The player runs a falafel stand and must meet demand and occasionally spray flies and order fresh supplies from the kitchen worker (Figure 6). Founded by two students in 2005, Playful Shark established itself as an advergame developer. The studio was commissioned by the food conglomerate Osem to create an online game featuring a popular brand. The game Bamba in the Magic Kingdom became a smash hit, and was being played by 800,000 users. Zbeng! is a humorous weekly Israeli comic strip geared towards teenagers since 1987. In 2007 Corbomite Games CEO Oded Sharon successfully pitched a game concept based on the celebrated comic series in the Israeli “Shark Tank” entrepreneurial-themed reality show. The point & click adventure game Osher Bli Gvulut was released around that time. In this game the player tries to get elected as the Israeli Prime Minister to avoid a debt to national security. On the way he morally degrades himself. About 150,000 people played it. The popularity of modding allowed game developers to make their first steps in gaming. In 2008 and 2009, Roy Shapira released two mods to Crysis called Combat Training and Petrograd.
Figure 6: Flash-based browser game *Falafel King* of Rafi Berkovich et al., 2001.

In line with the rise of Indie game communities around the globe and Indie itself becoming an industry, small Israeli studios aggregated around the same agendas and business models. It is estimated that there are more than 100 Indie games developed by Israeli-based studios of various sizes, most of which have commercial aspirations. Notably, the Indie community as a whole is facing a relative lack of experience in management, marketing, and fundraising. There is no government support or other funding schemes, and very few high-profile success stories.

The Shift Towards “VC-Friendly” Games

The technology bubble collapse beginning in 2000 dried up both the IPO and M&A markets that had permitted Israeli VC to thrive. To a degree, the Israeli situation was more difficult than in other countries, not only because of the political and economic situation but also because Israeli venture capitalizing was highly concentrated in early-stage investing, and the Israeli high-tech cluster was biased towards smaller companies, which are always the most seriously affected in an economic downturn. The problems were expressed in terms of a decline in the amount of capital under management, some VC partnerships having to undertake distress mergers, and even the closure of funds. The start-ups evolved to be more “VC-friendly” in terms of business plans, along with the acceptance by entrepreneurs that seasoned managers were required, and an understanding of the role of venture capitalists. Between 2006 and 2017, there were over 1,200 launches of Israeli technology companies equaling over 98 billion dollars in capital. In a relatively short time the Israeli IT industry transformed itself into the image of its American counterpart. As of 2006 the Israeli VC industry consisted of more than seventy local funds, with many of the top US and global VC funds having local operations in Israel, with circa 2.3 billion available for investment. The industry also showed its maturity and strengths by recovering from the technology bubble,
raising 4,727 million in 2004 and 1.2 billion in 2005 without government interventions of the sort applied before (Avnimelech et al. 2004, 37, 44; Breznitz 2007, 81).

Game companies managed to lure potential investors was by advancing PC game-related technologies rather than content. Majorem’s Massively Multiplayer Real-Time Strategy stresses the passage to VC. The company was established in 2001, aiming to supply its MMORTS technology to other game studios. To demonstrate their technological edge, they produced a fantasy-themed game called Ballerium (Figure 7). The Office of the Chief Scientist (OCS) in the Ministry of Science and Technology agreed to support the project’s first stage, if CEO Adi Gaash and co. would establish their studio in a developing area. The team developed a MMORTS game from their headquarter in Sde Boker in the Negev, until the money ran dry in October 2004. They reported being back in development in December 2004, after signing a publishing deal with the Los Angeles-based company Interplay Entertainment (Rabin 2004). Eventually, the publisher cut funding and the production was suspended once again. The game’s community completed the product at their own expense, and Ballerium was sold in Southeast Asia, where it recorded meager success. Marjoram’s colossal project was abandoned but remains a monolith to the ambition to break into the international gaming market.

![Figure 7](image_url)

**Figure 7:** Massively multiplayer online real-time strategy game **Ballerium** of Majorem, 2004.

Being virtually an extension of the Israeli hi-tech industry, a significant share of the country’s gaming business today is technologically oriented. These companies focus on games-related supportive tools and technologies, such as data analytics, advertising services, streaming technology, VR/AR.4 Game developers provided a platform through which to attract investment to create customizable content. A case in point is Funtactix, founded in 2006 by Yaron Leifenberg and Ilan Graicer, and backed by Jerusalem Venture Partners (JVP) and Benchmark Capital. Based on an internally developed engine, the company launched several 3D online games, most notably a racing game called Moondo. The technology enabled players to create and port their
character avatar across platforms within IP-based online worlds and games. The company’s headquarters moved to San Diego, California, and by 2016, it was acquired by Playtech and officially rebranded as FTX Games. In July 2020 FTX Games was acquired by Tilting Point Media.

The Privatization of Telecommunications and the 3G Mobile Market

By the mid-2000s the 3G mobile market was booming. Telecommunication companies desperately needed content for their newly founded online stores. Porting between different devices imposed its challenges thus providing more opportunities for entrepreneurs. Dozens of startups and inexperienced young developers were licensed by the content departments of all major phone companies. Programs were entrusted to international franchises and a great deal of freedom to create whatever games they wanted. Likewise, the emergence of social gaming provided more job opportunities in the field. Game studios started to adopt startup forms of organization. The emergence of mobile phones and the advent of social media reshaped the entire industry landscape within just a few short years. In these new technologies, incumbent market players no longer possess a significant advantage over new market entrants, leaving many opportunities up for grabs (Steinberg 2002). New developers seeking to enter this space no longer required budgets in the tens of millions, and securing seed financing now sufficed to allow them to get off the ground.

A host of start-ups offering support services and complementary platforms sprouted up locally to fill this need. Soon enough, social/mobile games became the leading revenue generator and the fastest-growing segment of the country’s gaming ecosystem. Other game companies that ran social casinos and casual games websites struggled for years with secure sign-in and payment regulations. The launch of Facebook developer platform in 2007 offered software developers to transfer their main line of business to social networks. Companies specializing in social casinos like Playtika, 888, Mytopia, PixelPlay were quick to jump on this wagon. This was the point where the Israeli gaming industry became seriously engaged with free-to-play social and mobile games.

To give several examples: the multi-studio Playtika was sold in 2011 to the American casino giant Caesars Interactive Entertainment at a value of around 160 million dollars. The company was purchased again for 4.4 billion dollars in 2016; Playtika continued to operate with its management and team of around 250 employees in Herzliya (Rubin et al. 2016). DragonPlay and Diwip, two companies developing casino-style and social games for mobile and social-network platforms, were acquired in 2014 for around 100 million dollars each by Bally Technologies Inc. and the Canadian powerhouse Imperus Technologies respectively (Deloitte 2018). Plarium (known for its free-to-play flagship game Raid: Shadow Legends) was sold in 2017 for half a billion dollars to Aristocrat, a prominent gambling manufacturer in Australia. Its sub-studio Whaleapp (Solitaire Texas Village, Family Zoo, etc.) operates as a wholly owned subsidiary (Handrahan 2017). JellyButton was sold to Playtika for tens of millions in 2017 (Globes 2017). In 2020 Moon Active reported an income of more than a billion dollars from their flagship casual-social game Coin Master (Figure 8). And in turn, Moon Active acquired the Belarus-based Melsoft (Kling 2021). In the same year, Ilyon Games, a developer of casual mobile games, was acquired for a reported 100 million dollars by Tencent-owned European-based mobile developer Miniclip (Goichman, 2020). Israeli gaming start-up Beach Bum, which develops mobile games based on popular board games like backgammon, was sold in 2021 to France’s Voodoo (Shulman, 2021). IronSource Ads technology maximizes the effect of adverts in free-to-play mobile games. Its mobile game publisher Supersonic has already released a few major hyper-casual hits since it launched in 2020. The case of Crazy Labs throws light on the general trend; the company initially focused on children’s games, but quickly adapted to the hyper-casual
business model and is now one of the leading publishers and developers in the field. In 2021 it was acquired by the Swedish game company Embracer Group, but continued to operate virtually independently, with its management and headquarters in Israel (Calcalist 2021).

![Image of Coin Master](image)

**Figure 8**: Casual mobile game *Coin Master* of Moon Active, 2015

It has been argued that the state of Israel radically transformed from a developmental political economy to a neoliberal regime in only a few decades. The transformation of the Israeli financial system from a state-led and bank-based structure to a far more market-based one was achieved by ending bank dominance, introducing new instruments and enacting new rules. By 2007, nearly half of corporate credit was furnished by negotiable instruments of non-banking credit (Maman 2007, 53–54).

This reconfiguration of the financial system was primarily responsible for erasing any links to national specificity in game design and artistic expression. The shift led to an asymmetrical focus on the part of the more established gaming industry on less meaningful content geared for a global audience.

**CONCLUSIONS**

Games that addressed the local market and/or preserve a degree of cultural specificity dominated the Israeli market until the early 2000s. Their importance began to wane in the first decade of the second millennium, until they all but vanished from sight. Shortly after the turn of the millennium the Israeli game industry began to disown its particular cultural heritage and instead assimilate itself into a putative global culture. The principal reason for this move is rooted in the misconception of gaming as a technological advancement artifact, rather than a new medium for storytelling and art, or an advanced form of play. The unique social and political climate in which games are played and created in Israel is worthy of further investigation. For instance, it is probable that exogenous factors—such as the international political pressure on Israel and the fear of boycott or sanctions—ward off developers from creating localized content. It is also possible that Israeli society embraces global American culture more readily than in other parts of the world. Likewise, the unique technological ecosystem and the start-up scene serve as reference point for game developers. This, in turn, deters them from investing too much attention in the domestic market.

Today, most of the games produced in Israel are shaped by the forces that finance them, and are more akin to technological products than a work of art. Even the independent
game scene chooses to follow in the footsteps of the more established companies. So far, no wholehearted attempt to investigate its roots and culture has been carried out.

This picture reflects the sector’s attempt to assimilate to global standards and aesthetics. The use of local culture in style, storylines, or gameplay is virtually zero. Both established game companies and independent studios intentionally stripped all details that might associate them with Israel. Furthermore, they did not consider the local market viable. The salient trend interacted with the development of transnational game identities that occurred in other regional centers around the globe. However, at the same time, it contrasted with the more diverse picture found in India, China, Italy, the Czech Republic, and Iran, for example. Games produced in these centers point to an attempt to develop local tastes and characteristics in the content being produced.5

In the meantime, other Israeli game-related companies have positioned themselves as suppliers of new R&D input to the global gaming industry. The shortcomings of this mechanism are a direct result of Israel’s general industrial development path, with its sole focus on product R&D and its intimate connection with the United States. The institutional setting of the industry, its strong imitation of the American start-up model and VC financing—and with this, the need to focus on securing financial exits—exacerbates this problem. As is the case with other new technology-based firms, it becomes increasingly apparent that Israelis are increasingly losing their original control of the country’s IT industry. As a result, it is not clear if Israel and its society fully enjoy the fruits of the industry’s success (Breznitz 2007, 43, 96).

The fact that there is no national policy regarding the support or subsidy program to boost economic growth in the digital game industry segment, nor to subsidize the development of games that promote issues pertinent to cultural heritage, is partly responsible for the general trend. Therefore, it is necessary to reassess the role of the state in promoting games involving cultural hybridity.6

Thus, instead of being a highly complex, intersecting, and contested environment that encompasses state and private actors, local and global cultural flows and supportive and contradictory processes, the Israeli gaming industry largely follows the example of the hi-tech industry in general. We call for new actions to encourage the formation of local game products in a global age of gaming.

BIBLIOGRAPHY

Studies


**Periodicals**


**Games**


ENDNOTES

1 There is no formal institution that collects and preserves edutainment and games that were created in Israel since the 1970s. Several collections are owned by individuals, and thus risk being erased or lost. Some games can simply no longer be traced.

2 The software industry had grown from less than $1 million in 1980 to $350 million in 1990, of which 20 percent were exports. The number of start-ups being established had increased from several per year to several tens per year. Fourteen high-technology start-ups that had been established after 1980 went public in the U.S., mostly on the NASDAQ.

3 Notably, Portal: The Flash Version (2007) is a Flash project by two Valve fanboys, Hen Mazolski and Ido Tal, which turned out to be an entertaining game to play in 2D. LoneBot’s critically acclaimed runner Infiniroom (2010) was a popular mobile game. Mushroom 11 (2015) is a critically acclaimed puzzle-platform game created by Untame. Ori and the Blind Forest is an action platformer co-developed by Israelis. In 2015 it was released as a bundle with the XBOX One and Microsoft Windows, and the sequel was released on the same platforms and the Nintendo Switch in 2020. The Office Quest (2015) is the first Israeli game released for all major platforms. The apocalypse survival simulator Judgment (2015) sold over 100,000 copies on Steam, which allowed its developer Suncrash to fund its next project, Dream Engines: Nomad Cities (2021). Riding on the wave of success in the PC market in China, Gavra Games pitched their game Warriors: Rise to Glory! (2016) on the Israeli TV’s version of Shark Tank, and raised around $215,000 to develop a mobile version. Based on an Israeli primetime animated television series, Party Poppers released Room and a Half (2016) for mobile and reported more than two million downloads nationwide, becoming arguably the most-played game among teens in the country’s history. The action VR game Racket: NX (2018) by One Hamsa is one of the early games that became popular on this platform. Piposh’s comeback (2021) was successfully funded on the Israeli Kickstarter equivalent. Of Bird and Cage (2021) is a metal album featuring renowned artists presented through a short interactive story produced by Capricia Productions.

4 For example: Overwolf www.overwolf.com; StreamElements www.streamelements.com; Mantis Vision www.mantis-vision.com. A comprehensive list dated 2018 was prepared by Deloitte.

5 Several book-length monographs and a host of articles are dedicated to the histories and the characteristics of national and regional game industries. For an updated account and a digest of the bibliography see: M Swalwell’s introduction to Game History and the Local (2021, 1-6). See also the introduction to Mark Wolf’s Video Games Around the World (2015). Examples of game industries that preserved local and hyperlocal characteristics; India (Zeiler and Mukherjee, 2021), China (Liboriussen, Martin 2016), Italy (Fasce 2015), Czech Republic and Iran (Šisler 2008; Švelch, Šlerka 2017).

6 Journalists compared the contemporary Israeli independent film and TV scene to the “new wave” in Israeli cinema of the 1960s. The revival of recent years is due to global changes in the regulatory, economic, and technical environment of the media industry, i.e., the emergence of new channels for digital distribution, reality-television, and format transfers. It is also the result of long-standing funding from the government and other institutions, principally the Ministry of Culture, regional municipalities, the National Lottery, the Jerusalem Film & Television Fund, etc. In addition, the multiple
bids open to the public issued by the newly established corporation for films and TV (KAN) promotes original productions. Likewise, the multiplication of international film festivals, funds and events have nurtured international content making and production. In 2016 Netflix expanded its activity to 190 new countries, including Israel. International TV and film co-productions are increasingly used for the financial and creative development of new programs. All the content created evolves issues pertinent to Israeli society, addressing local and culturally specific issues. In fact, the only pertinent content to be produced relates to the geographic space, the social and cultures associated with Israel. We sincerely hope that the gaming industry will follow a similar course.