

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

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Many benefits and some concerns

The collapse of the Soviet Union, more than any other external political development in this decade, has positively affected the prospects for Israel to achieve peaceful coexistence with its neighbors. Arab countries are left without a patron and major arms supplier.

The U.S., in a show of determination to replace the Soviet Union in its former sphere of influence, has moved in, and since the end of the 1980s has become the dominant superpower in the Middle East. American leadership during the Gulf War was one example. The American role in the Gulf War sent a clear message to Arab countries that America is willing to risk its prestige and the life of its soldiers in defending its oil interests.

After the Madrid Conference, and the negotiations and eventual signing of the Declaration of Principles by Messrs. Rabin and Arafat, the Arab rejectionist camp began to erode as Arab countries, including Morocco, Oman and others began to conduct direct and open contacts with Israeli government officials, as well as with this country's business leaders. Israel's standing among the family of nations was clearly on the ascent. At the same time, Israel's relations with the U.S. have never been better. The newly accredited U.S. Ambassador to Israel, Martin Indyk, stated that he plans to devote his energy and ingenuity to strengthening and deepening the unique relationship between the American people and the people of Israel while building peace with security for the people of the Middle East.

Israel, for its part and in reaction to the end of the Cold War, began to unilaterally cut back on its defense spending. Professor Ze'ev Maoz, head of the Jaffee Strategic Center, points out that Israel spends 9.8% of its Gross Domestic Product on defense. At that level it maintains its strong defensive posture without affecting its vibrant economy.

Syria, traditionally a major recipient of arms from the former Soviet Union, is placing major obstacles on the road to peace, yet due to its patron's collapse is not as strong militarily as it used to be. Its economy is in dire straits.

Israel's annual Gross Domestic Product per capita climbed by \$2,000 to \$14,000, last year, and is ranked among the top ten nations in the world in its category. By contrast, the Syrian GDP figures stand

at a low \$1,000 per capita. Professor Maoz estimates that each year Israel produces more industrial products, agricultural foodstuffs and services than all of the 85 million people in the neighboring countries. Electronics, computer software, telecommunications, chemical and pharmaceutical companies are enjoying strong exports and profitability. At the Le Bourget International Air Show in Paris, Israel exhibited non-military items such as unmanned aircraft and a brand-new plane for business executives. And no one has been able to match the engineering quality and cost effectiveness of the Israeli UAVs, which identify fires, chemical leaks, or ships at sea, as well as serving as an early alert system.

A bumpy road ahead

But Iranian and Iraqi plans for the production of atomic or other nonconventional weapons pose a serious threat to all inhabitants of the area. Iraq has shown an ability to launch missiles that can reach population centers in Israel. Military and defense strategists at the Jaffee Center estimate that Iran needs less than 10 years to acquire a nuclear capability. Iraq poses a similar danger. In his first public appearance, Ambassador Indyk stressed that a major policy goal of the U.S. is to insure a dual containment policy against Baghdad and Teheran. These and other Middle East realities should be kept in mind by anyone who thinks that seeking peace is a simple matter, or that peace can be achieved without a major international effort. Israel, for its part, while searching for peace, continues to develop at a rapid pace. A consensus exists that peace should be negotiated as if the other side is going to keep its end of the bargain, but security issues should be negotiated as if the other side will not honor its agreements.

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Technology 1995

The 13th Technology 1995 Fair took place between May 21st and 25th. It is one of Israel's foremost exhibitions, and allows business and corporate executives an opportunity to mingle with specialists in technology. Among the visitors were businessmen from many countries including America, Britain, China, Egypt, Jordan and the Palestinian Authority. Inasmuch as it is a showcase for Israeli technologies, the Fair also allows participating nations such as China, England, Germany, Romania and Russia to exhibit their state-of-the-art equipment and technology. This year's Fair was the largest ever, with 300 exhibitors representing 5,000 companies.

"In the past three years, Israel's exports grew by 40%. In the past year, there has been a major jump in exports to Asian countries, and today they represent 20% of Israel's total exports," stated Micha Harish, Minister of Industry & Trade. The minister also revealed that on a recent trip to Hungary a deal had been struck to supply that country with telecommunications satellites. Israel's President, Ezer Weizmann, pointed out that in Israel business is moving away from agriculture towards industry. Now only 25% of kibbutzim, Israel's traditional agricultural settlements, are purely agricultural. The remainder are active in industrial pursuits.

Israelis excel in automation, image processing, design and laser systems. One of the most innovative and technically appealing products was the ThimbleCam System, a patented device containing a miniature video camera and an integral light source in a housing which fits onto the index finger. One area of application is minimal-incision surgery requiring a view behind certain structures. Dan Oz, its inventor, is commercializing the device. Orbotech presented software applications for the detailed examination and evaluation of printed circuit board designs. The company also exhibited a large-format laser plotter.

The Ideas Promotion Center

The I.P.C. is presenting an invention by Ron Rivlin, who has created a prototype machine for producing challah bread. The machine is fully automatic and eliminates a number of labor-intensive operations. The entrepreneur is seeking investment capital, as well as a joint venture with a company in the bakery equipment industry.

At the Nitzanim Initiative Center adjoining Israel's Soreq Nuclear Research complex, a company has devised a technology which allows infrared-transmitting optical fiber to combine with FTIR spectroscopy, previously useful only in laboratory analyses, thus providing an accurate

analytical tool for remote process sites and production lines.

Agricultural Research Breakthrough

The fungal disease *Botrytis cinerea* attacks by carrying with it packages of enzymes which break down plant tissue, resulting in rot. Professors Gutnick and Aharonowitz of Tel Aviv University came across a class of molecules which inhibits these enzymes, thus controlling fungal proliferation. The enzyme inhibitor is a natural product. This is the first time that the simple idea of using natural bioactive products (which are applied extensively in drug applications) has been employed for the control of plant diseases. As Prof. Gutnick explains: "The impact of this invention on biotechnology in general is part of the big push for utilizing natural products rather than synthetic chemicals in order to control specific diseases. Our approach offers a unique combination of efficiency, specificity and low cost, coupled with a lack of toxicity. In addition, it works!"

AT&T Tridom to Cooperate with Gilat

On June 26th Gilat Satellite Networks Ltd (NASDAQ:GILTF) announced that it would cooperate with AT&T Tridom in the data broadcast market.

AT&T Tridom will offer a new receive-only data terminal named Clearlink 100 based on Gilat's OneWay Hardware platform, will integrate Gilat's broadcast receiver technology into its standard VSAT remote equipment, and will market the new broadcast product to private hub operators and licensed carriers as well as to its own shared-hub customers. Typical applications for the OneWay VSAT include text broadcasting of news and financial information and distribution of paging messages to remote transmitter sites.

A service based on this technology is currently being provided over AT&T Tridom's domestic shared-hub network for evaluation by potential clients.

Eileen McNamara-Raisch, President and CEO of AT&T Tridom, a wholly owned subsidiary of AT&T, stated, "The benefits of combining Gilat's OneWay technology with our technology and outstanding customer focus, create an unbeatable opportunity for both of our companies."

Yoel Gat, President and CEO of Gilat, which specializes in very small aperture terminals, added, "We are proud to have AT&T Tridom in a new alliance and view their cooperation as a vote of confidence in our technology."

On the financial side, Investment banking analyst Elliot Prince has projected his 1995-96 earnings-per-share estimates for Gilat Satellite

Networks at \$0.98 and \$1.30, respectively. The reason for the upgrading is the company's success in the rural telephone market. Recently the company signed its third and largest rural telephone order. Mr. Prince has raised his 1995 year-end price estimate from \$21 to \$25 a share, which is just under 20 times the estimated 1996 earnings.

After the announcement about the program of cooperation with AT&T Tridom, investors bid up the shares of Gilat to \$23 per share making analyst's predictions appear to be very conservative. In IHTIR April, 1995, Gilat's outstanding record of growth was featured in an article which underscored its sales of \$27 million in 1994 as opposed to \$17 million in 1993 and earnings of \$6.1 million, up from \$4.1, million in the same period. At that time Gilat's shares were trading at \$15 a share.

(Editor: As a matter of policy IHTIR does not directly recommend investment in any public issues.)

Business at Tower Semiconductor Surges

For the second consecutive year, Tower Semiconductor Ltd. (NASDAQ: TSEMF) the Migdal Haemek manufacturer of silicon chips, has announced a distribution of 10% of its before-tax profits to its employees. This will total about \$1 million. The company has also initiated a distribution of 260,000 options. In 1994, Tower's net profits rose by 108% and totaled \$7.8 million. The distribution of profits and the granting of options is rarely practised in Israel.

Tower Semiconductor also received a new three-year contract to supply National SemiConductors. To meet the growing demand for its products, Tower will require an expansion of its production facility at Migdal Haemek. National SemiConductor will pay a \$29 million advance against this order, payable over the next 12 months, to defray the cost of expansion.

In mid June management announced that it had filed a prospectus with the Securities Exchange Commission to issue to the public three million ordinary shares. The issue will be managed by Bear, Sterns & Co., Robertson, Stephens & Co., and Furman Selz Inc.

Dr. Rafi Levin and Dr. Yoav Nissim Cohen, two senior officers of Towers, were appointed co-chief executive officers.

Edusoft Improves Results

Edusoft, which produces science and technology software, has announced that in the first quarter of 1995 sales totaled \$2.0 million, compared with \$1.9 million in 1994. Net income for the quarter was \$189,000 or \$0.04 per share, compared with \$151,000 or \$0.03 per share a year earlier. In the

quarter under review, Edusoft changed its focus to the new Multimedia English Discoveries series and Early Childhood systems, which accounted for nearly 70% of sales. Western European sales have picked up and are expected to contribute strongly to the company's results in the coming quarter.

Pharmos Shares Among the Most Active

In the middle of March, Pharmos shares were trading at \$0.50. In February, when the shares were still trading under \$1, an IHTIR full-page update carried the following sentence: "At this stage investment in Pharmos shares is warranted on the part of speculatively oriented investors." In May, the shares still traded under \$2, and were quoted in units of 1/64th of a dollar. Shortly afterwards, the daily volume, which until then had been 20,000 - 40,000, came under concerted buying pressure, and by June 20 Pharmos shares had reached \$2.06, with daily trading volumes surpassing one million on at least five days.

This burst of activity caused the shares to be mentioned on American television finance shows. The company's top product, Lotemax (for the alleviation of eye allergies and inflammation), is believed by many to have a great market potential. Pharmos has completed Phase 1 studies on Dexanabinol, its product for head trauma/stroke, and two clinical studies have begun.

Lannet Data Communications Agrees to Merger

Lannet (NASDAQ: LANTF) a leader in local area networking, has announced that it will merge with Madge, a Dutch company based in England and listed in the U.S. If the merger goes through, the new company will be valued in excess of \$10 billion.

The merger will be accomplished through the exchange of shares at a price of \$27.50 for Lannet shares, giving the company a value of about \$300 million. On the day of the announcement, Lannet shares jumped by more than 20% to \$23.50.

Israeli investors nibble at shares

Recent activity on the TASE has resulted in the first major rebound after 1994's poor showing. By mid-June, the popular averages of the 100 largest capitalization shares advanced by nearly 30% since their early-in-the-year lows.

And things are also looking up across the Atlantic. While there are no statistics available to indicate the extent of activity, informal discussions with local brokers and bankers specializing in Israeli shares traded on Wall Street indicate that the Israeli short-term investor is re-entering this market. In May of this year, 12 of the 70 shares traded on Wall Street advanced by more than 20%.

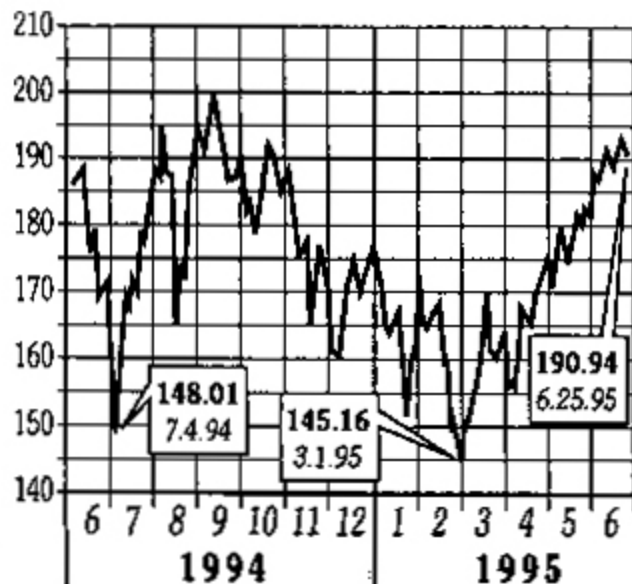
Since the beginning of the year, the DJIA gained 18.5%, while the index of the NASDAQ-traded issues advanced by 23%. Areas of special interest included semi-conductors, biotechnology, computer software, and publishing. Strongly performing Israeli shares include Aladdin, BioTechnology General, Data Systems & Software, Electric Fuel, Fourth Dimension, Gilat Satellite, LanOptics, Magic Software, Medis El, Pharms, TAT Technologies, Telegraph Communications. Of these 12 companies, 11 are newcomers to the marketplace, with shares registered for trading only in the past five years. The older companies such as ECI Telecommunications, Elscint, Healthcare Technologies, IIS Intelligent Information Systems, Laser Industries, Oshap, Rada, Scitex, TaroVit and

company report was published which appeared in our June issue. At the outset of May Aladdin (NASDAQ:ALDF) was quoted at \$13. In the past month the price of these shares has nearly doubled, reaching \$24, before retreating somewhat. Tower Semiconductor's results were pinpointed. Its sales in 1994 were up by 75% over those of the previous year while earnings had risen by 110% to \$3.7 million. The shares at that time traded at \$25. Since then they have reached a new high of \$33 per share before some profit taking took them to the \$30 level.

The other company mentioned in a favourable light was Gilat Satellite Communications, whose business results were impressive and, to IHTIR, its shares, as in the other companies mentioned above, appeared to be undervalued.

(Editor: Our mandate is to bring exciting high technology companies to the attention of our subscribers. We strongly believe that our readers, if presented with objective facts and data, will reach their own conclusions as to the investment merit of the companies we write about.)

Two Sided Index
(Mishtanim)



Teva, have not participated meaningfully in the bull market of 1995. Of these it could be said, with a degree of justification, that ECI Telecom, Laser Industries, Elscint and Tadiran are undervalued. Lehman, Oppenheimer and American-based brokers with offices in Tel Aviv, such as Furman Saltz, Oscar Gruss & Son and Josephthal, have been recommending and busy selling shares of these companies. Many of these shares are a part of the U.S. technology stock group, one of the best performers in 1995.

The Three Big Winners

IHTIR noted in its June 1995 issue that in May Aladdin Knowledge systems was visited and a

MEDIS EL LTD. FIGHTING FOR A PLACE IN THE MARKET

A small company Medis El Ltd. (MDSLF:NASDAQ) is a high-tech company active in the development, clinical testing, sale and marketing of the CellScan Diagnostic System which detects diseases by means of blood tests. The novel system provides a new way to study cells, dedicated at making possible the early detection of cancers, AIDS, infectious and auto-immune diseases. The CellScan units are also being used for basic research in cell biology and for the detection of cancers in breasts, colon and lungs. Medis El has placed the CellScan system in a number of medical institutions around the world with a view to developing applications for the system in new fields such as AIDS detection, follow-up and preventative therapies and the development of diagnostic tests in the field of infectious and auto-immune diseases. The technology employed by CellScan systems is novel and therefore there is no experience directly available with which to compare it to other diagnostic tests. It is hoped that medical researchers, especially in research active hospitals, will apply the CellScan to various ailments and determine where its reliability is most applicable. The CellScan technology is a contribution by the Defense industry to the private sector. The Israel Aircraft Industries developed this technology from underlying research at the Bar Ilan University in the behavior of T-lymphocytes of cancer patients. The process incorporates expertise in molecular biology with micron-level engineering, lasers and software

knowhow.

The company is public by virtue of a public issue but its shares are barely holding above the \$1 level. As the applications are clarified and more experience is gained there will be time for evaluating the company on its sales and profits rather than on its technological achievements.

Bio-Technology Report

Bio-Technology General Corp. (NASDAQ:BTGC), Israel's second-largest biotechnology concern, has engineered a number of biotechnology products, one of which is a human growth hormone. This product, sold in several countries in Europe and the Far East, has just been approved for sale by the FDA.

Bio-Technology General is recommended for investment by Jesup & Lamont Securities, which has issued a research report. The company's analyst, Gary Davis, has established a two-year price objective of \$9. There are opinions on Wall Street that differ with these estimates, which are based on profit projections which apparently do not take into account the time and cost of introducing HGH to the American market. BTGC has no marketing partner, and is expected to handle its own sales.

Elsclint Signs \$23 Million Sale to China

Elsclint Ltd. (NYSE:ELT) has signed a \$23 million contract to deliver and install 24 medical imaging units in China. By the end of this year, nine magnetic resonance imaging (MRI) systems, eight computerized tomography (CT) systems and seven nuclear medicine (NM) Gamma Cameras will be sent to universities and provincial municipal hospitals. Bank Hapoalim, supported by the Israeli government and backed by the Israel Foreign Trade Risks Insurance Corp. Ltd., is guaranteeing long-term credit to the China Investment Bank on behalf of the buyers.

Elsclint's Executive Vice-President Artzy Yarom said: "This agreement will significantly strengthen Elsclint's position in the largest emerging market in the world."

In 1994, Elsclint's sales to China, including CT, NM and MRI systems, represented only 5% of total revenues from its broad line of products sold around the world.

Elbit Wins US Army Contract

Elbit Ltd. (NASDAQ:ELBTF) reports that its U.S. subsidiary has won a contract for the engineering, manufacturing and development of the Bradley A3 Turret/Hull processor unit. The initial contract is for \$2.8 million, and includes 12 pre-production units scheduled for delivery in 1996. Should these units

be acceptable, an order for 3,200 processor units is possible.

Teva Obtains Two FDA Approvals

Teva Pharmaceuticals (NASDAQ:TEVIY) has announced that the Food & Drug Administration has given the company approval to manufacture and market "Flurbiprofen" and "Dialtiazem", the former being the generic equivalent of Upjohn's anti-inflammatory drug and the latter the generic equivalent of MMD's "Cardizen." These were the seventh and eighth such approvals obtained by TEVA in 1995. The total market for these two drugs in the U.S. alone is \$200 million.

Diagnostic Kit Producer Reports Profits

Healthcare Technologies (NASDAQ:HCTL) earned \$153,000 in the first quarter of 1995, compared with a loss of \$91,000 in the same period a year ago. The company's sales advanced 10.2% to \$1.98 million, compared with \$1.79 million in the same period the previous year.

Silicom Signs up New Distributors

Silicom Ltd. (NASDAQ:SILCF) reports that in the first quarter of 1995 sales were \$403,000, slightly less than in the same quarter of 1994. A loss of \$165,000 was reported, compared with a net income of \$3,000 for the same period last year. Silicom designs, manufactures and markets modular, miniature-connectivity products which combine hardware and software to allow portable computers, notebooks, and laptops to interface in Local Area Networks. In the first quarter of 1995, three distribution agreements were signed in the United States, and the company made the first shipments of its multi-function Ether Modem PCMCIA card and a high-performance Ethernet LAN Connection with 14.4 Kbps data/fax modem. Silicom is among the few companies currently supplying modems of this type.

Agricultural Show Draws Middle East Visitors

In May at Kibbutz Ga'ash, 15 miles north of Tel Aviv, more than 200 exhibitors from Israel and other countries participated in the Mashov 1995 Agricultural and Gardening Exhibition. The kibbutz secretariat reports that between 50,000-60,000 people attended the show, including visitors from Ethiopia, Egypt, Jordan, Italy and a delegation from Croatia. Among the non-Israeli exhibits was an Italian circular knife used to cut under roots to allow the removal of young plants for transplanting. The Israeli Volcani Agricultural Institute's innovative "scale" system, that accurately determines the number of days left before an avocado pear will ripen, drew attention and

commercial interest. Other Israeli products which drew interest were sprinkler systems and high-yielding seeds.

Haifa Chemicals, which specializes in synthetic fertilizers, concluded a deal with Jordanian representatives.

Gas Pipeline to be Built by Private Investors

The Minister of Energy & Infrastructure has announced that a pipeline for natural gas is to be built and owned by private interests. The pipeline would run from Egypt to an Israeli seaport. In any consortium arrangement, the government oil infrastructure and energy company would become a partner of up to 20% equity. A recent report by the World Bank recommended that the Israeli private sector be given the opportunity of running the project, including the purchase and distribution of natural gas, without government intervention. It is public knowledge that a number of international companies have been bidding for this premier project.

Technology Transfer to Oman a Possibility

An Israel Export Institute study of the prospects for trade with Oman has concluded that, if there is to be a peace dividend as a result of the normalization of relationships between the two countries, Oman's participation will only be in technology-transfer projects, as the Gulf state has only limited amounts of capital available for investment in infrastructure. The study also indicates that Oman is not a suitable trading center, as it is not a duty-free area and the neighboring Gulf countries provide better business incentives.

USIS on the Information Superhighway

The U.S. Information Service has made its Washington-based World Wide Web (WWW) and Gopher Internet Service available in Israel. The range of news will include U.S. policy material, government briefings, and the U.S.I.S. Service database of the past three years. The U.S.I.S. American Cultural Centers in Tel Aviv and Jerusalem may be contacted for further information and assistance.

Hadassah Doctors Freeze Fertilized Ovi

A young woman facing chemotherapy treatments and a bone marrow transplant may yet be able to give birth.

The doctors employed a treatment which matured many of her ovi at the same time. Fourteen were taken from her body, fertilized and frozen. The reason for this unusual procedure is that while it is possible to freeze sperm, it is not possible to freeze unfertilized ovi.

Differentiation Therapy for Cancer

Scientists at the Weizmann Institute are experimenting with a new cancer treatment which involves the conversion of malignant cells into normal cells. The system was revealed at the Sixth International Conference on the Differentiation Therapy of Cancer, which was held in Israel. The conference brought together researchers from China, Japan, Italy, France the USA and Israel. Differentiation therapy is a novel approach in which cancer cells are given the properties of normal cells so as to stop their unchecked proliferation. While this therapy is still very much in its initial stages, it is believed to have the potential of serving as a supplemental treatment or as a replacement for surgery, chemotherapy and radiation.

The conference was sponsored by several major multinational companies, including Hoffman LaRoche.

Extra-Sensitive Medical Sensors Lead to New Applications

In the course of testing metal products and improving the properties of super-conductors, Weizmann Institute scientists have developed extra-sensitive microscopic medical sensors. A report on this development appeared in the June issue of Nature. Scientists have succeeded in making these sensors extremely small and sensitive, and have built arrays of these devices. Current techniques allow only the measurement of the magnetization of a given sample. With the new sensor arrays, it is now possible to effectively measure and map the magnetic field, thus opening up the prospect of checking metal products for tiny defects, which leave "fingerprints" in the form of disturbances in the magnetic field. Due to their sensitivity, the new sensors can be used to test for cracks in products such as containers destined to hold dangerous materials.

Each Weizmann sensor is a microscopic device 3 microns across. It is made of two layers, one of gallium arsenide and the other of aluminum gallium arsenide. Between these layers is a gas of highly mobile electrons in very low concentrations. When the sensor array is placed above the magnetic field of a device, the electrons respond to the field's minutest components. The field is then recorded on a computer, which creates a detailed map. Working with the Israeli team was a group of scientists from France, Russia and the USA.

Another 12,000 Engineers will Double Sales

Elisha Yannai, Managing Director of Motorola Communications Israel Ltd., and recipient of the Entrepreneur of the Year award sponsored by the Management Department of the Tel Aviv

University, has called for an emergency program between industry and academia to train an additional 12,000 engineers, practical engineers, programmers and scientists so as to double electronic industry sales to \$10 billion a year. This proposal was made to a conference of developers held at the Jerusalem offices of the Ministry of Industry and Trade at the end of May. Yannai stated that the electronic industry employs about 38,000 workers, of whom 12,840 are engineers, programmers and scientists, and 9,200 are practical engineers and technicians. The electronics industry has a high component of added value -- 50% or more -- and produced \$5.9 billion worth of goods in 1994, of which \$3.7 billion was destined for export. The industrial output, according to Mr. Yannai, has stabilized, in contrast to its annual growth of 15% a year for each of the preceding three years, a growth due mainly to the large immigration of technicians and engineers from C.I.S. countries. Last year Israel's educational system turned out 1,000 graduates, which is sufficient only to replace those senior engineers who are retiring and increase the supply of engineers at the rate of 5% a year. This is not enough to meet the goal of doubling production within the next few years. A plan has been drawn up whereby academics will be retrained to meet the needs of the electronic industries, especially as computer programmers -- the industry's single greatest need.

Fluorine in Drugs

The world's market for fluorine chemistry is about \$75 billion a year. Tel Aviv University's Prof. Rozen specializes in moderating the highly corrosive effects of elemental fluorine, facilitating its handling in a number of applications. For example fluorine improves a drug's ability to penetrate the membranes of living organisms. This in turn allows fluorine-containing drugs to penetrate bacteria and viruses. Another area of application is in locating and detecting tissue damage in the body and brain. A PET (Positron Emitting Tomography) scanner identifies small amounts of the radioactive isotope Fluorine-AT, and thus locates damaged tissue by spotting where the isotopes concentrate. Prof. Rozen serves as a consultant to a number of international companies, and has recently been granted a prize by Teva Pharmaceuticals.

Astronomy and Superconductor Projects get Massive Grants

The Israel Academy of Science & Humanities has awarded two research grants of \$900,000 each to Tel Aviv University. The grants are being used to fund an astronomy project and a high-temperature

superconductor research project.

Feather "fingerprinting"

A bird in a jet engine can cause extensive damage, and even loss of life. At Tel Aviv University's Department of Zoology, a graduate student developing a feather archive of 150 species, has discovered that it is often possible to identify the exact species of bird involved in such mishaps by examining the feathers stuck on planes. (The microstructure of a feather serves to identify birds, as fingerprints do humans.) Songbirds have been identified as the cause of up to 35% of the total damage to planes; 45% can be accounted for by such small birds as stonecurlews, lapwings, skylarks, chuckers, and pigeons. Migrating birds, especially in March, are the greatest hazard. As a result of this study, the Israel Air Force has adopted a flight policy which avoids high-risk routes during peak migratory seasons at certain times of day and at certain altitudes.

Financial Times

In a special issue titled "The International - Expatriates' Guide to the Middle East" there appears a section headed "Peace Promises Prosperity," in which Israel and Turkey are mentioned as the largest Middle East markets. For those not wishing to invest in specific companies, the Times suggests the Israel Fund, which is priced at a considerable discount. The peace process has been credited as the main reason for investor interest. While Egypt and Tunisia had excellent performances in 1994, their stock markets are small and trading is light. In most other countries in the region, the markets are closed to foreign investment.

A Unique Gene Bank

A gene bank containing much of the genetic material available in Israel acts as a storehouse as well as a clearing house of information about germplasm activity. The task of setting it up was complicated because the needs of the Israeli agricultural community, as well as that of the international genetic resource community, had to be taken into account. What makes the gene bank different from other banks is its data on wild species. Many species in this area are progenitors of important commercial crops such as wheat, oats, barley and rye. The aim of the gene bank is to discover new genes and incorporate them into modern varieties.

The bank has over 20,000 types of germ plasm in the form of seed and vegetatively propagated stocks. Up to 4,000 new items are added yearly, with approximately 75% coming from foreign

exchanges. The gene bank is equipped with refrigeration and quarantine facilities, and a laboratory for seed cleaning and germination testing. New seed types have been developed from germ plasm, and are being exported by commercial companies in substantial amounts.

The Trade with Eastern Europe

Whether Russia or Ukraine, or other former republics which once belonged to the Union of Soviet Socialist Republics, there is increasing two way activity between Israeli concerns and those from East Europe. One company has purchased Israeli products, mostly agricultural, for \$20 million last year.

Software Exports at \$125 million

Israel's software industry is marketing attractive products ranging from CAD/CAM software to packages that handle translations and electronic publishing. All this means is that exports are bound to continue to grow. The local market, although excellent, is relatively small when compared with that in the U.S., Germany and France, and cannot alone support the expense of programmers and software design.

Amiram Shor, Chairman of the Association of Software producers, disclosed that the software sector's exports are now at the \$125 million annual level.

Volkswagen Makes a Major Investment in Israel

At the beginning of Chancellor Helmut Kohl's official state visit to Israel last month, the single largest-ever European investment in Israel was announced. Volkswagen and the Israeli Dead Sea Works have agreed on a joint project to build a magnesium plant on the shores of the Dead Sea. Volkswagen will invest \$400 million in the project, and will buy half of the plant's production for use in its manufacturing operations. The plant's initial production capacity will be 27,500 tons annually. Volkswagen's Chairman of the Board Dr. Friedrich Piech and Israel Chemical's Chairman of the Board Shoul Eisenberg signed the Memorandum of Understanding. The Dead Sea Works is a subsidiary of Israel Chemicals.

German-Israel Trade Activity On The Rise

Germany is an important trading partner for Israel, and the relationship is expanding. In the past 18 months, representatives of some of Germany's largest companies have come calling. Daimler Benz and Siemens have opened offices. In 1994, Israel's exports to Germany totaled \$847 million. In the same period Germany exported \$2.4 billion to Israel.

US Fighter Planes Use Israeli Display/ Sight Helmets

The Israeli display and sight helmet system (DASH) produced by Elbit displays crucial information such as target designation, flight information, cockpit status and warnings, directly in front of the pilot. The need to look at the instrument panel or heads-up display is thus eliminated, shortening aerial engagements and increasing survivability. The helmet is currently in production for F15, F16 and F4 aircraft. The DASH is vying with a number of competitors to be the system of choice for most U.S. Air Force and Navy fighter aircraft.

Bank of Israel Reduces Interest Rates by 1.5%

At the end of May, the Governor of the Bank of Israel announced a 0.5% reduction in the interest rates charged to banks. Subsequently, the governor announced a further lowering of interest rates -- this time by 1% -- after which he stated that for the foreseeable future the rates would be unchanged. At the end of June the Governor announced that interest rates would be kept unchanged since the May cost-of-living index had risen by 1%, an unexpectedly high figure.

Orisol and D-Pharm

The Gemini venture capital fund has raised \$2.6 million for Orisol, producers of automated shoe-manufacturing equipment, and \$2.0 million for the pharmaceutical startup D-Pharm. Orisol sold \$5 million of its systems last year. D-Pharm specializes in developing drug delivery systems.

France and Israel sign a \$6 million pact

After two years of negotiation, France and Israel signed have agreed to establish a \$6 million fund to finance joint research and development projects and identify joint R&D partners.

Economy on Right Track

A recent flow of statistics indicates that Israel's economy is generally booming. The growth in the GDP is estimated at 5 - 6% for the year. However, some concern has been voiced by economists regarding the growth of private consumption, which was partially responsible for the 33% rise in imports in the first quarter of the year. In the same period, some exports were lower, although tourism, agricultural exports moved ahead sharply. Indications are that the export figures in the months ahead will show a substantial increase over those of the first quarter.