ISRAEL HIGH-TECH
& INVESTMENT REPORT

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Small is Beautiful!

The season of mergers and acquisitions is in full swing. Google has acquired Quicksee for $10m., 3M purchased Attenti for $230m.,
Bittstream acquired Press-sense Ltd. for $6.5m.
Oracle bought Convergin among a number of other transactions. While the Israeli high-tech industry is praised internationally for its innovativeness it nevertheless is criticized for not producing large companies. The critics point to Finland's Nokia but neglect to point out that there is only one Nokia.

Nevertheless, the criticism is justified. In the early years of the history of Israeli high-tech there was insufficient faith in these companies to attract buyers. As a result in those years companies had little choice but to develop on their own steam. A number of large companies were spawned. These included Scitex, Comverse, Iscar, CheckPoint and Teva, among others. With the exception of Scitex these companies still thrive today.

So why do companies have difficulty in growing into large international concerns? One reason is that the Israeli venture capital industry is loath to provide funds for advanced rounds of financing. This could be traced to the fact that not too many years ago initial; investments averaged $10m. Today the average is $40m. The venture capital funds taught their investors that they would get quick results. Four years was the average figure. Obviously without sufficient funds companies found it hard to expand.

An equally important issue is that of a lack of an experienced management corps. Most managers have experience only in one or two companies. Moreover, Israelis are known for their impatience and tend to cut corners. They are anxious for quick profits. The problem is that they do succeed. A

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young cousin of mine sold out his company Quigo for $350m., before he reached 40. There is little incentive to grow companies when such returns are to be had.
There are very few Gil Schwed's, Eli Hutwitzes in sight.
There is little prospect that this situation will change. It is unlikely that a new Teva will sprout. Yet we should be pleased with current results. They represent a really important part of Israel's Gross National Product.

Detecting cancer and diabetes

With its recent application to the US Food and Drug Administration, Israeli-American biotech company Micromedic Technologies is one step closer to offering a kit for detecting cancer and diabetes at an unprecedented early stage - potentially leading to dramatic inroads in prevention and cure.

The secret lies in identifying biomarkers, abnormal genes or proteins found by sampling blood, urine, saliva, or body tissue. This fast-growing field - facilitated by groundbreaking data from the landmark Human Genome Project - holds the key to early detection of cancer and other serious illnesses, as well as improved monitoring and treatment.

"When we see a tumor, it is usually too late to be completely cured," explains Micromedic CEO David Solomon. "The only way to find cancer before the body starts to generate a tumor is by looking for specific molecules - biomarkers - indicating something is wrong although there is still no clinical evidence. If we can link these 'early' molecules and the eventual medical event, we will have promising results enabling early detection and leading to increased survival rates."

Nearly perfect detection sensibility
Founded in 2005, MicromeIsrae;i dic has four separately licensed subsidiaries. Each is tasked with developing diagnostic kits for specific diseases: Colorectal, breast, and head and neck cancers, plus diabetes. "These are the most critical medical conditions, the global epidemics," says 55-year-old Solomon.

This summer, Micromedic subsidiary Bio-Gene filed for FDA approval of its trial for a diagnostic kit to detect an increased risk for breast cancer. In clinical studies at Hadassah Medical Center in Jerusalem, the kit achieved a nearly perfect rate of detection sensitivity. The FDA submission paves the way for clinical trials in the United States, and the company also hopes to begin trials in Europe next year.

Biomark, another Micromedic subsidiary, signed a strategic cooperation agreement with Israel's Clalit Health Services at the end of August. The agreement heralds the start of clinical trials of a biomarker for the early detection of colon cancer. These developments closely followed Micromedic's secondary offering of NIS 11.8 million on the Tel Aviv Stock Exchange. According to Globes, Israel's leading financial daily, that amount could rise to NIS 17.3 million if all the warrants are exercised.

Tight analyses minimize risk for investors

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Three of Micromedic's R&D projects are being carried out in the United States. Research into head and neck cancer biomarkers, for example, is conducted in collaboration with the University of Florida.

Additional studies are being conducted by scientists at Israeli academic and research centers such as Hadassah, Tel Aviv Medical Center, and Technion-Israel Institute of Technology. The company's headquarters in Ramat Gan handles licensing and commercializing.

Though other Israeli companies are active in the biomarker field, Solomon contends that Micromedic is unique in several dimensions: "We are the only public company focusing on pioneering molecular diagnostics in Israel. Some of the others have one molecule here and there. And the ratio of how much of our project is being carried out in the US is unusual. What is also different is that we fund our projects in the US with Israeli money."

Solomon, a former business consultant for companies such as IBM, Scitex, Bank Discount, Bank Leumi, Qualcomm, and Israel Aircraft Industries, has written several books about the business side of the biotech industry. An English translation of "Biomedics: From Research to Market" is expected to come out in a few months.

"Our strategy was to build up a specific business model offering tight risk analyses regarding our projects, because it is a risky environment," he reveals. "By carefully choosing the products to build Micromedic's portfolio, we have minimized risk within our industry. Now, our new funding will give us serious backing to continue and achieve our goals."

Teva's Laquinimod effective over 36 weeks

Teva Pharmaceutical Industries Ltd. (Nasdaq: TEVA; TASE: TEVA) reported that a clinical trial showed that its oral multiple sclerosis drug Laquinimod sustained its effectiveness over several months.

Teva and Active Biotech (Nasdaq: OMX) reported the results of a 36-week active extension study which evaluated two doses of Laquinimod, an investigational, once-daily oral immunomodulator for the treatment of relapsing remitting multiple sclerosis.

The clinical trial followed patients over a 36-week periodafter an earlier study. Patients switching from placebo in the original study to an active treatment of Laquinimod showed a 52% reduction in the mean number of GdE lesions, a marker of disease activity.

Treatment with Laquinimod was associated with a sustained reduction in relapse rate, no evidence of immunosuppression, was evident and good safety and tolerability profile.

Lead study author Dr. Giancarlo Comi said, "The results from this extension study confirm the balanced efficacy, safety, and tolerability profile seen with Laquinimod to date."

Laquinimod received Fast Track designation from the US Food and Drug Administration (FDA) in February, 2009.

Two global Phase III clinical studies, ALLEGRO and BRAVO, are currently ongoing, with results anticipated during the first quarter and third quarter of 2011, respectively.

Knesset Finance C'ttee approves F-35 deal

The purchase of 20 stealth combat aircraft for $2.75 billion will be the largest arms deal in Israel's history.

The Knesset Finance Committee approved the purchase of 20 F-35 Lightning II stealth combat aircraft from the US - the largest arms deal in Israel's history. The purchase of the aircraft, the most advanced

in the world, will cost $2.75 billion, or $96 million per aircraft. The deal also includes spare parts, maintenance costs, and simulators. The F-35 is able to attack distant targets without being detected by radar. Delivery of the first aircraft is scheduled to begin in 2015.

The Knesset Finance Committee gave the Ministry of Defense permission to make a commitment to Lockheed Martin for the purchase of the aircraft. The Knesset Finance Committee convened despite the summer recess, at the request of the Ministry of Defense in order to push the deal through more rapidly. The ministerial defense committee had approved the deal following presentations by Commander and Chief of the Israel Air Force Ido Nehushtan, Chief of Staff Gabi Ashkenazi, and the Director General of the Ministry of Defense, General (res.) Udi Shani.

Shani stressed that the F-35 is the most advanced fighter aircraft in the world which "is very interesting for us.'
Talking to the Knesset Finance Committee senior members of the defense establishment said that despite the high cost of the aircraft, no other clauses in the state budget will be harmed because a large proportion of the deal will be financed by US government military assistance.
The IDF chief of staff's economic advisor said that $150 million from the defense budget will be allocated for the purchase of the F-35s spread over eight years.

Uri Shani said that Israel may request to buy additional F-35s in the future. Sources in the Defense Ministry believe that Israel may eventually want as many as 75 F-35s. Shani said that the aircraft would help Israel meet relevant threats in the coming decade but did not specifically mention the Iranian nuclear threat.

An invisible keyboard?

How good are your keyboard skills? An Israeli start-up reckons there are enough touch-typists out there to justify launching an invisible virtual keyboard.

The system works with Windows, Symbian and Android devices.

"There is a fundamental problem in entering data on mobile devices," according to SnapKeys chief executive Benjamin Ghassabian."Keyboards were meant for fixed devices, not mobile. And screens are not supposed to be your input device; they are supposed to be output."

SnapKeys has signed a deal with Philips Electronics to market its technology, aimed at users of smartphones or tablet PCs. The idea is that users use their thumbs to control four imaginary keys, two on each side of the screen.

It then uses predictive text technology, which is over 90 percent accurate, says the company.

At first, the virtual keys will appear on-screen, but the company reckons that most people will quickly get used to their position and be able to do without.

SnapKeys reckons it's far faster than typing with a normal keyboard - and, to prove it, there's a rather poor-quality video of a SnapKeys employee setting a new Guinness world record for typing, here.

Ghassabian said that SnapKewys and Philips were in the closing stages of signing deals with a number of phone and computer companies. He said that there are versions for all European languages as well as Chinese, with an Indian version in the pipeline.

Milk drinkers may be thinner

Milk drinkers may have the advantage over others when losing weight, an Israeli researcher says.

Danit R. Shahar of Ben-Gurion University of the Negev, Beer-Sheva, in Israel and colleagues say milk contains key nutrients -- such as calcium and vitamin D -- that help in weight loss.

Shahar and colleagues tracked 300 overweight or at-risk men and women ages 40-65 who

were either on a low fat, Mediterranean or low-carbohydrate diets for two years.

The researchers found participants on either diet with the highest dairy calcium intake six months into the study -- averaging about 580 milligrams per day, or the amount in about two glasses of milk -- lost about 12 pounds at the end of the two years compared to about 7 pounds for those with the lowest dairy calcium intake -- about 150 mg or about one-half glass.

The study, published in the American Journal of Clinical Nutrition, also finds at six months that each additional 6-ounce serving of milk or milk products -- about three-quarters of a glass of milk -- was associated with successful weight loss 10 pounds above the average.

P&G to buy Israeli medical device company ConTIPI

The price for the company could be as much as $100 million with milestone payments.

ConTIPI has been acquired by Procter & Gamble for $100 million. The start-up, which develops disposable vaginal devices that reduce or prevent urinary incontinence, has signed an agreement to be sold which will be implemented in stages. ConTIPI will receive $15 million in cash immediately, and, depending on milestone payments, could receive up to $100 million from Procter & Gamble. To receive the maximum payment, ConTIPI's products must reach annual revenue of over $180 million.

ConTIPI and Procter & Gamble have had a distribution agreement since 2007 based on royalties, which has so far been worth tens of millions of dollars. The current agreement will replace the distribution agreement, although many of the clauses in the agreement are similar. ConTIPI declined to comment on the report.

The joint business activities between ConTIPI and Procter & Gamble are in their formative stages with pilot projects in a number of countries.

ConTIPI's product has approval from the US Food & Drug Administration (FDA) but is not yet being marketed in the US. The product will be launched in 2011.

ConTIPI is exceptional in Israel's biomed landscape, because its device will be sold as a consumer product in pharmacies without the need of a prescription, although needing a doctor's recommendation. Entering this market independently would be very difficult and require enormous marketing resources.

ConTIPI was founded in 2002 and is based in Caesarea. It has raised $3 million to date.

Radware close to $1b acquisition by HP or IBM

CEO Roy Zisapel and his father Yehuda stand to gain $200 million from the deal.

Informed sources indicate that integrated smart networking solutions developer Radware Ltd. (Nasdaq: RDWR is in talks to be sold to either HP or IBM.

After 14 years of activity and more than 10 years as a public company, Radware is about to become part of one of the world's largest companies. Both HP and IBM are technological partners of Radware.

The expected value of the deal is around $945 million, or $45 per share, representing 60% premium on the market price. The company's share price has not been that high since 2000, at the height of the high-tech boom. This will be one of the biggest exits in Israel in recent years.

Yehuda Zisapel and his son Roy Zisapel, who is the company's CEO, stand to gain about $200 million from the deal. Radware is part of the RAD Group, a collection of technology companies, including start-ups and public companies, owned by the Isabel brothers Yeshiva and Zahra.

Radware declined to comment on the report.

IBM said that the company does not comment on rumor and speculation. HP also declined to comment.

Radware was founded in 1996. It provides hardware for networking solutions on websites of companies and organizations in real time when virtual traffic becomes congested.

During August of this year, Radware's share price rose by almost 30%, and this could have created the momentum of interest in acquiring the company. Subsequently, analysts at Oppenheimer raised the share's target price from $26 to $30, and commented that the company could be acquired for its intellectual property.

This is not the first time that Radware's owners have conducted negotiations for the company's sale, although previously the price tag was nothing like $1 billion. The company raised $63 million at a market value of $260 million at its IPO on NASDAQ in 1999 with a share price of $18. The share price climbed to $80 by 2000, giving a market cap of $1 billion. In January 2000, the company held a secondary offering at a valuation of $800 million.

2005-2007 were difficult years when the company disappointed and got into the habit of publishing profit warnings. It even stopped publishing guidance.

But Radware's fortunes have bounced back following the acquisition of Nortel Networks unit Alteaon for $17 million 18 months ago. Since then, revenue and profits have been on the rise. In the second quarter of 2010, revenue reached $35.2 million, 30% up on the corresponding quarter, and profit $1.4 was million, with cash and cash equivalents of $160.4 million.

Intel's new "Sandy Bridge" chip was developed in Haifa

At the Intel Developers Forum in San Francisco recently, Intel Corporation (NASDAQ: INTC) revealed details about its new chip known as "Sandy Bridge." The microprocessor, which was developed at Intel Israel Ltd. Haifa R&D Center, will enter production at the end of 2010 and will be available in early 2011.

The most important attribute of the new microprocessor is the significant progress in its graphic capabilities. The chip is being presented as combining graphic core processing (GPU) alongside a central processing unit (MPU), and this will enable Intel to compete against Nvidia and AMD in the graphic processing market.

Above and beyond this, the new micro-architecture represents progress in overall ability and efficiency. This includes a higher work speed as well as relatively lowers energy needs, which will extend battery life in laptops based on the new microprocessor.

Google buying second Israeli startup: Quiksee
Quiksee, also known as MentorWave Technologies, allows users to create location-based interactive media content. Its web-based content, the company says, "lets you quickly and easily create stunning virtual tours."

Google is buying its second Israeli startup: Quiksee

The deal is estimated at $10 million but neither Google Israel and Quiksee refused to comment

Two investment groups have put $3.5 million into Quiksee, Ofer Hi-Tech and Docor International, while a number of private investments "angels" have also backed the firm.

Google acquired Israeli startup LabPixies in April fof thid year, or about $25 million.

Gadi Royz, Assaf Harel, Pavel Yosifovich and Rony Amira founded Quiksee in 2002. While the firm's sales revenues are unknown, the amount is not considered to be very high - for now. But the firm's technology is regarded as the missing link in Google's Street View service (used by both

Google Maps and Google Earth), which allows users to view photos along numerous streets around the world.

Statins interrupt the processes of inflammation
Although this study shows a significant long-term reduction in the risk of RA with persistent statin therapy in a large, unselected population, only randomized controlled clinical trials can demonstrate this effect conclusively, Chodick swaid. “Since there are no specific patients who are at increased risk to develop RA, the clinical implications of our finding are unclear. However, if proven effective, statins could be used as a preventive treatment in the future, when genetic markers for onset of RA will be available,” he said. “Also, in light of the poor persistence with statins [in the general population], our results should encourage patients to adhere to their treatment.”

Although more studies are needed to understand the exact interaction between statins and RA, evidence suggests that statins interrupt the processes of inflammation. “This is supported by the fact that we did not see long-term reduction in the risk of osteoarthritis, a disease that is not characterized by systemic inflammation,” Chodick said. Chodick’s group also recently published a paper showing statin use earlier in life is associated with a substantially lower risk of cataracts, and they are planning investigate the impact of statins on other diseases, he said [2].

Kick-starting Israel’s place in space

While costs will be high, rewards are expected to be even higher for a local space industry in Israel, based on the existing defense and communications enterprises.

The Israeli-designed Shavit space rocket

With a promised $80 million cash injection every year for the next five years, its lucrative defense and communications industries as a solid base, and a new satellite research accord with NASA, Israel is looking to space as its newest high-tech business frontier.
Capitalizing on its defense, communications and IT industry, Israel plans on kick starting a potential $10-billion-a-year business in a $250 billion global civilian space industry. The country already boasts a $5 billion defense industry.

The 25 Israeli firms in the defense business, which include industry leaders such as Israel Aerospace Industries (IAI), Elbit and Rafael, are very interested in the country’s new national space program, supported by the Netanyahu government and President Shimon Peres.

Israel is one of the world’s few countries to build and launch satellites. In 1988, it became the seventh nation to launch an indigenous satellite into space and Israelis are experts in satellite technology, products for satellites and ground stations.

Israel is a world leader in satellite technology
Israeli satellites:

Ofeq - reconnaissance satellites
Amos - communication satellites
Eros - earth observation satellites
Techstat - research satellite, launched by the Technion
TechSAR - an observation satellite
Sloshsat - micro satellite that looks at fluids in conditions of microgravity

Not only do its satellites weigh much less than conventional satellites, but also Israel has developed expertise in the optical and radar photography of the Earth which the satellites supply. And this expertise has encouraged joint research and development with the US and other countries in the fields of solar and planetary research, black holes, and the universe.

Over the years, Israel has signed cooperation agreements with its allies space programs

including NASA in the US - most recently in August this year, the CSA in Canada, France's CNES, and Russia's RKA.

For Israel, the development of space technologies - the country currently exports a mere $800 million in sales each year - is intertwined with its well-developed defense, communications and IT industries, and may be the only channel for its long-term financial sustainability, say some of its proponents. Also, 'space' isn't just about spy satellites and astronauts.
"An Israeli defense satellite can be sent over Iran in a reconnaissance mission, but you can take the same satellite and use it over your own territory to detect pollution, and what's happening in the sea, or to study global warming," says retired Maj. Gen. Yitzhak Ben-Israel, chairman of the Israel Space Industry (ISA), previously the head of R&D at Israel's Ministry of Defense.

Israel's established defense companies can produce satellites for military and defense uses, but also for civilian and scientific purposes. Satellites are already being used to provide early warning of natural disasters from storms to locust swarms, as well as being employed for communications, defense and a host of other purposes.

According to Israel's Hebrew daily Ha'aretz, the Futron research company reports that Israel ranked eighth biggest source of space-related sales, in a survey of the competitiveness of space companies around the world. Referring to the new space program, she notes that however it's achieved "it will cost taxpayers hundreds of millions of shekels a year, but the Finance Ministry expects to gain more than just national pride from the investment. If the areas of the local aerospace industry that show potential are developed, the economic rewards could be huge, and along the way Israeli education, technology and society in general could receive a tremendous boost."

Israel and NASA
Israel's space story began back in 1982, when the ISA was established for reconnaissance missions against enemy states Iran, Iraq and Syria. IAI won the contract, and designed Israel's own Shavit (Hebrew for 'comet') space rocket, and its first artificial moon, the Ofeq (Hebrew for 'horizon') satellite.

In 2005, Israel signed an agreement with France's Space Agency, CNES to research an earth-observation technology onboard a satellite, with environmental and agricultural applications. And later this year, the Israeli agency will conduct an emerging technologies experiment with Italy's ASI. Israeli payload advances, the specialty of its first and only astronaut Ilan Ramon, are also being developed for space missions with distinguished scientists around the world.
Seven months ago, Israel officially joined the NASA initiative to research the moon and planets, through Ben-Gurion University of the Negev and the Technion-Israel Institute of Technology. Israeli scientists will participate in projects involving inter-satellite communications using laser systems and the monitoring of space satellites.

Following the signing of a joint statement of cooperation between the Israel Network for Lunar Science and Exploration (as an affiliate partner) and the NASA Lunar Science Institute, NASA's Administrator Charles Bolden was happy to comment: "NASA looks forward to working with this distinguished Israeli organization to benefit from our shared expertise and advance our understanding of lunar science."

Another astronaut in space?
The heads of NASA invited Science and Technology Minister Daniel Hershkowitz to Washington in August. In his meetings with Bolden, Hershkowitz says he discussed the possibility of sending a second Israeli astronaut into space. "We talked about it, but the timing isn't clear because of the suspension of manned missions in NASA. It may happen in a Russian spaceship," Hershkowitz said.

According to Hershkowitz, the US agency showed interest in Israel's satellites, which weigh a fifth

of American and European satellites, yet have the same capabilities. An additional advantage of these satellites is that they can be launched from aircraft and not only from ballistic missiles.

Another Israeli specialty that caught NASA's attention is hyper spectral cameras which can detect land, air and sea pollution from space and classify types of soils and minerals, and the two also discussed Israeli developments in the field of satellite antennas aimed at analyzing photos using radars.

In August, the two organizations signed a memorandum of understanding to promote cooperation. NASA is planning to map out Venus, and Israeli technology will be used to help it see through the star's layer of clouds. The two agencies will work together in new fields connected to earth and space sciences, life sciences and additional fields in which there is joint interest. The main intention is to expand the exchange of information and provide inspiration for the next generation of researchers, scientists and engineers.

"We're going for grandiose collaborations in areas NASA needs us. There are talks about collaboration in at least three areas where Israel is a leading force in the world of space," says Hershkowitz.

It started with defense needs

"In Israel we started developing towards the space industry because of our defense requirements," says Ben-Israel. But once you have it, the same infrastructure can be used for other applications, civilian or scientific. Satellites, for example, are dual technologies that can be produced on the same assembly lines that Israeli companies such as IAI are already using to build satellites for defense.

Following the peace treaty with Egypt, when Israel could no longer send aircraft over Egyptian territory to monitor activities in the Sinai desert, "We decided to develop space satellites, but it took time," Ben-Israel recounts. And since Israel's strong ally, America, does not sell its reconnaissance satellites to anyone, the country had to build its own. "We developed our own indigenous capabilities, and once we did this, the next natural step was other applications in the industry," he adds.

Still, launching satellites from Israel is not an easy task. With the country's limited size and borders, and range restrictions, space launches have to fly to retrograde orbits, meaning that any of Israel's space rockets must blast off across the Mediterranean Sea. They can't fly eastward over the neighboring Arab countries.

Starting with defense applications, Israeli companies created low-earth orbiting satellites, and moved naturally to the next stage - communications satellites. The next natural step would be to commercialize the communications satellites used by Israeli troops in the field to serve civilian applications such as TV, telephone and phone communication. According to Ben-Israel, it's a $150 billion a year market. "We want to sell more than the current $800m," he says. "We have half a foot in the civilian space applications market. We want a full foot."

Seeking a sound strategic plan

Following his advice, the strategy is not just to encourage the development of Israeli "wow" technologies, but also a network of space industry companies to service satellites. Experience may be culled from Israel's advanced communications and IT businesses. "We can build on these components and be a major player in the global space market - worth $250 billion," he estimates.

Israel's defense industry will build on space, and it's more than a good reputation that Israel is banking on, he suggests. Companies in Israel's defense industry will contribute their share to co-developing the space market in line with the government' objectives. From this, Ben-Israel hopes to create a critical mass of interest that will encourage private funding from venture capitalists, followed by public offerings.

As part of the country's new five-year plan, the Israel Space Agency has tasked local companies with targeting the civilian industry. One task on the agenda will be switching the photo capabilities of the EROS satellite from black and white to color. EROS - for Earth Resources Observation Satellite - is a series of Israeli commercial Earth observation satellites, designed and manufactured by IAI with an optical payload supplied by Israeli company El-Op.

Making plans not just for five years, but 10, 20 and even 50 years down the road is the task of Zvi Kaplan, director general of Israel's Space Agency. The physicist with a long career at Israel's Soreq nuclear research facility states that any plans for space must be developed with a long-range vision in mind. His is academic.

He'll be retiring next year to make way for a younger generation of management, he says, but meanwhile is working hard to ensure that the Israeli space industry will be linked to the academic world. At present only one engineering school in the country teaches about space, and he hopes to change that.

Kaplan explains: "First of all one must think about what kind of country we want to build. We want to build a country that our young people will not leave. Space is not the only idea, but it's a very good agenda. Nowadays there are more civilian applications, and space plays an important role in science. Most of the new discoveries in science will come from space - gravitational theory, field theory."

Space counters Israel's existential threats

Like his colleague Ben-Israel, Kaplan recognizes the importance of space research for understanding global weather patterns and ecological issues. "Space, whether it's looking at space from earth, or at earth from space, plays a huge role in the planetary environment; global warming, the threats - are they real, to what extent? How can we mitigate risks? Space is part of this information we are going to need," he explains.

"Space is also a part of the cutting edge of the world's technologies. If we want survivability, then Israel needs space to give its youngsters possibilities everywhere," asserts Kaplan, pointing out that Israel has learned the hard way about its need for space capabilities - "due to the variety of threats this country is subject to from North Korea to Algeria. It's big question of course, also, how the modern and future battlefield will look.

"How will we survive multiple threats - from small rockets from Gaza to ballistic missiles to the atom bomb? You name it; we have to do something in this area of using space for defense. Can we push [innovation] to civilian applications? Yes, because we must do it," Kaplan insists.

Israel has so far produced satellites, missiles, cameras, propulsion technologies, communications devices, and atomic clocks from space. But these applications come from the present and old era of Israel. Space offers so much more, says Kaplan: It allows a nation' young people to dream. And dreams are what Israel's 'start up nation' mentality is based on.

Young people need to imagine. It's more difficult for them when they are young to think about science in terms of biology or stem cells. Space is tangible and it addresses the imagination," Kaplan concludes.

Israel rises in global competitiveness report

Over the past three years Israel had fallen 13 places in the ranking.

The deterioration in Israel's competitive ranking was halted this year. Israel rose 3 spots to 24th in the 2010-2011 World Economic Forum's global competitiveness report.

Over the past three years Israel had fallen 13 places in the ranking.

This year's ranking was led by Switzerland, which

led the previous year's ranking as well, Sweden (2009: #4), Singapore (2009: #3), the US (2009: #2), Germany (2009: #7), and Japan (2009: #8).

Israel was followed this year by the United Arab Emirates at 25 (2009: #23) and Malaysia at 26 (2009: #24).

According to the report, some of the problematic areas for doing business in Israel were the level of effectiveness of government bureaucracy, quality of infrastructures, and tax burden. The report also said that Israel should emphasize raising its quality of education.

The top Middle Eastern country was Qatar at #17.

Founder and Executive Chairman of the World Economic Forum Klaus Schwab said, "Policy-makers are struggling with ways of managing the present economic challenges while preparing their economies to perform well in a future economic landscape characterized by uncertainty and shifting balances. In such a global economic environment, it is more important than ever for countries to put into place the fundamentals underpinning economic growth and development."

Chief Scientist signs R&D deal with Abbott

The Office of the Chief Scientist has signed an R&D cooperation deal with US pharmaceutical and medical devices company Abbott Laboratories Inc. (NYSE: ABT). Abbott is the 19th foreign company that has signed an R&D cooperation deal with Israel.

The Chief Scientist will help Abbott find Israeli technologies that meet its needs, and will provide R&D incentives and financial support. Abbot will match the Chief Scientist's support for the Israeli ventures, or will provide equipment, technological and regulatory advice, and marketing assistance.

Other companies with R&D cooperation deals include Microsoft Corporation (NASDAQ: MSFT), Intel Corporation (NASDAQ: INTC), General Electric Company (NYSE: GE), and Coca-Cola Company (NYSE: KO). The Ministry of Industry, Trade and Labor said that the agreement with Abbott was similar to other R&D cooperation deals. The ministry said that these agreements benefit the foreign corporations while helping the Israeli companies reach foreign markets.

Opper said, "This program has become an alternative for many corporations in recent years to make joint ventures with innovative Israeli companies."

Abbott has been operating in Israel for six years, and has more than 100 employees in the country. The company also markets 35 drugs in Israel.

Israel and Russia sign military cooperation deal

Israel's Minister of Defense Ehud Barak recently flew to Russia and met today with his Russian counterpart Anatoly Serdyukov. The two men signed a military cooperation agreement.

Barak said, "Russia is one of the world's major powers and has influence in the Middle East."

The Russian army has recently expressed interest in buying Israeli-made Unmanned Aerial Vehicles (UAVs).
The Russians are particularly interested in purchasing medium sized UAVs that will have the power to serve their defense needs.

Although the Russians have officially asked Israel for such equipment, the Ministry of Defense decided to reject the request. The source said, "We have many restrictions regarding the export of weapons among other things because of the Americans. So we are not able to sell whatever we can and everything a potential client wants. We also have advanced technologies that we want to keep to ourselves."

His entourage hope to seal deals related to miniaturized weapon systems for use in densely populated areas.

Israel also hopes to interest the Russians in tactical missiles. The source told "Globes", "Israel has much to sell the Russians in this area and I believe there will be much demand from the Russians for the systems we will offer. For example: advance systems for protecting strategic installations; systems for fighting in built-up areas; and other systems for fighting terror. In all matters related to this we have carte blanche and there is a lot to talk about."

While in Russia, Barak hoped to meet with Prime Minister Vladimir Putin to discuss the Iranian threat and Russian arms sales to Syria and Hezbollah.

CBS predicts 4.1% growth

The Central Bureau of Statistics predicts that Israel's GDP will grow by 4.1% in 2010 compared with 0.8% in 2009. The Central Bureau of Statistics issued the prediction to mark publication today of "Selected Data from the New Israel Statistical Abstract No. 61 - 2010" ahead of the Rosh Hashanah, the Jewish New Year GDP growth of 4.1%, if realized, will be considerably higher than the projected overall average annual growth of 2.7% in OECD member countries.

The Central Bureau of Statistics sees business output rising 4.5% in 2010 compared with 0% in 2009.

The Central Bureau of Statistics forecast is higher than the growth forecast of the Bank of Israel of 3.7% in 2010. However, the Bank of Israel is expected to revise its growth forecast upwards.

The Central Bureau of Statistics sees a 13% rise in exports in 2010 compared with last year and an 11% raise residential construction.

In addition, there is a 5% rise in consumption predicted for 2010 compared with a rise of 1.7% in 2009 with private consumption per capital, also known as the "standard of living" rising 3% in 2010 compared with a fall of 0.2% in 2009.

Israeli researchers have developed a new treatment for HIV which kills the infected human cells, and which could lead to a breakthrough in treating AIDS. The study, co-authored by a team of four, was published in the peer reviewed British journal AIDS Research and Therapy.

The process makes use of peptides, or short protein segments, which vastly increase the replications of the virus once it enters a cell, causing the cell's self-destruction, Haaretz said, citing one of the researchers.

33.4 million people suffer from the HIV virus, the vast majority living in low and middle income countries, according to the World Health Organization.