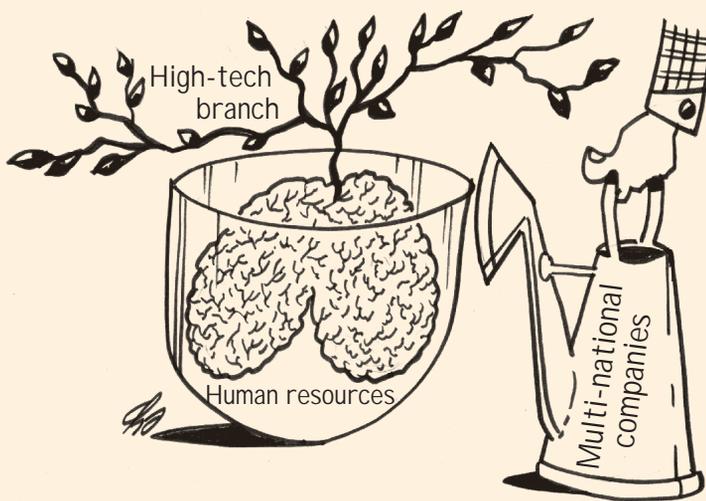


Determination and Innovation

In just over half a century, the State of Israel – in spite of its small size, sparse population and location within a highly complex geopolitical region – has succeeded in cultivating a successful high-tech industry that has acquired a global reputation for quality and innovation. Today virtually every device – big or small – that's powered by electricity contains something Israeli.



People say that the Israeli high-tech industry is the "locomotive" of the country's economy. The figures speak for themselves: High-tech exports from Israel to countries around the world totaled around \$13.4 billion last year. This sum constitutes around 60% of all Israel's exports. Since the high-tech industry is responsible for more than half the foreign capital that enters Israel, it is easy to understand why many agree that the future of the economy depends on the future of the high-tech industry.

Today our high-tech industry faces two interlinked challenges: Setting a goal of doubling high-tech exports from Israel, from \$14.8 billion per year to \$30 billion per year, within five years and, at the same time, doubling the number of engineers in Israel. These are not baseless pretensions. They are attainable goals, although complex steps are required in order to attain them. If other countries around the world have succeeded in similar missions, there is no reason for Israel not to do so. All that must be done is to perceive the mission as a national strategic goal and, with determination, outline the appropriate policy.

In 1996 we set ourselves the goal of doubling the high-tech industry from \$6.5 billion to \$13 billion in the year 2000. At the time, our chances of attaining that goal were threatened by the uncertainty with regard to academe's ability to provide the

required quantity of manpower. The high-tech industry is dependent on the training of university graduates in the fields of sciences and engineering. Up to that time Israel's institutions of higher learning were producing approximately 1,000 graduates each year, who acquired the professions required in this industry.

Our objective was to increase the number at least fivefold. Work teams were set up, comprising representatives from the government, academe and industry and, with the assistance of government and industrial funding, we succeeded, above and beyond that goal: Today 8,000 students complete their studies in scientific subjects at Israel's institutions of higher learning each year.

The high-tech industry reached its climax in the year 2000, but subsequently the crisis arrived, a crisis suffered by more or less every country around the world. In 2004, we again achieved the figures of the year 2000, while in 2005 the industry is expected to grow by an additional 10%, which will raise the sum total of exports in the high-tech industry up to \$14.8 billion per year, in addition to around \$1.5 billion in the local market. The national challenge that we now face is to double these figures within the next five years, i.e. to attain exports totaling around \$30 billion by the year 2010. This is a difficult and complex challenge to meet. At the national level, we must make every effort to do so. If we don't manage to achieve this goal by 2010, we will achieve it by 2012. The main thing is to keep on growing.

The road will be long and hard, but even now we understand what we will have to do in order to attain this goal and reach our target: We must continue to improve the human resource, increase the number of small companies and encourage Israeli startups, and those in the field of software in particular, to make an effort to attract additional multinationals to invest in Israel. In addition, we must increase the number of production plants in Israel's high-tech industry.

At the same time, and in conjunction with the Manufacturers Association of Israel, the Israel Association of Electronics & Information Industries has begun to formulate a detailed plan. We have defined goals and recruited experts and we will soon be able to present the recommended modes of action. We have already been promised involvement and support on the part of the Prime Minister, the Finance Minister and the Minister of Industry and Trade, as well as of other parties. Together we will formulate a national plan that will enable us to attain the desired goal of doubling exports within five years.



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