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12 REASONS WHY YOU SHOULD CONDUCT R & D IN ISRAEL

ISAM International Inc.
5301 North Ironwood Road
Milwaukee, Wisconsin 53217
(414) 961-1000

Committee for Economic Growth of Israel (CEG-I)

Elmer L. Winter
Chairman

Charlotte Slater
Project Coordinator

Dear Friend:

WE INVITE YOU . . .

To consider the many advantages of conducting R&D in Israel. You will find that Israel is a rapidly developing industrial country, solidly committed to economic growth. Industrial production has averaged 13% annual growth since 1954.

It can be said "Israel is the in place for Innovation". Fortune Magazine reported (September 19, 1983):

> "Visits to universities, research institutes and manufacturing plants leave one dazed after hearing about and seeing an endless array of innovative systems for microprocessor-controlled telephones, fiber-optic communications, electro-optic fingerprint identification, computer-aided design for pictorial and graphics application, patient monitoring, medical imaging, solar-generated electric power for homes, remote-controlled irrigation, intrusion detection, air-to-air guided missiles, seaborne rockets, computerized tank fire control and coastal and border surveilance."

Fortune Magazine further reported:

> "A foreign journalist after criss crossing Israel for a month, is left with the impression that this tiny country of less than four million people is one great testing laboratory."

Dr. Dov Frohman, general manager of Intel Electronics Ltd., a subsidiary of Intel Corp., of Santa Ana, California recently stated in referring to their $140 Million investment in Israel:

> "A major integrated circuit manufacturing operation hinges on highly qualified people, it is a very sophisticated activity. Intel looked at Europe and Asia before deciding on Israel. In order to take advantage of tax breaks and other incentives you have to have a profit first; and in order to have a profit, you have to have the engineers and skilled technicians your product requires."

Israel's innovative ingenuity is yours when you conduct research in Israel.

5301 N. Ironwood Road, P.O. Box 2053, Milwaukee, Wisconsin 53201 □ (414) 961-1000

I urge you to review the advantages Israel offers to you. Isn't it time we started to talk? Please call me collect at 414-961-1000 or write Isam International, Inc., 5301 North Ironwood Road, Milwaukee, Wisconsin 53217, USA. I would be very pleased to help you think through a R&D program into Israel.

Elmer L. Winter
Chairman

1. Israel Wants You.

Israel's R&D potential is clearly greater than its ability to exploit its own innovation. The limited size of Israel's economy is obviously not large enough to justify large scale investment in production equipment for making products based on Israeli innovations. Israel, therefore, encourages foreign companies to participate in its industrial R&D ventures, offering them a fair share of the market in their geographical areas.

Israel evidences its desire to have you conduct R&D in Israel by offering unusually high grants and loans. This includes direct financial aid for R&D activity from providing 50% of recognized costs in the form of grants to, in the case of new startups, 66%. Other funding vehicles consist of low-interest loans of 54% of budgeted R&D costs to joint limited partnerships; loans to finance pre-R&D activity, such as investigation of a topic before deciding to invest in research; loans for development after the R&D stage, but before a product is ready for manufacture and marketing; and participation in the cost of a project intended to improve a product or process already being used.

Israel has built up a world-class research establishment in its 32 years, with pioneering achievements in a number of fields. It currently spends about $300 million (about 2% of its gross national product) on civilian and military R&D together, about 53% of this for civilian R&D. This is comparable to R&D spending by the U.S. (2.3% of GNP) and other developed countries.

Israel has a relative advantage in scientific and technological research and development potential. There are more than 10,000 scientists and more than 20,000 engineers in Israel . . . quite impressive figures for a country of less than four million people. Israel's universities and research institutes have achieved world-wide recognition as centers of advanced research.

C & EN News reported, "Relative to its population of about 3.8 million, Israel has more scientists and engineers engaged in R&D than do the U.S., Japan, or West European countries. More Israeli scientists publish papers in international scientific journals, relative to their nation's population, than do scientists of other lands.

2. You will be in good company in Israel.

The constantly growing roll of American firms with facilities in Israel includes top names in U.S. business -- 23 of them are on Fortune Magazine's list of the 250 largest industrials. Many of

these firms have expanded their operations in Israel, a sure sign of success. Here is a partial listing:

Electronics, Computers & Instrumentation

Amer. Electronics Lab., Inc.
Astronautics Corp. of America
AVX Corporation
Babcock Electronics Corp.
Bell Telephone Lab., Inc.
Celesco Transducer Prod., Inc.
Computer Consoles, Inc.
Control Data Corporation
Designatronics, Inc.
Deutsch Electromechanical Ind.
Digital Equipment Corp.
Electro Materials Corp. of Amer.
Fibronics International, Inc.
General Dynamics Corp.
Gen. Telephone & Elec. Corp.
Gerber Scientific Inst. Co.
Grumman Corp.
HCC Industries Ltd.
High Voltage Engineering Corp.
Hughes Aircraft Co.
Information Magnetics Corp.
Intel Corporation
International Bus. Machine IBM
International Telecommunication & Teleprocessing, Inc.
Kulicke & Soffa Industries, Inc.
M/A-Com, Inc.
Mennen-Greatbatch Electronics, Inc.
Mennen Medical, Inc.
Modgraph, Inc.
Mica Corporation
Motorola, Inc.
Microwave Associates
National Semiconductor Corp.
Pentacom, Inc.
Phasecom Corporation
Raychem Corporation
Systems Engineering Lab., Inc.
Veeco Lambda Corporation
Vishay Intertechnology, Inc.
Wideband Data Corporation
Zenith Radio Corporation

Locke Technology, Inc. (Wakefield, Massachusetts), Sciaky Brothers, Inc. (Chicago, Illinois) and Laser Industries, Ltd (Tel Aviv, Israel) formed Metalworking Lasers International, Ltd. (MLI), a jointly owned company to be incorporated in Israel. MLI manufactures commercial lasers to be incorporated into the metal-working systems manufactured and sold worldwide by Sciaky. MLI has received a research and development (R&D) contract from the Office of the Chief Scientist in Israel's Ministry of Industry, Trade and Tourism. The contract represents one of the largest projects ever undertaken by the Israeli Government in commercial R & D Technology. It demonstrates the strong Israeli intention to establish manufacturing capability for high technology products within Israel for export to world-wide markets.

AVX, the world's leading manufacturer of multilayer ceramic capacitors, electronic components used extensively in conjunction with integrated circuits in a wide variety of applications is conducting Research and Development activities in Israel relating to new approaches in capacitor design and production.

"We selected Israel," according to Mr. Butler, President of AVX, "primarily for the country's abundance of highly qualified scientists, engineers, and technicians; all necessary for the type of programs AVX Israel Limited will be engaging in. In addition, AVX was able to sign a mutually advantageous agreement

with the Israeli Government, providing attractive R&D support for our Company."

Based on the progress and success of these R&D activities AVX anticipates establishing a major manufacturing facility.

In discussing the reasons for selecting Israel as the site for its venture, Walter Schafer, Chairman of the Board of Schafer Associates, claimed: "Israel was the only country that offered us the combination we were looking for . . . advanced R&D capabilities including research facilities and skilled manpower, financial assistance from the Government, and a gateway to the U.S., Common Market, the Orient and other important markets."

National Semiconductor as reported in Fortune Magazine established a design center in 1978, has its own major project underway: to help develop the front end of its Santa Clara, Calif. parent's microprocessor family. "We will not only design the chip but we will also develop some of the software and hardware to back it up, says Dr. Giora Yaron, Managing Director.

Because of its successes so far, National Semiconductor is considering construction of a wafer fabrication plant near Haifa that would employ up to 400 people.

For a listing of some industrial R&D projects in Israel supported through foreign investment see Appendix A.

3. You can take advantage of Israel's highly skilled and educated workforce.

Israel's labor force is among the most technically competent in the world. There are about 50,000 scientists and engineers in Israel and only 10% are now engaged in industrial R&D projects. The Chief Scientist of Israel reports, "It is these 5,000 who have brought about the enormous growth in high-technology exports. The other 40,000 are now engaged in academic, agricultural, medical, and defense research. We estimate that another 5,000 of these researchers could and should be transferred to high-technology industry in the next five years, along with a high proportion of the new graduates in natural sciences and engineering." Each year, the number of professionals grows by 10%, an impressive increase even by American standards. Skilled and semi-skilled labor is readily available throughout the country.

Over 100,000 Israelis hold academic degrees, and another 79,000 have graduated from post-secondary educational institutions other than universities. Seven institutions of higher education provide training facilities of an international standard. At present, more than 50,000 people attend these universities and the long-term trend is toward a continued steady increase.

Israeli workers speak your language -- in more ways than one. English is the second language of instruction in the country's schools. Most engineers and technicians are familiar with state-of-the-art American technology; many have had advanced training in the U.S. Others have been schooled in Israel's excellent universities; still others have come to industry from the armed forces which have produced many superbly qualified specialists now making major contributions to their country's industrial growth.

Fortune Magazine reported:

> "Dr. Dov Frohman, general manager of Intel Electronics Ltd., a subsidiary of Intel Corp. of Santa Ana, Calif., speaks for most industrialists in Israel when he cites the country's human resources as an important business factor:"
>
> "A major integrated circuit manufacturing operation hinges on highly qualified people, it is a very sophisticated activity. Intel looked at Europe and Asia before deciding on Israel. In order to take advantage of tax breaks and other incentives you have to have a profit first and in order to have a profit, you have to have the engineers and skilled technicians your product requires."
>
> Dr. Frohman adds that there is almost no job hopping in Israel. "People do move to other jobs, but only when their skills aren't utilized or when they seek more advanced technology. Also, there is commitment to a project. Sometimes you offer a job to an engineer and he'll say he needs two or three more months to complete the project he started. As his potential future boss, you appreciate this."

The following table shows Israel has the highest percent professional and technological workers of any country in the world, surpassing even U.S. and Canada -- while the total employed in manufacture is very close to that of other industrial countries.

A further breakdown is shown in the next table where of the total civilian labor force, approximately 1,300,000 - about 10% or 130,000 are now academics.

	'000	1978 %	'000	1983 %
Total Civilian Labor Force	1,257	100.0	1,301	100.0
of whom: Academics	122	9.7	131	10.9
Highly Skilled	198	15.8	253	17.2
Skilled and Unskilled	938	74.5	1.056	71.9
Academics	122	100.0	161	100.0
of whom: engineers/architects	21	17.2	28	17.4
medical/dental	11	9.0	16	9.9
administrative	15	12.3	18	11.2
others	75	61.5	99	61.5
Highly Skilled	198	100.0	253	100.0
of whom: technicians/practical engineers	28	14.2	38	15.0
paramedical	26	13.1	28	11.1
administrative and others	144	72.7	187	73.9

MANPOWER

Here is a table showing manpower distribution in Israel compared with selected countries:

	Prof'l Techn'l	Admin. Manag'l	Cler-ical	Sales	Service	Agri-culture	Manu-facture	Others	Total
a.) thousands									
ISRAEL	215	35	191	88	129	69	380	21	1,127
IRELAND	104	18	132	109	80	289	374	13	1,119
b.) percent of labor force									
ISRAEL	19.3	4.2	17.8	7.5	10.8	5.9	31.6	3.4	
IRELAND	9.3	1.6	11.8	9.7	7.2	25.8	33.4	1.2	
CANADA	13.7	6.9	15.8	9.8	11.6	5.4	28.8	8.5	
USA	14.2	10.0	17.2	6.1	13.6	2.9	33.0	3.0	
SPAIN	7.4	1.6	9.1	8.8	10.1	19.6	36.0	7.4	
FRANCE	11.4	2.7	11.7	7.6	8.4	15.3	34.6	8.3	
UK	11.1	3.7	17.9	9.0	11.7	3.0	40.0	3.6	
GERMANY	9.8	2.2	17.5	8.9	9.5	7.6	36.1	8.4	
GREECE	5.7	0.6	7.5	7.2	7.4	40.6	29.9	1.1	

4. <u>You can hire personnel at costs considerably lower than you pay in the United States</u>.

Let's assume that you open a facility located in Northern Galilee, Israel and hire personnel in the following categories:

- 80 assemblers
- 5 supervisors
- 2 warehouse personnel
- 5 office workers (secretaries and clerical)
- 5 engineers
- 1 chief accountant/comptroller
- 1 managing director

The monthly labor costs will be as follows (as of April 1983):

Category	Monthly Salary $	Monthly Fringe Benefits $	Total Monthly Cost/Worker $	No. of Workers	Total Monthly Labor Costs $
Assembler	380	150	530	80	42,400
Supervisor	750	300	1,050	5	5,250
Warehouse personnel	500	200	700	2	1,400
Office workers (secretary, clerical, key punch operator)	450	180	630	5	3,150
Engineers	1,250	550	1,800	5	9,000
Chief Acct.	1,300	600	1,900	1	1,900
Man. Dir.	3,000	1,500	4,500	1	4,500
Total Monthly Cost					$67,600

How does this compare to your costs in the U.S.? Many companies report their costs in Israel to be 2/3 of U.S. costs.

5. You can obtain cash grants up to 50% for Research & Development in Israel.

As a matter of official policy, Israel goes all out to support new science-based industries. A positive attitude about research and development is backed up with; (1) generous government cost participation, (2) an industrial climate geared to technological involvement, (3) a labor pool trained for science-based development, and (4) government assistance for purchasing equipment needed for technological growth.

The Government of Israel, through the Office of the Chief Scientist (OCS), provides 50% cash grants for approved R&D projects aimed at developing new export products, payable over and above the new-business incentives for overseas investors.

For a listing of some industrial R&D projects supported through foreign investment, please refer to Appendix A.

The Chief Scientist reports: "The Office of Chief Scientist now has a budget of close to $50,000,000 which is used to provide 50% support for industrial R&D projects which can come from more than 350 companies. In 1983 we will authorize 600 projects, bringing the total industrial R&D investment to more than 100 million dollars."

If a project supported by the OCS is commercially successful, OCS expects to get back its dollar participation through a modest royalty on sales.

6. You can take advantage of research funds provided through BIRDF.

On May 18, 1977 the Israel-U.S. Binational Industrial Research and Development Foundation (BIRDF) was formally established and endowed with $60 million - $30 million from each country.

The Foundation, the first of its kind between the U.S. and another country, is designed to support and promote joint non-defense industrial research and development activities that have significant commercial potential and that are of mutual benefit to the United States and Israel.

The scope of industrial research and development activities which the BIRDF may support includes all activities in the process through which an innovation becomes a commercial product, including, but not limited to industrial R&D, product engineering and manufacturing start-up.

For a project to be considered for support, it must show promise of a tangible direct benefit to the national economies of both the United States and Israel. It must also be submitted jointly by commercial entities of both nations.

There are good prospects for mutually beneficial research and development activities by Israel and the United States. Israeli advances in the agricultural, medical and electronics fields, for example, have been successfully used in the United States, while much American technology has been developed into products and manufactured in Israel. In general, Israeli industry has not been able to gain the attention of its American counterprats to exploit the marketing and production potential created by such projects. It is expected that the Foundation will provide a framework for the development of such mutually beneficial cooperation.

There are no limitations on the technical areas that can be covered by BIRD grants or loans. In preliminary contacts, some 60 projects from both US and Israeli firms were outlined, covering a wide variety of fields, such as: medical electronics, safety equipment, advanced communications equipment, solar energy devices, agrotechnology, fire retardant chemicals and membranes for water treatment. US proposing companies ranged in size from $500,000 to $2 billion. In each of these fields, Israel has specific advantages in terms of experience, manpower, or raw materials, while the US is particularly suited for efficient product development and testing and marketing.

Some of the projects supported by the Foundation are:

1) Automatic telephone system based on microprocessor technology (Telrad-Pentacom)

2) Computerized Irrigation Systems (Motorola Israel-Motorola USA)

3) Cardiac Diagnostic Imaging System (Elscint Ltd-Elscint Inc.)

4) Viscosity Instrument for Medical Diagnosis (Elron Iscar-Ovutime Inc.)

5) Pre-development study for Advanced Laser Plate Exposing Device (Sci-Tec Ltd-Sci-Tex Inc.)

6) A cost Optimized Production Time-Table (Creative Output Ltd-Telecomp Inc.)

7) Implantable Pacemakers (MG Electronics Ltd.-Mennen Medical Systems Inc.)

8) Barium Titanate Semiconducting Ceramics (Galai Ltd.-Supco Inc.)

9) Magnesia Production by Precipitation (Israel Chemical Ltd.-General Refractories Inc.)

10) Radicidized Pathogen Free Poultry Feed (Matmor Ltd.-High Voltage Engineering Inc.)

7. You will benefit by working with Israeli educational institutions.

Academic and research institutions have become an important source for new ideas and basic research for Israeli industry. The internationally recognized research facilities of the Weizmann Institute, Technion, Hebrew University and many other institutions have broad experience in many areas of advance technology essential to industrial development.

These institutes have equipment, instrumentation and facilities equal to those of their leading European and American counterparts. The studies carried out are often financed by the government and industry to develop new concepts for products. Israel also maintains government research institutes in the fields of metals, plastics, fibers, nuclear chemistry, fermentations, ceramics, rubber, paints, food products and many aspects of agriculture and geology.

Fortune Magazine described Israel's educational institutions as follows:

> "The current skills come from seven institutions of higher learning -- some of world renown -- that have furnished the country with a present force of some 20,000 scientists and 28,000 engineers, a concentration few countries can match on the basis of population size.
>
> Other major sources of trained manpower are the well-developed network at 330 technical and vocational high schools and the military which, during their compulsory service, provides young Israelis with some of the most exacting and advanced technical training anywhere.
>
> Educational institutions help the nation's high-tech efforts far beyond providing scientists, engineers and a skilled labor pool. There is a close working relationship between academe and industry. Through their specialized institutes, research centers and laboratories, the universities provide a range of services. Their subsidiaries deal with the commercialization of in-house research through joint ventures with industrial enterprises and they co-own industrial parks."

At the 23-acre Kiryat Weizmann Science-Based Industrial Park in the town of Rehovot, 14 miles south of Tel Aviv, 22 companies are engaged in such fields as biotechnology and genetics, advanced medical equipment, optics, electronics and computers.

The Weizmann Institute, one of the pioneers in forming science-based industries and an early promoter of the exploitation of research, employs a staff of 1,500 researchers, engineers

and technicians. They are working on some 650 basic and applied projects on the institute's pretty, 75-acre, 35-building campus of carefully kept lawns and large flower gardens. Among their projects: aging, plant genetics, computer technology, theoretical geophysics, lasers and holography.

Weizmann's subsidiary Yeda, just as Hebrew University's Yissum, commercializes many of its projects and forms partnerships with local and foreign firms, several of which are located at the Kiryat Weizmann park."

8. You can participate in R&D with Raphael Armament Development Authority.

The Government of Israel has designed a new program "Region 2000 - a High Technology Region in the Galilee." This plan incorporates a number of towns and settlements in the Western Galilee, including Tefen, Segev and Ma'alot, with Karmiel as its urban center.

The main objective of the project is to develop a region geared to the future, in which people will be able to draw on the fruits of science and technology to make their lives more pleasant and satisfying. More specifically, the project aims at the following:

* to develop a region which will be equipped to meet the needs and demands of an advanced society as it enters the 21st century;

* to lay the foundation for this model society by opening the way to the large-scale development of science-based high technology industries in the Region;

* To benefit other areas as a result of the region's industrial development;

* to promote constructive co-existence and good relations between Jews and Arabs in the Galilee.

Galram

In July 1981 the Government of Israel decided that Rafael's potential should be used to advance the country's economy and not be limited to the supply of weapons to the IDF. Moreover, Israel's defense expenditure has practically reached its peak. Rafael, which is an organization based on continuous growth, has to get ready for reduced defense orders. Thus a company called GALRAM has been established as a government owned company with the aim of commercially exploiting Rafael's products, technologies and capabilities.

Galram's policy is, in general, to establish subsidiaries for specific technologies, projects or markets, as joint ventures with private

capital, or with partners that can contribute complementary know-how or marketing.

Presently Galram is in the process of establishing two companies: The first will manufacture electro-optical devices based on Rafael's knowhow. The second will manufacture and market electronic systems and products which are spun off Rafael's projects. Another company, Microkim which is a joint venture of the U.S. bases M/A-Com corporation and Rafael, will join Galram's roster of companies. Microkim is producing microwaves components and systems and has recently changed its strategies to fit into Galram aims. Another operation, Laseron was formed by Rafael and the Fibronics Company for the production and marketing of GaAs lasers based on Rafael's technology.

A few other activities are being studied now by Rafael and Galram as candidates for Galram companies.

Galram also owns 45 acres of land in Carmiel for developing a High Technology Industrial Park. This industrial park, Gan-Galram, will house most of Galram's plants, and will also accept other high technology industries as tenants. Plants that will be established in Gan-Galram will enjoy government investment incentives as a Development Zone A which means that out of every $4 of capital investment, only $1 has to be put up by the entrepreneurs. (The rest of the investment is partly a government grant and partly a very favorable low interest loan).

9. You will have access to Israel's research centers.

When you operate a facility in Israel, you will have at your disposal the following organizations:

Center for Industrial Research, located on the campus of the Haifa Technion, is intended to develop new and improved processes, particularly in fields of food and plastics technology.

The Israel Fibers Institute, in Jerusalem, works in all areas of applied study for the textile, timber, pulp, paper and leather industries. It also conducts graduate textile and polymer chemistry programs in cooperation with the Hebrew University.

The Natural Physical Laboratory on the Hebrew University campus deals with various physical and ecological problems related to industry.

The Israel Ceramic and Silicate Institute, at the Haifa Technion, concerns itself with problems of the silicate, glass and ceramics.

The Paint Research Association maintains laboratories for basic and applied testing for the paint industry.

The Fermentation Unit, at the Hebrew University-Hadassah Medical School, already has developed production processes for several research chemicals and enzymes being marketed to customers overseas.

The Rubber Research Association serves the rubber, plastics and related industries.

The Metals and Mechanical Testing Laboratory, in Haifa, works in several major fields: metallurgy, foundry practice, corrosion prevention, nondestructive testing and mechanical testing, including stress analysis.

The Negev Institute for Arid Zone Research in Beersheba, affiliated with Ben Gurion University, concentrates on problems of the Negev, such as soil, water and vegetation, exploitation of natural resources and the influence of the desert climate on human beings.

Some of the laboratories supported by the Office of the Chief Scientist are:

Laboratory

Metals Institute-Technion campus
Ceramics and Silicate Institute-Technion campus
Rubber Research Association-Technion campus
Paint Research Laboratory-Technion campus
Plastics Research and Testing Institute
Israel Fiber Institute
National Physics Laboratory
Emulsion and Formulation Laboratory-Hebrew University
Chemical Pilot Plant-Hebrew University
Analytical Laboratory-Hebrew University
Crystal Growing Unit-Hebrew University
Microelectronics Laboratory-Hebrew University
Applied R & D Institute-Ben Gurion University

Foreign companies and investors can benefit from the expertise concentrated in these laboratories through joint projects with Israeli firms.

There are numerous training institutions for practical engineers and technicians, post-secondary industrial schools and many specialized research institutes.

The natural sciences are taught and researched at all seven Israeli universitites. There are four medical schools, a school of dental medicine and a school for pharmacology. Engineering training is provided at three institutions.

All these insitutions constitute a very strong infrastructure, from which industry can derive considerable support. In many instances, laboratory facilities and special services are offered, against payment of modest fees. Libraries of course are open to all comers, and there is always the beneficial effect of contact with a large and many-faceted scientific community.

Where desired by industry, the universities and research institutes are prepared to cooperate on specific R&D projects. This may consist

of regular consultations with scientists on the universities' faculties to the execution of entire research projects by the institutions, for industrial firms, on a contract basis.

10. You can ship your Israeli made products to Europe duty free.

Israel's Free Trade Agreement with the European Economic Community (EEC) abolishes tariffs on industrial goods shipped to all Common Market countries . . . provides a duty free competitive edge in a giant 260 million person market.

The EEC is by far and away Israel's most important trading partner, absorbing about 36% of Israel's exports and supplying about 41% of her imports. The Free Trade Area agreement puts Israel in a favorable competitive position relative to other non-European industrialized countries, mainly North America, Japan and Australia. The exports of these countries to the EEC are subject to the full external tariff rates.

By manufacturing your products in Israel and selling to buyers in the EEC, you will eliminate the duty that must be paid on shipments from the U.S. to EEC countries.

For Example:

Name of Product	Average Duty Paid by U.S. Manufacturers on Shipments to European Countries
Calculators, Electric or Electronic	14%
Automatic Data Processing Machinery	7%
Input, Output Devices, Storage Devices, etc.	7%
Parts and Accessories for Data Processing Equipment	6%
Electrical Machinery, Motors of All Types	6 to 8.5%
Printed Circuits	10%
Insulated Wire and Cable	11%
Electrical Insulators	10%
Telephone and Telegraphic Line Equipment	7.5%

11. You can export many products manufactured in Israel to the United States . . . duty free.

On January 1, 1976, Israel became eligible to sell more than 2,700 categories of goods to the U.S. duty free . . . under the Generalized System of Preferences (G.S.P.). This list that includes metal products, fine chemicals, electrical and electronic goods, computers and medical instrumentation systems, jewelry and furniture . . . and more.

Note: Made-in-Israel industrial goods may also be sold under preferred duty status to Sweden, Switzerland, Finland, Japan, Austria, Australia, Canada and New Zealand.

12. Your patents will be protected in Israel.

Patent and trade mark protection is available in Israel, on such assets created within this country, and also on the basis of registration by persons abroad. The patent law's definition of what can be protected is advisedly broad: "An invention, whether a product or a process, which is new, useful and susceptible of industrial or agricultural application, and which involves an inventive step."

Prior publication of an innovation's subject matter, anywhere in the world, makes it ineligible for patent protection in Israel. However, where a patent application has been filed in one of the countries signatory to the Paris Convention for the Protection of Industrial Property, such an application can also be filed in Israel within twelve months.

Israel patents accord their owners complete protection over a twenty year period, on conditions specified in the law. Patents can be sold or transferred, and licenses can be assigned.

OCS, or other public agencies that support R&D do not have any claim on patents received in consequence of research carried out with their assistance. Where the expense of filing patent applications was part of the original R&D budget, OCS grants can cover the proportionate part of that cost.

How do you get started?

We would like to discuss the R&D opportunities for your company in Israel. For more detailed information contact us by calling 414-961-1000 or writing Isam International, Inc., 5301 Ironwood Road, Milwaukee, Wisconsin 53217.

Elmer L. Winter
Chairman

Charlotte Slater
Marketing Director

APPENDIX A

Industrial R&D Projects in Israel Supported Through Foreign Investment

Project	Israeli Company
Jojoba Wax	Negev Jojoba
Artificial Kidney Control	Elmar
Plastic Arteries	Elmar
Automatic Taring	Popper Engineering
Fuel Saving System	Electra
Solar Drying of Fruit	Electra
Hydromechanic Transmission	Timetz
Personal Defense	Ispra
Protection for Safes	Pan Universe
Solar Heating	Electra
Digital Storage System	Tel-Data
Computer Control System	Cycon
Automatic Instrument for Field-of-vision	Shorashim
Welding Robot	Elco
Computer System for Complex Calculation	Exatek
Infra-Red Detectors	Galai Labs
Medical Laser	Rotem
Cancer Detection System	Abic
Modulator for TV	Phasecom
Computer Peripherals	Tek-Dyn
High-Powered Laser	MLI
Safe Controls	Kanaf Electronics
Opaque Materials for Tomography	Concat
Beta Lactams	Teva
Guayule Rubber	Sophisticated Products
Miniaturized Artificial Kidney	Ramot Plastics
Genetic Engineering on Plant Cells	Genetic Sciences
Hollow Fibers	Sophisticated Products
Pheromones	Sophisticated Products
Magnetohydrodynamics	Solmex
Multipurpose Robot	International Robots
Computer for Harsh Conditions	Rada
Storage Systems	Efrat
Stable Isotopes	Omega P.
Control System (CNC)	Elex
Metal Working Robot	Hal Robotics
Cell	Ampal
Robotics	Granot
Robot for Fruit Picking	Industrial Robots
Irrigation Accessories	Sophisticated Products
Controlled Hothouse	Granot
Interferons	Inter-Yeda
Bacterial Diagnostic System	Hy Labs

Appendix A - Continued

Project	Israeli Company
Digital Storage by P.C.M.	Telbit
Automatic Transmission	IDC
Biotechnology for Marine Animal Development	Oceanographic Inst.
Solar Energy for Steam	Luz
Industrial Robot	Sharnoa
Automatic System for Fruit Sorting	Eshet Ayalon
Waste Treatment etc.	Migal
Teaching System for Computer Languages	Lantek
CAD for Integrated Circuits	Softal
Solar-generated electrical power for homes	Solar Power Labs

The total foreign investment in these projects was about $34,000,000 during 1982-83.

The Israeli government offers matching loans to the Israeli companies to augment the foreign investment, through the Office of the Chief Scientist of the Ministry of Industry and Trade.

The projects noted above represent a good cross-section of Israeli technological expertise. Note that virtually all the projects fall into one of 5 categories:

Computers and Electronics
Sophisticated Mechanical Devices
Medical and Biological Systems
Energy Sources
Agrotechnology

APPENDIX B

ISAM INTERNATIONAL IS A DIVISION OF THE COMMITTEE FOR ECONOMIC GROWTH OF ISRAEL

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Appendix B - Continued

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Avraham Shavit
Dan Tolkowsky
Zwi Zurr

12 REASONS WHY YOU SHOULD OPEN A FACILITY IN ISRAEL

Committee for Economic Growth of Israel
5301 North Ironwood Road
Milwaukee, Wisconsin 53217
1-414-961-1000

or

22 Bar Ilan Street
Tel Aviv, Israel
03-226612

Committee for Economic Growth of Israel (CEG-I)

Elmer L. Winter
Chairman

Charlotte Slater
Project Coordinator

WE INVITE YOU . . .

To consider opening a facility in Israel. You will find that Israel is a rapidly developing industrial country, solidly committed to economic growth. Industrial production has averaged 13% annual growth since 1954. Israel's active free enterprise system is geared to promote private initiative. In this growth atmosphere, both government policy and private industry welcome direct and indirect American investments.

Many American companies have established industrial branches in Israel . . . including the production of electronics, chemicals, metals, textiles and agricultural equipment. Israel made goods are respected in world markets where quality and technological expertise are a prerequisite. The experts who helped earn that reputation can put their talents to work for your company.

Scientific American properly said in an article concerning Israel technology . . .

> "The Jewish state in the Middle East has had an impact on world markets out of all proportions to its size and circumstances, thanks to the innovative ingenuity of its people."

This innovative ingenuity is yours when you start your operations or conduct research in Israel.

I urge you to review the advantages Israel offers to you. Isn't it time we started to talk? Please call me collect at 414-961-1000, or write CEG-I, 5301 North Ironwood Road, Milwaukee, Wisconsin 53217, USA. I would be very pleased to help you think through a potential expansion into Israel.

Elmer L. Winter
Chairman

5301 N. Ironwood Road, P.O. Box 2053, Milwaukee, Wisconsin 53201 □ (414) 961-1000

1. You will be in good company in Israel.

The constantly growing roll of American firms with facilities in Israel includes top names in U.S. business -- 23 of them are on FORTUNE Magazine's list of the 250 largest industrials. Many of these firms have expanded their operations in Israel, a sure sign of success. See appendix A for a list of the U.S. Companies operating in Israel.

Israel seeks and welcomes foreign investment. The basic philosophy of Israel's economic policy is that Israel should provide a healthy environment for profit as a spur to investment and job creation.

Israel has firmly established itself as a profitable investment center. It is committed to following the growth path which has brought it such success in the past. The objective is to build on the base already established and to concentrate on those industrial sectors with the greatest growth and employment potential.

2. You can take advantage of Israel's highly skilled and educated workforce.

Israel's labor force is among the most technically competent in the world. There are about 50,000 scientists and engineers in Israel and only 10% are now engaged in industrial R & D projects. The Chief Scientist of Israel reports:

> " It is these 5,000 who have brought about the enormous growth in high-technology exports. The other 40,000 are now engaged in academic, agricultural, medical, and defense research. We estimate that another 5,000 of these researchers could and should be transferred to high-technology industry in the next five years, along with a high proportion of the new graduates in natural sciences and engineering."

Each year, the number of professionals grows by 10%, an impressive increase even by American standards. Skilled and semi-skilled labor is readily available throughout Israel.

Over 100,000 Israelis hold academic degrees, and another 79,000 have graduated from post-secondary educational institutions other than universities. Seven institutions of higher education provide training facilities of an international standard. At present, more than 50,000 people attend these universities and the long-term trend is toward a continued steady increase.

Israeli workers speak your language -- in more ways than one. English is the second language of instruction in the country's schools. Most engineers and technicians are familiar with state-

of-the-art American technology; many have had advanced training in the U.S. Others have been schooled in Israel's excellent universities; still others have come to industry from the armed forces which have produced many superbly qualified specialists now making major contributions to their country's industrial growth.

3. You can hire personnel at costs considerably lower than you pay in the United States.

Let's assume that you open a facility located in Northern Galilee, Israel and hire personnel in the following categories:

- 80 assemblers
- 5 supervisors
- 2 warehouse personnel
- 5 office workers (secretaries and clerical)
- 5 engineers
- 1 chief accountant/comptroller
- 1 managing director

The monthly labor costs will be as follows: (as of April 1983)

Category	Monthly Salary $	Monthly Fringe Benefits $	Total Monthly Cost/Worker $	No. of Workers	Total Monthly Labor Costs $
Assembler	380	150	530	80	42,400
Supervisor	750	300	1,050	5	5,250
Warehouse personnel	500	200	700	2	1,400
Office workers (secretary, clerical, key punch operator)	450	180	630	5	3,150
Engineers	1,250	550	1,800	5	9,000
Chief Acct.	1,300	600	1,900	1	1,900
Man. Dir.	3,000	1,500	4,500	1	4,500
Total Monthly Cost					$67,600

How does this compare to your costs in the U.S.? Many companies report their costs in Israel to be 2/3 of U.S. costs.

4. You can take advantage of substantial training grants provided by the Government of Israel.

Assuming again that you will be opening a factory in the Northern Galilee, your company will be eligible for the training grants provided by the Ministry of Labor of Israel. The Department of Vocational Training initiates and carries out job courses and retraining of workers. The Department covers all the costs in its own training schools and provides living allow-

ances to trainees enrolled in full time programs. The Ministry of Labor also supports job training programs in industrial plants. Where such programs are conducted in an "Approved Enterprise" cash training grants up to $148 per trainee per month are available.

Thus assuming it will take 60 days to train assemblers, the Company would receive $296 per employee during the training period. Assuming an assembler is paid $1,060 for 2 months, the government refund is equivalent to approximately 30% of the labor cost during the training period.

5. Israel offers you loans and grants up to 70% of your investment.

Israeli incentives permit you to stretch your capital. Depending on the area where you locate your plant, Israel offers grants and loans up to 75% of your investment in fixed assets.

Let's assume that you will establish a factory at Tefen in the Western Galilee and that the total investment that you will make in fixed assets will be $1 million. Your production would be intended for export purposes. The Government of Israel would classify your company as an "Approved Enterprise." Your company would be eligible for the following benefits from the Israeli government under the above assumptions:

(a) Grant $350,000 (35% of investment in fixed assets)
(b) Loan $400,000 (40% of investment in fixed assets)

The loan would be on the following terms:

1. Interest either 6% per annum (p.a.) linked to the U.S. $ or 0.5% p.a. linked to the Consumer Price Index.
2. Period: 10 years
3. Repayment terms - interest only for first two years, then capital and interest.

In order to encourage the use of Israeli-produced plant and equipment by Approved Enterprises, a special additional grant is available at the rate of 10% of the value of such equipment. The total amount of above grants must not exceed the amount of paid-up share capital invested by shareholders in the respective project.

6. You can ship your Israeli made products to Europe duty free.

Israel's Free Trade Agreement with the European Economic Community (EEC) abolishes tariffs on industrial goods shipped to all Common Market countries . . . provides a duty free competitive edge in a giant 260 million person market.

The EEC is by far and away Israel's most important trading partner, absorbing about 36% of Israel's exports and supplying

about 41% of her imports. The Free Trade Area agreement puts Israel in a favorable competitive position relative to other non-European industrialized countries, mainly North America, Japan and Australia. The exports of these countries to the EEC are subject to the full external tariff rates.

By manufacturing your products in Israel and selling to buyers in the EEC, you will eliminate the duty that must be paid on shipments from the U.S. to EEC countries.

For example:

Name of Product	Average Duty Paid by U.S. Manufacturers on Shipments to European Countries
Calculators, Electric or Electronic	14%
Automatic Data Processing Machinery	7%
Input, Output Devices, Storage Devices, etc.	7%
Parts and Accessories for Data Processing Equipment	6%
Electrical Machinery, Motors of All Types	6 to 8.5%
Printed Circuits	10%
Insulated Wire and Cable	11%
Electrical Insulators	10%
Telephone and Telegraphic Line Equipment	7.5%

7. <u>You can export many products manufactured in Israel to the United States</u> . . . <u>duty free</u>.

On January 1, 1976, Israel became eligible to sell more than 2,700 categories of goods to the U.S. duty free . . . under the Generalized System of Preferences (G.S.P.). This list that includes metal products, fine chemicals, electrical and electronic goods, computers and medical instrumentation systems, jewelry and furniture . . . and more.

<u>Note</u>: Made-in-Israel industrial goods may also be sold under preferred duty status to Sweden, Switzerland, Finland, Japan, Austria, Australia, Canada and New Zealand.

8. Israel offers you substantial tax advantages.

As an Approved Enterprise, your company will enjoy exemption from corporate income tax (but not from the company T4) for a period of seven years beginning with the first year of taxable profits. An Approved Enterprise can depreciate its equipment in two years (50% a year).

The taxation rates set out below apply to companies which are classified as "industrial" companies.

If your company earns a Pre-Tax Profit of the taxes payable will be as follows:	$200,000	100%
(a) During the Approved Enterprise 7 year period - an overall tax rate of 30%, made up as follows:		
Company Tax 30% i.e. Income Tax	$ 60,000 Nil	30%
(b) After the 7 year Approved Enterprise period - an overall tax rate of 52% made up as follows:		
Company Tax 40% i.e.	$ 80,000	
Income tax 20% of 60% (after deducting Co. Tax) 12% of $200,000	$ 24,000	
	$104,000	52%

Withholding Taxes

If your company distributes a dividend of $50,000 to the U.S.A. during its 7 year Approved Enterprise period, you will deduct a withholding tax of 15% of 70%* (i.e. 10.5%) namely $5,250 payable to Israeli revenue authorities. The double taxation treaty with the U.S.A. (still to be ratified) provides for a rate of 12.5% (instead of 15%) for company shareholders holding at least 10% of the voting shares in the company.

After its 7 year Approved Enterprise period, the company must deduct a withholding tax of 25% from dividends payable after providing for taxation.

The following is an example of maximum taxation payable by a foreign investor:

Pre-Tax Profits	$200,000	100%
Company Tax	$ 80,000	40%
Profits available for distribution	$120,000	
Dividend payable	$120,000	

Income Tax payable	Nil	
Withholding Tax on Dividend 25% x 120,000	$ 30,000	15%
		55%

* 70% = Profits after provision of Company Taxes of 30%.

Israel has double taxation treaties with many countries. Israel has double taxation treaties with 14 countries. The treaties guarantee avoidance of double taxation, and limit taxes on income transferred between the countries involved. The treaties in effect are with: Austria, Belgium, Canada, Denmark, England, Finland, France, Holland, Ireland, Northern Ireland, Italy, Norway, Singapore, Sweden and West Germany.

Each of the double taxation agreements has the same underlying principle; namely, that the investor is credited in its country of residence with the taxes it has paid in the country in which the investment was made.

You will benefit through reduced property taxes. Buildings constructed or acquired for an approved project are subject only to one-third of the normal property tax rate during the first five years of operation. Property tax on machinery, equipment, spare parts and finished goods is reduced by one-sixth during the first 10 years of operation.

You will benefit from Israel's unique protection against devaluation. In order to eliminate a tax on phantom profits due to Israel's inflation, the Government of Israel passed legislation with a view to maintain the dollar value of the investments of non-residents in Israeli companies.

Foreign investors in Israel are able to protect their investment from the impact of inflation and devaluation by making after-tax profits that compensate for the taxes on the apparent gain. This permits them to maintain the vlaue of their investment and earn a satisfactory return.

9. Israel provides export incentives.

(a) Special government funds established for the purpose, viz.

Revised

1. Loans to cover imported raw materials at a rate of interest equal to 60% of Eurodollar interbank interest rates.

2. A local currency loan to cover local production costs at a subsidized interest rate based on a predetermined formula for each concern, viz.

Estimated Annual Exports (FOB) x Value Added %
(i.e. local prod. costs) Annual production process
(i.e. inventory) turnover

These formulae provide for a higher level of funds for longer production processes and higher added values and are specific for each company.

3. Loans to finance credit terms given to their overseas customers. The loan is up to a maximum of 90% of the selling price for a maximum period of 180 days at the Eurodollar inter-bank rate + 1½%

4. Loans for promoting marketing overseas. This permits exporters to investigate new potential markets, increase existing ones and to establish marketing organizations outside Israel.

(b) Refund of taxes. Exporters receive refunds of government taxes and duties paid (including V.A.T. and the Peace for Galilee Levy applicable to export products.

(c) Currency exchange rate insurance. Exporters are protected against losses arising through the lag in the devaluation of the local currency (and the European currency basket) and local price increases. This is effected through the payment of a premium by the exporter to a government sponsored company.

10. You can operate from a free port zone in Israel.

Duty-free zones (free ports) have been established in the Eilat and Haifa port areas. To speed up the movement of goods and create facilities for industries based on in-transit commodities. Land has been set aside where manufacturers can put up plants calculated to take advantage of proximity to the inflow and outflow of cargoes, dovetailing imported materials with local production.

Under the Free Port Zones Law, plants will be exempt from customs duties and other indirect taxes, from property tax and from the need for import and export licenses. In addition, they will not have to pay income tax on earnings for their first five years of operation and may deal freely in foreign currency.

11. You can obtain cash grants up to 50% for Research & Development in Israel.

As a matter of official policy, Israel goes all out to support new science-based industries. A positive attitude about research and development is backed up with; (1) generous government cost participation, (2) an industrial climate geared to technological involvement, (3) a labor pool trained for

science-based development, and (4) government assistance for purchasing equipment needed for technological growth.

Hundreds of high-technology multinational firms -- attracted by Israel's unique advantages and investment incentives -- have located in Israel for the purpose of manufacturing for export and-or carrying industrial research and development projects. The roster includes dozens of America's largest industrials participating in technological projects in Israel, either with the framework of their own subsidiaries' operations or in joint venture.

Among these are: Motorola, Chromalloy American, Control Data, Intel, General Telephone & Electronics, IBM, Dexter, Esmark, National Semi-conductor and Miles Laboratories.

Academic and research institutions have become an important source for new ideas and basic research for Israeli industry. The internationally recognized research facilities of the Weizmann Institute, Technion, Hebrew University and many other institutions have broad experience in many areas of advance technology essential to industrial development. These institutes have equipment, instrumentation and facilities equal to those of their leading European and American counterparts. The studies carried out are often financed by the government and industry to develop new concepts for products. Israel also maintains government research institutes in the fields of metals, plastics, fibers, nuclear chemistry, fermentations, ceramics, rubber, paints, food products and many aspects of agriculture and geology.

The Government of Israel, through the Office of the Chief Scientist (OCS), provides 50% cash grants for approved R & D projects aimed at developing new export products, payable over and above the new-business incentives for overseas investors.

Special grants and loans, up to 50%, are available and pick up the major cost of acquiring the frequently short-lived ultra-modern equipment needed for high-technology industry. The 50% depreciation rate allowed by the government, are recouped from profits.

For a listing of some industrial R & D projects supported through foreign investment, please refer to Appendix B.

The Chief Scientist of Israel reports: "The Office of Chief Scientist now has a budget of close to $50,000,000 which is used to provide 50% support for industrial R & D projects which can come from more than 350 companies. In 1983 we will authorize 600 projects, bringing the total industrial R & D investment to more than 100 million dollars."

If a project supported by the OCS is commercially successful, OCS expects to get back its dollar participation through a

modest royalty on sales.

The Chief Scientist of Israel reports: "A survey of 2,000 projects supported in the past show that 41% of them resulted in commercial products and 20% of the projects were considered a success in the export market. These figures are at least twice the success rate for R & D projects in Europe and America."

Note: You can take advantage of research funds provided through BIRDF.

On May 18, 1977 the Israel-U.S. Binational Industrial Research and Development Foundation (BIRDF) was formally established and endowed with $60 million - $30 million from each country.

The Foundation, the first of its kind between the U.S. and another country, is designed to support and promote joint non-defense industrial research and development activities that have significant commercial potential and that are of mutual benefit to the United States and Israel.

The scope of industrial research and development activities which the BIRDF may support includes all activities in the process through which an innovation becomes a commercial product, including, but not limited to industrial R & D, product engineering and manufacturing start-up.

12. You will have access to Israel's research centers.

When you operate a facility in Israel, you will have at your disposal the following organizations:

Center for Industrial Research, located on the campus of the Haifa Technion, is intended to develop new and improved processes, particularly in fields of food and plastics technology.

The Israel Fibers Institute, in Jerusalem, works in all areas of applied study for the textile, timber, pulp, paper and leather industries. It also conducts graduate textile and polymer chemistry programs in cooperation with the Hebrew University.

The Natural Physical Laboratory on the Hebrew University campus deals with various physical and ecological problems related to industry.

The Israel Ceramic and Silicate Institute, at the Haifa Technion, concerns itself with problems of the silicate, glass and ceramics.

The Paint Research Association maintains laboratories for basic and applied testing for the paint industry.

The Fermentation Unit, at the Hebrew University-Hadassah Medical School, already has developed production processes for several research chemicals and enzymes being marketed to customers overseas.

The Rubber Research Association serves the rubber, plastics and related industries.

The Metals and Mechanical Testing Laboratory, in Haifa, works in several major fields: metallurgy, foundry practice, corrosion prevention, non-destructive testing and mechanical testing, including stress analysis.

The Negev Institute for Arid Zone Research in Beersheba, affiliated with Ben Gurion University, concentrates on problems of the Negev, such as soil, water and vegetation, exploitation of natural resources and the influence of the desert climate on human beings.

Some of the laboratories supported by the OCS are:

Laboratory

Metals Institute-Technion campus
Ceramics and Silicate Institute-Technion campus
Rubber Research Association-Technion campus
Paint Research Laboratory-Technion campus
Plastics Research and Testing Institute
Israel Fiber Institute
National Physics Laboratory
Emulsion and Formulation Laboratory-Hebrew University
Chemical Pilot Plant-Hebrew University
Analytical Laboratory-Hebrew University
Crystal Growing Unit-Hebrew University
Microelectronics Laboratory-Hebrew University
Applied R & D Institute-Ben Gurion University

Foreign companies and investors can benefit from the expertise concentrated in these laboratories through joint projects with Israeli firms.

In addition, you can benefit through cooperative programs with seven Israeli universities: Bar Ilan University, Ben Gurion University of the Negev, Hebrew University of Jerusalem, Technion--Israel Institute of Technology, Tel Aviv University, University of Haifa and Weizman Institute of Science.

There are numerous training institutions for practical engineers and technicians, post-secondary industrial schools and many specialized research institutes.

The natural sciences are taught and researched at all seven Israeli universities. There are four medical schools, a school of dental medicine and a school for pharmacology. Engineering training is provided at three institutions.

All these institutions constitute a very strong infrastructure, from which industry can derive considerable support. In many instances, laboratory facilities and special services are offered, against payment of modest fees. Libraries of course are open to all comers, and there is always the beneficial effect of contact with a large and many-faceted scientific community.

Where desired by industry, the universities and research institutes are prepared to cooperate on specific R & D projects. This may consist of regular consultations with scientists on the universities' faculties to execution of entire research projects by the institutions, for industrial firms, on a contract basis.

Of Special Note:

Your patents will be protected in Israel. Broad patent protection, in line with what is common in the Western world, is available in Israel under the terms of the Patents Law 5727-1967, and under those of the Paris Convention for the Protection of Industrial Property, to which Israel is a party. The benefits of the Israel law are freely available to all comers; enjoyment of this law's benefits is subject to no residential or citizenship requirement whatsoever.

Foreign investments made in Israel may be insured. Investments in Israel are protected against nationalization, repatriation and war risks through the Investment Insurance Program authorized by the United States Congress and administered by OPIC (Overseas Private Investment Corporation), a U.S. government agency.

Foreign trade insurance is provided by Foreign Trade Risks Insurance Corporation, Ltd., an agency of the government of Israel.

Israel is conveniently located. Seventeen airlines and six shipping lines offer year-round transportation to Israel. Flying time on non-stop flights from Kennedy airport in New York City to Israel's only international airport, Lod in Tel Aviv, is 9½ hours. Add another hour or two for flights that make one stop.

How do you get started:

We, in CEG-I, want to help you think through an investment in a facility in Israel. We can provide "how to" information -- facts, figures, etc.

May I suggest:

1. Pick up the phone and call me collect at 414-961-1000.

2. Write me at CEG-I, 5301 North Ironwood Road, Milwaukee Wisconsin 53217, USA.

APPENDIX A

U.S. COMPANIES OPERATING IN ISRAEL

Electronics, Computers & Instrumentation

Amer. Electronics Lab. Inc.
Astronautics Corp of America
AVX Corporation
Babcock Electronics Corp.
Bell Telephone Lab., Inc.
Celesco Transducer Prod., Inc.
Computer Consoles, Inc.
Control Data Corporation
Designatronics, Inc.
Deutsch Electromechanical Ind.
Digital Equipment Corp.
Electro Materials Corp. of Amer.
Fibronics International Inc.
General Dynamics Corp.
Gen. Telephone & Elec. Corp.
Gerber Scientific Inst. Co.
Grumman Corp.
HCC Industries Ltd.
High Voltage Engineering Corp.
Hughes Aircraft Co.
Information Magnetics Corp.
Intel Corporation
International Bus. Machine Corp.IBM
Inter. Telecommunication & Teleprocess
Kulicke & Soffa Ind, Inc.
M/A-Com, Inc.
Mennen-Greatbatch Electronics, Inc.
Mennen Medical, Inc.
Modgraph, Inc.
Mica Corporation
Motorola, Inc.
Microwave Associates
National Semiconductor Corp.
Pentacom, Inc.
Phasecom Corporation
Raychem Corporation
Systems Engineering Lab., Inc.
Veeco Lambda Corporation
Vishay Intertechnology, Inc.
Wideband Data Corporation
Zenith Radio Corporation

Metals

American Can Company
American Heliothermal Corp.
Austin Instruments, Inc.
Chromalloy Amer. Corp.
Dixie Steel & Supply Co., Inc.
Felt Products Manufacturing
Fischer & Porter Co.
Walter Kidde & Company
LSB Industries, Inc.
Phibro Corporation
Rapid-American Corp.
Refac Technology Dev. Corp.
Roe International Inc.
Ryerson Steel
Sciaky Bros., Inc.
Sealed Unit Parts Co., Inc.
Slant/Fin Corporation
Welbilt Electronic Die Corp.
Worcestor Controls Corporation

Chemicals, Oil, Fine Chemicals, Pharmeceuticals & Cosmetics

Baxter Laboratories, Inc.
Bel-Art Corporation
Bio Technology General Corp.
Colgate-Palmolive Co.
Damon Corporation
Dexter Chemical Corporation
Economics Laboratory, Inc.
Energy Exploration Ltd.
Estech, Inc.
First Mississippi Corp.
Forest City Enterprises, Inc.
Gelman Sciences, Inc.
General Refractories Co.
Globe Union Inc.
Griffin Corporation
Griffith Laboratories
ICC Industries, Inc.
International Genetic Sciences Ltd.
KEM Manufacturing Co.
MacDermid, Inc.

Chemicals, etc.

Miles Laboratories, Inc.
Monsanto Company
Mundi-International Ltd.
Overseas Public Utilities & Gas
Pennwalt Corporation
Phillip Bros. Chemicals
Revlon, Inc.
Sigma Aldrich Corporation
Three H. Corporation
Witco Chemical Corporation

Finance & Insurance

Brink's Incorporated
Commercial Credit Corp.
Dun & Bradstreet, Inc.
First Pennsylvania Corp.
Frank B. Hall
Manufacturers Life Insurance Co.
Mortgage Guaranty Insurance Corp.

Textiles

Brawer Bors. Silk Co., Inc.
Glenoit Mills, Inc.
I.M.I. Associates, Inc.
Rospatch Corporation
United Merchants & Manufacturers, Inc.

Tourism, Transportation & Entertainment

Avis, Inc.
Canadian Pacific
CBS Records
(Div of Columbia Broad. System)
Hertz Corporation
Hilton Hotels Corporation
ITT Sheraton Corp. of America

Paper

Hudson Pulp & Paper Corporation
International Paper Company
Tri-Wall Containers, Inc.
Union Camp Corporation

Miscellaneous

Butler
Coca Cola Bottling Co.
The A. Epstein Companies, Inc.
Hasbro Industries, Inc.
Manpower, Inc.
Joseph E. Seagram & Sons, Inc.

APPENDIX B

R & D PROJECTS

The following U.S. Companies conduct Research and Development Projects in Israel:

Motorola Inc, Schaumburg, Ill.
Computerized Irrigation Systems

Creative Output Inc., Milford, CT
Software House

High Voltage Engineering Corp., Burlington, Mass.
Pathogen-Free Poultry Feed

Luz Engineering Corporation, Birmingham, Ala.
Solar Equipment

Elscint (USA) Inc., Hackensack, N.J.
Cardian Diagnostic Imaging System

Mennen Medical Inc., Clarence, N.Y.
Implantable Pacemakers

Pentacom Inc., Harrison, N.Y.
VM Cryogenic Pump System

H.C.C. Industries, Inc., Encino, California
CNC Machining Center

Lockheed California Co., Burbank, CA
Aluminum Electroplating

Farrall Instruments Inc., Grand Island, NEB
Wound and Burn Healing Monitors

Boole & Babbage, Inc., Sunnyvale, CA
Management Software System for IMS

Leo Beiser Inc., Flushing, N.Y.
Advanced Image Recorder

APPENDIX C
COMMITTEE FOR ECONOMIC GROWTH OF ISRAEL (CEG-I)
U.S. DIRECTORS

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Ervin Abramson
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WHAT THE U.S. - ISRAEL

FREE TRADE AGREEMENT

MEANS TO YOU

By: Elmer L. Winter, Chairman
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Dear Friend:

THE GOVERNMENT OF THE UNITED STATES ENTERED INTO A FREE TRADE AGREEMENT [FTA] WITH ISRAEL ON APRIL 22, 1985.

This unique agreement eliminates, over a ten-year period, all duties and other restrictive regulations of commerce between the U.S. and Israel. The agreement requires final approval by the U.S. Congress, which should be forthcoming shortly.

FTA offers many opportunities for expansion of trade between American and Israeli companies. The thrust of this report is to point out the five ways in which American companies can benefit under the provisions of the newly signed Free Trade Agreement.

1] Export your products to Israel, duty-free.
2] Sell your products, duty-free, to buyers in EEC countries via your factory in Israel.
3] Manufacture products in Israel and ship them to the U.S., duty-free.
4] Sell your products that you manufacture in Israel to African countries.
5] Conduct research and development in Israel.

The Committee for Economic Growth of Israel [CEG-I] is a non-profit organization. Its mission is to expand business relationships between American and Israeli companies. We would be most pleased to provide additional information concerning FTA and its implications.

Through our contacts in Israel, we are in a position to assist in locating distributors, joint venture partnerships, licensees for new technology, R&D partners, etc.

Please contact me at 414-961-1000 for further discussion as to how your company can benefit by taking advantage of the U.S. -Israel FTA. I look forward to hearing from you.

Very truly yours,

Elmer L. Winter
Chairman

ELW:bb

WHAT ARE THE PROVISIONS OF THE FREE TRADE AGREEMENT THAT APPLY TO AMERICAN COMPANIES?

The backbone of the agreement is the elimination of customs duties on all trade between Israel and the United States. The United States and Israel agreed to include all products in the FTA agreement and to phase out all duties within ten years (by January 1, 1995). This will be accomplished by four stages:

1] Elimination of some duties immediately upon entry into force of the agreement.

2] Elimination of duties on some products in three different tariff cuts by January 1, 1989.

3] Elimination of duties in eight different cuts over ten years (by January 1, 1995).

4] No duty reduction for five years, with re-examination of the timetable for duty elimination following receipt of additional advice from the United States International Trade Commission (USITC).

One of the many objectives of the FTA is to assure that U.S. products no longer face any tariff disadvantages vis-a-vis America's major competitor in the Israeli market -- the European Community.

Since the European Community and Israel have a bilateral preferential agreement which provides for duty-free treatment in the industrial sector by January 1, 1989, it was America's goal to have as many industrial products in the second stage as possible and to assure that immediately upon entry into force of this agreement, American companies received a duty rate equal to that of the European Community on key products. The following represents an abbreviated summary of the Israeli offer.

Stage 1: Immediate

This stage essentially binds at zero items on which Israel has been providing duty-free treatment on a unilateral, unbound basis, which is comparable to our treatment under the Generalized System of Preferences. Products in this category include maize, millet sorghum, soya beans, unworked diamonds, worked and industrial diamonds, parts for planes and engines, radio navigational aid appartus, certain electrical equipment and appliances and valves and tubes.

Stage 2: Elimination by January 1, 1989

Products in this category include cigarettes, kraft paper and paperboard, yarns and fibers, heavy equipment such as cranes, conveyors and earth excavating machines, auto data processing equipment and computer parts, telegraphic and printing equip-

ment, sound recorders, footwear and leather products, passenger cars and other motor vehicles and their parts, textiles and apparel and electric measuring apparatus and their parts.

Stage 3: Gradual Elimination by January 1, 1995

This category essentially includes the remaining Israeli textile and apparel items and a few chemical products and high technology products such as telephonic apparatus parts.

Stage 4: Freeze in Duty Elimination for Five Years, with Subsequent Negotiation of Duty Elimination following Receipt of Additional Advice

This category corresponds to the U.S. list of the most sensitive items (as identified in the U.S. case by the U.S. International Trade Commission) and covers a larger number of products (but a smaller volume of trade) than does the U.S. freeze list. Among items in this category are certain horticultural products, such as garlic, olives, dates, grapes, apples and apricots, unmanufactured tobacco, certain dairy products, refrigerators and refrigeration equipment, aluminum bars and radio-navigational equipment.

(See Appendix B for an analysis of Israeli product staging)

WHAT ABOUT INFANT INDUSTRIES?

The infant industry provision of the FTA limits Israel's right to apply protective measures to benefit infant industries which it would otherwise have under the General Agreement on Tariffs and Trade (GATT). The FTA does allow Israel to impose customs duties, but only until 1991, on goods not produced in Israel when the FTA comes into force. The duties may not exceed 20%, and two years after imposing the duties, the tariffs on U.S. products must be reduced by at least 5% per year. All duties must be eliminated by January 1, 1995.

LICENSING

The FTA restricts the GATT right to require import licenses, but the agreement does permit licensing, for example, to protect the public's safety or to enforce standards. Both countries will submit, and update as necessary, their list of imports subject to licensing.

INTELLECTUAL PROPERTY RIGHTS

The U.S. and Israel agree that intellectual property rights, including industrial property rights, are adequately covered by other agreements, such as the "Paris Union" International Convention for the Protection of Industrial Property (patents, trademarks, commercial names, and industrial designs), already in force. The FTA merely reaffirms these existing obligations.

AGRICULTURE

The FTA recognizes the desirability of opening markets for agricultural products while retaining certain restrictions. As a result, agricultural products are included in the agreement, but restrictions based on agricultural policy considerations can be maintained. The United States and Israel will publish quotas for the importation of products subject to these restrictions.

RULES OF ORIGIN

In order to qualify for FTA treatment, products must be of U.S. or Israeli origin. The rules of origin governing products eligible for FTA benefits are similar to the Caribbean Basin Initiative (CBI) rules. Briefly, the product must be imported directly for the exporting country and contain at least 35% local value added. Up to 15% of the 35% can originate in the importing country. Products which are merely packaged, combined, or diluted in the exporting country are not eligible.

Certificates of origin, similar to Chamber of Commerce forms already in use, will be required to obtain FTA tariff benefits. The certificate is necessary to prevent diversion of goods to the United States and Israel from third countries. The certificate must be signed by the exporter and certified by a local Chamber of Commerce.

GOVERNMENT PROCUREMENT

The Government of Israel is a major customer for a wide variety of products. The FTA, therefore, opens government purchases beyond the obligations of the GATT Government Procurement Code. The FTA will enable American suppliers to compete with domestic companies on purchases valued at $50,000 and above made by government agencies covered by the Code. (Code obligations cover only contracts valued at $156,000 and above.) In addition, most Israeli Ministry of Defense civilian purchases valued at $50,000 and above will be open to U.S. suppliers. The Israeli Government will also relax the Offset requirements on civilian government purchases.

SERVICES

The FTA is the first trade agreement ever negotiated to explicitly cover a full range of trade in services. The agreement essentially commits each partner to work toward opening its market to the other country's service industries and to provide the same treatment as is given to domestic companies. The agreement also seeks to make information on laws and regulations affecting services open and readily accessible. Although services are covered in the FTA by a declaration that is not legally binding, both sides have agreed to continue talks under the FTA umbrella aimed at strengthening their commitment to free trade in services.

INVESTMENT

The United States-Israel Treaty of Friendship, Commerce and Navigation (FCN Treaty), to a great extent covers adequately issues of interest to investors, such as equal treatment under the law with domestic investments, and expropriation only for public purposes and with compensation.

Although all the rights and obligations of the FCN Treaty remain, the FTA agreement takes additional steps to provide an attractive investment climate. Specifically, the FTA stipulates that requirements to export or purchase domestic goods-services will not be a condition for investment or for receiving investment incentives.

WHAT ARE THE FIVE OPPORTUNITIES OPEN TO AMERICAN COMPANIES TO BENEFIT UNDER THE FTA AGREEMENT BETWEEN THE UNITED STATES AND ISRAEL?

Opportunity #1: Expansion of Exports to Israel

Israel represents an $8 billion market for exporters. American companies export approximately $2 billion of civilian goods to Israel annually.

It is anticipated that in the near term the U.S. will benefit more from the FTA agreement than Israel since most Israeli exports presently enter the U.S. duty-free. Close to half of the U.S. products encounter tariffs in Israel. Israel is one of America's top three markets in the Middle East.

Because of its limited natural resources, Israel imports a large part of its fuel, machinery and raw materials. Israel's overall merchandise trade balance is consistently negative, having exceeded $3 billion annually since 1979. Leading U.S. exports to Israel are craft paper, textile fibers, tungsten, engines and engine parts, computers and other office machinery, electronic and electrical equipment, and transportation equipment.

Areas where the United States currently exports to Israel and where there is particular potential for export growth as a result of the FTA include agricultural products, such as soybeans, which will be accorded immediate duty-free treatment.

There is a potential for significant growth in many high technology products. Semiconductors and computers and peripheral equipment are among the most promising areas for U.S. export growth. U.S. suppliers of semiconductors will benefit from immediate duty-free treatment.

The United States currently accounts for only 20% of Israel's non-military imports, a market share only about half that enjoyed by the European Community. American-made products generally enjoy a good reputation in Israel. There is every reason to expect that Israelis will purchase more U.S. goods under FTA.

Under the FTA agreement, American products will immediately be treated as favorably as EEC products are regarding customs duties. This means that once again there will be a level playing field with Europe, and the U.S. will have a distinct competitive edge over other countries' exports to Israel.

Opportunity #2: The Proposed FTA Will Provide New Opportunities for U.S. Companies to Operate Plants in Israel to Sell Their Products in Europe.

Israel enjoys a duty-free situation for exports to EEC countries. Many U.S. companies are unable presently to sell their products in Europe because of tariffs imposed by European countries. By operating plants in Israel, these U.S. companies can manufacture and sell their products competitively in Europe.

Under FTA, U.S. companies will be able to sell their unfinished U.S.A.-produced components to Israel duty-free for inclusion in a final product to be assembled in Israel and sold to EEC countries. This, in effect, will provide additional export opportunities for U.S. companies.

Israel's Free Trade Agreement with the European Economic Community (EEC) abolishes tariffs on industrial goods shipped to all Common Market countries . . . provides a duty-free competitive edge in a giant 260 million person market.

The EEC is by far and away Israel's most important trading partner, absorbing about 36% of Israel's exports and supplying about 41% of her imports. The Free Trade Area agreement puts Israel in a favorable competitive position relative to other non-European industrialized countries; mainly North America, Japan and Australia. The exports of these countries to the EEC are subject to the full external tariff rates.

By manufacturing your products in Israel and selling to buyers in the EEC, you will eliminate the duty that must be paid on shipments from the U.S. to EEC countries.

For example:

Name of Product	Average Duty Paid by U.S. Manufacturers on Shipments to European Countries
Calculators, Electric or Electronic	14%
Automatic Data Processing Machinery	7%
Input, Output Devices, Storage Devices, etc.	7%
Parts and Accessories for Data Processing Equipment	6%

Name of Product	Average Duty Paid by U.S. Manufacturers on Shipments to European Countries
Electrical Machinery, Motors of All Types	6 to 8.5%
Printed Circuits	10%
Insulated Wire and Cable	11%
Electrical Insulators	10%
Telephone and Telegraphic Line Equipment	7.5%

Lionel H. Olmer, Undersecretary of International Trade, U.S. Department of Commerce, in describing the attractive opportunities which Israel offers to U.S. investors, stated:

"There must be a higher concentration of intellectual resources among the four million people in Israel than anywhere in the world. Israelis possess not merely the capacity for academic learning, but the power to create, innovate and adapt. Israel is seizing its comparative advantage in the technology era the world has entered, and is offering its services to those wise enough to recognize its value.

Land, natural resources and capital are no longer the factors which determine a nation's comparative advantage over other nations. They are being replaced by the ability to create and exploit technological change . . . A quick glance at the American experience in high technology over the last ten years reveals that nine out of ten of the fastest growing industries are high technology; as a whole, they grew twice as fast as others, with six times the labor productivity and less than one-third of our inflation rate.

Israel understands this and is seeking to exploit to the maximum the potential of its gifted people. Many U.S. companies already are located in Israel and I predict that many more will invest or will expand existing facilities. They'll do so because of the abundance of scientific and technical talent; the continuing emphasis of the Israeli Government in the science and mathematics education of the population; the friendly tax and investment treatment accorded foreigners; and, I hope, in part because of their recognition of my government's resolve to support a free and secure Israel."

There are 150 American companies operating in Israel. Recently, Intel Corporation of California opened a $150 million wafer fabrication plant in Israel. Similarly, National Semiconductor has started to build a $50 million plant in Israel. Motorola has recently added a $5 million facility to their operations in Israel.

Robert W. Galvin, Chairman and Chief Executive Officer of Motorola, said this of his company's subsidiary in Israel:

> "One of the fine benefits we are getting from this now rather mature relationship is that the initiative of our people in Israel has generated new products of their own creation.
>
> One of the reasons we like being in Israel is that the quality of the people does manifest itself in enterprise and initiative.
>
> They have suggested improvements which have finally manifested themselves in other fundamental products of our corporation. There has also been a pick-up of some of their product designs for application elsewhere. Certain designs which have been initiated in Israel, for example, have been embraced by a team of their Canadian cousins, so to speak, in Canada."

Charles E. Sporck, President of National Semiconductor, commented recently:

> "In retrospect, I would have located there earlier. It's been a very favorable major plus to the strength of our company's design capability. Beyond just the area of designing devices, we find that we have developed some capability in terms of automated design there, and we have made the decision recently to expand this effort and start doing computer-aided design development work in Israel for the rest of our operations. So this is a transfer of technology that will take place from Israel."

Opportunity #3: American Companies Will be Able to Manufacture Products in Israel and Ship Them to the United States Duty-Free.

The FTA provides an opportunity, for an American company to open a factory in Israel and manufacture certain OEM parts which can be shipped to the United States, duty-free. American companies will have an additional advantage of lower labor costs in Israel.

It is important to keep in mind that the products imported into Israel and put into a further manufacturing process must contain at least 35% local value added. Up to 15% of the 35% can originate in the importing country. Products which are merely packaged, combined or diluted in the exporting country are not eligible.

Opportunity #4: American Companies Will be Able to Export Their Products to African Countries via Israel.

By having a factory in Israel, you can ship products to African countries at a much lower cost than shipping direct from the

United States. The freight differential and the lower labor costs in Israel are important factors to consider.

Opportunity #5: The FTA Will Open New R&D Opportunities for U.S. Companies in Israel.

There are over 150 U.S. companies operating in Israel. Many of these companies are conducting R&D in Israel using the technology developed by private Israeli companies and Technion, Weizmann Institute, Hebrew University, etc. These companies are the beneficiaries of the substantial grants provided by the Government of Israel and the Bi-National Industrial Research Development Foundation (BIRD-F). This Foundation was created jointly by the United States and Israel with each country providing $30 million for R&D purposes.

If a project supported by the OCS is commercially successful, OCS expects to get back its dollar participation through a modest royalty on sales.

The Chief Scientist of Israel reports: "A survey of 2,000 projects supported in the past shows that 41% of them resulted in commercial products and 20% of the projects were considered a success in the export market. These figures are at least twice the success rate for R&D projects in Europe and America."

Note: You can take advantage of research funds provided through BIRD-F.

On May 18, 1977, the Israel-U.S. Bi-National Industrial Research Development Foundation (BIRD-F) was formally established and endowed with $60 million - $30 million from each country.

The Foundation, the first of its kind between the U.S. and another country, is designed to support and promote joint non-defense industrial research and development activities that have significant commercial potential and that are of mutual benefit to the United States and Israel.

The scope of industrial research and development activities which the BIRD-F may support includes all activities in the process through which an innovation becomes a commerical product, including, but not limited to industrial R&D, product engineering and manufacturing start-up.

Many new breakthroughs have been accomplished by U.S. companies through their R&D in Israel. The proposed FTA will expand the R&D opportunities in Israel for U.S. companies since the products flowing from this R&D will lead to the manufacture of products that can be exported from the U.S. abroad. These newly developed products will also be of benefit to U.S. buyers both in industry and at the consumer level.

You can obtain cash grants up to 50% for Research & Development in Israel.

As a matter of official policy, Israel goes all out to support new science-based industries. A positive attitude about research and development is backed up with; (1) generous government cost participation, (2) an industrial climate geared to technological involvement, (3) a labor pool trained for science-based development, and (4) government assistance for purchasing equipment needed for technological growth.

Academic and research institutions have become an important source for new ideas and basic research for Israeli industry. The internationally recognized research facilities of the Weizmann Institute, Technion, Hebrew University and many other institutions have broad experience in many areas of advance technology essential to industrial development. These institutes have equipment, instrumentation and facilities equal to those of their leading European and American counterparts. The studies carried out are often financed by the government and industry to develop new concepts for products. Israel also maintains government research institutes in the fields of metals, plastics, fibers, nuclear chemistry, fermentations, ceramics, rubber, paints, food products and many aspects of agriculture and geology.

WHAT ARE THE BENEFITS YOU WILL RECEIVE IN OPENING A FACTORY IN ISRAEL?

You will find that Israel is a rapidly developing industrial country, solidly committed to economic growth. Industrial production has averaged 13% annual growth since 1954. Israel's active free enterprise system is geared to promote private initiative. In this growth atmosphere, both government policy and private industry welcome direct and indirect American investments.

Many American companies have established industrial branches in Israel . . . including the production of electronics, chemicals, metals, textiles and agricultural equipment. Israeli made goods are respected in world markets where quality and technological expertise are a prerequisite. The experts who helped earn that reputation can put their talents to work for your company.

"Scientific American" said in an article concerning Israeli technology:

> "The Jewish state in the Middle East has had an impact on world markets out of all proportions to its size and circumstances, thanks to the innovative ingenuity of its people."

This innovative ingenuity is yours when you start your operations or conduct research in Israel.

You will be in good company in Israel.

The constantly growing roll of American firms with facilities in Israel includes top names in U.S. business -- 23 of them are on "Fortune" magazine's list of the 250 largest industrials. Many of these firms have expanded their operations in Israel, a sure sign of success. See Appendix A for a list of the U.S. companies operating in Israel.

Israel seeks and welcomes foreign investment. The basic philosophy of Israel's economic policy is that Israel should provide a healthy environment for profit as a spur to investment and job creation.

Israel has firmly established itself as a profitable investment center. It is committed to following the growth path which has brought it such success in the past. The objective is to build on the base already established and to concentrate on those industrial sectors with the greatest growth and employment potential.

You can take advantage of Israel's highly skilled and educated workforce.

Israel's labor force is among the most technically competent in the world. There are about 50,000 scientists and engineers in Israel and only 10% are now engaged in industrial R&D projects.

Each year, the number of professionals grows by 10%, an impressive increase even by American standards. Skilled and semi-skilled labor is readily available throughout Israel.

Over 100,000 Israelis hold academic degrees, and another 79,000 have graduated from post-secondary educational institutions other than universities. Seven institutions of higher education provide training facilities of an international standard. At present, more than 50,000 people attend these universities and the long-term trend is toward a continued steady increase.

Israeli workers speak your language -- in more ways than one. English is the second language of instruction in the country's schools. Most engineers and technicians are familiar with state-of-the-art American technology; many have had advanced training in the U.S. Others have been schooled in Israel's excellent universities; still others have come to industry from the armed forces which have produced many superbly qualified specialists now making major contributions to their country's industrial growth.

You can hire personnel at costs considerably lower than you pay in the United States.

Let's assume that you open a facility located in Northern Galilee, Israel, and hire personnel in the following categories:

- 80 assemblers
- 5 supervisors
- 2 warehouse personnel

- 5 office workers (secretaries & clerical)
- 5 engineers
- 1 chief accountant/comptroller
- 1 managing director

The monthly labor costs will be approximately as follows: (Northern Galilee)

Category	Monthly Salary $	Monthly Fringe Benefits $	Total Monthly Cost/Worker $	No. of Workers $	Total Monthly Labor Costs $
Assembler	380	150	530	80	42,400
Supervisor	750	300	1,050	5	5,250
Warehouse Personnel	500	200	700	2	1,400
Office Workers (secretary, clerical, key punch operator)	450	180	630	5	3,150
Engineers	1,250	550	1,800	5	9,000
Chief Acct.	1,300	600	1,900	1	1,900
Man. Dir.	3,000	1,500	4,500	1	4,500
TOTAL MONTHLY COST					$67,600

How does this compare to your costs in the U.S.? Many companies report their costs in Israel to be 2/3 of U.S. costs.

You can take advantage of substantial training grants provided by the Government of Israel.

Assuming again that you will be opening a factory in the Northern Galilee, your company will be eligible for the training grants provided by the Ministry of Labor of Israel. The Department of Vocational Training initiates and carries out job courses and retraining of workers. The Department covers all the costs in its own training schools and provides living allowances to trainees enrolled in full-time programs. The Ministry of Labor also supports job training programs in industrial plants.

Israel offers you loans and grants.

Israeli incentives permit you to stretch your capital. Depending on the area where you locate your plant, Israel offers varying grants and loans.

In order to encourage the use of Israeli-produced plant and equipment by Approved Enterprises, a special additional grant is available at the rate of 10% of the value of such equipment. The total amount of above grants must not exceed the amount of paid-up share capital invested by shareholders in the respective project.

You can operate from a free port zone in Israel.

Duty-free zones (free ports) have been established in the Eilat and Haifa port areas, to speed up the movement of goods and create facilities for industries based on in-transit commodities. Land has been set aside where manufacturers can put up plants calculated to take advantage of proximity to the inflow and outflow of cargoes, dovetailing imported materials with local production.

Under the Free Port Zones Law, plants will be exempt from customs duties and other indirect taxes, from property tax and from the need for import and export licenses. In addition, they will not have to pay income tax on earnings for their first five years of operation and may deal freely in foreign currency.

You can benefit through cooperative programs with seven Israeli universities: Bar Ilan University, Ben Gurion University of the Negev, Hebrew University of Jerusalem, Technion--Israel Institute of Technology, Tel Aviv University, University of Haifa and Weizmann Institute of Science.

There are numerous training institutions for practical engineers and technicians, post-secondary industrial schools and many specialized research institutes.

The natural sciences are taught and researched at all seven Israeli universities. There are four medical schools, a school of dental medicine and a school for pharmacology. Engineering training is provided at three institutions.

All of these institutions constitute a very strong infrastructure, from which industry can derive considerable support. In many instances, laboratory facilities and special services are offered, against payment of modest fees. Libraries, of course, are open to all comers, and there is always the beneficial effect of contact with a large and many-faceted scientific community.

Where desired by industry, the universities and research institutes are prepared to cooperate on specific R&D projects. This may consist of regular consultations with scientists on the universities' faculties to execution of entire research projects by the institutions, for industrial firms, on a contract basis.

Of Special Note:

Your patents will be protected in Israel. Broad patent protection, in line with what is common in the Western world, is available in Israel under the terms of the Patents Law 5727-1967, and under those of the Paris Convention for the Protection of Industrial Property, to which Israel is a party. The benefits of the Israel law are freely available to all comers; enjoyment of this law's benefits is subject to no residential or citizenship requirement whatsoever.

Foreign investments made in Israel may be insured. Investments in Israel are protected against nationalization, repatriation and war risks through the Investment Insurance Program authorized by the United States Congress and administered by OPIC (Overseas Private Investment Corporation), a U.S. Government agency.

Foreign trade insurance is provided by Foreign Trade Risks Insurance Corporation, Ltd., an agency of the Government of Israel.

Israel is conveniently located. Seventeen airlines and six shipping lines offer year-round transportation to Israel. Flying time on non-stop flights from Kennedy airport in New York City to Israel's only international airport, Lod in Tel Aviv, is 9½ hours. Add another hour or two for flights that make one stop.

LET'S TALK

We would be very pleased to discuss with you in further detail the benefits that will be yours if you participate in the Free Trade Agreement between the United States and Israel. Please call me at (414) 961-1000 or write to me at 5301 North Ironwood Road, Milwaukee, WI 53217. I would like to talk with you.

Elmer L. Winter, Chairman
COMMITTEE FOR ECONOMIC GROWTH OF ISRAEL

APPENDIX A
Selected Examples of Major Firms Which Have Invested in Israel

Electronics & Instrumentation

Amer. Electronics Lab., Inc.
Astronautics Corp. of America
AVX Corporation
Bell Telephone Labs., Inc.
Celesco Transducer Products
Computer Consoles, Inc.
Control Data Corporation
Daisy Systems, Inc.
Digital Equipment Corp.
Electro Materials Corp. of America
Frequency Electronics, Inc.
Fibronics International
General Dynamics Corp.
General Instruments
General Telephone & Electronics Corp.
Gerber Scientific, Inc.
Greencorp Magnetic Pty.Ltd.
Grumman Corporation
HCC Industries Ltd.
High Voltage Eng. Corp.
Hughes Aircraft Company
Intel Corporation
International Business Machines Corp. (IBM)
International Telecommunications & Teleprocessing
Kulicke & Soffa Industries, Inc.
M/A-Com, Inc.
Mennen Medical, Inc.
Modgraph, Inc.
Motorola, Inc.
National Semiconductor Corp.
Pentacom, Inc.
Phasecom Corporation
Raychem Corporation
Systems Engineering Labs., Inc.
Tracor
Vishay Intertechnology, Inc.
Wavetek Corporation
Wideband Data Corporation
Zoran Corporation

Metals & Machinery

American Can Company
American Heliothermal Corp.
Austin Instruments, Inc.
Birns Oceanographics, Inc.
Chromalloy American Corp.
Condor Pacific
Deutsch Company
Dixie Steel & Supply, Inc.
Felt Products Mfg. Co.
Fischer & Porter Company
LSB Industries, Inc.
Phibro Corporation
Rapid American Corporation
Samuel Osborn & Company, Ltd.
Sciaky Brothers, Inc.
Sealed Unit Parts, Inc.
Tame Valley Alloys Ltd.
TRW, Inc.
Veeco Instruments, Inc.
Welbilt Electronic Die Corp.
Zimcor Industries

Chemicals & Energy

Baxter Travenol Labs, Inc.
Bel-Art Products
Bio-Technology General Corp.
Dexter Chemical Corp.
Economics Laboratory, Inc.
Energy Exploration, Ltd.
Estech, Inc.
First Mississippi Corporation
Gelman Sciences, Inc.
General Refractories Company
Globe Union, Inc.
Griffin Corporation
Griffith Laboratories, Inc.
Helena Rubinstein, Inc.
ICC Industries, Inc.
International Genetic Sciences
KEM Mfg. Co., Inc.
MacDermid, Inc.
Miles Laboratories, Inc.
Monsanto Company
Overseas Public Utilities & Gas
Pennwalt Corporation
Philipp Bros. Chemicals, Inc.
Revlon, Inc.
Royal Packaging Industries
Sigma Aldrich Corporation
Witco Chemical Corporation

APPENDIX B
Israel Offer for Product Staging

Israeli Staging for Selected Products
1982 U.S. Exports to Israel ($ 000)

Stage 1: Immediate Duty-Free Treatment

Tariff No.	Description	Trade Value
1005.0000	Maize	60,532
1201.5500	Soya beans	132,683
8406.9950	Parts for planes, engines	15,399
8445.9990	Machine tools	6,269
8521.9900	Valves, tubes, photocells	38,708

Stage 2: Duty-Free Treatment as of 1/1/89

Tariff No.	Description	Trade Value
2402.1000	Cigarettes	7,730
4801.3090	Craft paper, paperboard	24,004
6005.1090	Knit outergarments	153
8453.9900	Auto data-processing mach.	79,475
8706.9900	Parts, accessories for motor vehicles	9,650

Stage 3: Duty-Free Treatment as of 1/1/95

Tariff No.	Description	Trade Value
5104.9190	Man-made fiber fabrics	3,132
5804.3000	Corduroy	1,382
6101.9900	Men's, boys' outerwear	1,163
8513.1090	Telegraphic equipment	4,182
8513.2090	Tel. equipment, parts	12,907

Stage 4: Five-year "Freeze" with Duty-Free Treatment To Be Determined Following Receipt of Additional Advice

Tariff No.	Description	Trade Value
701.4000	Olives	0
704.2000	Dehydrated garlic	124
812.0000	Dried fruit, other	84
8415.9910	Refrigerators, refrig. equip.	4,864
8515.1000	Radiotelegraph apparatus	11,808

APPENDIX C
Israel-U.S. Trade

Imports (in millions$)	1983	1984
Art & miscellaneous	27	
Wood & paper products	83	
Plants & vegetable products	377	
Chemicals, plastics & minerals	120	
Animals & prepared foods	46	
Clothing	36	
Precious stones & metals	134	
Machinery & mechanical appliances	583	
Vehicles & transportation equipment	175	
Optical, photographic, medical & measuring equipment	94	
TOTAL	1,675	

Exports (in millions$)		
Agriculture & prepared food	53	59
Metals & mineral products	165	256
Diamonds	440	506
Textiles & paper	47	72
Rubber, plastics & chemicals	96	127
Electronic & electrical equipment	202	249
Transportation equipment	115	94
Light industry & movies	165	197
Miscellaneous	2	23
TOTAL	1,285	1,583

A Plan To Sell Your Products (Duty-Free) In The USA Market, Via Israel

By:
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Dear Friend:

THE GOVERNMENT OF THE UNITED STATES ENTERED INTO A FREE TRADE AGREEMENT (FTA) WITH ISRAEL ON APRIL 22, 1985.

This unique agreement eliminates, over a ten-year period, all duties and other restrictive regulations of commerce between the U.S. and Israel.

The Free Trade Agreement offers an opportunity to your company to open a factory in Israel; manufacture products and sell them into the U.S. market duty-free. This can represent substantial savings, not only in tariffs charged on entry of your products into the United States, but in the cost of manufacture as well.

We have described on the following pages, the advantages that will be yours if you manufacture your products in Israel to be sold in the United States. Of particular interest, is your opportunity to manufacture part of your product locally and the balance in Israel for export duty-free to the USA.

The Committee for Economic Growth of Israel (CEG-I) is a non-profit organization. Its mission is to expand business relationships between Israeli and foreign companies.

We would be most pleased to provide additional information concerning FTA and its benefits to your company.

Through our office in Israel, we are in a position to assist you in locating distributors; joint venture partnerships to manufacture your products; licensees for new technology; R&D partners; etc.

Very truly yours,

Elmer L. Winter
Chairman

ELW:bb

WHAT ARE THE MAJOR PROVISIONS OF THE FREE TRADE AGREEMENT BETWEEN ISRAEL AND THE UNITED STATES?

The backbone of the agreement is the elimination of customs duties on all trade between Israel and the United States. The United States and Israel agreed to include all products in the FTA agreement and to phase out all duties within ten years (by January 1, 1995). This will be accomplished by four stages:

1) Elimination of some duties immediately upon entry into force of the agreement.

2) Elimination of duties on some products in three different tariff cuts by January 1, 1989.

3) Elimination of duties in eight different cuts over ten years (by January 1, 1995).

4) No duty reduction for five years, with re-examination of the timetable for duty elimination following receipt of additional advice from the United States International Trade Commission (USITC).

One of the many objectives of the FTA is to assure that U.S. products no longer face any tariff disadvantages vis-a-vis America's major competitor in the Israeli market -- the European Community.

Since the European Community and Israel have a bilateral preferential agreement which provides for duty-free treatment in the industrial sector by January 1, 1989, it was America's goal to have as many industrial products in the second stage as possible and to assure that immediately upon entry into force of this agreement, American companies received a duty rate equal to that of the European Community on key products. The following represents an abbreviated summary of the Israeli offer.

Stage 1: Immediate

This stage essentially binds at zero items on which Israel has been providing duty-free treatment on a unilateral, unbound basis, which is comparable to our treatment under the Generalized System of Preferences. Products in this category include maize, millet sorghum, soya beans, unworked diamonds, worked and industrial diamonds, parts for planes and engines, radio navigational aid appartus, certain electrical equipment and appliances and valves and tubes.

Stage 2: Elimination by January 1, 1989

Products in this category include cigarettes, kraft paper and paperboard, yarns and fibers, heavy equipment such as cranes, conveyors and earth excavating machines, auto data processing equipment and computer parts, telegraphic and printing equipment, sound recorders, footwear and leather products, passenger cars and other motor vehicles

and their parts, textiles and apparel and electric measuring apparatus and their parts.

Stage 3: Gradual Elimination by January 1, 1995

This category essentially includes the remaining Israeli textile and apparel items and a few chemical products and high technology products such as telephonic apparatus parts.

Stage 4: Freeze in Duty Elimination for Five Years, with Subsequent Negotiation of Duty Elimination following Receipt of Additional Advice

This category corresponds to the U.S. list of the most sensitive items (as identified in the U.S. case by the U.S. International Trade Commission) and covers a larger number of products (but a smaller volume of trade) than does the U.S. freeze list. Among items in this category are certain horticultural products, such as garlic, olives, dates, grapes, apples and apricots, unmanufactured tobacco, certain dairy products, refrigerators and refrigeration equipment, aluminum bars and radio navigational equipment.

(See Appendix A for an analysis of Israeli product staging)

LICENSING

The FTA restricts the GATT right to require import licenses, but the agreement does permit licensing, for example, to protect the public's safety or to enforce standards. Both countries will submit, and update as necessary, their list of imports subject to licensing.

INTELLECTUAL PROPERTY RIGHTS

The U.S. and Israel agree that intellectual property rights, including industrial property rights, are adequately covered by other agreements, such as the "Paris Union" International Convention for the Protection of Industrial Property (patents, trademarks, commercial names, and industrial designs), already in force. The FTA merely reaffirms these existing obligations.

AGRICULTURE

The FTA recognizes the desirability of opening markets for agricultural products while retaining certain restrictions. As a result, agricultural products are included in the agreement, but restrictions based on agricultural policy considerations can be maintained. The United States and Israel will publish quotas for the importation of products subject to these restrictions.

RULES IN ORIGIN

In order to qualify for FTA treatment, products must be of U.S. or Israeli origin. The rules of origin governing products eligible

for FTA benefits are similar to the Caribbean Basin Initiative (CBI) rules. Briefly, the product must be imported directly for the exporting country and contain at least 35% local value added. Up to 15% of the 35% can originate in the importing country. Products which are merely packaged, combined, or diluted in the exporting country are not eligible.

Certificates of origin, similar to Chamber of Commerce forms already in use, will be required to obtain FTA tariff benefits. The certificate is necessary to prevent diversion of goods to the United States and Israel from third countries. The certificate must be signed by the exporter and certified by a local Chamber of Commerce.

SERVICES

The FTA is the first trade agreement ever negotiated to explicitly cover a full range of trade in services. The agreement essentially commits each partner to work toward opening its market to the other country's service industries and to provide the same treatment as is given to domestic companies. The agreement also seeks to make information on laws and regulations affecting services open and readily accessible. Although services are covered in the FTA by a declaration that is not legally binding, both sides have agreed to continue talks under the FTA umbrella aimed at strengthening their commitment to free trade in services.

ELIMINATION OF DUTY ON SALES OF YOUR PRODUCTS TO AMERICAN BUYERS

It's important to have in mind the tariffs imposed on sales by your company on a direct basis from Europe to the United States. These tariffs are eliminated if you manufacture your products in whole or in part in Israel.

For example:

Name of Product	Average Duty Paid by European Manufacturers on Shipments to the USA
Calculators, Electric or Electronic	4%
Automatic Data Processing Machinery	4%
Input, Output Devices, Storage Devices, etc.	4%
Parts and Accessories for Data Processing Equipment	4.3%
Electrical Machinery, Motors of All Types	5%
Printed Circuits	6.1%
Insulated Wire and Cable	5.6%
Electrical Insulators	6.1%
Telephone and Telegraphic Line Equipment	5.6%

WHAT ARE THE "RULES OF ORIGIN CRITERIA"?

If you consider opening a factory in Israel and qualify for the U.S. rule of origin, you will be interested in a recent memorandum prepared by Arnold & Porter, Washington attorneys:

"The U.S.-Israel FTA is designed to provide duty-free treatment only to products imported from the other country. Given the highly international nature of many modern manufacturing and assembly processes, it is sometimes difficult to determine whether an article composed of components from several countries, or processed in several different countries, is in fact an "Israeli" or "U.S." product. Because of this problem, and because of concern over the potential diversion of third-country products form one FTA member to the other, the Agreement contains very detailed rules of origin designed to ensure that other countries' exports are not able to reap the duty-free benefits of the FTA.

In general, country of origin means the country of manufacture or production of a given article. All nations have country-of-origin rules which are used to determine the country in which an imported product was produced.

There are two basic approaches to determining the country of origin of an article. First, a product may be wholly the growth, product, or manufacture of the exporting country, such manufactured and processed exports may not incorporate ingredients, components, or other materials from third countries.

Second, for most manufactured products, country of origin is determined through the application of "substantial transformation" criteria -- that is when a product composed of components from several countries (or processed in several countries) is "substantially transformed" into a "new and different" article of commerce.

When two or more countries have contributed to the production or manufacture of a product, the country of origin is considered to be that in which the final article underwent a "substantial transformation". Materials added, or processing performed, on an article in another country must therefore substantially transform the article to cause that second country to become its country of origin.

Unfortunately, however, in the U.S. and the E.C. there is no uniform standard for applying the tests of substantial transformation. For example, in the U.S. the substantial transformation criteria which apply to imports of textile and apparel products may not apply to imports of telecommunications or medical test equipment. The U.S. rules are now undergoing a major overhaul which are likely to result in a stricter more restrictive interpretation of substantial transformation.

Generally, however, the U.S. Customs Service and federal courts have determined that minor finishing or assembly operations in one

country of products substantially produced in another country do not constitute "substantial transformation". The finished good is not a "new" or "different" article and thus will be considered a product of the first country. As an example, polishing glass is not considered to transform glass into a new or different article of commerce, but processing glass into a glass insulator is considered a new and different article and is a "substantial transformation".

The following operations have been held to not constitute substantial transformation: sharpening of chainsaw chains; cutting reeds to length to make them suitable for weaving; and adding bulbs and ornaments to a Christmas tree light set.

Examples of processing which have, however, been held to constitute substantial transformation for various purposes include the canning of fish, the dyeing of fabric, the assembly of integrated circuits from imported semiconductor chips, and the processing of orange juice concentrate into juice.

A. The U.S.-Israel FTA

In addition to substantial transformation criteria, to qualify for duty-free treatment under the FTA, articles or materials exported to the United States from Israel:

... must undergo substantial transformation in Israel -- articles that merely undergo (1) "simple combining or packaging" operations or (2) mere dilution with water or with another substance that does not materially alter the characteristics of the article or material are not eligible for duty-free treatment;

... must be imported directly from Israel into the customs territory of the United States; and

... the sum of the cost or value of the materials produced and the direct costs of processing operations performed in the country of export, must account for at least 35% of the appraised value of the articles.

Example #1: A product has an appraised value of $100. The composition of the product includes $20 of materials produced in Israel and the direct costs of processing operations amount to $20. Since the materials produced in Israel plus the direct costs of processing operations exceed 35% of the appraised value, the product qualifies for duty-free treatment.

Example #2: The product has an appraised value of $100. Materials valued at $20 are imported into Israel where they are substantially transformed into a new and different article. The value of the new article is $30. This new article then becomes an element of a final article which is exported to the U.S. The direct costs

of processing operations performed on the new article in order to manufacture it into the final article are $10. The value of the substantially transformed constituent material, $30, plus the direct costs of processing, $10, exceed 35% of the appraised value of the final article. Hence, the final article qualifies for duty-free treatment.

Example #3: The product has an appraised value of $100. Materials valued at $20 are imported into Israel where they are manufactured directly into an article which is exported to the U.S. The direct costs of processing operations amount to $30. The materials processed into the finished article are not themselves produced in Israel. Therefore the value of those materials cannot be added to the direct costs for processing operations to make up the 35% requirement.

During the past year, the Customs Service has been applying a new, more stringent interpretation of substantial transformation, particularly to textile and apparel products. These new regulations are important because, though specifically directed to textiles and apparel, the Customs Service is now beginning to apply these new criteria to all products. The regulations are thus highly relevant to a determination of substantial transformation under the FTA Agreement, and it is expected that the Customs Service will look to these new textile and apparel regulations when determining the country of origin of articles imported under the FTA. These new regulations and their interpretation provide more detailed guidance as to what may be considered a substantial transformation.

The regulations are more restrictive than present practice, by providing that no article or material shall be considered to have been substantially transformed in a particular country by merely having undergone one of the following:

... Simple combining or packaging operations;

... Joining together by sewing, looping, linking or other means of attaching otherwise completed component parts;

... Cutting or separating articles for marked material;

... Processing such as dyeing, printing, shower proofing, super washing, or other finishing operations.

The new textile regulations also provide a listing of manufacturing and processing operations which the Customs Service will consider in determining whether substantial manufacturing or processing operations have been performed in a particular country. It is important to note that these criteria are applicable to all manufacturing operations. Customs will examine the following criteria to determine whether an article has been substantially transformed:

... material costs;

... direct labor costs;

... other direct processing or manufacturing costs;

... time involved in the manufacturing or processing operations;

... complexity of the manufacturing or processing operation;

... level or degree of skill or technology required in the manufacturing or processing operation;

... physical change of the material or article at each stage in the manufacturing or processing operation.

B. Effect on Israeli Export Potential Under the FTA

The country-of-origin rules may exclude certain exports from receiving benefits under the FTA, but the rules still provide substantial opportunity for semi-manufactured goods from third countries to be shipped to Israel for further manufacture into products that can be exported to the United States duty free under the FTA. And, for example, that means goods derived form the E.C., substantially transformed in Israel, and exported to the United States.

The FTA and its provisions on rules of origin are expected to result in the expansion of Israeli production and assembly facilities, including textiles and apparel, due to increased exports to the United States.

C. Potential Opportunities Created By the FTA

1. Israeli Exports to the United States: An Overview of Opportunities.

During the past five years, Israeli exports to the United States increased by approximately 70%, from $749 million in 1979 to $1.3 billion in 1983. This growth has been concentrated in non-agricultural products, particularly products with a high-technology/high-value added component.

2. Tariff Reductions of Products Imported from Israel.

Perhaps the most visible opportunity created by the FTA will be the reduction and elimination of tariffs on Israeli exports to the United States.

The scope of the FTA duty reductions can be seen in the following product categories. In aerospace equipment, 100% of the U.S. duty will be eliminated. Once the FTA is effected, for "Consumer Goods" 76.9% of Israeli exports will be duty free after September

1985. An additional 4.9% will be duty free within 5 years. All duties will be eliminated by 1995.

ISAC (Industrial Sector Advisory Committee)	(%)	Imports from Israel ($000)
Aerospace Equipment		
Stage 1	100.0	18,101
Stage 2	0.0	0
Stage 3	0.0	0
Stage 4	0.0	0
TOTAL	100.0	18,101

ISAC (Industrial Sector Advisory Committee)	(%)	Imports from Israel ($000)
Capital Goods		
Stage 1	82.5	51,772
Stage 2	16.9	10,650
Stage 3	0.5	316
Stage 4	0.0	0
TOTAL	100.0	62,688
Chemicals and Allied Products		
Stage 1	93.2	57,461
Stage 2	4.8	2,945
Stage 3	0.0	0
Stage 4	1.9	1,229
TOTAL	100.0	61,635
Consumer Goods		
Stage 1	76.9	88,937
Stage 2	4.9	5,668
Stage 3	*	9
Stage 4	18.2	21,006
TOTAL	100.0	115,620
Electronics and Instrumentation		
Stage 1	98.5	117,071
Stage 2	1.5	1,751
Stage 3	0.0	0
Stage 4	0.0	0
TOTAL	100.0	118,822

Energy

Stage 1	100.0	75,430
Stage 2	0.0	0
Stage 3	0.0	0
Stage 4	0.0	0
TOTAL	100.0	75,430

ISAC (Industrial Sector Advisory Committee)	(%)	Imports from Israel ($000)

Ferrous Ores & Metals

Stage 1	100.0	5,270
Stage 2	0.0	0
Stage 3	0.0	0
Stage 4	0.0	0
TOTAL	100.0	5,270

Footwear, Leather & Leather Products

Stage 1	77.7	882
Stage 2	22.3	253
Stage 3	0.0	0
Stage 4	0.0	0
TOTAL	100.0	1,135

Industrial & Construction Materials & Supplies

Stage 1	98.5	16,515
Stage 2	1.5	266
Stage 3	0.0	0
Stage 4	0.0	0
TOTAL	100.0	16,781

Lumber and Wood Products

Stage 1	97.1	841
Stage 2	2.8	25
Stage 3	0.0	0
Stage 4	0.0	0
TOTAL	100.0	866

Paper & Paper Products

Stage 1	100.0	693
Stage 2	0.0	0
Stage 3	0.0	0
Stage 4	0.0	0
TOTAL	100.0	693

ISAC (Industrial Sector Advisory Committee)	(%)	Imports from Israel ($000)
Textiles and Apparel		
Stage 1**	48.6	8,272
Stage 2***	27.3	4,642
Stage 3****	24.2	4,118
Stage 4	n/a	n/a
TOTAL	100.0	17,031
Transportation, Construction and Agricultural Equipment		
Stage 1	100.0	22,566
Stage 2	3.4	806
Stage 3	*	5
Stage 4	0.0	0
TOTAL	100.0	23,377

* Less than .01%.

** 41 tariff items -- generally high-cost items or items not produced in the United States in significant quantities.

*** 85 tariff items.

**** 100 tariff items.

Note: Totals do not include Stage "0" which are products already duty free and which were not part of the negotiations.

For citrus products, the reductions are less sweeping -- but provide new opportunities for export. Citrus exports will benefit from the FTA.

	(%)	Imports from Israel ($000)
Stage 1 other citrus including prepared grapefruit and citrons*		1,500
Stage 2 fresh lemons, limes and oranges	100	1,200
Stage 3 fresh grapefruit	100	5,600

Stage 4		
orange and grapefruit juices	**100**	**9,500**

*** These items are either GSP-eligible or subject to low duty.**

D. Israeli/EC Exports to the United States

The FTA will create new opportunities for Israel to export products to the United States that contain the required 35% Israeli content but also as much as 65% EC content.

An analysis of current U.S. tariffs on export from the EC would be necessary to identify such products. Reduced component and labor costs in Israel and, most importantly, duty-free entry of Israeli exports to the United States, could well justify the establishment in Israel of manufacturing and/or assembly operations by EC companies.

E. Textile Operations Involving Third Countries

The U.S.-Israel FTA creates significant opportunities for increasing Israeli exports of textiles and apparel to the United States. Although Israel is a party to the Multi-Fiber Arrangement ("MFA"), Israel has not negotiated a specific export restraint agreement with the United States.

Under the current U.S. system for regulating the importation of textile and apparel products, certain countries are exempted from import quotas -- these include Israel and members of the EC. Tariffs on textile and apparel products are a significant factor in the final cost of imports.

The FTA provides for an immediate 20% reduction in U.S. duties on Israeli textile and apparel products. This reduction would enable textile and apparel products exported from Europe to Israel -- but with 35% Israeli value added -- to be reexported from Israel to the United States and benefit from the FTA duty reductions."

YOUR COMPANY WILL BE ABLE TO EXPORT PRODUCTS TO AFRICAN COUNTRIES VIA ISRAEL

By having a factory in Israel, you can ship products to African countries at a much lower cost than shipping direct from the United States. The freight differential and the lower labor costs in Israel are important factors to consider.

WHAT ARE THE BENEFITS YOU WILL RECEIVE IN OPENING A FACTORY IN ISRAEL?

You will find that Israel is a rapidly developing industrial country,

solidly committed to economic growth. Industrial production has averaged 13% annual growth since 1954. Israel's active free enterprise system is geared to promote private initiative. In this growth atmosphere, both government policy and private industry welcome direct and indirect American investments.

Many companies have established industrial branches in Israel ... including the production of electronics, chemicals, metals, textiles and agricultural equipment. Israeli made goods are respected in world markets where quality and technological expertise are a prerequisite. The experts who helped earn that reputation can put their talents to work for your company.

"Scientific American" said in an article concerning Israeli technology:

> "The Jewish state in the Middle East has had an impact on world markets out of all proportions to its size and circumstances, thanks to the innovative ingenuity of its people."

This innovative ingenuity is yours when you start your operations or conduct research in Israel.

Israel seeks and welcomes foreign investment. The basic philosophy of Israel's economic policy is that Israel should provide a healthy environment for profit as a spur to investment and job creation.

Israel has firmly established itself as a profitable investment center. It is committed to following the growth path which has brought it such success in the past. The objective is to build on the base already established and to concentrate on those industrial sectors with the greatest growth and employment potential.

You can take advantage of Israel's highly skilled and educated workforce.

Israel's labor force is among the most technically competent in the world. There are about 50,000 scientists and engineers in Israel and only 10% are now engaged in industrial R&D projects.

Each year, the number of professionals grows by 10%, an impressive increase even by American standards. Skilled and semi-skilled labor is readily available throughout Israel.

Over 100,000 Israelis hold academic degrees, and another 79,000 have graduated from post-secondary educational institutions other than universities. Seven institutions of higher education provide training facilities of an international standard. At present, more than 50,000 people attend these universities and the long-term trend is toward a continued steady increase.

Israeli workers speak your language -- in more ways than one. English is the second language of instruction in the country's schools. Most

engineers and technicians are familiar with state-of-the-art American technology; many have had advanced training in the U.S. Others have been schooled in Israel's excellent universities; still others have come to industry from the armed forces which have produced many superbly qualified specialists now making major contributions to their country's industrial growth.

You can hire personnel at costs considerably lower than you pay in Europe. The average cost of labor and fringe benefits as of December 1984 in Israel is as follows:

Category	Monthly Salary	Monthly Fringe Benefits
	$	$
Assembler	311	123
Supervisor	614	246
Warehouse personnel	409	164
Office workers (secretary, clerical, key punch oper.)	368	147
Engineers	1,023	450
Chief Acct.	1,064	491
Managing Director	2,455	1,227

You can take advantage of substantial training grants provided by the Government of Israel.

Your company will be eligible for the training grants provided by the Ministry of Labor of Israel. The Department of Vocational Training initiates and carries out job courses and retraining of workers. The Department covers all the costs in its own training schools and provides living allowances to trainees enrolled in full-time programs. The Ministry of Labor also supports job training programs in industrial plants.

Israel offers you loans and grants.

Israeli incentives permit you to stretch your capital. Depending on the area where you locate your plant, Israel offers varying grants and loans.

In order to encourage the use of Israeli-produced plant and equipment by Approved Enterprises, a special additional grant is available at the rate of 10% of the value of such equipment. The total amount of above grants must not exceed the amount of paid-up share capital invested by shareholders in the respective project.

You can operate from a free port zone in Israel.

Duty-free zones (free ports) have been established in the Eilat and Haifa port areas, to speed up the movement of goods and create facilities for industries based on in-transit commodities. Land has been set aside where manufacturers can put up plants calculated to take advantage of proximity to the inflow and outflow of cargoes, dovetailing imported materials with local production.

Under the Free Port Zones Law, plants will be exempt from customs duties and other indirect taxes, from property tax and from the need for import and export licenses. In addition, they will not have to pay income tax on earnings for their first five years of operation and may deal freely in foreign currency.

You can benefit through cooperative programs with seven Israeli universities: Bar Ilan University, Ben Gurion University of the Negev, Hebrew University of Jerusalem, Technion -- Israel institute of Technology, Tel Aviv University, University of Haifa and Weizmann Institute of Science.

There are numerous training institutions for practical engineers and technicians, post-secondary industrial schools and many specialized research institutes.

The natural sciences are taught and researched at all seven Israeli universities. There are four medical schools, a school of dental medicine and a school for pharmacology. Engineering training is provided at three institutions.

All of these institutions constitute a very strong infrastructure, from which industry can derive considerable support. In many instances, laboratory facilities and special services are offered, against payment of modest fees. Libraries, of course, are open to all comers, and there is always the beneficial effect of contact with a large and many-faceted scientific community.

Where desired by industry, the universities and research institutes are prepared to cooperate on specific R&D projects. This may consist of regular consultations with scientists on the universities' faculties to execution of entire research projects by the institutions, for industrial firms, on a contract basis.

Foreign trade insurance is provided by Foreign Trade Risks Insurance Corporation, Ltd., an agency of the Government of Israel.

LET'S TALK

We would be very pleased to discuss with you in further detail the benefits that will be yours if you participate in the Free Trade Agreement between the United States and Israel. Please call me at (414) 961-1000 or write to me at 5301 North Ironwood Road, Milwaukee, WI 53217. I would like to talk with you.

Elmer L. Winter
Chairman
COMMITTEE FOR ECONOMIC GROWTH OF ISRAEL

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

November 5, 1986

MEMORANDUM FOR MAX GREEN

FROM: CLAYTON YEUTTER

Max, I did the American-Israel Chamber of Commerce speech in Los Angeles a few days ago, as you requested. It was really a beautiful event, and extremely well attended (about 850 people). The organization was good, and I had the opportunity to meet a lot of the leadership of the Los Angeles Jewish community.

The one downside of the event was that they had far too many activities on the program. The dinner began at about 7 p.m., and I did not begin my presentation until about 9:30. By that time it was just too late to do a full fledged speech, so I limited my remarks to about 10 minutes. I hope they do not feel shorted by the presentation, but I just felt it was too late in the evening to do a lengthy presentation -- particularly since the receptions had begun at about 5 p.m.

From the Administration's standpoint, it may not have been worthwhile to send a Cabinet officer that far for such limited involvement in the program. You may wish to keep that in mind as you plan our involvement in the New York program next year.

JACOB STEIN
20 JERUSALEM AVENUE
HICKSVILLE, NEW YORK 11801

December 4, 1986

Mr. Max Green
Associate Director
Office of Public Liaison
Room 196 - OEOB
The White House
Washington, D.C. 20500

Dear Max:

Enclosed is the invitation to the National Dinner Dance of the American-Israel Chamber of Commerce and Industry, Inc.

They have requested a letter from the President which can be read at the Affair.

The letter should be addressed as follows:

Mr. Eli Zborowski, National President
American-Israel Chamber of Commerce
and Industry, Inc.
500 Fifth Avenue - 54th Floor
Suite 5416
New York City, New York 10110

Hope all is well with you.

Cordially,

Jack Stein

JACOB STEI

JS/bf
Enc.

THE WHITE HOUSE
WASHINGTON

December 9, 1986

NOTE TO LINDA WATSON

FROM: MAX GREEN

I know its late, but we just received the invitation this morning. They should get greetings - the greetings can be short and simple.