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# „High tech industry has become a locomotive for the entire economy“

*Édouard Cukierman* about the Israeli technology industry

by Svetlana Alexeeva, Tel Aviv

**ISRAEL'S STEEP CLIMB TO THE MIDDLE EAST'S HIGH TECH VALLEY IS IMPRESSIVE. AS A FOUNDER OF AN INVESTMENT COMPANY FOCUSING ON DISRUPTIVE TECHNOLOGIES AND STARTUPS, YOU'VE OBSERVED THE COUNTRY'S SUCCESS STORY FROM THE VERY BEGINNING IN THE 1990S. HOW DID IT ALL START?**

I moved from France to Israel when I was 18. In 1993, I established one of the first venture capital (VC) funds in Israel. In

1997, it went public in Paris. It was the first Israeli IPO (Initial Public Offering) in Europe. Two years later, with Wizcom, I did the first listing of a non-German company in Germany on the Deutsche Börse. Since then, we took public more than 100 Israeli firms in Europe. We also have a significant presence in China and advise our clients on Nasdaq listings in the U.S. We were the only VC fund to invest in Jerusalem-based Mobileye which turned out to be a great success.

**INTEL, A MULTINATIONAL CHIP-MAKER, ACQUIRED IT IN 2017 AND PAID A PRETTY LARGE SUM TO HAVE MOBILEYE'S SELF-DRIVING-CAR TECHNOLOGY.**

Right. It was one of the portfolio companies of our Catalyst funds. We try to pick the leaders in each field.

**SPEAKING OF GLOBAL VENTURE AND PRIVATE EQUITY FUNDING, HOW IS EUROPE'S POSITION?**

The number one are the United Sta-

tes, the number two is Israel. The EU ranks third. All European Vcs deploy less money than Israeli funds. Also by number of unicorns, Israel is leading. There are more unicorns in the tiny country Israel than in all EU countries together. The high tech industry has become a locomotive for the entire economy for the last 30 years. Even today, Israel's average annual GDP growth is higher than in the most OECD countries.

**BEFORE THE COVID-PANDEMIC, CHINA'S INVOLVEMENT IN THE ISRAELI TECHNOLOGY SECTOR WAS RELATIVELY HIGH. HOW IS THE SITUATION TODAY?**

We've seen a sharp decline in cooperation with China in the last three years, due to regulatory issues imposed by its authorities, and because of COVID. China has almost frozen its investments activities. Besides, it was difficult for Israeli companies aiming at a Nasdaq IPO to have Chinese shareholders.

**ISRAEL'S TECHNOLOGY FIRMS RANK BEST IN A WIDE RANGE OF INNOVATIVE SECTORS GLOBALLY. HOW DO YOU EXPLAIN THAT RAPID DEVELOPMENT? DOES IT REFER TO A SMART GOVERNMENT OR TO A SPECIAL MINDSET?**

I wrote a book called Israel Valley, together with Pearson France. It illustrates our historical and cultural backdrop, and its impact on Israel's innovative power. It also refers to the defence industry, energy and life sciences. Let me give a new example. It's an Israeli company that developed a high-powered, cost-efficient laser that can target threats real-time. In the future, it could be a complementary solution to our air-defence system Iron Dome. Iron Dome is effective but also expensive.

**SO WHAT HAVE BEEN THE DECISIVE SUCCESS FACTORS FOR ISRAEL?**

First, education. Israel has the highest investment per capita in education in the world. Second, military. The army has an important impact because people are trained to have responsibility from an early age. Besides, companies in tiny countries like Israel have to think globally from the very beginning. They have to compete with the international leaders which means compete with the best.

**WHAT ABOUT THE GOVERNMENT'S ROLE?**

It's mainly indirect support, by allocating tax money to education or military. Besides, the government provides assistance to new immigrants. Particularly in the 1990s, more than one million immigrants from the former Soviet Union came to Israel.

**THE LEVEL OF EDUCATION IN THE SOVIET UNION WAS RELATIVELY HIGH, IN PARTICULAR IN TECHNICAL SUBJECTS...**

Out of this one million Soviet people, around 64 per cent had an academic degree, about 37 per cent an engineering degree. Many of them, their sons and grandsons became entrepreneurs. At that time, Israel had only five millions inhabitants. So one million well-educated new-comers was a significant number. It had a major impact on the society and the economy.

**INVESTING IN THE QUALITY OF HUMAN CAPITAL SEEMS TO BE THE KEY. DO YOU SEE ANY INNER RISKS TO ISRAEL'S DEVELOPMENT?**

Definitely the demography. The problem is that the orthodox Jewish population is not really integrated. Particularly ultra-orthodox Jews are not interested in interaction. They are really disconnected – to the society, to the internet, to the Western values and education.

**WHAT ABOUT THE OTHER BIG ISRAELI GROUP, THE ARAB PART?**

Arab people are probably the most interesting success story in the last 10-15 years. At the technical and medical universities, the proportion of Arab students is higher than the percentage of the Arab population in Israel. And after the last elections, an Arab party joined the Israeli Government for the first time ever. Without them, Bennet couldn't be Prime Minister. More Arab people want to be part of Israel's ecosystem. Twenty years ago, the Arab population was the poorest group. Now, the poorest are the ultra-orthodox Jews. They're around 15 per cent of the entire population but this group is growing fast.

**ISRAEL AND GERMANY HAVE HISTORICALLY A SPECIAL RELATIONSHIP, BECAUSE OF THE HOLOCAUST. WHAT IS THE IMAGE OF GERMANY TODAY?**

It's complex. The younger generation is aware of the country's history but also open to the modern Germany. The older generation, and some of them experienced the Shoah directly, cannot forget what happened. There are always mixed feelings about Germany. But I also see a change in attitude. German political leaders show more responsibility, for example recently towards families who suffered from the Munich attack in 1972. We still need a better understanding. I usually invite my German guests to visit Yad Vashem in Jerusalem, to understand Israel's history, and how it impacted the country.

**ABOUT CUKIERMAN & CO.**

Est. in 1993, Cukierman & Co. Investment House is one of Israel's leading venture capital and private equity companies. It provides a full array of services focusing on technologies that made Israel famous: Life Sciences, Robotics, IT, Cyber Security, Mobility, Telecom and CleanTech. We met CEO Édouard Cukierman in the company's HQ in the HaArba'a Tower located in Tel Aviv's business district.



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