

export of industrial goods to the US, capital investment, trade with Africa and Europe, sale of government-owned companies, special projects, legislation and tourism.

The difference between IO and previous campaigns to boost investment in 'Israel' is the influence in the business world enjoyed by the 85 members of the IO's North American and international task forces. According to US economics expert Stanley Fischer, «This is a high-powered group that can get things done.» Special attention is now being focused on tourism because it is the only sector which can achieve high returns in a relatively short period, not to mention its being one of the world's fastest growing industries, second only to petroleum. It is hoped that tourism will add \$1 billion a year to the income side of the Israeli balance of payments, and that the recent 30% drop in tourism will be made up.

No less active were the teams from the IMF, AID and the US-Israeli Joint Economic Development Group. The general guideline for these teams was summarized by US Assistant Secretary for Near Eastern and South Asian Affairs, Richard W. Murphy: «The US and Israel accept the principle that additional extraordinary US economic assistance would only serve a useful purpose in the context of a comprehensive Israeli economic reform program.»⁷

Besides the ventures mentioned above, there are other joint ventures that herald a much higher and more significant degree of integration between the US and Israeli economic systems. Chief among these are the FTA and the Strategic Defense Initiative (SDI), better known as Star Wars. Suffice it to say that an overhaul of the Israeli economic system is required to lay the groundwork for a high-tech base if such ambitious programs are to be implemented. «Science and technology are not merely one aspect of our economic life. Rather the whole country must be based on them,» asserted the *Jerusalem Post* on April 24, 1985.

PACKAGE DEALS IN ACTION

The past few years, Zionist economic policy has vacillated from attacking inflation to stimulating exports. However, up till now no policy has been found for successfully reducing inflation and improving the balance of payments simultaneously. The 1973 war was followed by 8 years of increase in economic growth, averaging 9-10%. However, by 1984, the growth rate was zero. Without economic reforms, inflation would stay at 900-1000% levels. Realizing they had a national emergency on their hands, the Zionist leadership was left with no choice but to implement reforms, prompted by the barrage of economic initiatives, plans and new historic agreements, and cushioned by the \$1.5 billion injection of emergency aid. By mid-1985, the wheels of the austerity program has begun to turn. Kicking up a fuss once in a while but eventually buckling under, the Zionist authorities began their eight-month austerity program. This program was characterized by devaluation of the shekel and «dismantling Israel's pervasive indexation system,» according to an AID report. Subsidies for basic foodstuffs and transport were reduced; subsidies on gasoline and other petroleum products were eliminated; taxes were raised and new ones levied; higher charges for government services, including electricity, post, medical care and higher education, were imposed. These measures were expected to save \$200 million in foreign currency, and yield about \$300 million in new taxes and levies.

Moreover, a new law is going through the Israeli parliament that will make it an offense punishable by loss of job or pension, for public employees, including ministers, to exceed budget allotments. In April 1986, an official report called for the resignation of the heads of the Israeli Central Bank and four big commercial banks, because of their part in the 1983 stock market collapse - a calamity which contributed significantly to the 1983-4 economic slump, escalating the prevailing 500% inflation rate. A second law is to give independence to the Central Bank in establishing the overall monetary policy. This will allow the bank to refuse government requests to print money to cover government deficits.

The shekel was devaluated. This caused the cost of imports to rise, but lowered the price of Israeli exports abroad. There was a 33% reduction in the monthly cost-of-living increment paid to workers to compensate for inflation, according to indexation which links wages to prices. These payments now cover only about half the rise in the cost of living. Government hiring has been frozen. Some 15,000 government jobs are being eliminated, and new purchases of goods and services were frozen for six months. These reforms are aimed at achieving a growth rate of 6-7%, stimulated by a 10% annual increase in exports, especially of high-tech goods, via the unique FTA.

By April 1985, the unemployment rate had jumped to 7.4%, i.e., 92,000 jobless. Although assurances poured forth in the press that this situation was temporary, this did not eliminate fears of social unrest or mass emigration from the country, as happened in 1980, the last time unemployment rose. Implementation of the measures designed to save the Zionist entity from an economic disaster was beginning to have side effects.

According to provisional figures released on March 17th by the Central Statistics Office, 19,000 Israelis emigrated from the country in 1985 - 12% more than in 1984 (17,000). According to the *New York Times*, January 7th, «Immigration to Israel last year fell to its lowest point since the country was founded in 1948... Only 11,298 immigrants arrived in Israel in 1985, a 41% drop from 1948, when 19,230 immigrants arrived...» These figures include the approximately 10,000 Ethiopian Jews brought in the secret airlift from Sudan.

This was the reason for Peres' objection to devaluating the shekel in May 1985 and to further reducing indexation prior to cancelling it: «Who says that curing the economic situation justifies worsening the social situation?» This not only signalled an adverse social situation, but was meant to push for a more gradualist approach to implementing economic reforms. The US adopted a benevolent attitude, but was not really reassured of the effectiveness of such an approach. «Adoption of the gradual program was a fact of life the US administration had to accept,» said a State Department official. The US came through with aid and gave the Zionist leadership a free hand to imple-

