

but this is only about half the market share enjoyed by EEC nations.

Looking at the fourth category, textiles and clothing have been classified as super-sensitive and thus subject to the longest tariff-reduction process. In the ten years up to 1983, the US increased its import of apparel by an average of 6% a year on a volume basis. In 1983, apparel imports rose by 25%; in 1984, by 32%. According to some estimates, by 1984 one-third of all apparel sold in the US was foreign-made. These leaps in clothing imports obviously posed problems in terms of domestic unemployment in the US, since 10% of the total manufacturing labor force is engaged in the fiber, textile and apparel industry.

The tariff-reduction timetable is as follows: a 20% reduction as soon as the treaty comes into force, after which there will be a further 10% cut each year until 1990. At this time, tariffs will be down to 30% of the original level. The elimination of the final 30% will then be spread over the years 1990-1995. Despite the fact that the super-sensitive category of Israeli exports does not enjoy free entry under the GSP, it comprises only 0.4% of all exports to the US, and therefore the restrictive effect is minimal.

Whatever the case, by the 1990s the Zionist entity will be enjoying tariff-free entry into both the US and EEC countries. On the other hand, the Zionist entity will serve as a springboard for US goods into European countries. US goods destined for the EEC will be assembled in 'Israel'. One of the first US companies to take advantage was Anheuser-Busch, benefitting from the lower labor costs in 'Israel'. Beer is made in 'Israel' and shipped to Europe. To prevent other countries from trying to pass off their products as Israeli-made, thus profiting from tariff-free entry into the US, the FTA requires that: (1) 35% of the product's value must be estimated to be Israeli; (2) the product must be shipped directly from 'Israel' to the US.

The FTA therefore insures that the US does not suffer from a tariff disadvantage with the EEC countries, as well as facilitating US firms' penetration of the European market. Many US companies had formerly been unable to sell their products directly to the EEC's market of 260 million people. Imports from the US often have to enter a specific country only through a small, out-of-the-way port, adding extra transportation costs of the tariffs. This situation had long been a thorn in the side of US companies. Speaking at a conference of the European Council of American Chambers of Commerce, Bruce Smart, US Undersecretary of Commerce for International Trade, clearly expressed US annoyance at the measures to keep US exports out: «Japan may be the country on which much of US anger is showered, but plenty is left over for the European countries.» It seems ironic that European trade ties with 'Israel' should rub the US the wrong way since, according to *New York Times* analyst Clyde Farnsworth, «Washington is undertaking today exactly what it chided the Common Market for doing in the 1960s and 1970s, when the Europeans established their own system of bilateral trade preferences with Mediterranean and African countries to reinforce political ties.»

FTA FORGING AHEAD

Under the FTA, US corporations have opened plants in 'Israel' or entered into joint ventures with Israeli companies. These produce electronic goods and other high-technology products, the bulk of which are for export. Since these are sold for hard currency, and the cost of incoming components are

paid for in foreign currency, inflation fluctuations will not affect these companies' profits.

Over the next five years, high-technology products will be in the forefront of Israeli exports to the US. Over the past decade, there has been a shift in Israeli production from agriculture to heavy industry. The clearest example of this trend is seen in the kibbutzim (communal settlements). These were founded almost exclusively to farm the occupied territories. During the past few years, they have turned more to high-tech industry. In 1983, kibbutz industry exports to the US were valued at \$50 million; in 1984, this rose by 50% to \$75 million (*Journal of Commerce*, February 28, 1985).

Moreover the needs of the military establishment have brought metalwork and electronics industries to a high-tech level. The know-how gained in developing military equipment will serve these industries in good stead in their export targets. The Zionist entity has always been geared towards having an advanced military edge over any combination of countries in the region, especially in the field of air warfare. It is notable that high-tech products are geared to promote this military advantage. Plans for increased export of aviation equipment, especially airborne communications equipment, are in the forefront (*Journal of Commerce*, February 28, 1985). Already the Israeli aircraft industry produces \$1 billion annually, in high-tech products, \$500 million for export. Under the FTA, these figures are bound to increase dramatically.

Ever since the implementation of the FTA, Israeli exports to the US have stepped up under the slogan of «export or expire». Israeli imports from North America dropped from 32% in 1980, to 28% in 1983. Through the FTA, Israeli exports to the US increased by roughly 25%. In 1983, exports from 'Israel' to the US were valued at \$1.329 billion, while in 1984, this rose to \$1.650 billion (*Journal of Commerce*, February 28, 1985). With a slower customs reduction process in 'Israel' than in the US, in the first four months of 1985, exports totalled \$612 million, as compared with \$460 million in the same period of 1984. In other words, Israeli exports to the US soared by 30% from 1984 to 1985, totalling approximately \$2 billion worth of products. Industrial products constituted 40% of the total, and included metal goods, electronics, medical equipment, chemicals, transport equipment, aircraft parts and computers.

To facilitate the Israeli export drive, US exports to 'Israel' had been kept relatively stable, to give the latter a chance to recover from the economic slump and benefit from the FTA to the maximum. During the first four months of 1984, US exports to 'Israel' were valued at \$570 million, rising to \$573 million during the same period in 1985, a 0.5% rise only. Israeli opponents of the FTA claim that 90% of Israeli products already enter duty-free under various accords, giving the impression that nothing is really in it for 'Israel' and that the US stands to gain most economically. This argument is misleading. Although it might be true for the value of Israeli goods formerly imported by the US, it does not take into consideration the increase in Israeli exports to the US, the substantial profits reaped by tariff cuts under the FTA in all areas of trade, or the fact that this trade is more high-tech oriented, based on a restructured industrial economy.

In addition to the specific strategic gains which motivate the US to support the Zionist entity, the FTA has opened new opportunities for the two allies. It has institutionalized the restructured relationship in accordance with the US's current, more broadly defined needs for protecting and expanding imperialist interests.