

The same source, recognizing the centrality of the manpower factor in attracting foreign investment capital in high technology production, points out also the externality of the very source of this investment incentive, saying:" one of the most important factors that enables Israel to mount a significant research and development program is its scientific and technical manpower. In many ways, this is a crucial element. Capital, even sophisticated equipment, can quite easily be moved from one country to another on very short order. Human skills, however, can be imported only on a very limited basis, and their development at home is a long, complex and vulnerable process. The human capital, essential for the operation of a modern technological society, is available in significant quantities. In 1974, some 100,000 Israelis held academic degrees, and another 79,000 had graduated from post-secondary education institutions other than universities. Something like one of every five Israelis in the civilian labor force has had more than twelve years of schooling. To some extent, this is the result of a significant "brain gain" through the larger-scale immigration of often highly qualified people."<sup>48</sup> The more effective this incentive becomes in attracting foreign investment, the more industrialized Israel becomes, hence, the less fit to the U.S. LDC tax status, which is another unique advantage Israel has over other Western countries for attracting business opportunity. It has already been expressed: "We are on the verge of moving from an underdeveloped country to an industrial state and it is solely because our defense industry...Before the war broke out in 1967, Israel was bogged down in its first serious recession; scientists were leaving the nation because of