Will the U.S. let Israel survive?

by Muriel Mirak

Beneath all the rhetoric filling corridors in Washington as well as Tel Aviv regarding the indispensable role Israel must play in maintaining Western interests in the Middle East, the irony of the matter is that Washington is currently undermining Israel's very ability to continue playing that role. Unless U.S. economic policy toward Israel changes radically, and rapidly, the tottering edifice of the Israeli economy will come crashing down, burying under it all cherished hopes of a durable peace in the entire region.

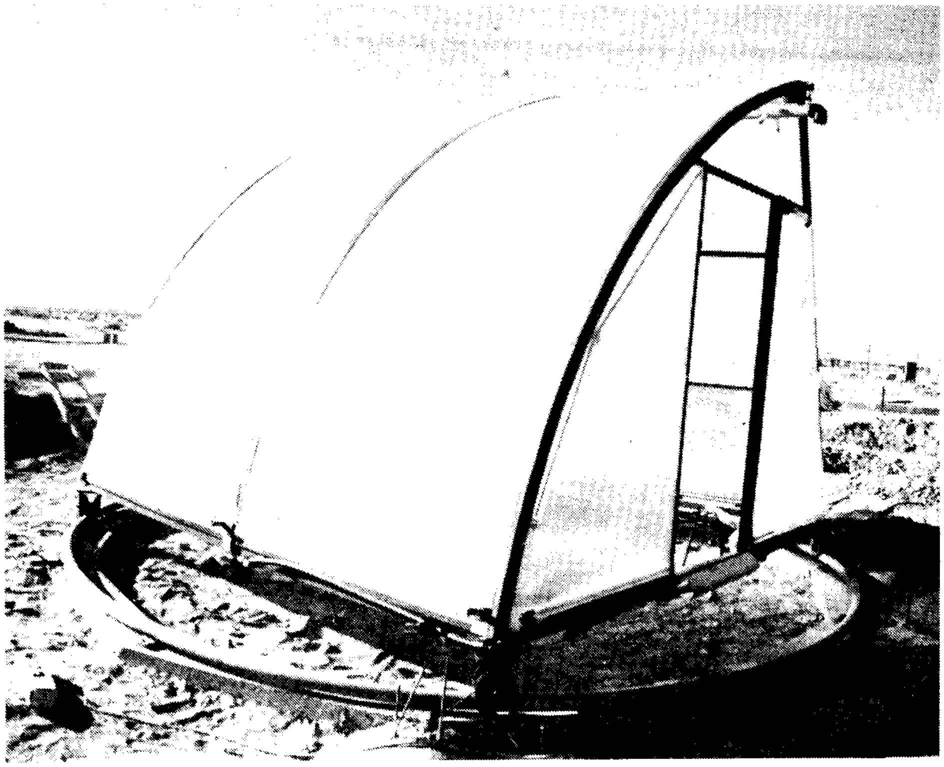
The facts speak plainly for themselves. When Israeli Prime Minister Shamir traveled to Washington in December, he concluded, among other arrangements with the White House, a loan for $2.6 billion to be allocated roughly evenly between the civil and military sectors. According to the *Jerusalem Post* report on the conditions of the loan, "The request states that Israel hopes to lower its standard of living by 10 percent and to improve its balance of payments within one year." The conditions of the loan, in other words, are the same as those made infamous by the International Monetary Fund, conditions whose effects have been felt in the Third World in terms of total economic breakdown, impending genocide through epidemics and social disruption.

Is this what the United States consciously desires for Israel?

Although no such malicious intention can be attributed to the President, it is nonetheless true and certain that application of the IMF-conditionalities policy to Israel will destroy the nation. And if such devastating policies are what the United States, on whom Israel depends for foreign aid, has to offer, then that same economic outlook is certain to continue informing domestic Israeli policy.

Already the IMF mentality reigns supreme among Israel's economists. After the foreign debt and trade deficit figures broke all records in October, the cry went up to effect cuts across the board, in a desperate attempt to avoid bankruptcy.

When the trade deficit and foreign debt figures broke all records last November, the cry went up unanimously among Israel's economists that the only solution lay in drastic austerity measures. Indiscriminately, budgets were slashed in industry, agriculture, universities, and schools throughout the nation. Proposals for in-



Ben Gurion University

The greening of the desert in Israel. This "greenhouse" in Avdat provides fresh water for irrigation by solar distillation of salt water in the roof of the structure.

creased taxes included burdening those families who have school-age children with state education fees; tax breaks for the first two children in a family were to be ruthlessly eliminated, as were tax exemptions on early pensions. Through these and similar taxation measures, the cabinet proposed to "save" the government 5.6 billion Israeli shekels (IS) per year. The tax measures discussed were so savage that the *Israel Economist* magazine in its December issue shrieked: "Israel remains the only country in the world in which industrial output is taxed instead of being subsidized."

The only sector of the economy to escape the budget-cutter's knife has been defense. Indeed, as other sectors suffered, Defense Minister Moshe Arens declared that defense spending must increase, from one-fourth of the budget to a full one-third! His justification lay in the rising costs of the Lebanese occupation. Yet, ironically, even this bit of reasoning was to prove faulty, for, if the national economy grinds to a halt, no amount of military spending per se can assure adequate defense. It is the in-depth capability of a national economy and its citizenry, not the tanks and other hardware on the front, that count in modern defense thinking. Military strategist Dr. Eliezer Sheffer, in fact, was quick to point out the fallacy of continued deficit defense financing with a dwindling economic pie, and to warn that such an approach to military build-up at the expense of the basic industry and infrastructure of the economy would leave the nation defenseless in a not-too-far-distant tomorrow.

The other fallacy in the defense minister's thinking became evident in a more indirect but nonetheless powerful manner. As the austerity measures hit the country's tiny 4-million-member working population, decimating wages in the face of Latin American-style inflation, social unrest exploded into full-fledged protest. Aside from the kibbutzim, who deliberated to inflict austerity on themselves and cut 10 percent of proposed investments in improvements of their own living conditions, the rest of the working population went on strike. Dock workers blocked the ports of Haifa and Ashdod, holding up not only revenue-bearing agricultural exports to a waiting European market, but also blocking the transport of necessary military supplies to the Lebanese front, leading to the defense minister's personal intervention to attempt to order them back to work. This single incident more than any other sounded the alarm implicit in Dr. Sheffer's analysis.

And yet, even this does not tell the whole story behind the defense spending paradox. The entire issue of Israel's defense must be reconceptualized on a higher level. As *EIR* founder Lyndon H. LaRouche, Jr. has stressed in a series of recent policy statements on Israel and Lebanon (see article, page 23), the only viable means to assuring peace in the region and the adequate defense of Israel's national borders lies in a series of economic cooperation agreements between Israel and its Arab neighbors, first and foremost Egypt. It is only through a cooperative effort at developing the economic capacities of Israel and its neighbors that the integrity of all the region's nation-states can be guaranteed, since it is through such development that each nation concretely understands its self-interest to be coherent with the self-interest of bordering nations.

This is a point which enlightened policy makers in Israel will readily acknowledge. But to make it work requires a different brand of political economy than the Friedmanite quackery which has thus far ruled, not only in Israel but in the United States as well. If the United States wants to help Israel further develop as a sovereign nation state, it must intervene with credit policies shaped to favor the application of Israel's proven technological expertise and know-how to cooperative development of the entire region.

An inside view of the scientific experiment: Israel

It hits you as you leave the small but efficient Ben Gurion airport of Tel Aviv. As you board one of the waiting taxis, all somewhat the worse for wear, the cab coordinator tells you the price you'll have to pay, carefully repeating "971 shekels" so that there can be no mistake. The taxi-driver, a hospitable middle-aged man, immediately strikes up a conversation in halting English, focusing upon what you will soon discover to be the talk of the town. "Inflation!" he cries, throwing up his arms in despair. "It's terrible. 300 percent!" When you show polite signs of disbelief, he continues in earnest: "You know what a Coca Cola costs? 70 shekels! It's impossible." He struggles to find the right expression to communicate the dwindling value of the national currency and says, "It's not real money anymore. It's Italian money. You know what I mean!"

After the scenic drive through groves of rich orange trees, you reach the hotel, check in, and change a bit of money at the desk. The rate is 97 shekels to the dollar. After freshening up in your room, you descend to have a walk about the city and notice, on returning to the hotel some hours later, that the rate of the shekel has just been changed to 100, as the new day's quotations have just arrived. Within two days the hotel clerk will be forced to change the value again, boosting the dollar to 102, then 103 shekels. In the short space of a week, the currency will have been debased by a full 5 percent.

Walking through the city, you are struck again and again with the popular concern with inflation. Snack bars and restaurants tend to prefer blackboard menus to printed ones, facilitating adjusting prices to the unstoppable devaluation of the shekel; shops and hotels quote prices exclusively in dollars, so as to keep pace. Only one lone store window distinguishes itself from the others with a carefully penned sign reading: "Our prices are quoted in shekels"—meaning that the prices will be the most reasonable in town. Glancing at reports in the daily press you begin to grasp the dimensions of the crisis: Just last year on Jan. 1, 1983, the shekel was worth 3 cents, whereas now it is worth less than a penny.

The predictions of the country's authoritative voices are dire. Labor Party Knesset member and economist Gad Ya'acobi predicts that the rate of inflation between October 1983 and 1984 will be a full 220 percent, slightly more conservative than the taxi-driver. It began in October last year when the government devalued the shekel by 23 percent, and food prices shot up by 50 percent, and kept rising. Professor Eitan Shaminsky of the Hebrew University economics department foresees the danger of national bankruptcy if current trends are not reversed. The national debt, he calculates, could rise to $41 billion by 1987, which would require $8-$9 billion yearly payments, something clearly beyond the nation's ability.

The cure that Professor Shaminsky and his colleagues have proposed is considerably more damaging than the disease. He has proposed cutting public expenditures by 12 percent, private consumption by 5 percent, and increasing exports by 11.5 percent. This way, the foreign debt would be "only" $27 billion in 1987! Similarly, the conditions imposed on Israel for a $2.6 billion loan from the United States demanded an outright cut in living standards of 10 percent, something which Finance Minister Yigal Cohen-Orgad readily accepted, promising a drop of even 12 percent, to reduce the balance of payments deficits by up to $1 billion a year.

The crankdown of the economy to feed burgeoning debt is expected to take a heavy toll immediately on employment. Ya'acobi estimates that some 60,000 new unemployed will join the 40,000 currently jobless. Worse still, those being thrown out of the workforce are from the industrial sector, while the few new jobs which have been created over the past five years are almost entirely in the service sector. Thus the imbalance in the composition of the workforce, tilted toward nonproductive, bureaucratic jobs instead of goods-producing jobs in the agricultural, industrial and infrastructural sectors, is being aggravated with a cancerous tertiary sector threatening to crush the dwindling portion of productive operatives.

Those still fortunate enough to have a job are reeling from the effects of rising prices. The figures released in December for the previous month's cost of living index showed that food, transportation and postal costs rose by 19 percent, education and cultural activities, by 17 percent, and fruit and vegetables, by 7.8 percent. Added to the previous month's record inflation, this translated into a de facto cut in salaries of 40 percent. Although Israeli workers organized in the powerful Histadrut labor confederation do enjoy officially a cost-of-living escalator designed to keep pace with inflation, the recent spiraling increases have not been controlled. The COL payments arrive only three months after publication of the monthly indices, and then represent only 80 percent of the official figures. With the current pace of inflation, it is literally impossible for the working person to make ends meet.

This is the fact which triggered the wave of strikes erupting in December and continuing into the new year. The dock workers at Ashdod and Haifa who struck for three weeks were receiving a mere $300 a month, and demanded a 27 percent raise to meet inflation. In a compromise agreement, the government was forced to concede an advance of 17.9 percent on the COL compensation due only in February, a move which temporarily stemmed the tide of unrest. But as the dock workers were going back to work, hospital workers and teachers were beginning a walkout of their own, followed by postal workers, miners, tax collectors and workers in the welfare sector.

The most dramatic confrontation erupted between teachers and the government. The issue was funds, from kindergarten to the graduate school level. Private kindergarten fees had risen 63 percent since Sept. 1, and frantic parents staged protests. Then, as teachers heard that the municipalities would no longer allocate funds to hire substitute teachers in the first three days of illness, they also struck. At the universities, the situation was becoming untenable. Since the government was withholding promised funds due to the austerity squeeze, the universities found themselves unable to meet current payments, and threatened to close down completely. The government promised funds, but on IMF-style conditions. "Finance Minister Yigal Cohen-Orgad is practicing blackmail," complained Prof. Yoram Dinstein, legal expert and rector of Tel Aviv University. "He is holding up IS4.5 billion owed to us in this year's budget until we agree to cut our budget by 8 percent for next year. This is blackmail." After a meeting of all Israel's university leaders with the government, an agreement was reached in which the universities essentially backed down, to prevent the halls of learning from closing down.

The reasoning behind this assault against education was summed up in the words of Nissam Baruch, who has recently been named economic adviser to the prime minister. To solve Israel's economic ills, he proposed telling civil servants: "Your ship is overloaded with passengers and is sinking" and demanding they accept triage. Asked if this lifeboat economics were to apply to universities as well, he replied in the affirmative, adding, "Suppose that in two years' time the nation is assailed by mass unemployment. What good would all the higher education be then?"

To round out the austerity attack on education, government measures also started taking their toll on forms of mass culture. Although Israelis are avid theatre-goers, who regularly fill the halls of the Mann Auditorium to hear the Philharmonic and flock to fill the 1,000-seat Habimah theatre, they are being deprived of a new opera company. The New Israeli Opera, which had vowed to create a top-notch company under the American Sarah Caldwell, had to abandon the project for lack of funds. Devaluation cut the ministry's contribution to ribbons, and no funds could be made available from the debt-strapped Tel Aviv municipality. Simultaneously, the director of Jerusalem's Khan Theatre announced his resignation, explaining that budget cuts imposed by the government made his job impossible to fulfill.

The attack on culture

What makes such a catalogue of disasters doubly painful is the fact that by so curtailing productive activities and particularly culture, Israel is putting its identity in jeopardy. And here lies the crux of the matter. What, after all, is Israel?

For too long Israel has been conceived variously as a pawn of a larger strategic game, a mere piece on a chessboard, a marcher-lord or buffer state. This view, shared by many leaders of the Zionist Lobby, has largely shaped U.S. policy toward Israel, as LaRouche has emphasized. What people lose sight of, particularly in the United States, is that Israel is a nation, with a national economy, and with the potential to play an important role in contributing to the development of advanced nation-states throughout the region.

Israel's greatest asset in this regard is culture, which is why the assault on education and popular culture is so self-destructive. From the beginnings of the British-backed Zionist push to colonize Palestine, through the 1948 struggle for independence, the backbone of Israel has been its cultured elite. It is well known that the large majority of Israel's elite comes from the educated strata of German, French, and other European intellectuals, but the deeper implications of this fact are not usually pondered. In the words of one Haganah veteran, Israel is "a scientific experiment," a unique approach to building a nation. The uniqueness lies in the fact that, leaving aside the intentions of certain oligarchical circles behind the British-Zionist thrust, Jews flocked to first Palestine, and then Israel from over 70 nations of the world, bringing with them over 102 different languages and representing as many different cultures. The approach adopted by leaders around Ben Gurion was to use the highest cultural achievement attained by the settlers to raise those coming from more backward environments up to that advanced level. Thus, as Israelis will proudly recount, communities such as the South Yemenite Jews, who had been living in primitive conditions for centuries before being flown into Israel in "operation flying carpet," were assimilated into a productive workforce through training programs and improved living standards. Ethiopians formerly living in abject poverty and backwardness have emerged as leading medical technicians and electronics workers, and so on.

The point of recounting such examples is not to exaggerate the success of the experience per se, but rather to drive home the point that such a "scientific experiment," having once proven successful, expresses a universal truth: that the only efficient means of achieving economic development is by mobilizing science and its application in advanced technologies to constantly upgrade the cultural level of the population which is assimilating it in practice. This lesson is what must be applied to the urgent task of developing populations in the Arab world and in Africa. Herein lies the real significance of Israel's "scientific experiment," as a model which Israel itself must continue to apply in collaborative economic development projects with neighboring populations in Egypt, Jordan, and in an emerging Palestinian nation.

Most educated Israelis will readily agree, stating, as one nuclear energy expert put it, "We have proven that we can provide the know how required to develop Africa." Or, as one Knesset member said, "Our only problem with the Arabs is that we represent different levels of economic growth; in order to live peacefully, it is in our interest to have prosperous, technologically advanced neighbors."

The problem in realizing this enlightened viewpoint (which, it must be emphasized, is by no means unanimously embraced) has been up until the present, a political problem, identified as "the Palestinian problem" in shorthand. But, just as the Palestinian situation, since Arafat's departure from Lebanon, is beginning to present signs of hope for a broader Egyptian and Jordanian effort at peace with Israel, now the economic collapse is threatening from another quarter. Herein lies the real danger of the economic unraveling; herein lies the tragedy of Israel's finest achievement, its educational institutions and broad popular culture being sacrificed to austerity. To the extent that Israel's "scientific experiment" is allowed to be smashed in the laboratory, there will be no possibility whatsoever for exporting the scientific knowledge it has yielded, for the mutual benefit of other nations in the region.

Israel's experiment: greening the desert

by Paolo Raimondi

Israel's extraordinary technological and scientific capability, developed in less than 30 years, has made it the outstanding example of how to build an industrialized, advanced nation without "natural resources," using exclusively the power of the human mind. This in itself is reason enough for all to support the continued existence and development of the Israeli state. Israel's achievement could become the vehicle for the development of Third World countries, in particular the Arab world. It is in the interest of the Western world to preserve this potential for peace and development and defend it against the destructive policies of the International Monetary Fund (IMF).

At present Israel has about 4,000 active scientists. For a country with a population of 4 million, this compares favorably with the 200,000 scientists in the United States, 40,000 in the United Kingdom, 30,000 in West Germany, and 20,000 each in France, Canada, and Japan. Israel, according to recent reports, has as many scientists as both Poland and East Germany; it ranks 16th in the world in the number of its scientists. Israel invests 2.2 percent of its Gross National Product in scientific research and development, second only to the United States and Holland, each with 2.3 percent.

Needed: 63,000 engineers

Despite its recent devastating economic crisis, Israel's commitment to science and technology is still shaping its programmatic discussions. In a recent editorial, the Tel Aviv daily *Ha'aretz* voiced alarm over a report issued by the Ministry of Trade and Industry forecasting a manpower shortage in various branches of engineering as early as next year. The ministry has projected that another 5,000 engineers and 8,000 technicians will be needed by 1985 to overcome potential bottlenecks in the country's technological and economic development.

This also presents a problem for Israel's defense forces. A military spokesmen recently said: "The army itself needs a higher level of technically trained people today, and, of course, the need in the civilian market is steadily growing. We will need 63,000 more engineers, practical engineers and technicians, by 1990."

The application of Israel's technological and scientific methods, which have produced such remarkable results in all the leading industrial sectors, including the laser and computer industry, has fostered major breakthroughs in agriculture. Israel has become known for victories in the fight to conquer the desert—making unusable land arable and productive. Since Israel's founding, one of its major goals was to guarantee an independent food supply. This was achieved through massive capital investment and support for research and development in all the areas of agriculture. Though its available land and water resources have not expanded, Israel's agricultural yields have increased at a rate of about 5 percent annually.

Making the desert bloom

One of the country's early major challenges was to penetrate the Negev Desert, a region uninhabited for obvious climatic and economic reasons. The plan from the beginning was to create the conditions for urban settlements and agro-industrial centers to win over the desert for human beings. Now several small towns such as Beer Sheba, Dimona, Yeroham, are the best examples of human achievement in ordering nature for a higher purpose of development. In these centers, the Israelis have built some of their most advanced research institutes, where agronomists and other scientists are making major biological and chemical advances to improve dramatically the methods of cultivation and productivity.

Israel has devoted much attention to the problem of assuring plentiful water for cultivating desert areas. In 1952 Israel created the TAHAL, Water Planning for Israel Ltd., a government corporation entrusted with developing national water resources, and designing and planning all national and regional water supply systems. Now 80 percent of all water is allocated to the agricultural sector. Over the past 20 years, TAHAL corporation has focused the skills of more than 700 technicians and engineers to solve three major problems: 1) transporting irrigation water from the north to the south of the country; 2) pumping up water which averages 82 meters below ground level; and 3) developing desalination projects. (Israel's fresh water resources can provide for less than 40 percent of today's arable land—190,000 hectares out of of a total of 440,000.)

Perhaps Israel's most significant achievement in this area has been the development of the drip irrigation system, which