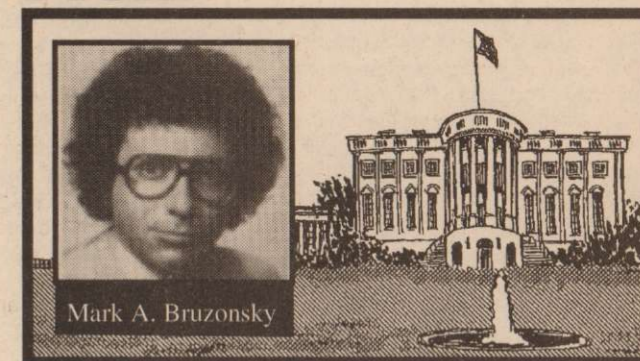




Many American diplomats now believe that Israel does not qualify anymore to receive unchecked US aid. **GEORGE W BALL**, pictured left, a former undersecretary of state and ambassador to the UN, gives reasons why Washington should stop helping Israel to ignore its economy and remain permanently dependent on the US. Here is a lengthy speech he delivered before the plenary session of 25th annual meeting of the Middle East Studies Association of North America in Washington about a month after the Madrid talks between Arabs and Israel.

## ZIONISTS USING THE US TO SERVE MARXISM IN ISRAEL

From



Mark A. Bruzonsky

### Washington

**T**WO events in recent months have had a major effect on world politics and particularly on the tangled politics of the Mid-east -- the fading of the Cold War and the incisive defeat of Iraq in the Coalition War.

The Cold War's termination has largely ended America's nightmare of a nuclear attack on its own territory, although there is still concern as to who will end up controlling the Soviet nuclear stockpile. It has also materially changed the dynamics of the Mid-east, forcing the world to look carefully at the local implications of its real and potential conflicts rather than regarding them as merely regional aspects of the larger superpower competition.

The Coalition War also has contributed to a changed Mid-east. It has greatly reduced Israel's legitimate security concerns by neutralising Iraq, its most formidable potential enemy in the area, just as the Camp David accords had earlier neutralised Egypt which was then Israel's major military threat. It has demonstrated how quickly and effectively America can project its military might many thousands of miles from its own borders. It has impressed the whole world with the extraordinary capabilities of America's highly sophisticated weaponry.

The Coalition War has also served to undercut Israel's claim to significant strategic value as a military defender of America's interests in the Mid-east. Finally, Scud missiles fired from Iraq many miles away have shown the fatuity of Israel's claim that its security depends on its keeping a buffer zone or achieving possible defence in depth by the absorption of the occupied territories.

Against the background of these events the president and the secretary of state have chosen what they

A large part of Israel's appalling economic failure can be attributed to the legacy of its Marxist founders. They shaped its laws and institutions on the premise that the state -- or organisations controlled by the workers -- should own the means of production. Thus, directly or through its agencies, the Israeli government today is the owner of over 93 percent of all the land in the country, while, taking account of the industries it also owns, the government employs over one-third of the Israeli workforce and produces approximately 20 percent of Israel's gross national product. Another 20 percent of the nation's GNP is produced by firms owned by the Histadrut, Israel's all encompassing labour union. These union holdings are also an anti-competitive force since not only does Histadrut have close ties with the government, but the strategic decisions of its firms are governed by union member demands rather than considerations of long-term profit or loss

*The Bush administration has repeatedly asserted that the peace efforts they are undertaking will succeed because all the parties earnestly want peace. But is that really true? Although various polls indicate that a high proportion of the Israeli public would welcome a peace and might even make some slight territorial assumptions to achieve it, that is decidedly not the opinion of the Shamir government. So long as the status quo is maintained, Shamir's faction looks forward to the chance to colonise the occupied areas with so many Israeli settlers that any territorial revisions will be politically impossible. The implied threat of Secretary Baker that this is the last chance for America to mediate effectively poses not the*

economic failure can be attributed to the legacy of Israel's Marxist and Fabian founders. They shaped its laws and institutions on the premise that the state -- or organisations controlled by the workers -- should own the means of production. Thus, directly or through its agencies, the Israeli government today is the owner of over 93 percent of all the land in the country, while, taking account of the industries it also owns, the government employs over one-third of the Israeli workforce and produces approximately 20 percent of Israel's gross national product. Another 20 percent of the nation's GNP is produced by firms owned by the Histadrut, Israel's all encompassing labour union. These union holdings are also an anti-competitive force since not only does Histadrut have close ties with the government, but the strategic decisions of its firms are governed by union member demands rather than considerations of long-term profit or

of labour market restrictions is especially urgent when so many immigrants need to be employed. For example, high premiums required for workers on second and third shifts impede employment in existing plants.

"Downsizing and streamlining the regulatory structure will permit drastic shrinkage of the government bureaucracy, the main source of complaint of foreign investors. An independent commission, with its own staff, should be set up to review the regulations and recommend the elimination of those that impede the operation of markets."

These contentions have been even more vigorously stated by experts in Israel as well as by pro-Israeli American visitors.

Professor Moshe Syrquin of Bar Eilan University has noted that the Israeli economy maintained a good record so long as US aid was minimal. "Then, as aid increased, output and productivity slowed and resources were shifted from invest-

ment to increase its share in the GNP from 59 percent in 1973 until during the period 1983 to 1991 it ran between 90 and 110 percent of GNP each year.

Amnon Gafny, who served as governor of the Israeli central bank from 1976 to 1981, suggests that Israel has suffered from what is commonly called the "Dutch Disease". He means by that that a temporary "gift of nature" like the Dutch natural gasfields, or Israel's external aid, may confer benefits for a limited period, but in the long run will impair a country's competitiveness by encouraging it to spend beyond its peoples' own means.

What this sad recital means, in effect, is not only that Israel has become a "remittance man" country, as America's representative at the Lausanne conference, Mark Ethridge, had predicted soon after Israel's founding in 1949, but that it has begun to act with the profligacy characteristic of those who live on a steady flow of unearned

engender? Until that is actually accomplished the US, as one Israeli economist has suggested, will continue to pour large proportions of our aid money down a bureaucratic "black hole". There is no way we can benefit Israel more than by coercing it to abandon a socialism which events have now shown to be a bankrupt concept.

As a first step towards recognising the new reality, Israel should abruptly halt the practice of treating its overblown military as sacrosanct. Israel's historical obsession with security leads it to maintain an excessively large and expensive military establishment calculated to meet a theoretical attack by the combined forces of all 21 Arab states, rather than merely a potential challenge from its neighbours. Thus, Israel's armed forces consume the highest percentage of the GNP of any modern country.

Meanwhile, increasing civilian consumption outstrips Israeli domestic production, leaving less and less savings available for investment in Israel's aging industrial base.

To free our country of domestic political pressures so that it can propose the necessary phase-down, the US must stop accepting dictation from pro-Israeli organisations such as, in particular, AIPAC. There are many proposals now before Congress to promote electoral

**Of the 69 times America has ever exercised its right of veto, 39 of its vetoes have been cast to avoid hurting Israel's feelings**

parties should negotiate to determine "the final status of the West Bank and Gaza".

Israel's government under Begin was less finicky than is the current Shamir regime. Nevertheless, the second phase of negotiations foreseen by the Camp David accords never took place. The reasons for this have been pointed out by, among others, William Quandt, now at the Brookings Institution, who was a member of the US team that led the negotiations at Camp David. He suggests that the negotiations might have succeeded in attracting Arab support had they included provision for the following: A permanent freeze on settlement activity; the entrusting to the self-governing authority of control over land and water resources; provisions for genuinely free elections,