

HOW ISRAEL CAN PROSPER

The new state has the means to develop economically. It needs a workers' regime and can be helped by trade with socialist lands

Fourth of a Series

By Victor Perlo

THE previous articles in this series were devoted to exposing the capture of Israel by foreign, principally United States capital. The final two articles will show that there is a way out of Israel's chronic crisis, a way to a prosperous, peaceful Israel.

One common rationalization for the draining of Israel's income by foreign capitalists—as explained in the first three articles in this series—is that in any case foreign investment is building Israel's economy, which someday the people of Israel can take for their own. Unfortunately, there is no foundation in fact for this belief. This does not mean that all foreign investments are in useless fields. On the contrary, a number of those financed by private funds and by Bonds for Israel are in fields that could contribute to the development of Israel's economy. But such foreign investments are not integrated into an overall economic program without which Israel can not achieve economic independence.

Most important, foreign capital does not provide balanced basic industry, which Israel lacks. The key industries required for economic development are the capital goods industries, principally steel and machinery. Without them, there can be no independent economy and a country must remain an economic colony. The history of the past half century shows that the big capitalists of the investing countries systematically seek to prevent the development of steel and machinery industries in their colonies and semi-colonies.

The United States financiers—Jewish American included—are no more interested in such development in Israel than in Latin America or other areas where they have been ruling the roost for many decades without appreciable development of basic industry. For instance, out of the first \$140,000,000 expenditures from Bonds for Israel allocated for spending through March 1953, less than \$1,500,000, or about one per cent, were allocated for metal and machinery industries—and that mainly for small handicraft establishments. In contrast, \$4,900,000, or over three times as much, was allocated for expansion of tourist facilities and hotels, which will serve mainly the United States capitalists and official "experts" running the show in Israel.

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Actually, foreign investments in Israel are concentrated in two fields, typical of colonial-type operations:

1. Extraction of minerals—including a large proportion diverted to an accelerated hunt for strategic minerals for the Pentagon war program.

2. Assembly operations, taking advantage of the low wages in Israel and its financial difficulties. The example of the Barton Candy Company was mentioned earlier in this series. Another example is the Kaiser-Frazer auto assembly plant, which does not make complete cars, but assembles parts from the United States for distribution in markets which do not have dollars with which to buy cars assembled in the United States. Not more than a third of the cars assembled remain in Israel. Israel has to pay Kaiser in dollars for the parts, and hopes to get back the equivalent or a little more in goods through Kaiser-Frazer barter deals with other countries.

In addition there are investments in consumer luxury products and realty deals such as the hotel projects mentioned above.

Some of the projects based on the use of local materials such as the projected fertilizer and chemical plant, pulp and paper mill and various construction material projects—are worthwhile. But they are not characteristic of United States investment. They remain outside of Israeli control and exclude serious enterprises in the key metal and machinery industries.

Israel Has the People

Is it possible for a small country like Israel to achieve real economic development? Unconditionally yes. But the principal requirement for this is not foreign capital, as claimed by apologists for American investors. The main requirements are the energy and skill of the people, access to natural resources, people's planned control of industry, foreign trade on an equal basis and coordinated development with neighboring countries.

This has been proved incontestably by the experience of the USSR, of China and of such former backward countries as Bulgaria and Rumania, which have built or are building modern industry and creating strong economies without the investments of foreign capitalists.

Let us test the situation in Israel against these requirements.

Israel is well supplied with people, who came filled with enthusiasm to build and are now thwarted through enforced idleness or unproductive labor. Indeed, the people of Israel have an advantage over the peoples of some other countries that have already developed much further. In Israel there are many skilled workers, many technicians, engineers, accountants. Tens of thousands were specially trained to prepare them for building their country. Moreover, there is plenty of manpower. In addition to the 22,000 registered unemployed, there are 200,000 immigrants not yet absorbed into the economy and tens of thousands of Arabs only casually employed.

There are frequent slanders against the people of Israel to the effect that they tend toward shopkeeping and white collar work rather than industry and agriculture. Such statements reflect more anti-Semitism than facts. "Inefficiency" of labor in Israel today has nothing to do with any "national characteristic." Speaking of the low productivity in the Kaiser-Frazer plant in Israel, *Business Week* reported (May 24): "Some officials lay part of the blame to the lack of food for plant workers. They point out that workers' output is greatest in the morning, then fades fast through the rest of the day. The plant managers suggested that K-F Willow Run provide extra food for the men to piece out their Israel rations. Willow Run replied with vitamin pills—last heard from, they were snarled in customs."

Obviously, this problem will not be cured by slick speed-up schemes—or vitamin pills—imported from the United States. Israeli workers will not suffer starvation to produce for the profits of foreign capitalists. But the workers will undoubtedly reveal their real potential when their labors go to build their own economy and are directed to raising their living standards instead of imposing ever-more "austerity."

Natural Resources Are There

Israel has reserves of potash, phosphates, copper, manganese, iron ore, peat, sulphur, limestone, probably oil and other basic minerals. Actually, Israel's full resources will not become known until the people of Israel take control of them and start to use them. Imperialists have a good nose for those raw materials they wish to extract for export—like oil in the Middle East. But their geologists are strangely myopic when it comes to the materials which the less developed countries need for their own development.

Thus American geologists repeatedly assured the Chinese people that China could never develop a basic industry because the country lacked iron. But people's China is today rapidly developing its basic industry. Already United Nations charts show that China has 1.8 billion tons of iron ore in "probable"—readily available—reserves, almost half as much as the United States.

Because of the imperialist desire to suppress national industry, we do not yet know enough about the resource

structure of Israel and hence cannot give a detailed blueprint of Israel industrial development. A United Nations report states: "The Middle East appears to have small known resources for the production of iron and steel. Relatively little exploration has, however, been undertaken for iron ores or coal in the Middle East area." (*World Iron Ore Resources and Their Utilization*, United Nations, New York, 1950.)

But even with the "relatively little exploration," enough is known to establish the basis for a steel industry in Israel, not to speak of the Middle East in general.

Steel could be produced in Israel with iron ore from the Negev or from Asswan in Egypt. Coking coal could be obtained by sea from Zonguldak in Turkey or from the Ukrainian Black Sea ports. Some such arrangement would be desirable if Israel were to construct a large scale steel mill to supply part of the needs of other Middle Eastern countries as well as Israel's needs. Alternatively, if smaller quantities of steel were planned, new processes could be used based on Middle Eastern oil instead of coking coal.

Does the Histadrut Control Industry?

What about control of industry? Earlier articles show that the real centers of control are abroad. But an illusion has been created that the Israeli workers have a large share in ownership of industry through the business activities of the Histadrut, the trade union center. Huge sums contributed by workers have been accumulated by the Histadrut in finance and industry—to the point where the Solel Boneh, one of the Histadrut holding companies, is known as the largest employer in Israel. *But actually, it employs nobody, controls nothing.* The shareholdings are always minority holdings or holdings of non-voting stock without a voice in management. Objectively, the Histadrut merely contributes funds for the private capitalists, Israeli and foreign, to use in the more efficient exploitation of the work-members of Histadrut in the industries involved.

David Hacoheh, member of Knesset, director general of Solel Boneh, assured a reporter of the *New York Daily Mirror* (April 18) that his organization did not and would not control anything, that it never wanted a controlling share but was content to remain a partner in private industry. As for some day taking control of the foreign investments, Hacoheh has no such idea: "'What,' he practically shouted. 'They say we want to nationalize industry? They're crazy. We don't think of nationalization. That's a weak argument by weak people who don't know my country.'"

In almost every semi-colonial country there are powerful movements to nationalize the foreign-owned enterprises which bleed these countries. But the majority of the leadership of the Israel trade union movement, whose Mapai Party rose to power with slogans of "Socialism," consider nationalization "crazy."

Like private Israeli capitalists who take minority shares in foreign controlled companies, the Histadrut leaders act as

fronts and sales agents for the foreign corporations. They are *compradores*.¹ While American capitalists give instructions to Israeli comprador capitalists and to the Israel government, American trade union bureaucrats transmit the orders to Israel's comprador trade union leaders.

Here is an example. George Meany, secretary-treasurer of the AFL, delivered a speech in Chicago on March 26, 1950, at a "dinner attended by a vast turnout of AFL friends and supporters of Israel and the Histadrut," reported the *American Federationist* of April 1950. "The AFL leader plainly stated," continued the paper, "that the Histadrut's continued membership in the so-called World Federation of Trade Unions is 'very strange.' . . . Mr. Meany called upon the Histadrut to put an end soon to the anomalous position in which it now finds itself. 'The Histadrut (must) carry out its unmistakable fraternal obligations. I am sure that the Histadrut understands this and that the Histadrut, which has never turned its back on duty before, will not turn its back now.'"

Did the leaders of the Histadrut protest this brazen interference in their internal affairs? They did not. They promptly withdrew from the World Federation of Trade Unions. Thereby they cut off Israel's workers from the overwhelming majority of the world's organized workers and in particular from the struggling trade union movements of nearby Middle Eastern countries, which have found a real home, real assistance within the World Federation of Trade Unions.

People's Control of the Economy

What is the real path to control of the economy by the people of the country for the people's welfare? The fundamental steps, based on the experience of other countries that have achieved liberation from foreign control, can be outlined:

1. Israel must expropriate the foreign-owned power and mineral industries and banks.
2. Capital for basic metal and machinery industries can be raised at home by a progressive tax program and by diverting sums now wasted on military expenses and payment of profits to foreign capitalists.
3. Key enterprises would have to be government-owned, with labor and farmers having the decisive voice in government.
4. The national capitalists—those who are not stalking horses for foreign capitalists—should be encouraged. They should be helped to get needed raw materials and protected against dumping of competitive imports.

Does this program mean that American and other foreign friends of Israel have to be cut off from helping Israel together with the elimination of foreign capitalists in key industries? By no means. With a general program such as that outlined above, foreign capital can play an auxiliary

¹ Funk and Wagnalls *Dictionary* defines "comprador" as: "A native agent and intermediary in a business house, consulate, or the like, in China." Actually, the term is used in all colonial and semi-colonial countries. Today it no longer applies in China.

role in the form of loans without control of Israel enterprise. Investments like Bonds for Israel, if used to aid Israel peoples'-owned basic industries purchase supplies abroad, would have an entirely different meaning than at present, when they are mainly supplying added capital for the foreign capitalists controlling Israel's economy.

Of course, big Jewish American financiers would not be likely to make a big hullabaloo for bonds for a *people's Israel*. But Jewish American small business men, professionals and skilled workers could buy such bonds with a clear conscience and a real sense of financial security, unlike the present situation when they are asked to buy bonds for a foreign capitalists' Israel.

Foreign Trade Needed

Even with the best of internal measures, a small country like Israel needs cooperation from abroad. The slogan of an independent economy must not be confused with the false slogan of autarchy, that is, total self-sufficiency. Israel needs extensive foreign trade. For example, even with a serious program of developing basic industry, Israel would have to import machinery of most types for a period and of many types after development of its own machinery industries.

The capitalists of the imperialist centers have a long-standing reluctance to export machinery to countries which they regard as preserves for investment of surplus capital and sources of cheap raw materials. They do not want to see new competitors arising. The history of all underdeveloped countries is one of painful scrambling to purchase second-hand, second-rate machinery and equipment at several times the regular price and waiting several years for that. Plenty of good machinery is exported—but for the use of the foreign corporations investing in such countries as Israel.

Today the semi-colonial countries can shake off the dead hand of foreign capital and get the goods needed from abroad for development. This is possible if Israel could buy in the world market at the best prices what it needed for its economic development. Whatever one's views may be, one must recognize that today there exist countries which make and offer for sale to all comers, without strings, machinery and other necessary commodities. Those countries are the socialist countries, the USSR and the people's democracies.

The Soviet Union has proved that it can assist the development of backward areas. This is graphically illustrated by the growth of modern industry in the Soviet republics of Central Asia, formerly colonies of the tsar just as down-trodden as the nearby Middle Eastern countries. Today these five Central Asian Soviet Republics, with 17 million people, produce three times as much electric power as Turkey, Iran, Pakistan, Egypt, Iraq, Syria and Afghanistan, with their combined population of 156 million.

Poland is building a new steel mill at Krakow with equipment supplied by the USSR. The 1.5 million metric tons

capacity of this steel mill will approximate the entire 1951 steel production of all Latin America after 50 years of United States domination and "economic aid" to that region. Similar genuine aid for economic development is advanced by the USSR to other people's democracies and to people's China. The trade of the socialist world aids development of countries with other political systems also. Today Czechoslovak farm equipment is sold in Argentina, Soviet typewriters in Belgium.

The same can apply to Israel. It was proved in 1948, when supplies from abroad, especially of arms, were a matter of life or death. In that year, little Czechoslovakia stood third in exports to Israel, supplying more than half as much goods as the United States. As is well known, the goods supplied by Czechoslovakia were the arms most needed by the Israeli independence fighters. Ironically, the United States government, then engaged in a major campaign of incitation against Czechoslovakia following its governmental reorganization in February 1948, was putting people in jail for shipment of arms to Israel.

As the Israel government came increasingly under United States domination, it acceded more and more to the Washington-imposed embargo policy. Israel imports from the USSR and the people's democracies dropped steadily, from 15 per cent of total imports in 1948 to 10 per cent in 1949, 6 per cent in 1950, and 4 per cent in 1951.

Beneficial Trade with Socialist World

The Israel government not only limits trade with the socialist countries, but conducts it so as to benefit American capitalists more than the Israeli people. Here is one recent example. Citrus fruit has been Israel's leading export product. As a result of war damage and the government's agricultural policies, citrus acreage is one-half of pre-war. But there is great difficulty in marketing the remainder. In September the USSR placed an order for 400,000 cases of oranges, which exceeds 10 per cent of Israel's entire citrus exports in the last fiscal year. This order the Ben Gurion government could not turn down. Even the State Department could not call oranges "war materials" and get away with it.

But the Soviet government offered to pay for the oranges with wheat, which Israel needs desperately to feed the people. This offer Israel turned down and insisted instead on receiving foreign currency to which the USSR agreed. The hungry people of Israel will not benefit but the foreign investors will have currency to take out their profits. With this cut-off-your-nose-to-spite-your-face attitude, the Israel government will not permit the full development of trade with socialist countries.

But with a give-and-take, friendly attitude, such trade could be developed enormously. At the International Economic Conference held in Moscow last April the Soviet spokesman, Mr. Nesterov, stressed his country's desire to expand trade with Asia and the Middle East. Given normal conditions of trade, he said, the USSR "might, in particu-

lar, in the next two or three years supply machinery and equipment to an amount of 3,000 million rubles [\$750,000,000] to Southeast Asia and the Near and Middle East."

He specified all the typical export products of these countries, for which the Soviet Union offered to supply industrial goods and equipment: "particularly for the metallurgical, fuel and chemical industries and also for the light and food industries. This would make it possible for these countries to process their raw materials."

He also offered technical assistance and equipment for agriculture. He proposed trade for barter or to accept the currency of the buying country and spend that money there: "Considering that many countries are experiencing foreign exchange difficulties, barter transactions and payment in local currencies should contribute in no small measure to the expansion of trade."

This general program is made to order for Israel.

An example of how it could work is provided by the operations of the Hungarian textile industry. The USSR sells cotton. Hungary processes the cotton and pays for it with a portion of the finished fabrics. The rest is available for the Hungarian people. The Hungarian textile factories are owned by Hungary, controlled by the Hungarian people. There are no foreign profits to pay. There is no "balance of payments" problem. There is no problem of marketing the surplus production. And the Hungarian people are supplied with clothing.

Similar arrangements could make possible a really rapid development of Israel's industry, involving productive employment for the hundreds of thousands of immigrants, and a sharp rise in the living standards of the people.

Thus, in this article we have seen how Israel has, or can get, four of the five main requirements for genuine economic development—the people, natural resources, control of industry and foreign trade. The fifth requirement, cooperation with neighboring countries, will be discussed in the next and final article. We shall also take up the problem of development of Israel's agriculture and the economic significance of shifting from a foreign policy of war preparations to one of peace.

(To be concluded)

"Swallowing" World Jewry

SUPPORT of the position of the conservative British Jewish leader, Dr. Selig Brodestky, that "a few U.S.A. organizations" are trying to "swallow" all world Jewry (see November issue, p. 22), is made by the British Zionist leader, Israel Cohen, in the *London Jewish Chronicle* (October 10). After complaining that four predominantly American Jewish organizations are monopolizing the proposed "reparations" negotiations with Austria, Mr. Cohen states: "In view of the fact that British Jewry includes upward of 15,000 former Austrian Jews, . . . this activity on the part of the four organizations will increase the apprehensions already expressed by Professor Dr. Brodestky and others about the assimilatory ambitions of these bodies."