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## **"USOM's Aim: Israel's Economic Independence", a Newspaper Clipping from the Jerusalem Post**

Published in the Jerusalem Post, this newspaper clipping contains an article titled, "USOM's Aim: Israel's Economic Independence", which states that the motive behind the United States economic aid to Israel is to create an economically independent state of Israel and guarantee meeting the majority of peace provisions.

**BASICALLY**, the purpose of the United States Foreign Economic Aid programme in Israel as elsewhere, is to help reinforce the independence and sovereignty of free nations in order to assure maximum conditions of peace and tranquillity in the world, and thereby to safeguard the independence and security of the United States itself.

In the above respect, the United States programme in Israel is not essentially different from similar ones in other countries. This is a co-operative aid programme in its broad concepts and objectives, designed to complement and facilitate the economic development of the host government. The U.S. economic assistance programme, therefore, has no specific aims or objectives apart from those of the host government.

#### U.S. Aim

The aim of United States economic aid is to promote economic independence. Since independence is indivisible, it is axiomatic that a country temporarily receiving U.S. economic aid must anticipate within a reasonable time achieving its economic independence from the U.S. as well. In short, economic aid programmes, to be successful, must be so conducted as to render such aid no longer necessary within a reasonable period of time.

Discussion of the USOM programme in Israel demands mention of the serious economic problem posed by the absorption of large numbers of immigrants. The extent to which these additional people can be integrated into the economy will bear important upon Israel's ultimate ability to achieve economic independence.

In the first years following the establishment of the State in 1948, emphasis has been placed upon food and full development of the agricultural resources. This has been a remarkable achievement today the countryside is a living picture to the vision, the



Mr. John J. Heggerty being sworn in as Director of the United States Operations Mission to Israel by Edward B. McMenamin, ICA Director of Personnel.

science and the effort which have made the desert bloom. A high degree of agricultural self-sufficiency has been achieved, assuring an abundant diet to the people and a most notable reduction in demand for foreign exchange for the import of food and agricultural raw materials.

Considering the limited availabilities of land and water, however, a point has already been reached in agricultural development, at which it is possible to foresee the ultimate limits in this direction. It is apparent to all that the maintenance of an adequate standard of living and the achievement of economic viability in Israel can be attained and assured only by diversification of the economy, with increasing emphasis upon industrial production and the export of industrial products.

For these reasons, emphasis

in the American Economic Aid Programme in Israel, with the full concurrence of the Israel Government and business community, is being increasingly shifted to projects and programmes in the industrial field. These include cooperation with the Hebrew University's Kaplan School of Economics in establishing courses in business administration, with the Technion at Haifa for advanced training in business management, with the Israel Productivity Centre and the business community in conducting seminars on specific case studies and problems in business organization and administration.

Representatives of Israel business firms are enabled to make study trips to the U.S. for first-hand observation of modern methods in labour relations, cost accounting, product design, and other phases of business management.

American technicians in export marketing, industrial management, mining engineering, and many other fields are being brought to Israel as consultants to work with their Israeli counterparts in an effort to solve these problems on the ground.

A continuing objective of every American technician, as well as of the programme itself, is that each man shall "work himself out of a job" as soon as possible through transferring his knowledge and ideas to Israel technicians or experts.

#### Sources of Finance

Without question, the most troublesome problems lie in the field of finance. Up to the present time and for the foreseeable future, Israel is a "kept economy." Major sources of foreign exchange include: German Reparations in the order of \$80-\$90m. a year, which at the present rate of flow will cease by 1962; sales of Israel bonds, the net income from which is already diminishing because of the necessity for payments of interest and principal on earlier bond sales; free contributions from World Jewry, which in all probability cannot be expected to increase, but on the contrary will most likely diminish, especially if there should be any slackening of economic expansion and prosperity in the source countries and especially in the U.S.; U.S. Government financial and technical assistance; and finally the earnings from Israel exports, tourism, shipping, etc.

Thus, under present conditions, an Israel annual economic deficit to the extent of perhaps \$250m. a year or approximately 50 per cent of the Foreign Exchange budget, is being met from sources which are either definitely scheduled for early termination, as in the case of German Reparations, or of a nature which cannot be relied upon for an indefinite future period. At best, it appears that new, continuing sources of earnings in the range of \$150m. to \$200m. a year must be generated if Israel is to achieve its full economic independence.

It is to this prospective financial gap that the efforts of the Israel Government and the American Economic Aid Mission are being directed, most notably in the industrial field. Every million dollars that may be gained in new industrial production and exports represents another million removed from the deficit, and a step nearer to economic independence.

#### Beyond Borders

In a broader sense, the economic and political destiny of Israel depends upon factors beyond its borders. An agreed solution to the problems of the Palestinian refugees; an agreed programme for the development and use of the Jordan waters; the relaxation of tensions in the Middle East to permit a reduction in defence expenditures; mutually advantageous economic relations with the nations and the peoples in the hinterland — these are all objectives which must be undertaken and ultimately achieved if Israel's place as a member in the peaceful family of nations is to be permanently secured.

These are obviously concepts outside the direct concern of the U.S. Economic Mission in Israel, yet they determine the economic and political climate in which we work and, in the final analysis, they set the limits on the possibility of success.

**USOM's Aim: Israel's Economic Independence**  
By John J. Heggerty, Director, U.S. Operations Mission

