'TAKE-OVER BID' FOR ISRAEL

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WE are in a period when everywhere in the capitalist world there is talk, at least, about assisting the economic development of the backward and under-developed countries. Opportunities open up for all kind of investors, and one may forgive a smile, if in some cases, a virtue is made out of—not the classical 'necessity'—but the advantages expected to follow investment.

These thoughts come to mind as one reads about the establishment of the Anglo-Israel Securities Ltd. Throughout last year, leading figures in the London financial world were investigating the possibilities of investing their capital in Israel. Assurances were sought that investments and profits would be safe-guarded, and that there would be no repetition of the situation when:

> A number of people, to put it mildly, have burned their fingers, through lack of objective information on the state of Israeli companies. (*Jewish Observer and Middle East Review,* July 17, 1959.)

The new company is sponsored by four of the best known merchant bank houses in the City of London (Samuel Montagu, N. M. Rothschild, M. Samuel, and S. G. Warburg.) Among the signatories to the prospectus are Sir Henry D'Avigdor Goldsmid, Tory M.P.; Edmund de Rothschild; Harold Lever, Labour M.P.; Peter Samuel; Charles Seligman; and Lord Swaythling.

The Jewish Observer and Middle East Review, the organ of the British Zionist Federation, writes in alluring terms:

> For the first time, the most representative and respected City names are in effect underwriting sterling area investments in Israel. It is considered by them sufficiently safe and attractive to make them recommend Israeli stocks to the British investor as good business.

And for the Jewish investor:

> This marks the first stage of the transition from donation to genuine investment. Israel is now considered a good risk. It is no longer something which the investor has to treat as a donation for which he will see no return. (November 27, 1959.)

Presumably, workers in Britain, Jews and non-Jews alike are expected to take pride in the fact that, according to Harold Lever, M.P., writing in the same journal:

> Israel now takes her place for the first time as one of the areas for normal investment from this country by the general public.

Israel has:

> Ample cadres of talent and skill which are only partially exploited at present, because of inadequate capital.

But the 'ample cadres' have their spirit broken by long years of unemployment. In a book* just published, Dr. F. Zweig points out that Israel has very large unemployment, both open and disguised, which amounts to more than one-fourth of the total manpower. For these unemployed there is no unemployment pay. Consequently, Dr. Zweig's guess is: 'that about one-third of Israel's population . . . leads an existence below the poverty line'.

> As to the rejection of the institution of unemployment insurance, the motives behind it are based on the fact that there is no lack of work in Israel, in the Negev, or the Galilee, or in border settlements. Anyone able and willing to work need not suffer starvation, and can count on full support and all possible help from the respective authorities in Israel. The layer of *Lumpenproletariat,* of the parasitic sector of the population, and generally speaking, of the unproductive classes in Israel, is large enough, and the tendency to sit under a palm tree and to watch the clear blue skies seems to be quite real, so that any encouragement of this tendency by unemployment benefits may be dangerous to Israel's future. (p. 99-100)

In this comment there is no intention to ignore, discount or minimise the extent of the charitable assistance which some of the promoters of this Company have given to Israel since it was established as a State—nor dismiss the uses some of the schemes envisaged in the prospectus of the new Company will have for the ultimate economic development of Israel. But one may be forgiven if one uses the opportunity to point out that it will be Jewish 'sweat and toil' which will be creating 'satisfactory' profits for Jewish capitalists who have waited for the opportune time to invest their capital in Israel—sure of safe and big returns. The dreams of Theodor Herzl, founder of the modern Zionist Movement, are certainly coming true for Jewish investors. Outlining the perspective for the rich Jews in the prospective Jewish State, he wrote:

> Rich Jews who are now obliged carefully to secrete their valuables, and to hold their dreary banquets behind lowered curtains, will be able to enjoy their possessions in peace 'over there'. If they co-operate in carrying out this emigration scheme, the capital will be rehabilitated there, and will have served to promote an unexampled undertaking. If rich Jews begin to rebuild in the new settlement their mansions which are stared at in Europe with such envious eyes, it will soon become fashionable to live over there in beautiful modern houses. (*The Jewish State,* p. 41.)

Some months ago, the Israel Parliament passed a law for a new series of concessions to foreign investors. Tax exemptions are the main features of this law. Any foreign enterprise, approved by the Israeli Investment Centre, would be exempt from the *company income tax* for a period of five years from the first year of taxable

*The Israeli Worker by Dr. Ferdynand Zweig. Herzl Press and Sharon Books. New York, 1959. pp. 305. Index. Price $5.

income. Foreign investors will not pay tax on dividends beyond those taxes which are paid by the Company. An accelerated rate of depreciation is granted to approved enterprises, as well as exemptions from urban and rural taxes for periods of from five to ten years; and unrestricted right to transfer all Israel-earned profits out of Israel into foreign currency. Foreign investors are also exempted from property taxes, custom duties and purchase tax.

Foreign investors hitherto could export only 10 per cent of their profits: this will now be raised to the full 100 per cent. In the four years to 1958, under the old per cent law, they extracted $55 million —more than a third of the amount invested during that period.

Foreign financial circles are growing more confident that the employers can enormously reduce the preponderant influence of Histradut—the single trade union centre in Israel, owner of many enterprises operating in large parts of the Israeli economy, which enjoys a dominating position in contracting transport and heavy industry and is responsible for about a third of all Israel's economic activity. Strains and stresses in this sphere, already visible, strengthen the confidence of the capitalist class. When allowance is made for State and municipal undertakings and projects operated by communal institutions, the private sector is left in control of only little over a quarter of the Israeli economy. These 'take-over' efforts will mean increased exploitation for the working people of Israel, who will hardly feel happier at the thought that they are providing huge profits to, albeit Jewish, capitalist owners.

Highly organised as they are in the Right-Wing Histradut, the Israeli working class is constantly fighting back in defence of its rights. But the employers are nibbling away at these rights and are hopefully looking forward to the weakening of the trade unions:

> The position of the unions has never been quite the same since one of the country's largest manufacturers gained an unsung victory for all employers when he sat out in 1957 a four-months strike to stop excessive wage claims and secure his right to redundancy dismissals.
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> (*The Financial Times,* November 6, 1959.)

Employers believe that with a weakened trade union movement they can achieve their aim of reducing the standard of living of the Israeli working people, which as elsewhere is supposed to be the stumbling block to lower export prices.

But we are confident that the last word has not yet been spoken: the working people, under the leadership of their class conscious and militant sections, will succeed in maintaining their present standards and go on improving them.