The FTA is intended to maintain the rigorous economic reforms brought about under the guardianship of Reagan who said, «I am confident that as this agreement is implemented,the US—Israel FTA will prove to be one of the cornerstones of Israel's future economic development program.»

An alternative to dollarizing the Israeli economy was to base the shekel on the currencies of the five imperialist industrial giants:the US, Japan,France,the UK and West Germany. This step was taken after the dollar-linked shekel lost ground against European currencies, making imports from Europe more expensive for 'Israel'. It will create greater stability in the Zionist state's foreign trade and prevent extreme fluctuations from occurring as a result of changes in the exchange rates of foreign currencies.

FTA: OVER AND BEYOND

The US had previously enacted more limited free-trade arrangements such as the one-way, duty-free trade established by the Caribbean Basin Economic Recovery Act (CBI) and the sectoral free trade agreement with Canada in the automotive sector. The FTA, however, goes even beyond the existing US—Israeli Treaty of Friendship, Commerce and Navigation, by stipulating that no requirements to export or purchase domestic goods or services be made a condition for investment or for receiving investment incentives. A former high trade official, Herald Malmgren, noted the exceptional nature of the FTA: Ever since 1947, the US has adhered to a multilateral, most-favored nation (MFN) policy, whereby trade concessions made to one nation are automatically applied to all MFN members. The bilateral FTA with 'Israel' violates this long-standing policy by offering 'Israel' privileges not extended to any other nation.

On the other hand, ever since the mid-seventies, about 90% of Israeli exports have been duty-free, enjoying tariff exemption under the Generalized System of Preferences (GSP). Under this 140-nation United Nations agreement, the US and other industrial countries eliminate duties on products from developing countries. The GSP was, however, scheduled to expire at the end of 1984, leaving Israeli exports exposed to an uncertain future. The FTA would have protected them had the GSP not been renewed. More importantly, the GSP imposes constraints. If the export of a product to the US exceeds $57 million or 50% of the US import of that product from all sources, the tariff exemption may be revoked. This constraint is bypassed in the FTA.

Finally the FTA is different because it covers a full range of services as well as goods. Both parties are to open their markets to the other's service industries, providing the same treatment as is extended to domestic companies, and making information on laws and regulations readily accessible. Until the conclusion of the FTA, only large Israeli companies had the strength and manpower to maintain warehouses and service facilities in the US, in addition to sales offices.

Passage of the FTA overrode every other consideration, sailing through the US Congress despite the growing protectionist trend there. Still, the clamor of objections and fears from major US industries and labor unions could not simply be waved away. The most prominent opponents of the FTA came from the American Textile Manufacturers Institute, the Leather Products Coalition, Manufacturing Jewelers and Silversmiths of America, and the California-Arizona Citrus League, among others. In California, 28 agricultural representatives submitted a petition demanding that farm products be protected from Israeli «dumping». Opposition was temporarily appeased by categorizing Israeli export products which would threaten US suppliers and compete price- and quality-wise, as super-sensitive. This meant they would be subject to a more drawn-out process of tariff reduction, to begin in 1990.

Due to its own priorities, the Reagan Administration promoted the FTA with a vengeance, depite the fact that it endangers domestic jobs and even some capitalist concerns. After all, anti-labor policies are a hallmark of this administration which consistently champions the most powerful sectors of monopoly capitalism, especially the military-industrial complex. In this policy framework, the US's strategic alliance with the Zionist state is vastly more important than jobs or consumer industries. This is especially true today when the FTA's economic arrangements are to be combined with the technological and military advances to be made with the SDI. The expected result is an enormous boosting of the US's overall economic and military prowess.

The recategorizing of some Israeli products as supersensitive did not entail any real disadvantages for the Zionist state. These products comprise only 6% of the total Israeli exports to the US; 2/3 of that is gold necklaces and the rest mainly citrus and tomato products. On the other hand, the bulk of Israeli agricultural exports (95%) have been going to the European Economic Community, but this export market is now being threatened by two new competitive agricultural exporters entering the EEC - Spain and Portugal. Jeopardized Israeli agricultural products will find an outlet in the US market, and by the time, tariffs will have been completely phased out.

For purposes of duty elimination, the products of both countries are divided into four areas of sensitivity:

(1) products on which duties will be eliminated immediately upon the FTA agreement coming into force;

(2) products on which duties will be eliminated in several stages by January 1, 1989;

(3) products on which duties will be eliminated in eight stages over a ten-year period;

(4) products on which duties will not be reduced for a five-year period, after which advice will be sought from the US International Trade Commission, and elimination of tariffs enacted based on this advice.

THE EUROPEAN CONNECTION

It would be interesting to shed further light on this division. Under the first category are included transportation equipment, electric machinery and all non-metallic minerals, except fuels, among other related products. What is significant about these products is that they include the types of goods which the US and EEC countries compete to sell on the $8 billion Israeli market. This category accounts for 1/4 of Israeli imports from the US. Israeli tariffs on US goods were scaled down to the European level as soon as the FTA came into force. In 1987, they will be pared down in parallel with European products by 60%, to be nullified by 1989 (the same date that the tariff phasing-out process of the free trade agreement between the EEC and 'Israel' will be completed). US companies already export $2 billion in non-military goods to 'Israel' each year,