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A PLAN FOR THE CREATION
OF THE MIDDLE EAST ECONOMIC
DEVELOPMENT CORPORATION
(MEED)



Not for Publication

By: Elmer L. Winter
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January 22, 1988

Not for Publication

Dear Friend:

The serious turmoil that is taking place on the West Bank, Gaza Strip and in East Jerusalem calls for some new and constructive ideas that will assist in bringing about a peaceful resolution of the issues.

I am proposing that there be created a corporation to be known as the "Middle East Economic Development Corporation (MEED)," which will have as its goal, improving the quality of life on the West Bank and on the Gaza Strip.

The thrust of this plan is to provide much needed jobs and entrepreneurial opportunities to the residents of the West Bank and the Gaza Strip through joint ventures between Israeli, Arab and American companies.

There are those who argue that no proposals should be made until all rioting ceases. That may be the appropriate course of action provided that the turmoil is of very short duration. If, on the other hand, it appears that the present status of rioting, strikes, etc., will continue long term, it may be appropriate now to introduce the idea of the creation of a Middle East Economic Development Corporation.

Abba Eban expressed his philosophy (New York Times, January 21, 1988):

"You must give an alternative to violence."

The plan that I am suggesting may well provide at least a partial alternative.

The major thrust of this plan relates to economic development on the Gaza Strip where the need seems to be the greatest.

Some suggest that the Israelis pull out of the Gaza Strip. However, there are serious problems if this type of action were to be taken.

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Yosef Goell, in his thoughtful editorial, "No Easy Way Out of Gaza," (Jerusalem Post, December 26, 1987) answers those who suggest that Israel pull out of the Gaza by stating:

"THE ANSWER is clearly that of security. Even those among us with a shorter historical memory should remember that when the Gaza Strip was controlled by the Egyptians, it was a major source of murderous infiltration into Israel, and the presence of the Egyptian army there constituted a major threat to Israel's coastal heartland. The Strip is only 60 km. from Tel Aviv and, of course, much closer to the populous cities and towns of the southern coastal strip and the northern Negev."

"Much more worrisome is the certainty that as soon as the Israel army leaves the Strip, it will become a major target for the smuggling of arms for use in terrorist warfare against Israel. The Palestinians in the territories have had no access to arms and explosives for a long time due to the extraordinary effectiveness of the army and the Shabak in preventing them from smuggling in arms from across the border."

"It pays to contemplate how easy it would be to smuggle in katyusha-launchers and rockets from Egyptian Sinai or from the sea in the absence of the Israel Army in Gaza, with most of Israel's heavily-populated south in easy range of such deadly rockets."

We must assume that the Government of Israel will not walk out of the Gaza Strip and leave Israel's security problems unanswered.

The reports that I read indicate that there is substantial unemployment on the West Bank and in the Gaza Strip. This is due partially to the fact that there are a very small number of factories offering jobs in the area and that a large number of people living in the area have returned as a result of losing their jobs in other Arab countries. The problem of heavy unemployment of the youth on the West Bank and Gaza must be addressed.

It is my belief that if people have jobs, they will not throw rocks and Molotov cocktails.

There may be some who object to the creation of a Middle East Economic Development Corporation on the grounds that those who live on the West Bank and in the Gaza Strip will not accept this program.

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If that were to be the case, at least Israel will have regained a good part of its lost image as a result of having announced a plan of this type.

There are those who argue the Israelis do not recognize that the residents of the West Bank and Gaza are "people and have the same economic desires as others." By announcing a plan of this type, Israel is saying to the world, "We recognize that people living on the West Bank and in the Gaza Strip have the same needs and wishes for a better life as do we. We are determined to assist in bringing about an improved status for the people in both areas."

The plan that I am proposing will have various phases which I will outline on the following pages. The Middle East Economic Development Corporation (MEED) will be a private corporation. It will serve as a catalyst in bringing about the following:

- 1] Attracting companies to set up factories in the Gaza Strip and on the West Bank;
- 2] Implementing the Middle East Development Plan proposed by Shimon Peres; and
- 3] Implementing the programs suggested by:
 - A] Professor Haim Ben-Shahar, Seev Hirsch, Gideon Fishelson, Meir Merhav - from Tel Aviv University. This research was sponsored by Armand Hammer.

The Middle East Economic Development Corporation (MEED) will have as a guiding principle -- joint programs between Israelis and Arabs living on the West Bank and Gaza. There will be participation by the U.S. The program that is adopted will have the active participation of Arab, Israeli and American business. Initial funding will be required to finance some research for Phase I to determine how best to interest companies to open manufacturing facilities in Gaza and on the West Bank.

This research can be conducted by Haim Ben-Shahar and the staff at Tel Aviv University because of their familiarity with the subject -- or by an outside consultant.

In developing Phase I, we should keep in mind that Israel possesses a hidden asset that could be made available to factories being operated on the West Bank and in Gaza. I refer to the fact that Israel has a Free Trade Agreement with the U.S. and is a member of the EEC.

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For trade purposes -- products can be subcontracted to factories operated in the Gaza Strip and on the West Bank -- then returned to Israel for additional processing. These products could then be sold to American and European buyers duty-free.

I propose that two industrial parks be established in a certain section of the West Bank and Gaza which would be a secure area and would provide facilities for the manufacture of products through joint ventures between Israeli, American, West Bank and Gaza owners. This would be in the nature of a free port similar to what has been created in Eilat. Every reasonable incentive would be offered to companies operating in these two industrial parks. Appropriate risk insurance against appropriation, sabotage, etc., would be provided by OPIC and other insurance companies.

Tax holidays would be granted to those who operate in the two industrial parks. The type of incentives that are provided by Puerto Rico under their Fomento Plan would be made available to those who operate in the industrial parks.

Apparel manufacturing companies might be established in the two industrial parks. Possibly Egypt could be involved in this process by selling fabrics made in Egypt to the manufacturers working in the two industrial areas.

Factories to manufacture cement blocks to be used for housing could be established in the two areas -- if they do not exist at this time.

Pre-fabricated housing will be manufactured in the two industrial parks to provide better housing facilities, particularly for those who could be moved out of the camps into better housing units.

Some of the government-owned companies in Israel, such as Koor, could subcontract some of the products that they manufacture through their network of companies. These products could be sold in the U.S. on a duty-free basis under the FTA agreement through Solcoor, New York.

There would be a variation in labor rates between what employees are paid in factories in Israel and on the West Bank and Gaza. Generally, labor rates are lower on the West Bank/Gaza. The fringe benefit costs may also be lower on the West Bank and Gaza, as compared to Israel. These lower rates may well assist Israel to become more competitive in foreign markets.

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Training programs would be set up in the two industrial parks and training incentives offered to the manufacturers who opened facilities in these areas. Possibly ORT could set up training facilities in the two industrial parks, since they have the skills and expertise in developing training programs of this type.

Residents of the Gaza Strip and the West Bank would be employed in building factories in the two industrial parks. Low rents would be offered as a further incentive to attract foreign companies to open factories in the two industrial parks.

There are a number of sophisticated food processing plants operating in Israel. A program would be designed to operate food processing plants in Gaza and on the West Bank for export purposes. There are a number of engineering graduates who live in Gaza and on the West Bank. The Chief Scientist of Israel could set up joint R&D programs in the two industrial parks.

The major Israeli universities could provide additional outreach programs to the residents of the West Bank and Gaza. I believe there are some medical facilities that are made available to the residents of the two areas. Hadassah Hospital and other Israeli hospitals could provide additional hospital facilities in the two areas -- if needed.

As the consultants study the opportunities for joint business ventures in the area -- I am confident that new ideas will be suggested for the expansion of employment in the two industrial parks.

The Shimon Peres Economic Development Program

I have had correspondence with Shimon Peres relative to economic development in the area as part of the peace making process.

On the following page is a photocopy of a letter I received from Shimon Peres dated July 13, 1987. He has advised me:

VICE PREMIER
AND MINISTER OF FOREIGN AFFAIRS

ממלא מקום ראש הממשלה
וישראל החוץ

Jerusalem, July 13, 1987

Mr. Elmer L. Winter
Chairman
Committee for Economic Growth of Israel
5301 North Ironwood Road
P.O. Box 2053
Milwaukee, WI 53201
U.S.A.

Dear Elmer,

Thank you very much for your letter of June 23, and for the enclosed press release on the economic aspects of the peace process.

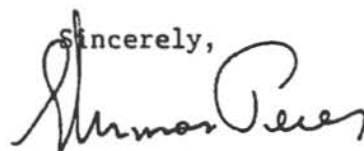
Indeed, I strongly believe that the economic reasons for the peace process are no less important than the political necessity, for the good of all parties concerned. Your presentation of the economic benefits of a future peace treaty is excellent, taking on ever greater significance as the economic difficulties of the countries of the region become more apparent.

The demographic data indicate that, without immediate economic development, Israel is liable to find itself in the midst of a sea of poverty, fundamentalism and instability.

With the growing recognition of this reality in the Western states, it is our hope that the economic development program for the Middle East, which I have proposed, will gain momentum and help to derive the maximum economic benefit from the establishment of peace in the region.

With best wishes,

Sincerely,



Shimon Peres

On June 10, 1986, Shimon Peres prepared a draft proposal entitled, "Middle East Economic Development Program." This plan is extensive in nature. Its focus is as follows:

1] General

- a. The Industrialized Countries will establish a system for Middle East economic development.
- b. Participation in the system will be open to the entire region, including the West Bank and Gaza Strip.
- c. The system will be established on the basis of consultations between the Industrialized Countries and regional participants.
- d. The system will be based on a ten-year program (1987-1997).

2] Objectives

- a. Economic growth, welfare and prosperity of regional participants and the region as a whole.
- b. Stabilization of the economy in areas in distress.
- c. Easing the debt burden and enhancing foreign currency earning capacity of the regional participants.

3] Spheres of Economic Development

The system will support individual as well as joint projects of local as well as regional nature, as proposed by members in the following areas:

- a. Industry: Advanced infrastructure and projects.
- b. Agriculture: Advanced infrastructure and projects.
- c. Marketing: Advanced service and distribution systems.
- d. Water projects.
- e. Energy plants.
- f. Transportation systems.
- g. Tourism.
- h. Free trade zones.

The plan calls for a commitment of funds and sources. The MEDF will be based on a commitment of \$U.S. 25-30 billion over a 10-year period (\$U.S. 2.5-3 billion per annum). This sum can be mobilized as follows:

- a. Approximately 50% of the total amount will be contributed by the Industrial Countries in the form of a special reserve for risk insurance and provision for bad debts, debt recycling, and grants and loans at a moderate rate.
- b. The remaining 50% will be mobilized primarily from private financial resources in the following manner.
 - (1) Bond issues by the Fund to be sold on the international money markets, guaranteed by the Industrialized Countries in the initial stages.
 - (2) Syndicated loans from commercial banks.
 - (3) Co-financing with other international or regional organizations.

The resources would be used as follows:

- 1] To finance economically feasible projects and programs in countries of the area. Due attention should be given to projects beneficial to more than one country.
- 2] To undertake or participate in the study and preparation of public and private projects.
- 3] To promote investment in development projects in the countries of the area.
- 4] To mobilize public and private capital resources for the financing of development programs.
- 5] To provide or help mobilize technical assistance necessary in the implementation of projects or programs.
- 6] To provide insurance to private foreign investors engaged in such projects, against risks such as expropriation, inconvertibility of currencies, war and civil insurrection.

I do not have information as to how far along this program has advanced. I will get information on this from Nimrod Novik, Policy Advisor to Shimon Peres.

The Armand Hammer Fund for Economic
Cooperation in the Middle East

The objective of this fund is to foster economic cooperation between Israel and her neighbors. Mutual economic relations can offer effective leverage in the political negotiations toward peace and -- once it is attained -- they can contribute to stabilizing it so that the countries concerned may become partners in prosperity. To this end the fund seeks to identify areas of mutual economic interest and recommend specific joint economic projects.

Established in 1980, the fund engages in studies of the potential, in conditions of peace, for trade, investment, joint and cooperative infrastructural projects and other forms of economic cooperation, between Israel, Egypt and other countries of the Middle East. The research project focused on two distinct, though related, issues: the identification and characteristics of cooperative projects which have a common denominator of economic and political good sense, and the preparation of pre-feasibility studies of specific joint business and economic projects which have a potentially high benefit for both parties.

The studies undertaken by the fund have the following main characteristics:

- * They take a long-range view and assume an environment in which some of the current political constraints on economic cooperation in the Middle East are removed. This view led to the inclusion of studies dealing with potential economic cooperation not only between Israel and Egypt, but also with Jordan, Lebanon, and the West Bank and Gaza.
- * They emphasize interdependence and economic cooperation by focusing on projects which depend on inputs from Israel and an Arab partner so as to enhance the international competitiveness of both without creating a one-sided current or strategic dependence, and yet make both parties stand to lose from a discontinuation of cooperation.
- * They take into account the international as well as inter-country distribution of costs and benefits of the proposed cooperative projects.
- * They focus on programs and ventures which are likely to enhance a vested interest in peace by conforming to the national priorities of all parties, yielding net benefits for each country.

- * They seek, wherever possible, to identify opportunities for third-party involvement that may increase the economic attractiveness of specific ventures by providing missing or scarce inputs and reducing the risk as perceived by Arab and Israeli parties.

The long-range view adopted in the studies makes it possible to point out and quantify the economic benefits which peace in the Middle East could yield, over and above the tremendous gains from the cessation of war as such -- the lives spared, the destruction prevented, and the savings obtained from a reduction of the crushing defense burden. Economic ties can thus be used to enhance the two-stage evolution of peace -- first, by helping to secure its achievement, and later, by protecting its durability.

Economic cooperation clearly generates such economic benefits, but it cannot be accomplished passively. The parties directly concerned, but also other countries -- in particular the United States, which has contributed valuable time, effort and material resources to the Middle East peace process -- must pursue economic cooperation actively. The suggestions developed by the fund's research projects may prove useful for making future efforts along these lines effective and long-lasting.

Some specific projects relate to:

- a] Supply of water to the West Bank and Gaza from external sources
- b] Cooperation in the use of energy
- c] Regional cooperation in development of the transportation infrastructure of the Middle East
- d] The development of a Gaza deep water seaport
- e] Industrial cooperation
- f] Trade relations
- g] Tourism

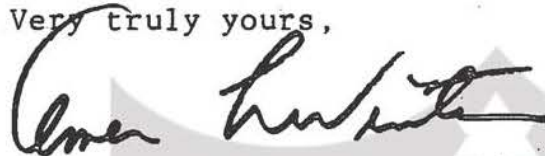
I will be meeting some of those who participated in the research project sponsored by the Armand Hammer Fund for Economic Cooperation in the Middle East. I will provide an update after these discussions.

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It will be necessary to coordinate these various efforts and to place priorities for the implementation of the projects that have merit and can be implemented at this time.

A further report will be issued after my forthcoming trip to Israel.

Very truly yours,



Elmer L. Winter
Chairman

ELW:bb



**This plan represents the personal thoughts of Elmer Winter and does not necessarily reflect the opinions of other members of the Board of Directors of the Committee for Economic Growth of Israel.

This report is not for publication. I will be discussing this report with senior Israeli government officials and members of our Israeli Board on my forthcoming trip to Israel.**

ELMER L. WINTER

P. O. BOX 2053
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MILWAUKEE, WISCONSIN 53201

March 16, 1988

Rabbi Marc Tannenbaum
AMERICAN JEWISH COMMITTEE
165 East 56th Street
New York, NY 10022

Dear Marc:

I was pleased that we had the opportunity to visit in your office the other day. I always enjoy our interchange of ideas.

I am enclosing the following:

- 1] A press release that I have issued concerning "The Economic Benefits Flowing From A Mideast Peace Agreement". This release has been sent out to the Anglo-Jewish press.
- 2] I am enclosing a copy of a letter that I addressed to Mr. Shamir stressing the benefits that would flow to Israel from a peace agreement.
- 3] I am enclosing a copy of a plan that I have designed "A Plan For The Creation Of The Middle East Economic Development Corporation (MEED)". I have discussed this plan with Philip Wilcox in Washington several days after you and I met. He encouraged me to proceed with its implementation. I also discussed this plan with Stuart Eizenstat who indicated that this was an important project for development.

I met with Al Moses and discussed with Al the enclosed plan. Al made some important suggestions as to how we can launch this program.

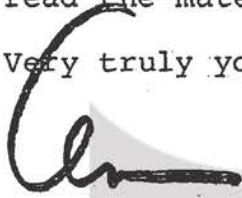
My problem now is, "How do we move from the written plan to implementation? I recognize that the timing is not right for the implementation of a plan of this type.

Rabbi Marc Tannenbaum
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March 16, 1988

However, at the appropriate moment, it should surface. There needs to be considerable work done in thinking through the plan and how it would best be implemented. There's where I need some help at the present time.

Let's discuss this after you have had an opportunity to read the material.

Very truly yours,



Elmer L. Winter
ELW:mjs
Enclosures
CC: Mr. Bertram H. Gold



NEWS

FROM THE **COMMITTEE FOR ECONOMIC
GROWTH OF ISRAEL**

5301 N. Ironwood Rd., Milwaukee, WI 53217, 414-961-1000

The Committee for Economic Growth of Israel founded in 1976, is a non-profit organization devoted to expanding business and trade relationships between Israel and the United States.

CHARLOTTE SLATER, Director of Public Relations

Milwaukee, WI. March 7, 1988

For Immediate Release:

THE ECONOMIC BENEFITS FLOWING
FROM A MIDEAST PEACE AGREEMENT

By: Elmer L. Winter, Chairman
Committee for Economic
Growth of Israel

As efforts are being made to bring about a peaceful solution of the Middle East controversy between Israel and her Arab neighbors -- serious thought should be given to the economic gains that could flow from such an agreement. These opportunities might well propel the peace talks forward.

Like it or not -- there is an economic dependency that has arisen between Israel and Arabs living on the West Bank/Gaza. Prior to the riots, over 120,000 West Bank residents and Gazans traveled daily to work in Israel. This provided an opportunity to earn wages to support their families. The importance of these jobs might cause wiser Palestinian heads to move in the direction of a peaceful settlement with Israel.

Many of the graduates from the universities on the West Bank cannot find employment in the area at the present time. They are forced to emigrate to pursue their careers. A peace agreement with Israel would open up new avenues of employment for them so that they could remain on the West Bank and be gainfully employed.

From Israel's standpoint, there is a need to employ workers who come into Israel from Gaza and the West Bank. They furnish much needed services in Israel. They work in Israeli factories and in the fields. Without this work force, Israel would be required to expand the import of workers from Portugal, the Philippines, Ghana, and Taiwan. The present number is 10,000. This would present a whole new set of problems for Israel. Continuing the employment of experienced Gazans and residents of the West Bank is a preferable arrangement.

Political stability in the area will make it attractive for American companies to open high-tech factories in Israel, similar to those of Intel, National Semiconductor, Motorola, etc. New investments in Israel will create high-skilled jobs and reduce Israel's brain drain. This could also create an economic aliyah which would bring engineers and scientists from abroad to work in Israel.

Peace would eventually eliminate the Arab boycott which still operates effectively in European countries and the Far East.

The economic gains to Israel and her neighbors may well furnish the cement to hold a peace agreement together.

Consideration should be given to the creation of a Middle East Economic Development Corporation. This corporation would have as its guiding principle -- the development of joint economic programs between Israelis and Arabs who live on the West Bank and Gaza. This would be a private sector operation using the skills, expertise, and capital of Israeli, Arab and American investors.

Israel possesses two important assets that could be made available to companies operating factories on the West Bank and in Gaza. Israel has a Free Trade Agreement with the U.S. and is a member of the European Economic Community. Both of these agreements give products carrying the label "Made in Israel" duty-free status when sold in the USA and Europe.

To take advantage of these benefits, the manufacture of Israeli products could be subcontracted to factories operated in the Gaza Strip and on the West Bank -- then reshipped to Israel for additional processing. Upon completion, these products could then be sold to American and European buyers, duty-free. As a further advantage, Israeli marketing structures that are in the U.S. and Europe could be utilized as part of this process.

An industrial park could be established on the West Bank and another in the Gaza Strip. These areas would provide facilities for the manufacture of products by companies owned by Israeli, American, West Bank and Gaza owners. They would be designated as free port zones similar to what has been created in Eilat.

Every reasonable incentive would be offered to attract companies to set up factories in these two industrial parks. Appropriate risk insurance against appropriation, sabotage, etc., would be provided by OPIC and other insurance companies.

There is a wide variation in labor rates between what employees are paid in factories in Israel and on the West Bank and Gaza. Generally, labor rates and fringe benefits are lower on the West Bank/Gaza. This differential may well assist Israel to become more competitive in foreign markets.

There are 25 Israeli-owned factories presently operating in Gaza. This group could form the nucleus for an increasing number of Arab-Israeli joint ventures.

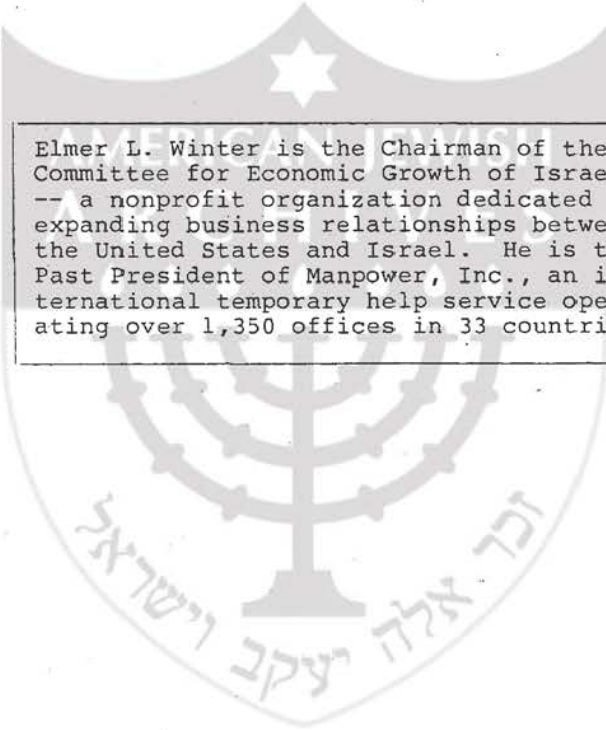
Pre-fabricated housing could be manufactured in the two industrial parks to provide better housing facilities for those who live in the camps.

Israel could assist in the greening of the West Bank and Gaza by applying its 3rd World programs to its adjacent territories. Israel has trained 1300 Africans in Israel and 3,000 in their own countries to improve

agriculture, health and rural development. These programs could be useful to Israel's Arab neighbors in providing a better standard-of-living for the Palestinians.

There are a number of important economic cooperation programs that have been researched by Tel Aviv University under a grant from the Armand Hammer Fund. A peaceful settlement between Israel and her neighbors could bring about the development of improved water systems, a pipeline for natural gas, new rail facilities, a Gaza seaport, etc.

By placing economic development for both Israel and the Palestinians on the front burner, an added impetus may be provided to move the peace process forward.



Elmer L. Winter is the Chairman of the Committee for Economic Growth of Israel -- a nonprofit organization dedicated to expanding business relationships between the United States and Israel. He is the Past President of Manpower, Inc., an international temporary help service operating over 1,350 offices in 33 countries.

ELMER L. WINTER
Chairman
SHRAGA TZUR
Executive Director
Israel
CHARLOTTE SLATER
Executive Director
U.S.



Committee for Economic Growth of Israel

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March 14, 1988

Mr. Yitzhak Shamir
Prime Minister of Israel
Israeli Embassy
Washington, DC

Dear Mr. Shamir:

I wish you success in your discussions in Washington with President Reagan and Secretary Shultz. I hope that out of the important meetings that you will have, there will be an agreement reached that will be mutually satisfactory to all concerned.

As you consider negotiations with Israel's Arab neighbors, I would urge you to add an important component to the discussions -- economic development that will be of benefit to Israel and the Palestinians. This component may well provide the cement that will hold the peace agreement together -- assuming, of course, that such an agreement will be entered into.

Having been actively involved in helping to expand business relations between American and Israeli companies over the past 11 years, I would like to point out the many economic advantages that I see that could flow from an agreement between Israel and her Arab neighbors.

My work with 300 Israeli companies and literally thousands of American companies over the past 11 years, has given me some insights that I would like to share with you relating to economic development.

At the outset, let me make it clear that I am not advocating or suggesting any one particular way in which the peace process should be undertaken. My sole interest is in the future economic development of the area. Further, the suggestions that I am making are personal. They may not represent the point-of-view of all members of our organization.

Let me outline for you the advantages that I believe would accrue to Israel if there was an economic plan included in the final peace agreement.

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I have outlined in the attached presentation "A Plan For The Creation Of The Middle East Economic Development Corporation (MEED)", a private enterprise program to bring about economic development in the area.

BENEFITS TO ISRAEL THAT WOULD FLOW FROM A PEACE AGREEMENT:

- 1] Foreign companies would open high-tech factories in Israel. There has been a limited amount of foreign investment in Israel in the past several years. If there is domestic tranquility -- foreign companies will open facilities in Israel to take advantage of the brain power that exists in Israel. This would have the effect of substantially expanding the exports of Israel and reducing Israel's negative balance of payments.
- 2] As exports increase from Israel, the need for foreign assistance to Israel will diminish. Israel will then be able to stand on her own two feet and make decisions without regard to outside funding.
- 3] The emigration of Israel's engineers and scientists would cease. There would be new job opportunities provided in Israel. This would permit Israel to hold her best and brightest.
- 4] There would be an economic aliyah to Israel. The new job opportunities that would become available in Israel through the opening of new facilities by foreign corporations -- Israel will be able to attract engineers and scientists from abroad to make what I refer to as an "economic aliyah to Israel".
- 5] Israeli educational institutions will be able to attract additional funds to support their R&D program. Israeli universities are conducting outstanding research and need financial support from foreign corporations. If there is domestic tranquility -- foreign companies will participate by funding this type of R&D. This assistance will help remove the financial crunch in which so many universities find themselves today.
- 6] The Arab boycott will be minimized and, hopefully, eliminated. Many foreign countries -- particularly European and Far Eastern countries, continue to impose a boycott against Israel. If peace comes -- there is reason to expect that foreign countries will remove their boycott provisions and enter into expanded trade relationships with Israel.

- 7] Israeli companies will be able to utilize the low-cost labor living in the territories. At the present time, many Israeli products that we have been asked to market in the U.S. are no longer price competitive. We have found that, in many cases, wages paid in Israel are 60% to 80% of those paid in the United States. As a result, many Israeli products are not competitive in the U.S. market.

Israel can develop a program in the territories similar to the maquilador program which exists in Mexico. There are 1500 maquilador plants operating in Mexico at this time. American companies are manufacturing products in Mexico, since the average hourly rate is \$1.02 per hour, compared to \$13.21 in the U.S. The rate in Taiwan is \$1.67 and South Korea is \$1.39.

By having a source of labor in Gaza and the West Bank, Israel can become more competitive in world markets.

- 8] Israel can sell to Arab countries where the population is in excess of 100 million people, if a peace agreement is signed. Israel manufactures many products that could be marketed in the many Arab countries surrounding Israel. This could provide a substantial increase in Israeli exports and reduce Israel's balance of payment deficit.
- 9] Trade with Egypt can be restored. When the Camp David Accords were entered into, it was anticipated that there would be substantial trade between Egypt and Israel. Unfortunately, this has not taken place.

The Government of Egypt has, for all practical purposes, closed the door to trade using various excuses, such as the Lebanon war, treatment of the Palestinians, etc. With peace, many of the plans that had been developed for trade between Israel and Egypt could be reinstated.

- 10] If peace were to come to the area, there would be many administrative savings for Israel, such as the reduction in the cost of policing the area, bringing the army in, etc. A fair and equitable tax program for the territories would be instituted which would mean increased revenues for Israel.
- 11] Tourism would be substantially increased if peace came to the area. Many tourists will bypass Israel unless there is domestic tranquility in the area. Christian tourists who want to visit religious sites on the West Bank will postpone their trips until a later date.

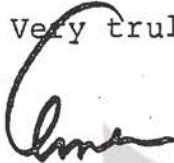
Peace in the area will bring a large number of tourists on combined visits to Israel, the territories and to Egypt.

Mr. Yitzhak Shamir
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I hope that you will seriously consider the above advantages that will accrue to Israel if economic development of the area is given high priority in the peace negotiations.

I would be pleased to provide further details, if you wish.

Very truly yours,



Elmer L. Winter
Chairman
ELW:mjs
Enclosure

