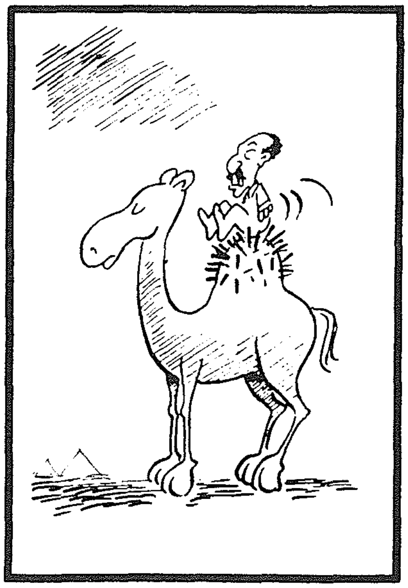
OTHER NATIONS



Egypt's President Anwar el-Sadat, his critics charge, has turned his country away from its Arab heritage.

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counterattacking Israelis crossed the Suez Canal. The 1973 war, for Egyptians, regained Egypt's honor and prestige, and made Sadat a hero.

After the war, Sadat's penchant for dramatic, solo diplomatic gestures (his 1977 trip to Jerusalem, for example) offended the sensibilities of other Arabs, particularly the close-knit, conservative Saudi Arabians. He was soon "isolated from his brethren," Ajami says. And what began as a "dialogue" with the United States has ended in an "embrace" of Western values that has eroded Sadat's support at home. Among the disenchanted are Egypt's Moslem conservatives and the Nasserites, who remain true to the dream of pan-Arabism.

Meanwhile, Sadat has virtually ignored his country's domestic problems—poverty, crowded cities, a sluggish bureaucracy. Opposition to Sadat will grow, Ajami concludes. In the name of Islam and Arab authenticity, challengers to Sadat will arise, attacking him for imposing a Western veneer over Egypt's Arab "soul."

Israel's Woes

"Israel's Economic Plight" by Ann Crittendon, in *Foreign Affairs* (Summer 1979), P.O. Box 2615, Boulder, Colo. 80322.

After two wars, Israel's economy is in serious straits, writes Crittendon, economics specialist for the *New York Times*.

The statistics are grim. Prices rose almost 50 percent in 1978. The national debt stands at $12.5 billion, the world's largest per capita. The balance-of-payments deficit last year was $3.25 billion, nearly one-fourth of the country's Gross National Product.

Prime Minister Menachem Begin's Likud coalition government now relies heavily on the United States ($2.8 billion in aid in 1979 as part of the Egyptian-Israeli peace settlement) and contributions from overseas Jews ($600 million annually, including revenues from the sale of Israeli bonds). In Jerusalem, senior officials privately admit they fear the effect their country's economic dependency will have on Israel's diplomatic freedom in the Middle East.

The 1967 and 1973 wars forced Israel to make large investments in military hardware. In 1966, the country imported $116 million worth of armaments; by 1972, the figure was $800 million. Military expenditures hit $2 billion in 1975. In the fall of 1977, the new Begin government "floated" the Israeli pound to make exports cheaper, removed or reduced export subsidies, and eliminated certain currency controls to attract foreign investors. This "New Economic Policy" was a moderate success. Exports rose 25 percent in 1978, and foreign investment increased by more than 50 percent. But Begin failed to accompany these measures with cutbacks in defense and welfare.

Some critics fault the economic inexperience of the Likud coalition, after 30 years of rival Labor Party rule, for Israel's distress; Begin's Finance Minister, for example, was formerly the manager of a small optical company.

But Crittendon blames the constant threat of war and Israel's Zionist mission, which requires "a vast social welfare state to cushion the adjustment of immigrants to their new land." (Ironically, inflation, coupled with war, has weakened Israel's appeal: Only 40 percent of the Jews leaving the Soviet Union, for example, now choose to settle in Israel.)

What is the way out for Israel? Crittendon suggests aggressive pursuit of a comprehensive Mideast peace settlement that would allow military reductions and restructuring of the Israeli economy. This suggestion, she says, is not apt to be seriously considered by the Israelis, who have long viewed national security as divorced from economics.

The Pains of Nationalization

"Nationalization of Oil in Venezuela: Re-defined Dependence and Legitimization of Imperialism" by Vegard Bye, in *Journal of Peace Research* (no. 1, 1979), P.O. Box 142, Boston, Mass. 02113.

Third World regimes have generally justified the seizure of foreign-owned industries as an assertion of any country's right to control its natural resources and to reduce the influence of foreigners.

Such were the official explanations during Venezuela's peaceful takeover in 1976 of the local operations of 14 major oil companies (including Shell, Mobil, Exxon, Texaco, and Gulf). So far, writes Bye, a member of the International Peace Institute in Oslo, the transfer has