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

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done little to diminish the country's economic reliance on the multinationals.

Oil is Venezuela's most important product, accounting for 77 percent of the government's income and 95.6 percent of the country's exports in 1975. It constitutes Venezuela's only major industry and helped create a large middle class, much of it employed in oil-related enterprises. Nationalization occurred after a series of laws enacted in the early 1970s gave the Acción Democrática Party government increasing shares of oil revenues, power to set oil prices, and authority to approve all changes in oil company operations (including those affecting exploration and volume).

Much has remained the same, however. Although the government plans to eventually merge the 14 state-run oil companies into 5 or 6 firms, each has thus far retained the personnel of its multinational predecessor. (Even before nationalization, most oil company employees were Venezuelan; only 37 of Shell's 6,000 workers, for example, were foreigners.) The state continues to rely on the multinationals for technology, marketing, exporting, and refining (two facilities, owned by Shell and Exxon in Curacao and Aruba, refine more Venezuelan crude than does Venezuela). These service contracts enable the multinationals to take more money out of the country, Bye suspects, because the foreigners no longer re-invest in the Venezuelan plants.

Meanwhile, the government's net oil income has dropped: It is investing heavily in oil and other heavy industries and must pay indemnification ($1 billion over five years) to the multinationals. Left out, Bye contends, are Venezuela's poor, who should be the major beneficiaries of the 1976 nationalization.

Spain's Armada

"Why Did the Armada Fail" by Sean O'Donnell, in *Oceans* (Mar. 1979), P.O. Box 10167, Des Moines, Iowa 50340.

In July 1588, King Philip II of Spain sent his supposedly invincible Armada of 130 ships to Calais on the English Channel. There the fleet, led by the inexperienced Duque de Medina-Sidonia, was to rendezvous with a Spanish army based in the Netherlands and then launch an invasion of Britain.

In one of history's greatest military blunders, the troops did not appear—messages between the Armada and the army had been muddled. Alone, the Armada's slow and unwieldy warships engaged Queen Elizabeth I's Navy of light, maneuverable ships (some commanded by Sir Francis Drake) armed with long-range cannon. The British sank one Spanish galleon, severely damaged five others, and blocked the Spaniards' southern escape route back down the channel, forcing them to sail north around Scotland. An autumn storm in the North Atlantic destroyed almost half of the fleet, smashing several ships against Ireland's rocky west coast.

Why was the Armada so vulnerable? O'Donnell, science correspon-