

ISRAELI FREE-TRADE AREA PROPOSAL

- * During Prime Minister Shamir's visit last November, he and President Reagan agreed to pursue the idea of a U.S.-Israel free-trade area. I have been consulted about such a plan; I fully support it in principle; and I have agreed to sponsor it on the President's behalf.
- * A hearing on the proposal is scheduled for next Monday, February 6. Ambassador Brock will testify for the Administration. Other witnesses will include the American-Israel Public Affairs Committee and the American Jewish Committee.
- * A free-trade arrangement obviously will reinforce the already close political ties between America and Israel. But it also is fundamentally in the best economic interests of this country:
 - (1) The U.S. enjoys a trade surplus with Israel, even though Israeli exporters already enjoy preferential access to the U.S. market under the Generalized System of Preferences. The lowering of tariff barriers in Israel should boost U.S. exports, particularly in the manufacturing sector, which has been taking such a beating in international trade recently.
 - (2) The European Community already has a free-trade arrangement with Israel. When it is finally phased in in 1985, U.S. exporters will face an increasing disadvantage compared to their E.C. competitors. The proposed free-trade area will eliminate that disadvantage.
- * I expect general support for the proposal in Congress. However organized labor has opposed all import liberalizing measures recently, and may oppose this plan too. Further, import-sensitive sectors will seek exemptions; for example, textiles, jewelry, and certain agricultural products come to mind (i.e., citrus). It may be necessary to provide in the arrangement some safeguard for these industries.
- * Trade Data:

In 1982, total U.S. imports from Israel were \$1.2 billion while U.S. exports totaled \$1.5 billion. Ninety percent of Israeli exports to the U.S. entered duty-free, either because of the GSP or because of zero-duty rates. About 40 percent of U.S. exports to Israel were dutiable in 1982.

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