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Israel joins economic big leagues

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Membership in OECD, not without controversy, increases potential for foreign investment

Israel graduated to the economic big leagues Monday by joining the Organization for Economic Co-operation and Development, an elite club of 31 industrialized democracies.

"Israel's scientific and technological policies have produced outstanding outcomes on a world scale," the Paris-based organization said as it welcomed Israel along with Estonia and Slovenia to join its ranks.

"This new chapter in the history of the organization confirms our global vocation as the group of countries that searches for answers to the global challenges and establishes standards in many policy fields such as environment, trade, innovation or social issues," said OECD secretary-general Angel Gurría.

"Joining [the OECD] is like receiving a university degree," a beaming Prime Minister Benjamin Netanyahu told reporters Monday. "Just as it is significant to have a degree from the [Israel Institute of Technology], for example, when entering the job market, entering [the OECD] will open doors and provide access to many fields. It's a seal of approval."

"The importance [of OECD admission] is tremendous," said Israeli Finance Minister Yuval Steinitz.

"First of all, it has economic importance. As we know, in the years after countries joined, there was an increase of billions of dollars in foreign investment," Mr. Steinitz said.

"Secondly, Israel is joining a club that basically determines the international economic rules which are taken into consideration even by countries that are not members."

"And thirdly, and no less important ... Israel is joining the group of most developed and advanced countries in the world, not just economically, [but that also exhibit] insofar as citizens' rights, a clean and independent justice system, regulation, decency, steps to prevent discrimination."

As part of a drive to conform to OECD standards, however, Israel has had to sign the OECD Anti-Bribery Convention and adopt legislation prohibiting the bribing of foreign officials. Until now, Israel has frequently been accused by other countries of bribing officials in pursuit of selling Israeli arms.

As well, Israel has undertaken a re-examination of environmental priorities and initiated improvements in waste management and air pollution control.

In other areas, the OECD has recommended that Israel halt foreign currency purchases and be more cautious in cutting taxes. (The Bank of Israel has more than doubled foreign currency reserves since March, 2008, to a record \$64.5-billion in April in an attempt to weaken the shekel and support exporters.) But none of this could take away from Israel's enthusiasm Monday.

Doron Shorer, former capital market commissioner in the Finance Ministry, said OECD inclusion would quickly lead to an investment of about \$6-billion (U.S.) in the Israeli stock market on the part of international funds that only invest in stocks of states that are members.

Israel's benchmark TA-25 stock index rose 3.3 per cent Monday, the most since August, to close at 11,165.06 in Tel Aviv trading, as part of a global surge in stock prices.

A controversial membership

Israel's inclusion in the OECD is exactly what Palestinians had hoped to avoid.

"I think it is a misjudgment on behalf of the organization" to have prematurely rewarded Israel, said Mohammed Ishtayah, head of the Palestinian development agency PECDAR.

The Palestinian Authority had waged a diplomatic campaign against Israel's acceptance to the OECD, saying it "would be like accepting its occupation of the Palestinian territories."

Israeli Finance Ministry officials dismissed reservations made by OECD members Norway, Switzerland and Ireland about Israel's settlements policies. "They did this for purely economic motives," the officials were quoted telling Israeli media.

"The [OECD] resolution was unanimous," said Foreign Minister Avigdor Lieberman, "despite attempts by anti-Israel entities to prevent the acceptance of Israel into the OECD." The Foreign Minister said in a statement that "the fact that the attempts failed is proof of Israel's solid standing with the international community, and that it is recognized for its achievements, despite the fierce incitement against it in every conceivable arena: political, security or economic."

But it was the matter of including in its OECD application statistical data from Israel's settlements in occupied territories that caused the greatest reservations about Israel's OECD candidacy.

As a result, and as a condition of membership, OECD officials say a footnote will be included in all OECD documents containing statistical data on Israel that "the data are supplied by and under the responsibility of the Israeli authorities and that their use by the OECD is without prejudice to the status of the Golan Heights, east Jerusalem and Israeli settlements in the West Bank under the terms of international law."