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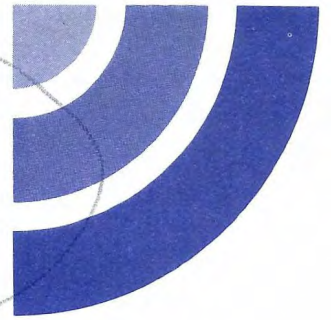
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# OPERATION INDEPENDENCE



Max M. Fisher  
Chairman

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Charles R. Bronfman  
Eli Hurwitz  
Morton L. Mandel  
Lord Marcus Sieff  
Co-Chairmen

Alan L. Wurtzel  
President  
North America

July 31, 1987

Mr. Max Green  
Office of Public Liaison  
The White House  
Washington, D.C. 20500

Dear Max,

Following the singularly successful gathering in New York, with Vice Premier Shimon Peres at our new home on May 15, a series of key meetings were held during the last week of June with Prime Minister Shamir and leading Israeli industrialists in Jerusalem and Tel-Aviv.

Significant progress was made in the following areas of mutual concern:

A. Implementation of the Recommendations of the Jerusalem Institute of Management (JIM) Report on an Export-Led Growth Strategy for Israel.

Eli Hurwitz convened a meeting of top level representatives of the Manufacturers Association, Hevrat Ovdim and the Export Institute, on Monday, June 22, 1987. It was resolved that a detailed action plan be developed before the end of 1987 to establish the goal of increased exports as a "national priority."

B. The Role of the Task Force in 1987-88.

At a Task Force Plenary, attended by seventy Israeli industrialists on Tuesday, June 23, 1987, Mort Mandel led the discussion on the short-range working plan proposed for Operation Independence - North America (copy attached). A frank exchange of views ensued and the plan's six elements, as presented in detail by Alan Wurtzel, were adopted enthusiastically by the Israeli and diaspora Task Force members participating in the plenary.

A highlight of the Tel-Aviv plenary was the address delivered by Mr. Moshe Nissim, Israel's Minister for Finance, which focused on the urgency of fostering economic growth in Israel and "the government's responsibility to create the necessary economic climate and conditions." He also endorsed the selling of state-owned corporations as an essential element in his "privatization" program which encompasses over thirty government-owned companies.

C.        Tourism.

David Hermelin reported on tourism, stating that Operation Independence - North America has become the "address" for tourism in Israel. The Task Force originally approached the tourism area in terms of a crisis, but is now moving toward specific programs, particularly in the incentive/corporate travel areas. He cited the following components as the basis for a long-range tourism program:

- the setting up of active tourism councils in many more U.S. cities to promote travel to Israel.
- development of a plan to increase Israel's share of the corporate/incentive travel market.
- investment in tourism enterprises.
- joining forces with the Israel Bonds organization to develop a new program to send trade delegations to Israel with a business emphasis.
- expansion of efforts in the Christian market.

D.        Financial Vehicle.

Ephraim Brecher summarized the development of the Israel International Corporate Finance Company, which is now operational. The company will concentrate on helping small and medium-sized Israeli companies to attract capital from abroad, as well as knowledgeable investors who can assist with marketing and strategic planning.

E.        Joint United States-Israel Economic Development Group (JEDG).

On Wednesday, June 24, 1987, the semi-annual meeting of the JEDG was held in Jerusalem. The U.S. State Department and Israeli teams were headed, respectively, by Under Secretary of

State for Economic Affairs, Allen Wallis and Dr. Emanuel Sharon, Director General, Ministry for Finance. As is the practice in Washington, D.C., the leadership of Operation Independence was invited to report on our latest world-wide activities and to participate in the discussions on trends in the Israeli economy.

F. Meeting with Prime Minister Yitzhak Shamir.

On Friday, June 26, 1987, the leadership of Operation Independence held its regular periodic meeting with the Prime Minister and his inner economic cabinet. Mr. Shamir and his colleagues received a report on Operation Independence activities in Israel and throughout the diaspora, including an update by Charles Bronfman on the I/AM food marketing vehicle.

Dov Lautman, Chairman of the Israel Manufacturers Association, described in detail, the numerous steps and bureaucratic procedures involved in setting up a business in Israel which deter potential local and foreign investors. Ariel Sharon, Minister for Trade and Industry, assured us that despite "our complicated system", his office will "look after every investor and solve all bureaucratic problems." In this connection, we were pleased to hear from Mr. M. Dovrat, who represented Gad Yaacobi, Minister for Economic Planning and Development, that the one-stop investment center will be located at the Industrial Development Bank and will be operational in a matter of weeks.

The second key item discussed was foreign currency controls. The detailed comments of Paul Berger, Chairman of our Committee on Legislation, were duly noted by the Minister for Finance and Professor Bruno, Governor of the Bank of Israel. Some action is expected within a month.

It was also stressed that Israel's economic leadership must demonstrate a greater sense of urgency regarding exports as a national priority and the expeditious implementation of changes required to advance Israel towards economic independence before the end of the century. The Prime Minister expressed his appreciation for our efforts and looks forward to the next meeting scheduled for October, 1987 in Jerusalem.

G.           New Staff.

I am pleased to announce the following important additions to the full-time staff of Operation Independence - North America.

1.     Jeffrey Malashock.

He is the former President of International Consulting Services, a firm that operates in the defense, energy, space technology, transportation and international trade areas. He also served as a senior analyst to the United States Senate Committee on the Budget and Chief Economist of the National Alcohol Fuels Commission. During 1976-1977, Mr. Malashock served as an economic analyst for the Israel Finance Ministry in Jerusalem, following a period of study at the Tel-Aviv University.

2.     Howard Cohen.

He is the former President and Chief Executive Officer of the I.C.E. Group, which assists and advises clients on joint manufacturing projects and the transfer of technology know-how. Mr. Cohen is an experienced consultant with special expertise in crisis management, strategic planning and government-business relationships. He also served as a staff assistant to the President, The White House in 1972 and as Chairman of the Public Management Unit, the Wharton School of the University of Pennsylvania 1977-1979, after which he served as the Secretary of Revenue of the Commonwealth of Pennsylvania, 1979-1981.

H.           Conference on the FTA

On October 19-20, there will be an important meeting in Washington to discuss the effectiveness of the Free Trade Agreement. This is the second anniversary of this historic agreement between Israel and the United States. Arik Sharon, Israel's Minister for Trade and Industry, and Clayton Yeuter, United States Trade Representative, will be the featured speakers. There will be seminars on how to take advantage of Israel's unique trade position vis-a-vis the United States and the European Common Market.

OPERATION INDEPENDENCE - NORTH AMERICA  
PROPOSED WORKING PLAN 1987 - 1988

INTRODUCTION

Operation Independence is an international coalition of eminent business and community leaders, committed to advancing Israel towards economic independence.

To harness the experience, knowledge and dedication of these men and women in North America, a strategic plan has been developed for the immediate future and an organizational structure has been created for its effective implementation.

We believe that Operation Independence is an idea whose time has come. The network of men and women who share the vision of an economically independent State of Israel and who are prepared to lend their time, talent and skills to realizing that vision is growing every day. We hope that you will join us in this challenging process.

STRATEGY

Overview

The overall strategy has six basic elements:

1. To help increase exports to the U.S. and Canada by focusing on specific industries with export growth potential;
2. To help Israeli enterprises raise needed investment funds from sources offering, in addition to capital, relevant business experience, knowledge and marketing connections;
3. To encourage increased tourism to Israel and the development of that industry's infrastructure;
4. To develop a system for interchanging Israeli and North American business executives, thus offering unique training opportunities and ongoing access to North American business experience and connections;
5. To assist in improving the economic and governmental climate in which both Israeli and foreign-owned companies do business in Israel;
6. To join with other organizations whose goal is to assist Israel's economic growth in developing a coherent and coordinated network of mutual support.

The scope of this summary does not permit a discussion of the social, economic and political factors that were analyzed in depth in setting these priorities. They include the relatively small scale of Israeli businesses, differences in business cultures and attitudes, government policies that may cloud the business climate, the relative lack of marketing sophistication prevalent among many Israeli producers, the impact of the free trade agreement and similar factors.

In light of these considerations, we believe that we can have the greatest impact in the short term, by bringing the strength of our membership to bear on highly focused target industries and programs.

#### I-Exports

- A. Focused effort - It is suggested that for the next year or two the organization should focus on eight industries, chosen because of production capability in Israel, potential market in North America, existing channels of distribution, availability of American expertise and other considerations.

They are:

1. Processed food
2. Hardware, housewares and building supplies
3. Textiles
4. Defense
5. Metals
6. Medical equipment and supplies
7. Software
8. Hi-Tech - ISRATECH

Our intention is to change or improve the conditions under which many Israeli producers in these industries presently export. The potential for increasing exports in the target industries will be seriously explored, but there is no guarantee of success. Once it becomes apparent that an industry can not be effectively assisted, for whatever reason, we will move on to another industry.

- B. Joint Trading Companies - One example of an innovative approach to increasing exports is I/AM Importing, Inc., the Israel-American food marketing company. I/AM will be a true trading company, buying in Israel and selling

in America. It will raise approximately \$3.0 million of equity capital (\$2.5 million is currently committed), about \$1.0 million in Israel and the balance in North America.

The real promise of the food marketing vehicle is that it will provide experienced American marketing know-how for ten to twelve Israeli companies on a far more effective scale than any of them could afford alone. In overcoming both distance and cultural attitudes, there is strength in utilizing American marketing expertise.

Another advantage to the Israeli Manufacturers of the I/AM format is that those who know the market best, viz, the Americans will be in charge of quality control, packaging, shipping and other critical marketing issues.

Of course, every industry is different. No one format will be universally applicable, but the structure of I/AM is a useful model to use as a starting point to assist some Israeli manufacturers export more to North America.

- C. National Priority - It is vital that the Government of Israel make export a national priority with all that implies.

## II - Encouraging Investment

- A. Capital Availability - A key ingredient in economic growth and increased exports is capital availability. Israel is in the interesting (and probably unique) position of having inadequate capital available from domestic sources and yet reasonable access to foreign investment for worthwhile projects.

At home, Israeli interest rates are very high, currently %25 and more per annum. Government borrowings consume nearly all domestic savings. As a result, access to local capital markets is severely regulated.

Yet, money exists abroad for commercially viable operations. Indeed, there is a plethora of investment companies looking for suitable investment opportunities in Israel.



The real need, however, is not for money, but for investment partners. In nearly every case, Israeli companies seek knowledgeable partners or "smart money". They recognize they need help in marketing, technology or business strategy more than they need "passive" capital.

Our task is to assist Israeli firms in identifying and gaining access to logical investment partners, as needed.

B. Providing Capital to Smaller Companies

A financial services company is in the final stages of being created (Israel International Corporate Finance Company). The company intends to provide business and financial counseling and assistance to Israeli companies which have an export potential but which are too small to tap traditional capital markets abroad. The company will help the Israeli enterprise analyze its export potential, develop a strategy to realize the potential and, in appropriate cases, to help Israeli companies raise capital to meet legitimate financial needs.

In addition, the company hopes to assist individuals or companies interested in investing in Israel to locate the appropriate investment opportunity. In all instances, the company will try to pay particular attention to finding the right "fit" between the investor/partner and the Israeli enterprise.

An amount in excess of one million dollars to support an initial operating budget for two to three years has been developed and \$1.25 million is already committed.

### III - Tourism

Until now much of our effort has been geared to stemming the severe drop in North American tourism that occurred last year as a result of terrorism. We believe it is now possible to move ahead and our plan for the year ahead is to concentrate in four specific areas:

- A. To expand the existing North American network of twenty volunteer tourism councils to include additional key markets in the U.S. and Canada;
- B. To undertake a concentrated effort at expanding Israel's share of the convention, seminar and incentive travel market;

- C. To position Israel as a world center for health, beauty and fitness travel;
- D. To serve as a resource for what we hope will be an ever growing number of economic development missions to Israel.

We also intend to explore investment opportunities in the tourism infrastructure for long-range growth.

#### IV - Exchange of Business Executives

In the final analysis, the role of Operation Independence is to assist, not to act.

More and more Israeli business people recognize that (a) cooperation among producers can often be more profitable than competition; (b) that products are best marketed by meeting the needs of the buyers; (c) that apparently dissimilar products (like candy and pantyhose) can be marketed together if they are sold through similar channels of distribution; (d) that it is necessary to do market analysis and research before a product is produced; (e) that marketing is expensive and requires a long-term commitment; (f) that long term relationships are more profitable than individual transactions and that building relationships requires that quality goods be shipped on time in accordance with commitments.

In addition, we will focus our efforts this year on three programs:

- A. The creation of Internships, whereby Israeli executives spend a meaningful period of time working in American business enterprises.
- B. The development of a group of North American retired executives willing to spend meaningful periods of time in Israel assisting mid-size and larger businesses.
- C. The recruitment of a group of younger North American executives who will spend two to four weeks per year assisting a kibbutz or a small business with its marketing plans ("Mentor Program").

## V - Improving the Business Climate

Last fall our bi-lateral Legislative Committee presented a comprehensive set of recommendations to the Government of Israel. These recommendations have been seriously studied and considered at both the technical working levels and at the highest political levels.

Some action has been taken, particularly in the area of tax reduction. But a lot more remains to be done to create a favorable business climate. The Prime Minister and the Inner Economic Cabinet meet regularly with the leadership of Operation Independence.

The areas under consideration are taxation, bureaucracy, currency control and the sale of government owned companies.

## VI - Networking

A critical ingredient to our success will be identifying and involving North Americans to become actively involved in all of these projects. To that end we will devote significant staff time to creating a comprehensive data bank and we hope to work with other organizations and government agencies to maximize the limited resources all of us have, to avoid duplication and to pool access to people, companies and information.

Networking and access to a viable and reliable data bank are an integral part of the overall strategy and relate to:

1. Assisting Israeli Task Force members looking for customers;
2. Assisting Israeli Task Force members looking for joint venture partners;
3. Identifying potential investors in Israeli companies who have knowledge of a specific business;
4. Finding companies which can provide suitable training opportunities for Israeli middle managers;
5. Locating executives and retired executives who could volunteer as marketing consultants to Israeli Task Force members;
6. Recruiting executives to serve on Operation Independence Task Forces for specific industries.

## STRUCTURE

To implement this plan, working groups have already been or are now being created in eleven program areas: investments, legislation, tourism, food, defense, metals, hardware, textiles, medical equipment, software and executive exchange programs.

In addition to the leadership and the members of the individual task forces we are expanding our "network" of men and women who are committed to Israel's economic growth and wish to be kept informed of our activities.

This dedicated body of lay leadership is supported by a small professional staff that also helps coordinate the North American effort with those of Operation Independence committees in other countries.

We welcome your comments, support and suggestions for people who should be involved with us and, above all, your active participation in this worthwhile endeavor.