

This week I return to the subject I alluded to in the last column — my recent trip to Israel, co-sponsored by the American Israeli Friendship League, where I led a mission of U.S. financial industry executives on behalf of the Israeli Ministry of Commerce Trade and Finance.

It was an absolute thrill to see American businessmen and women, some Jewish and some Christian, become totally immersed in Israel's culture, its economy and, of course, its political and foreign policy.

Readers of my column have grown accustomed to my use of the word "liberalization." Its Latin roots are in openness, hospitality, generosity and the process of freeing politics and economics. Israel today epitomizes that word.

Israel was founded on the socialist dream of Theodor Herzl and David Ben-Gurion, which made the communal kibbutzim the centerpiece of the Israeli economy.

Today, believe it or not, the inventions of and businesses developed on these kibbutzim are being taken public on the Tel Aviv Stock Exchange. Talk about taking the capitalist road from a socialist past — it's truly astounding and astonishing.

We met with the new leader of the centrist Kadima Party, Deputy Prime Minister Ehud Olmert, whose unequivocal support of the lower tax rates on capital and labor was pushed through the Knesset by the former Finance Minister Benjamin Netanyahu. Mr. Olmert, former mayor of Jerusalem and now acting prime minister, is unapologetically supportive of the

Israel visit yields hope

U.S.-Israel strategic relationship. But then so is Shimon Peres on the center left and Mr. Netanyahu of Likud.

All Israeli leaders speak in progressive tones of fostering and promoting more trade, commerce and investment, not only between the United States and Israel, but also with the moderate Arab states in the region. They all support the qualified industrial zones (aka free-trade zones) between Israel and Jordan and Israel and Egypt. They look to expand those free-trade zones to other Arab nations who are pragmatic enough to know that when "commerce and trade cross borders, armies don't."

I was impressed mightily that the security wall and fence have virtually stopped the terrorist suicide bombers in their tracks. Work must be done to assure economies can flourish and communities can be contiguous, but it is demonstrably working.

While the wall sounds ominous, its effects on the ground create a better climate for talks with the Palestinian Authority. Eventually even Hamas will realize it has to govern, and while it's too early to tell, the ball is in their court for the whole world to see. I predict they will end up seeking a "modus vivendi" with the Israelis. The vast majority of Palestinians want to live in peace and develop an economy that can provide a better life for them, their families and — most of all — their children.

In the meantime, the Israeli economy is healthy, the stock market is up and unemployment down. With inflation low, Israel's

"Silicon Valley," the high-tech sector, is booming both in investment and exports, and cutting-edge technologies.

Clearly Israel is profoundly concerned about Iranian rockets that could hit Tel Aviv, but they could also hit Saudi Arabia. It behooves all freedom-loving nations to prevent fascist-speaking Iranian President Mahmoud Ahmadinejad from turning his nation into a nuclear-armed threat to the region.

Russia will play a strong role in helping the world deal with Iran, and that's one large reason why I've taken the position President Vladimir Putin's chairmanship at the G-8 meeting this July in St. Petersburg is crucial to a multilateral approach to ensuring Iran does not get a nuclear military capability.

The word privatization is divisive in U.S. politics. It's far less so in Israel, which is moving toward privatizing oil refineries, military and aircraft industries and four state-owned seaports.

This is historic because the government has always been involved in nearly all sectors of the Israeli economy, particularly in defense-related and monopolistic businesses. In recent years, a broad structural reform was initiated by the government to promote growth of the private sector and enhance competition. Privatization efforts have included the full or partial sale of state-owned companies and banks and the transfer of activities previously performed by the government or by statutory authorities into commercial company entities.

Tourism is growing again, and I remain hopeful our moderate Arab friends recognize the opportunity, indeed the necessity of leading the region toward amicable and pragmatic recognition of Israel's fundamental right to exist.

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