

49 Years of Military Occupation in Palestine: Which Economic Interests Drive the Occupation?

Free University of Berlin, Shir Hever

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1. Introduction

The Israeli military occupation of the Palestinian territory is at the center of many global interests, especially in the form of international aid and in the global weapon market. The Israeli economy has stopped profiting from the occupation, but domestic political support for the occupation continues to increase. Although the Israeli occupation of Palestine has many similar features to the colonial economies of the 19th and early 20th centuries, it also has modern aspects and plays a key role in the U.S strategy to the Middle East.

2. Cost

The question of the economic benefits and the costs which apply to the Israeli economy as a result of the occupation of the Occupied Palestinian Territory (OPT) has not been widely debated in Israel until the beginning of the Oslo Agreements in 1994. The concept of “peace dividends” entered the Israeli economic discourse during those years as Israeli economists predicted economic benefits from ending the occupation, and pointed out the alternative cost incurred by the occupation to Israel. Only with the outbreak of the Second Intifada in October 2000, however, a surge of studies has been published by various organizations and scholars in an attempt to assess the costs of the occupation.

Among these studies one stands out in particular, the book *The Price of Occupation* by Shlomo Swirski from 2005. Swirski divided the occupation into two periods, before and after the 1987 First Intifada. He found that the occupation was directly profitable to Israel in its first two decades, because of the taxation imposed on the Palestinian population, because of the exploitation of Palestinian land, water and labor force by Israeli businesses, and because of the Palestinian captive market in which Israeli companies could operate without competition. In the second half, all of these forms of exploitation remained in place, but Palestinian resistance caused a heavy burden on the

Israeli economy because of the mass investment in security which was required in order to keep the Palestinian population under control.

In a calculation which I have conducted in my book and published in 2010, I found that the costs of the occupation have exceeded the profits generated by it. The occupation costs Israel about 3 billion dollars annually in civilian costs: subsidies to the illegal colonies in the West Bank in which over 600,000 colonists live today. It also costs Israel about 6 billion dollars annually in security costs, including the costs of imprisoning thousands of Palestinian political prisoners, the Wall of Separation, the deployment of para-military units, etc. As the population of the colonies increases rapidly, so does the cost, and so does the Palestinian resistance. After decades of sustained effort, the signs of the burden of the occupation are prevalent in every aspect of the Israeli economy. There is a standard of living crisis in Israel, as the younger generation finds itself unable to afford a life comparable to that of its parents, and retired pensioners are at a constant threat of losing their livelihood. Israel has reached the highest poverty level in the OECD.

The occupation has also transformed Israeli society. The introduction of Palestinian workers without any worker rights and unprotected by minimum wage into the Israel labor market has weakened unions contributed to a rapid increase in Israel's inequality, making it the second most unequal country in the developed world after the U.S. The results of these long-term effects are a reduced motivation in the public to engage in political activity, a lower conscription rate to the army and a brain drain of educated Israelis who are emigrating in large numbers.

The wave of neoliberal reforms which has swept the entire world in the late 1970s and until today has been felt profoundly in Israel. In 1985 the Israeli government adopted the "Stabilization Plan," a massive reform package which transformed Israel's economy in a process which lasted throughout the 1990s. Unlike other countries in which such processes have occurred, these policies encountered very little resistance in Israel. Security considerations and the politics of the occupation take up the first priority in Israel's political discourse. Until 1985 Israel was a social-democracy. By the 2000s, it has become an extreme example of unrestrained capitalism, second only to the U.S among developed economies. This extreme transformation has occurred while the political parties were establishing their differences over the future of the OPT.

The question "can Israel afford the occupation?" however, is a political rather than an economic question. Only in the last decade, with the emergence of the global boycott movement, the "BDS Movement" against Israel has had a profound psychological impact

inside Israel. As a result of BDS, a debate emerged among Israelis about the sustainability of the occupation from an economic point of view.

3. Aid

One of the clearest indications of the international interest in the Israel/Palestine question is the international aid to the region. International donors, especially the European Union, have used aid as a diplomatic tool to promote national interests. The donors were restricted in supporting the Palestinian economy under Israeli occupation, until the peace negotiations created the prospects for a future independent Palestinian state. Aid to Palestinians has therefore begun in large amounts in 1994, and quickly reached high per-capita levels. For the years 1994-2011, the OPT was the 10th largest recipient of per-capita aid in the world.

Aid has taken the form of mostly development aid, with the intention of helping create a viable Palestinian economy. However, economic development is not possible without the cooperation of Israel's authorities, which control every aspect of life in the OPT. Despite massive aid disbursement, the standard of living of Palestinians in the years 1994-2000 has declined. Poverty and unemployment have increased, culminating in the outbreak of the Second Intifada in October 2000. The Israeli efforts to suppress the Intifada included massive damage to property and restrictions on movement, and the donors changed the focus of the aid from development aid to emergency humanitarian aid. This focus remains until this day, as the Palestinian population became extremely aid-dependent. It should be noted that from an economic perspective, the emergency humanitarian aid serves the interests of the Israeli state and the Israeli companies, who are called on to provide food, utilities and medicine to the OPT, paid by international donors and keeping the Palestinian population in a state of survival, but very low productivity, without the ability to compete with the Israeli economic sectors.

In economic terms, aid allows Israel to export the occupation – goods and services provided by Israeli companies are exchanged for payment in foreign currency. This alleviates some of the burden of the occupation on the Israeli economy, and makes it possible for Israel to sustain the costs mentioned above, although it is not possible to predict for how long.

Over two decades of sustained aid have affected the Palestinian society and economy, giving rise to a large NGO sector. The public sector in the OPT is smaller than the NGO sector, with many schools and health facilities funded by donors. Donor policies preferring to employ educated, a-political and English-speaking Palestinian workers,

and Israeli policies denying visas to NGO workers who express critical views of the occupation have turned the aid into a major political factor in shaping Palestinian public opinion. While many Palestinians are dependent on aid for survival, the vast majority of Palestinians are also very critical of the aid, and prefer to earn their livelihood through labor, production and commerce.

Meanwhile, it is also important to compare the aid received by Palestinians with other recipients of aid. While the Palestinians are the 10th largest per-capita recipients of aid, at the 6th place is Israel, which is also the 1st place in total received aid. But the aid to Israel is of a completely different kind. While most of the aid to the OPT comes in the form of humanitarian assistance, aid to Israel is predominantly military aid. In fact, as the Israeli government is obligated to use the aid to purchase U.S-made arms, and therefore the aid turns into a U.S-government subsidy to its own arms industry, having no impact on Israeli's standard of living. During the 2nd Intifada in 2003, the World Bank has noted the absurdity of U.S-missiles given to Israel for free which were used to destroy clinics and warehouses funded by USAID.

4. Arms

The arms industry holds the key to understanding a great deal of the political interests in the Middle East, and the role which Israel plays in U.S maneuvers in this region. Israel itself has a large arms industry, and in fact has the highest per-capita arms exports in the world, with the U.S at the second place. On the other hand, weapons and security comprise around 11% of Israel's overall exports, and employ an even smaller proportion of Israel's workforce. In absolute terms, Israel is the 6th or 7th largest arms exporter in the world.

Israel's arms industry has gone through crucial stages in its history, which are closely related to the occupation. Before Israel occupied the OPT in 1967, there was a fierce argument among the Israeli senior politicians on whether Israel should strive to become self-sufficient in arms and produce all of the systems which the Israeli army uses, or whether it should strive to specialize in selected technologies and rely on imports for the rest. Immediately after the occupation, Israel's largest arms provider, France, applied an arms embargo on Israel. The Israeli government responded with massive investments in arms production in an attempt to become self-sufficient. This policy has failed, as the Israeli arms industry did not have the engineering expertise required to develop all the systems which the Israeli army demanded. In 1973, six years after the beginning of the occupation, the U.S began a policy of providing military aid to Israel,

turning Israel into the largest recipient of military aid in the world. But the U.S military aid came with strings attached. The Israeli arms industry was forced to abandon the self-sufficiency policy and focus only on products which do not compete with U.S-made weapons. Today, a large proportion of Israel's arms exports are products intended to serve as components in U.S-made military platforms.

It should be also noted that since the 9/11 attacks, the field of "homeland security" has emerged as a growing economic sector, focusing on a different set of technologies than the conventional arms industry. Tel-Aviv is considered the capital of the homeland security industry, as Israeli security companies which are established by retired military and police officers can boast that their technologies have been tested in practice on actual human beings.

The wars fought by Israel during its 68 years of existence have affected both the price and the volume of sales of weapons in the Middle East. As Secretary of State Henry Kissinger once commented, "for every tank that we give Israel for free, its neighbors buy four U.S tanks." In fact, the lobby of the U.S arms companies is 26 times larger than the pro-Israeli lobby in the U.S.¹ This helps to shed light on the close support which the U.S gives to Israel. It is not despite Israel's policy of occupation, but because of it. The weapons given to Israel as part of the military aid are tested by the Israeli army on the Palestinian population (and occasionally on the Lebanese population as well), and the results of these tests are used to market those weapons to additional customers. Under the guise of a close alliance with Israel, the U.S administrations since 1973 have used Israel to promote the interests of the U.S military industry.

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¹ <https://www.opensecrets.org/>.

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