

# Report highlights costs of occupation for Israeli society

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A new report from the Tel Aviv-based Adva Centre has detailed Israel's massive expenditures on the occupation of the Palestinian territories. Successive governments have spent billions of dollars on the expansion of settlements in West Bank and Gaza, and on the suppression of Palestinian resistance. These costs have been placed squarely on the backs of the Israeli working class, which has seen a sustained assault on its wages, conditions and social benefits.

The report, *The Price of Occupation: the cost of the occupation to Israeli society*, was written by the Adva Centre's Shlomo Swirski. The author collated a series of economic reports and statistics assessing the spending that has followed Israel's seizure of the Palestinian territories in 1967.

"The Palestinians, as is well known, are paying a much heavier price," Swirski acknowledged, "but this fact does not in any way make the price that Israelis are paying any smaller or any less significant."

The Israeli army has two divisions, consisting of seven brigades, permanently stationed in the Occupied Territories. The exact cost of this deployment is not known, since the Israeli military budget is never made public. The Adva report noted, however, that the budget does reveal special expenditures related to "events in the territories." These costs totalled US\$6.5 billion between 1987 and 2005. Millions of dollars have also been spent on Israeli police and border guards and prisons for Palestinian detainees.

The military costs of occupation are inextricably bound up with the sole source of Israeli investment in the West Bank and Gaza—the development of Zionist settlements. Like military expenditure, the exact cost of these settlements cannot be calculated, because the extent of public funding has always been concealed by Israeli administrations. Funding is typically hidden in budgetary reports for spending within Israel, and as part of the secret

military budget.

Last year, *Haaretz* newspaper estimated that between 1967 and 2003, government surplus spending—that is, funding in excess of what would have been spent had the settlements been constructed within Israel—totalled \$10.5 billion. This figure is a conservative one and does not include the value of the settlers' numerous benefits, such as tax breaks and superior health care and education facilities.

The Adva Centre's report characterised the period between 1967 and 1987 as "occupation at a bargain." Over these two decades, there was little organised Palestinian resistance within the Occupied Territories, allowing Israel's military costs in the area to be kept low. The Israeli economy profited from the occupation in this period, with the exploitation of Palestinian workers who were paid between 35 and 50 percent less than their Israeli counterparts. The Occupied Territories were also used as a captive market for Israeli exports; by the 1980s, only the US purchased more Israeli goods than did the Palestinians.

Only with the eruption of the first Intifada, or Palestinian uprising, in 1987, did Israel's military costs in the Occupied Territories escalate. This period also saw the rapid development of the settlements. There were only 6,000 settlers in 1977, compared to 107,000 by 1992, and more than 200,000 today.

The second Intifada, which began in 2000, severely damaged Israel's economy. The uprising coincided with the collapse of the high-tech bubble in the US, which hit Israel's computer and technology industries. Gross domestic product growth plummeted from 8 percent in 2000 to -0.9 percent in 2001, and foreign investment dried up. After the longest recession in Israel's history, growth rates are only now beginning to recover, although unemployment remains at more than 10 percent.

The Likud government led by Ariel Sharon came to

power in February 2001 and has ruled in coalition with Labour since last December. The administration responded to the economic crisis by cutting spending on social services and the public service, while simultaneously reducing taxes for corporations and high-income earners.

Over the past three years, eight rounds of budget cuts have reduced government expenditure by almost \$14 billion. All of the major Israeli political parties, including Labour, have been committed to right-wing and anti-welfare economic policies since at least the mid-1980s. The unprecedented cuts to spending in this period, however, have only been possible because of the Sharon government's exploitation of the emergency conditions engendered by the second Intifada. As Swirski notes, "One could say that the Sharon government behaved as if it were seizing a historical opportunity for realising its ideological principles."

Sharon has made bogus appeals to "national unity" and framed the cuts as necessary measures in the fight against terrorism. His first plan to slash spending was labelled "Economic Defensive Shield," deliberately echoing the name given to the Israeli army's March-April 2002 offensive in the West Bank.

Health and education spending have been wound back. Pensions and welfare payments were frozen for four years, and future increases are to be indexed to inflation rather than average wages, which will lead to an effective reduction in many payments of 30 percent. Income support and family payments were similarly curtailed.

The retirement age was raised from 65 to 67 for men and from 60 to 67 for women. Pension allowances were cut, and the pension fund system was privatised. Workers' capital was directed away from secure government bonds and onto the financial market. "Isolated examples of such extreme measures might be found in Mexico, or in Chile during the regime of dictator Augusto Pinochet," the Adva Centre report stated.

These measures have seen a rise in Israel's poverty rate. In 2003, 19.2 percent of all families, and 29.4 percent of all children, lived in poverty. "Not only did the number of poor people and their proportion increase; the state of poverty itself worsened," the report noted. "In 2000, the average income of Israel's poor was 25.6 percent below the poverty level, and in 2003 it increased to 30.2 percent."

Successive governments' economic policies have greatly increased inequality within Israel over the past 20 years—a trend that has accelerated under the Sharon

government. Swirski noted that "the country's middle class has shrunk from a third of households in 1988 to only 28 percent in 2002. The middle class' slice of the income pie has also decreased in size, from 28 percent in 1988 to 21 percent in 2002.... In other words, while the country's wealth is being increasingly concentrated in the hands of a minority, the middle stratum is shrinking and the expanding lower stratum is receiving only a small and diminishing portion of the total income."

The marginal tax rate for the two highest income tax brackets will be reduced from 60 percent to 47-49 percent, and corporate tax cut from 36 to 30 percent over the next three years. The Adva Centre report stated that "the real significance of the tax reductions was to free Israel's wealthiest sector from the burden of funding the consequences of the Intifada."

The tax breaks were only possible because of US guarantees of Israeli government bonds. In 2003, this support was worth \$9 billion to the Sharon government. In return for the money, Sharon promised to maintain his budget cuts, further reduce public sector wages, and privatise a number of key industries.

Swirski concluded by noting that, "the distinction between the internal damage to Israel and the internal damage to the Palestinian territories is, to a large degree, artificial. The close ties between the two economies, which have developed during the years of occupation, have created a situation in which if one is damaged, the other will inevitably be affected as well."

The study was conducted from a left-Zionist perspective, and sought to bolster arguments for a negotiated two-state solution. What emerges from a critical reading, however, is the necessity of a united struggle by the Israeli working class and the Palestinian masses against the Likud-Labour government, and against the bourgeois Zionist state itself.



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