The economic, social and political disaster produced by the Zionist project

Part One

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We repost below the first of a two-part report on Israel and Palestine by Jean Shaoul to an expanded meeting of the World Socialist Web Site *International Editorial Board held in Sydney, Australia from January 22 to 27, 2006. Shaoul is a WSWS correspondent and a member of the Socialist Equality Party in Britain. The second and concluding part of the report will be posted on January 22.*

The present economic, social and political conditions in Israel and Palestine are an indictment of the Zionist project and the nation state as the solution to the oppression of the Jews. The Zionist state was conceived as the answer to the problem of the European persecution of the Jews—a state where the Jews would find a safe haven, social justice and equality.

It was realised in the form of a capitalist state created by the dispossession of another people and maintained through war and repression, and social inequality at home. Indeed, it is impossible when presenting this report, to avoid pointing out that the Jewish people, sections of whom have a long history in every progressive movement, not least the international socialist movement, are now themselves widely regarded as oppressors with blood on their hands.

The Fourth International and Palestine 1948

I think it is pertinent to recall what the Fourth International said about Palestine in 1947-48. One cannot but be struck when reading its statement, Against the Stream, written nearly 60 years, how extraordinarily prescient its warning was. It insisted that Zionism was both utopian and reactionary and denounced the 1947 UN decision to partition Palestine into two tiny states.

"By partition a wedge is driven between the Arab and Jewish worker. The Zionist state with its provocative lines of demarcation will bring about the blossoming forth of irredentist (revenge) movements on either side. There will be fighting for an ‘Arab Palestine' and for a ‘Jewish state' within the historic frontiers of Eretz Israel (the Land of Israel). As a result, the chauvinistic atmosphere thus created will poison the Arab world in the Middle East and throttle the anti-imperialist fight of the masses, while Zionists and Arab feudalists will vie for imperialist favours."

The Fourth International said: "The Jewish state, this gift of Truman's and Bevin's, gives the capitalist economy of the Zionists a respite. This economy rests on very flimsy foundations. Its products cannot compete on the world market. Its only hope is the inner market from which the Arab goods are debarred.... The continuous flow of Jewish immigrants, who would come with the remnants of their possessions, is apt to increase the circulation of goods. It will allow the bourgeois producers to dispose of their expensive wares. Mass immigration would also be a very useful means of forcing down wages which ‘weigh so heavily' on Jewish industry. A state engaged in inevitable military conflicts would mean orders from the Hebrew Army, a source of Hebrew profits not to be underrated at all. A state would mean thousands of snug berths for Zionist veteran functionaries."

Jewish workers would have to bear the cost in the form of high prices and heavy taxes. Separated from their Arab brothers and sisters and prevented from fighting as a united class, they would be at the mercy of their class enemies, imperialism and the Zionist bourgeoisie. As Chaim Weitzmann, who was to become the first president of the new state, said, "The Jewish state will stem the communist influence."

In answer to the question, "And what promises does the Jewish state hold out? Does it really mean a step forward towards the solution of the Jewish problem?" the Fourth International warned, "The partition was not meant to solve Jewish misery nor is it ever likely to do so. This dwarf of a state, which is too small to absorb the Jewish masses, cannot even solve the problems of its citizens. The Hebrew state can only infest the Arab East with anti-Semitism and may well turn out—as Trotsky said—a bloody trap for hundreds of thousands of Jews."

For the Arab feudal leaders, the UN vote for a Zionist state was a godsend, enabling them to divert the attention of the masses away from a united class struggle and any possibility of international class solidarity, with a declaration of war on the newly formed Zionist state. The military conflict and ensuing bloodshed—all in the name of anti-imperialism—also served to break up the workers' movements in both camps, thereby weakening the working class and strengthening imperialism.

The Fourth International stressed that Zionism was a reactionary and utopian movement. It was utopian to believe that:

1. A harmonious development within an isolated and closed economy in the midst of a capitalist world is possible. Without the expansion of the economy, millions of Jewish immigrants could not be absorbed.

2. A Jewish state could exist amid the open hostility of tens of millions of Arabs, and in the face of an Arab population growing at least as fast as Jewish immigration.

3. That Israel could manoeuvre successfully between the rival imperialist powers, all of which were using Israel to further their own strategic interests in the region.

4. That anti-Semitism could be eradicated simply by granting nationality to the Jews, ignoring its social, historical and ideological roots.

It was reactionary because Zionism:

1. Serves as a support for imperialist domination by giving it the fig leaf of acting as arbiter between the Jews and the Arabs.

2. Produces a nationalist reaction on the part of the Arab masses thereby

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creating a racial division of the international working class, and strengthening the national "unity" of both the Jews and the Arabs.

3. As a nationalist force, acts as a break on the participation of Jewish workers in the class struggle in the rest of the world, separates them from the world proletariat, gives them their own and different goals to strive for, and above all creates illusions in the possibility of improving their lot within the framework of capitalism.

The Fourth International warned that war on neither side in the Arab-Zionist conflict bore a progressive character: it served only to obscure the class antagonisms and open the gates for nationalist excesses, weakening the proletariat and strengthening imperialism in both camps. It called on the workers of the two peoples to unite in a common front against imperialism and its agents. It warned Jewish workers that they would not be free and safe as long as they had not done away with national discrimination, isolationalism and imperialist loyalty.

What are the conditions within the Zionist state today?

Let us fast forward nearly 60 years and ask: What has been the end result of the Zionist road to the security of the Jewish people? What have been the main tendencies of development that should inform our work on perspectives?

First of all, Israel has from the beginning faced an enormous economic, social and political crisis.

It was carved out as one of five states (Israel, Palestine, Jordan, Lebanon and Syria) from the former Syrian province of the Ottoman Empire. Capitalism within such a tiny state, surrounded by hostile states, with few natural resources and little water, and unintegrated into the wider regional economy, was never economically viable. From the beginning, the Arab regimes refused to trade with Israel and boycotted those companies that did so.

It is this, in part at least, that has forced successive governments to seek to expand Israel's borders, and thus military and settlement expenditure. This is why Israel has lurched, throughout its entire existence, from one economic crisis to another and why it has been so reliant on external support. This has inevitably affected its role internationally and at home.

In its early years, Israel was kept afloat by the Diaspora, which contributed $200 million a year before 1967 and a massive $700 million a year in the following six years. Even today, Israel receives $1.5 billion a year from private US donations. In the 1950s, German reparations money provided another important source of finance: $125 million a year before 1966. Even after the reparations money came to an end, West German aid continued at a higher level than before.

But by far the most important source of economic assistance has been the US government. While before 1967, US provided very little, at $50 million a year, this had risen to a massive $3 billion a year by 1986 (split between $1.2 billion economic and $1.8 billion military assistance), plus some $500 million a year aid from other parts of the US budget or in some cases, off-budget. It has continued at this level ever since, making Israel the highest per capita recipient of US aid in the world.

But this aid to Israel differed from most US aid. Firstly, normally US aid is tied to specific projects and the purchase of US goods and services, and overseen by the government agency, USAID. Most US aid to Israel goes straight into its Exchequer as a cash transfer. Secondly, aid is a bit of a misnomer. It usually comes in the form of loans that have interest and repayment obligations. But most of the military loans were converted into grants and the remaining military loans were "forgiven" by Congress. Only the economic aid had to be repaid with interest.

To put US aid to Israel into perspective, direct aid to Israel is more than six times all US aid to sub Saharan Africa. But even these annual $3.5 billion grants were insufficient. In 1992-96, the US stepped in to provide $10 billion in loan guarantees and a similar amount in 2002-03. Without such guarantees, Israel would have been bankrupt. Its external debt is now much greater than its GDP.

As well as rescuing the economy, the US also permitted the settlement expansion. While officially Clinton deducted the cost of settlements from the aid, he simply made equivalent amounts available as grants from other sources. Thus in effect, the US subsidised the settlements.

Ninety-nine percent of US military assistance to Israel came only after Israel became stronger than all the Arab armies, and ruled over the Palestinian population. Assistance increased after every military intervention and suppression of the Palestinians. It increased after the Oslo peace talks, and again after they collapsed. It continues today when Israel faces no military threat. Indeed, US aid is to ensure military superiority. Similarly, the US provides economic assistance to a country that has a GDP far larger than the combined GDP of its Arab neighbours, including Egypt, despite having a population of only 6 million compared to 100 million.

As well as economic assistance, the US has provided political cover for Israel at the UN. Between 1972 and 2001, it vetoed 39 resolutions in the Security Council in order to block criticisms of Israel's policies and actions in the Occupied Territories. It used the veto threat on countless other occasions to get resolutions withdrawn or watered down. Thus the US has ensured that no action has ever been taken against Israel for its defiance of UN resolutions or its development of nuclear weapons.

What has been Israel's quid pro quo for the US?

Israel prevented victories by the Palestinians and their supporters outside Israel's own border: in Jordan in 1970, Lebanon 1976-82, as well as in the Occupied Territories. It thus helped suppress the Arab working class and maintain decrepit regimes in power. It kept the Stalinist bureaucracy in Moscow at bay during the Cold War: in 1967 and then again in 1973, it defeated Egypt and Syria, both of whom were armed and aided by the Soviet Union. In effect, Israel replaced Britain after its withdrawal "East of Suez" as the policeman of the Middle East on behalf of US imperialism.

Its frequent wars provided the US with live testing for its arms, often against Soviet weaponry. With its nuclear arsenal, Israel had weapons capable of reaching the Soviet Union. It prevented the emergence of Iraq as a nuclear power with the bombing of Iraq's nuclear reactor in 1981.

Israel also provided valuable services as a subcontractor for the US. It has served as a conduit for US arms to regimes that the US could not be seen to be assisting: apartheid South Africa, Khomeini's Iran during the Iran-Iraq war, and numerous military dictatorships and right-wing rebel forces, particularly in Latin America. Israel's intelligence service, Mossad, provides Washington with intelligence gathering and can be relied upon to carry out illegal and covert operations on behalf of the US that the US itself either does not want, or be seen, to carry out. It trialled novel forms of interrogation and torture, later to be used in Iraq.

In other words, Israel acts as a mercenary for US imperialism, a situation that its own commentators have likened to "the Godfather's messenger". This is because Israel carries out the "dirty work" of the Godfather who "always tries to appear to be the owner of some large respectable business". One Israeli intellectual noted that the state had gathered in three million Jews into Israel and transformed them into "parasites of America".

Growth of anti-Semitism

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Unquestionably one of the most potent factors re-igniting anti-Semitism today is the brutal methods adopted by the Israeli government. This factor has been used to considerable effect by one Middle East regime after another to whip up anti-Semitism as a diversion to obscure their own political bankruptcy. In part, this has been one of the elements that have, amid the present political confusion, encouraged the growth of Islamic fundamentalists who employ populist anti-Semitism to manipulate political discontent.

Two years ago, a leaked European Union report showed a rise in the number of attacks on Jews by European Muslim youth. It linked a rise in attacks on Jews with events in the Middle East, particularly since the start of the Intifada in September 2000 and Israel's attack on Jenin in the West Bank in April 2003. To recognise this fact is not to endorse anti-Semitic views or to defend those who hold them. Yet, the political basis for a dangerous re-emergence of anti-Semitism among often politically uneducated second generation Arab and African immigrants cannot be ignored.

Israel itself routinely lumps together legitimate hostility to its treatment of the Palestinians with anti-Semitism. Any objective appraisal of what Israel has done is depicted as anti-Semitism. This serves a very definite purpose, in obscuring political understanding.

Breaking out of a national autarky

Zionism's solution to its economic problems—expanding Israel's borders—has proved to be no solution at all. That is not only because it turned Israel into an international pariah and incurred massive military costs. While in the immediate post-war period, Israel operated as a nationally regulated economy, the development of globalisation in the late 1970s rendered this impossible. Israel had to seek economic integration into the wider Middle East economy.

The policies of privatisation, economic liberalisation and drastic devaluations espoused by the Likud government after 1985 devastated much of Israel's traditional enterprises, ruptured the nationally regulated economy, and opened it up into the international economy. Foreign institutional investors began to own an increasing proportion of the Tel Aviv stock market-quoted companies. Many of Israel's leading high-tech companies began to have their shares listed on the New York Stock Exchange and to operate outside Israel.

These measures also changed the social composition of Israel's business circles. The shift toward internationalisation upset the old equilibrium that had existed between big business and the military establishment, in favour of a new elite based on Israel's high-tech sector, IT and pharmaceuticals. Peace with Israel's Arab neighbours would end its isolation. It promised more new markets than Israel's garrison state could ever deliver. But the price to be paid for a wider regional role and markets that would make Israel a regional economic power was some kind of deal with Arafat and the Palestinians, even if it was not the full withdrawal from the Occupied Territories and Jerusalem demanded by international conventions and UN resolutions.

That price was the 1993 Oslo Accords. As Labour party leader Shimon Peres explained in a newspaper interview in 1992: "All the world is organised like a house with two floors: in the basement the regional agreements. And on the top floor: multinational groups of companies". He then spelt it out more clearly: "We do not want a peace between nations. We want a peace between markets."

In other words, and what tends to be forgotten, beneath all the rhetoric and re-branding of the Labour party as the party of peace, lay Israel's ambition to become the economic powerhouse of the Middle East. Subcontracting to a Palestinian mini-state would enable access to EU and Arab markets, while excluding the Palestinians from Israel's workforce and preserving a Jewish majority in Israel itself.

But such a "peace" famously initiated on the lawns of the White House in September 1993 could never be more than a chimera. It could not alleviate the appalling social conditions of the Palestinians. Indeed, it was not designed to do so. Israel closed its borders to Palestinian workers and simply replaced low-wage Palestinian workers with workers from Asia. These immigrant workers are cheaper and have even fewer rights than Palestinian workers. While their numbers may seem low, they are proportionately the highest in the world. They have had a massive impact, forcing down wages and social expenditure in Israel, and increasing poverty in Palestine.

So Oslo was bound to be resisted, despite the capitulation of the PLO.

Moreover, within Israel, Oslo was opposed by the very social forces unleashed by the expansion of Israel—the settlers and ultra-religious as well as Sharon, Netanyahu and the Likud. On their insistence, the settlements were expanded.

The collapse of the Oslo framework, the subsequent Intifada uprising in September 2000, the cost of the military suppression of the Palestinians—currently costing $1.4 billion a year—and the continued expansion of the settlements were an unmitigated disaster for Zionist capital and the Labour party. Israel plunged into its deepest ever recession as tourism, its key foreign currency earner and employer, and foreign investment plummeted.

The Greater Israel policy—the expansion of the settlements and the murderous war against the Palestinians—came at a huge cost to the Israeli working class. Firstly, Sharon appointed former International Monetary Fund staffer, Stanley Fischer, to head Israel's central bank and his arch rival, Netanyahu, to take over at the Finance Ministry. Together they introduced a raft of market "reforms":

- privatisations
- opening up Israel's banking system to competition
- cuts in social benefits such as unemployment, child and insurance benefits, and income assistance
- freezing of benefit levels which are to be linked to the consumer price index, not wages, from 2006
- raising the pension age
- cuts in corporate taxes and income taxes for the rich
- anti-trade union laws, restrictions on the right to strike and a ban on strikes in the public sector.

All this was aimed less at reducing the government deficit than undermining social security and creating "labour market flexibility". Expenditure on the armed forces and settlements, including the roads and infrastructure, increased. These measures have brought unremitting misery, unemployment and poverty to increasing numbers of workers and their families.

The price for US support for Sharon's land grab—including the extra land seized by the security wall, even if it was not as large as he would have liked—was that Sharon had to be seen to make some minor concession to the Palestinians. Hence Sharon's unilateral "disengagement" from Gaza—in the teeth of opposition from the ultranationalists and religious forces—for which he was re-branded by the international media as a "peacemaker".

In reality and from an economic perspective, the pull-out is part of a drive to deepen the isolation of the Palestinians and ensure their absolute separation from Israel in a glorified militarised ghetto. Exports from Gaza have fallen by half. Sharon intended to massively curtail the use of Palestinian labour within Israel. This must in turn lead to further attacks on Israeli wages and social conditions if Israel is to compete in the world market.

As a result of all these factors—a small unviable and autarkic economy, the failure of the economic perspective that underpinned Oslo, the

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uprising, the military and settlement costs, cheap foreign labour, unemployment and the gutting of social welfare—Israeli workers and their families have seen their living standards plummet. The Zionist dream of a national home for the Jews and escape from oppression and persecution within Israel has turned into its opposite.

To be continued

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