

# Israel's Race to Economic and Moral Bankruptcy

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*Two recent reports suggest that Israel could face catastrophic consequences if it fails to end the mistreatment of Palestinians under its rule, whether in the occupied territories or in Israel itself.*

The Rand Corporation's research shows that Israel could lose \$250 billion over the next decade if it fails to make peace with the Palestinians and violence escalates. Ending the occupation, on the other hand, could bring a dividend of more than \$120 billion to the nation's coffers.

Meanwhile, the Israeli finance ministry predicts an even more dismal future unless Israel reinvents itself. It is likely to be bankrupt within a few decades, the finance ministry report says, because of the rapid growth of two groups who are not productive.

By 2059, half the population will be either ultra-Orthodox Jews, who prefer prayer to work, or members of Israel's Palestinian minority, most of whom are failed by their separate education system and then excluded from much of the economy.

Both reports should be generating a tidal wave of concern in Israel but have caused barely a ripple. The status quo – of occupation and endemic racism – still seems preferable to most Israelis.

The explanation requires a much deeper analysis than either the Rand Corporation or Israel's finance ministry appears capable of.

The finance ministry report points out that with a growing population not properly prepared for a modern, global economy, the tax burden is falling increasingly heavily on a shrinking middle class.

The fear is that this will rapidly create a vicious cycle. Wealthier Israelis tend to have second passports. Overwhelmed by the need to make up the revenue shortfall, they will leave, plunging Israel into irreversible debt.

Despite this doomsday scenario, Israel seems far from ready to undertake the urgent restructuring needed to salvage its economy. Zionism, Israel's official ideology, is predicated on core principles of ethnic separation, Judaisation of territory and Hebrew labour. It has always depended on the marginalisation at best, exclusion at worst, of non-Jews.

Any effort to dismantle the scaffolding of a Jewish state would create a political crisis. Reforms may happen, but they are likely to take place too slowly and incrementally to make much difference.

The Rand report also raises the alarm. It notes that both peoples would benefit from peace, though the incentive is stronger for Palestinians. Integration into the Middle East would see average wages rise by only 5 per cent for Israelis, compared to 36 per cent for Palestinians.

But, while its economists may have found it easy to quantify the benefits of ending the occupation, it is much harder to assess the costs in shekels and dollars.

Over the past six decades, an economic elite has emerged in Israel whose prestige, power and wealth depends on the occupation. Career military officers earn large salaries and retire in their early forties on generous pensions. Nowadays many of these officers live in the settlements.

The army top brass are the ultimate pressure group and will not release their grip on the occupied territories without a fight, one they are well placed to win.

Backing them will be those in the hi-tech sector who have become the engine of the Israeli economy. Many are former soldiers who realised the occupied territories were the ideal laboratory for developing and testing military hardware and software.

Israel's excellence in weaponry, surveillance systems, containment strategies, biometric data collection, crowd control, and psychological warfare are all marketable. Israeli know-how has become indispensable to the global appetite for "homeland security".

That expertise was on show this month at a Tel Aviv armaments expo that attracted thousands of security officials from around the world, drawn by the selling point that the systems on offer were "combat proven".

To end the occupation would be to sacrifice all this and revert to the status of a tiny anonymous state with no resources or notable exports.

And finally the settlers are among the most ideologically committed and entitled sector of Israel's population. Were they moved out, they would bring their group cohesion and profound resentments back into Israel.

No Israeli leader wants to unleash a civil war that could rip apart the already-fragile sense of unity among the Jewish population.

The reality is that most Israelis' perception of their national interests, both as a Jewish state and as military superpower, are intimately tied to a permanent occupation and the exclusion of Israel's Palestinian minority from true citizenship.

If there is a conclusion to be drawn from these two reports it may be a pessimistic one.

Israel's internal economy is likely to grow gradually weaker, as the ultra-Orthodox and Palestinian labour forces are under-utilised. As a result, the focus of Israel's economic interests and activity is likely to shift even more towards the occupied territories.

Far from Israelis rethinking their oppressive policies towards the Palestinians, the ideological blinkers imposed by Zionism could push them to pursue the benefits of the occupation even more aggressively.

If the watching world really wants peace, economic wishful thinking will not suffice. It is past

the time simply for carrots. Sticks are needed too.

**Jonathan Cook** won the Martha Gellhorn Special Prize for Journalism. His latest books are "Israel and the Clash of Civilisations: Iraq, Iran and the Plan to Remake the Middle East" (Pluto Press) and "Disappearing Palestine: Israel's Experiments in Human Despair" (Zed Books). His website is [www.jonathan-cook.net](http://www.jonathan-cook.net).

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