The Political Economy of Israel’s Occupation: Repression Beyond Exploitation

Review of Shir Hever's Book

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Global Research, November 04, 2010
Counterfire 3 November 2010

Region: Middle East & North Africa
Theme: Poverty & Social Inequality
In-depth Report: PALESTINE

Shir Hever, a radical Israeli economist, recently wrote an article, which posed the question: ‘Why does Israel continue to occupy the Palestinians?’ That is also one of the major questions addressed in his new book, an ambitious work on the political economy of the occupation.

Hever is an academic/activist on the Israeli Left with a consistently critical perspective on the Israeli state. As a researcher based at Jerusalem’s Alternative Information Centre, he is able to draw on a wealth of sources for this tremendously well-informed account of the economic dynamics of the Israeli occupation. He provides an invaluable historical perspective, tracing developments since 1967, when Israel massively expanded its occupation of Palestinian land. Perhaps surprisingly considering the topic, Hever’s book is highly accessible to those who don’t specialise in economics.

The analysis seeks to address some important questions: why is it that Palestinians in the Occupied Territories live in such awful poverty? Does Israel benefit from Palestinian poverty, and if so how? A great strength here is Hever’s skilful avoidance of simplification. The focus is on ‘the economic aspects of the relations between the Israeli authorities and the occupied Palestinians’, noting that these are frequently neglected yet just as important as military and geopolitical aspects. Nonetheless, he rejects the reductionist, over-simplistic idea that Israel is driven to maintain its occupation solely by economic factors, narrowly conceived. The reality is more complex. He insists that that ‘profit alone cannot explain the actions of the many actors perpetuating or resisting the occupation.’

Economic inequality is a recurring theme. While it is true that ‘certain Palestinian businesspeople and politicians are much better-off than certain Israelis of the lower socioeconomic classes’, overall inequality lies principally between Israelis and Palestinians. Acute poverty is widespread in the Occupied Territories; the Palestinian economy as a whole is prevented from developing, as part of a broader process of exploitation and subjugation.

Hever never loses sight of the fact that he is writing about a part of the world which, while very small, is the focus for a huge amount of global attention. Israel is famously a recipient of a vast amount of US ‘overseas aid’, while international aid of a different kind is essential for many desperately poor Palestinians. Israeli policy towards Gaza has been ‘to keep it constantly on the verge of a humanitarian catastrophe’, as a deliberate policy intended to suppress resistance and self-organisation. But Hever also stresses the persistent, and essentially irrational, contradictions in Israeli policy, which are shaped by the contradictions and irrationality of both capitalism in general and the particularities of the occupation.

For example, while the occupation is certainly now uneconomic from the point of view of the wider Israeli economy and society, there are very particular military and business interests which do well from it. In other respects, Israel has at times in the past allowed a rise in Palestinians' standard of living in order to 'make them more docile', but then it has launched 'brutal attacks which destroy the infrastructure necessary for the survival of the Palestinian population'. Israel has welcomed international aid to the occupied Palestinians, as it relieves it of some responsibility. Yet Israel then erects a variety of obstacles to this aid actually reaching those for whom it is designed.

Hever also avoids treating the economics of occupation as ahistorical and unchanging. Quite the opposite in fact: I was fascinated to discover how economic relationships have evolved over the forty years or so since the Gaza Strip and West Bank were occupied, though in general it is a miserable tale of worsening conditions for the occupied Palestinians. After 1967 there was a period of relative prosperity, influenced by Israel's preference for cultivating Palestinian co-operation rather than seeking to subjugate them violently. At that stage, consent was more important than coercion. Nonetheless, Israel prevented the development of a viable independent Palestinian economy, ensuring the occupied population was heavily dependent upon Israeli imports, Israeli financial institutions and employment by Israeli companies. Hever writes:

'As local sources of income were suppressed by Israeli authorities, the main source of income to the Palestinians became remittances from Palestinian workers living in Israel, in the Jewish settlements in OPT [Occupied Palestinian Territories], and in the Gulf states.'

The 1980s saw a change for the worse. Falling oil prices led to falling demand for Palestinian migrant workers in the Gulf States. A collapse in the Israeli stock market led to problems for Palestinian workers in Israel: a fall in income combined with the tightening of work opportunities for Palestinians, accompanied by discrimination and abuse. The growth of Jewish settlements inside the Occupied Territories involved the theft of Palestinian land, damaging the local economy. And Israeli policy became more belligerent, shifting away from seeking consent and accommodation. All these factors influenced the emergence of the first intifada, the militant rebellion by Palestinians against oppression, which started in 1987.

Fast forward to the Oslo process, which began in 1993. This did nothing for the Palestinian economy; indeed there was a fall in living standards, which was (again) one factor behind the eruption of resistance in the start of the second intifada in 2000. A major problem in these years was the increasing curtailment of employment opportunities for Palestinians seeking work inside Israel. Growing poverty and discrimination fed bitterness and disillusionment.

A gulf opened up during the Oslo years (1993-2000): while the Israeli economy boomed, the Palestinian economy contracted. For Palestinians, poverty and unemployment grew. Living standards fell still further after 2000, when Palestinians in Gaza and the West Bank became increasingly reliant on overseas aid to avoid humanitarian disaster. In the West Bank the Palestinian Authority (PA) has failed to even marginally improve conditions for the local population, but has often colluded with Israeli occupation policies. Neve Gordon has referred to this, in an evocative turn of phrase, as Israel 'outsourcing the occupation' to the PA.

Hever highlights how expensive the occupation actually is, especially in terms of vast spending on a complex security apparatus. An assessment of the costs and profits of occupation concludes that three groups pay for its maintenance: Israeli citizens (through taxation), Palestinians (via exploitation of cheap labour) and the US (donating 'aid' which helps sustain the fragile Israeli economy). But there are also profits to be reaped. It will come as no surprise to learn there 'was a rapid rise in the market value and business of the military-surveillance sector of the Israeli economy after the September 11, 2001 attacks.' International oil companies, arms manufacturers and the 'security' industry have all made handsome profits from the occupation.

More generally, the occupation and Israeli policies in recent years have proved good for business: 'the neo-liberal policies of the Israeli government enable large companies to extract high profits with minimal regulation and taxes, and to buy government assets cheaply while the government is engaged in a rush to privatisation. Those who profit from the Israeli crisis have no incentive to help in resolving it.'

In his conclusion, Hever outlines the cases for a two-state solution and a one-state solution, specifically examining the economic dimensions of the question. He leans heavily towards a one-state solution, i.e. a single secular and democratic state encompassing the whole of historic Palestine. He is realistic about the problems, but writes that it would at least create the framework and tools required for tackling many of the current economic injustices.

He also praises the efforts of the international boycott movement, pointing to the anti-apartheid movement which targeted South Africa as a relevant precedent. It can be effective because Israel's business sector is so dependent on international trade. The boycott movement is vital in working towards 'the replacement of the existing system of repression through the creation of a democratic state to represent everyone who lives in the area currently controlled by Israel.'

Shir Hever, The Political Economy of Israel's Occupation: Repression Beyond Exploitation (Pluto Press, 2010), 240pp.

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