



# **The Economy of the Occupation**

Part 2

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## **The Settlements - Economic Cost to Israel**

Shir Hever



The Alternative Information Center

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The Alternative Information Center (AIC)

<http://www.alternativenews.org/>

<b>Jerusalem:</b>	<b>Beit Sahour:</b>
4 Queen Shlomzion Street	Building 111 Main Street
PO Box 31417	PO Box 201
Jerusalem, Israel 91313	Beit Sahour, Palestine
Phone: 972-(0)2-624-1159; 624-1424	Phone: 972-(0)2-277-5444
Fax: 972-(0)3-725-6006	Fax: 972-(0)2-277-5445

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# Introduction

This bulletin, the second in the socio-economic bulletin project of the Alternative Information Center, will discuss the cost to Israel for occupying the Occupied Palestinian Territories (OPT). This topic is the subject of a new book by Shlomo Swirski, *The Price of Occupation*<sup>1</sup>, which will be discussed here. To complete the picture, a future bulletin will discuss the implications and significance of the occupation to the economy of the Palestinians in the OPT.

## Objecting to Paying the Price

In his recent book *The Price of Occupation*, Israeli sociologist Dr. Shlomo Swirski engages in a comprehensive study: calculating the cost of Israel's occupation of the OPT – to the *Israeli* economy – since 1967.

The Al-Aqsa Intifada which begun in October 2000 propagated one of the deepest economic recessions in Israeli history. A decrease in working wages, a rise in unemployment and an overall increase in poverty rates accompanied the outbreak of violence in Palestine.

As a result, a new perspective emerged in mainstream Israeli discourse. More people concluded that the resources invested in the occupation, including the subsidization of illegal settlements,\* have become a heavy burden for the Israeli population. Though failing to adequately support its own population, Israel continues to spend a great deal

of money and effort to maintain its control of the Palestinian population and promote the well-being of the illegal settlements in the OPT.<sup>2</sup>

Swirsky's book continues the recent trend in Israel of writing about the adverse effect of the occupation and the high costs of the settlements. Ariel Rubinstein,<sup>3</sup> Arie Arnon,<sup>4</sup> Dan Ben-David,<sup>5</sup> Eitan Berglas,<sup>6</sup> and Haim Ben-Shachar<sup>7</sup> are among the celebrated Israeli economists who began stressing the economic burden of the occupation on the Israeli economy, even before the outbreak of the second Intifada. These economists (Arnon not included) tend to hold right-wing economic perspectives. Due to their objection to the occupation, however, they associate themselves with the Israeli moderate left.

The surge of research on the economic costs of the occupation includes research by Dror Tsaban,<sup>8</sup> an extensive research project conducted by the *Haaretz* newspaper,<sup>9</sup> a paper by Naor Gamliel<sup>10</sup> and research by the Adva Center.<sup>11</sup> Swirski summarizes some of these studies in an attempt to provide a wide perspective on the subject.

These studies, including Swirski's, suggest that the costs of the occupation apply to Israeli society as a whole, as a form of foregone utility from lost venues of investment. Further on, we will discuss the bearers of these costs in greater detail.

**The first years of the occupation were very profitable to Israel**

\* The settlements in the OPT are illegal according to international law, and therefore investments in them are also illegal. "The occupying power shall not deport or transfer parts of its own civilian population into the territory it occupies." – Article 49 of Part I of the *Fourth Geneva Convention*, see the full text: <http://www.icrc.org/ihl.nsf/0/6756482d86146898c125641e004aa3c5?OpenDocument>

## Vanity and Humility

The title of Swirski's book in English is *The Price of Occupation*, but the literal translation of it from Hebrew is *The Price of Vanity*. Swirski does not claim that the occupation itself damaged the Israeli economy, but rather that the damage accrues from the decisions and policies that shaped it. In an interview to *Globes* newspaper, Swirski stated that Israel's decision to suppress the economic development of the Palestinians was the major contributor to the accumulative cost of the occupation. This was the central mistake that made the occupation so expensive.<sup>12</sup>

Swirski begins his book with the admission that the cost (both economic and social) borne by the Palestinians during the ongoing occupation has been far more severe and pervasive than the costs borne by the Israeli public. After this disclaimer, Swirski continues to focus his research on the sacrifices made by Israelis to fund and maintain the grand project of the occupation.

This disclaimer remains an important part of Swirski's narrative. Swirski does not view the Palestinians as passive victims of Israel's aggressiveness, but as active agents resisting their occupier. As Swirski demonstrates, the occupation actually created many economic gains for Israel following 1967, but since the outbreak of the first Intifada it has become an economic burden. The Palestinian resistance has made the occupation unprofitable to Israel.

Swirski's presentation is comprehensive. He presents a wide range of research, with often-conflicting conclusions. Furthermore,

*The Price of Occupation* attempts to remain as objective as possible, presenting the material and allowing the readers to draw their own individual conclusions based on the presented data. His book therefore makes no predictions for the future.

## Breaking Down the Costs

*The Price of Occupation* (and other sources) prove how impossible it is to separate the cost of the settlements from the cost of the occupation itself. Military outposts and forts created to defend the settlements become sources of oppression and subjugation of the local Palestinian population, and where the Israeli army exercises more control, lands are being confiscated to build additional settlements. Therefore, the engine of expenditure is almost self-propelling: civil expenses lead to military expenses and vice versa.<sup>13</sup>

An inherent flaw in research of this type is that necessary data from the Israeli army and the Ministry of Defense is unavailable. This data, which is essential to a comprehensive analysis, is withheld under the pretext of national security. Swirski claims that he is unable to estimate the final cost of the occupation because of this.<sup>14</sup> The only recourse is therefore to make do with the available data, itemize the bill and make a list of expenses vs. income.

The pieces of the occupation cost puzzle include fragments that must be collected together. Trying to aggregate these numbers is risky – it requires an extrapolation of data from a few years to a long period and should only be considered as an approximation of the true cost. Nevertheless, it is important

**Swirski: The Palestinians suffer far more damage from the occupation than the Israelis**

to make the attempt and offer a figure that can serve as a rough estimate and basis for future debates.

Swirski notes that initially, Israel made a profit from occupying the OPT. The profit came from many sources. Exploiting the low wages paid to Palestinians, taxes imposed on the Palestinians without service provision in return, forcing Palestinians to pay for the ‘security costs’ of controlling their movement, monopoly over imports and exports to the OPT, land expropriation and confiscating monies intended for the Palestinians are only a partial list of the sources of Israel’s profits.<sup>15</sup>

In his interview for *Globes*, Swirski said that his best current estimate for the cost of the occupation is NIS 100 billion (about US\$ 23 billion).<sup>16</sup> This figure, however, does not appear in his book. The calculation offered in this bulletin will show a much higher price.

## The Hidden Facts

One of the central hurdles in estimating the total cost of the occupation is the difficulty in obtaining related data, which is systematically concealed by the Israeli government.

After the Oslo agreements, Israel began to secretly funnel millions of NIS every year to the settlement through the Ministry of Domestic Affairs. These transfers sometimes reached NIS 66 million annually. In 2004, the sum transferred to the settlements by the ministry was identical to the total sum allocated to impoverished municipalities within the Green Line. A rebelling

minister of Domestic Affairs leaked this process to the press. Half of it was called ‘Oslo Grants’ and half was called ‘Intifada Grants’. Ironically, even government ministers cannot access the actual data of the cost of the occupation, as is evident from the experience of several ministers who tried to collect this data and failed.<sup>17</sup>

The clandestine manner of fund transfers has two reasons. One is to avoid a public outrage at the favoritism that settlers enjoy. The second is that the special subsidies given to the settlements encourage people

## The Israeli government systematically conceals the expenses on the settlements and on military actions against the Palestinians

to move to the settlements and thus violate the Fourth Geneva Convention that forbids the transfer of civilian population to an occupied territory. To hide the extent of incentives that the government

creates for would-be settlers, the subsidies are distributed into countless special budgets, one-time grants, ad-hoc funds and so on to create a financial maze that can only be navigated with great difficulty.<sup>18</sup>

## Careful Calculation

Calculating the actual costs of the occupation to Israel requires a great deal of extrapolation. Often, only data for one year or a few years is available, at the prices concurrent to that period. Thus, the first step of the calculation is to present this figure in the prices of December 2003, as Swirski listed them.<sup>19</sup>

The next step is to estimate the accumulated cost for the entire period of the occupation. The cost for one year is assumed to apply to the entire period from 1970 until

today (under the assumption that the costs between 1967 and 1969 were relatively negligible). The annual cost is adjusted to fit the changes in the settlements population.<sup>20</sup> As there are no accurate reports on the settler population between 1970 and 1975, the calculation will factor an estimated average population of 1600 settlers, half the amount listed for 1976. It is assumed that the settler population grows steadily and that there were no settlers prior to the occupation.<sup>21</sup>

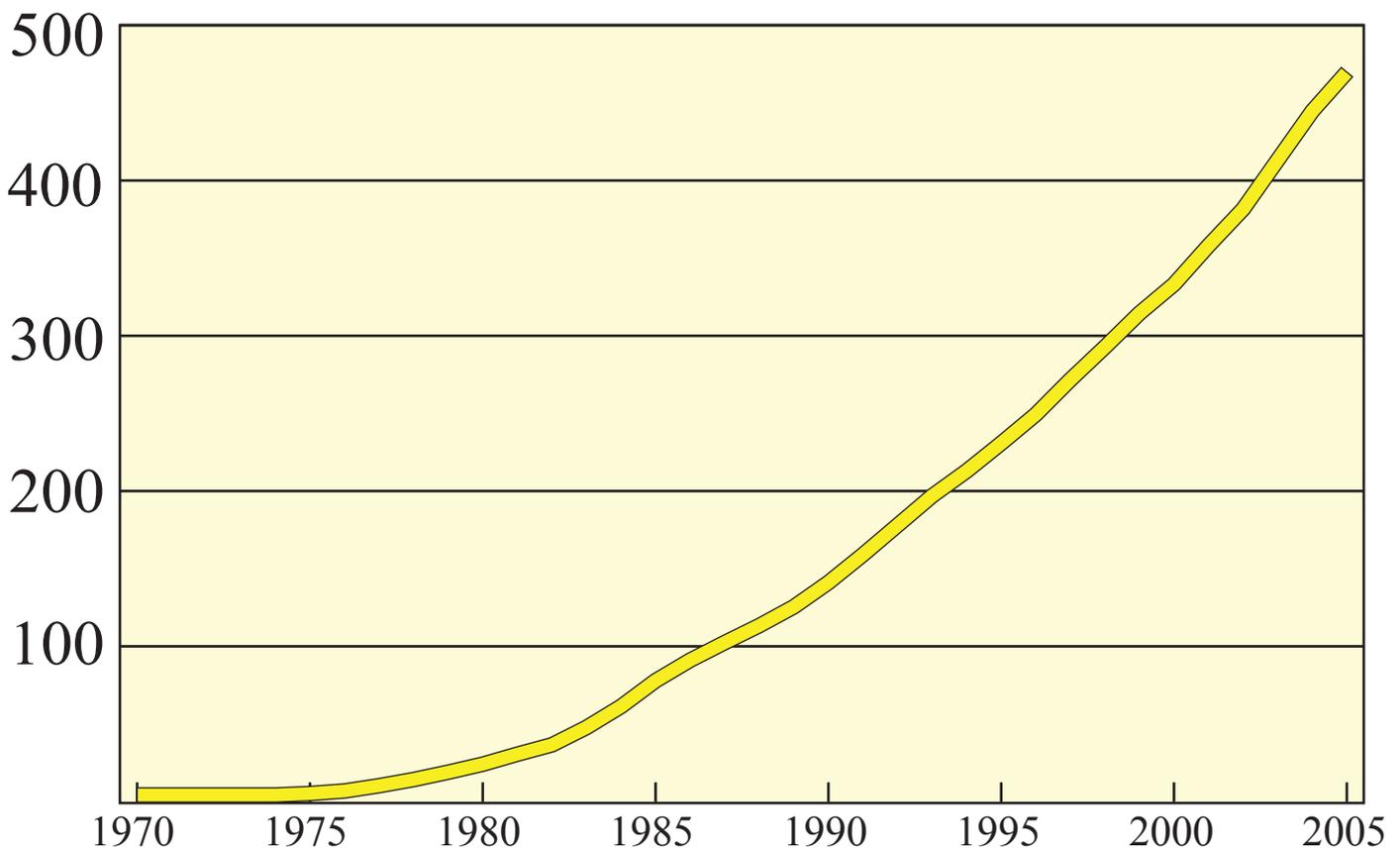
The focus of this article is Israeli society, leaving the discussion of the Palestinian losses to a future article. Despite all the care that a researcher can take, estimates will

only refer to money costs, leaving personal tragedies outside the discussion. The calculations to follow will not even attempt to quantify personal hardships, pain and humiliation caused directly or indirectly by the violence that characterizes the Israeli occupation of the OPT.

Now we are ready to follow in Swirski's footsteps, and try to carefully re-calculate the cost of the occupation.

## Settlers in the OPT (thousands)

3 years moving average



# Calculating the Costs

## Agriculture

*NIS 1.817 billion*

The World Zionist Organization (WZO), ostensibly working for the benefit of the Jewish people, has been systematically used as a primary apparatus for investments in the settlements. Funded heavily by the Israeli government, the WZO spends money in developing Jewish-only agricultural projects in the settlements. Swirski estimates that between 2000-2002 alone, NIS 385 million was spent by the WZO on agricultural projects in the settlements.<sup>24</sup>

## Bypass Roads

*NIS 2.38 billion*

A special network of bypass roads, exclusive for Jewish settlers, allows access to every isolated settlement while dividing the Palestinians into isolated and blockaded communities. Road construction in the OPT far exceeds the rate of construction inside Israel. The journalist Ze'ev Sheef estimated that between 1993 and 2002, NIS 1.25 billion were spent on road construction for the settlements, but the true costs remain hidden as the budget for bypass roads was transferred to the Ministry of Defense in order to conceal it.<sup>35</sup>

## Casualty Compensations

*NIS 2.985 billion*

Swirski is one of the first to realize that compensations paid by Israel's National Security to people who were harmed by Palestinian attacks should also be calculated into the cost of the occupation. Between 1980 and

2003, compensations for those directly injured or killed in Palestinian attacks totaled NIS 2.467 billion. According to Swirski, before 1980 there were very few injured and dead on the Israeli side, so there is no point in extrapolating this sum backwards.<sup>25</sup>

## Education

*NIS 1.323 billion*

Education costs of the occupation include excessive investment in schools within the settlements, incentives for teachers to work there, high security expenses for the isolated schools, classes opened for few pupils and free transportation for pupils to schools. In 2003, the extra education costs beyond those that could be expected within the Green Line, were NIS 100 million.<sup>26</sup>

## Health

*NIS 2.112 billion*

The settlements enjoy an extensive over-investment in health. Isolated settlements have a clinic for every 100 residents, far beyond the ratio of clinics inside Israel. Furthermore, medical staff receives benefits for operating in the settlements and security measures – armored vehicles, guards, etc – incur extra costs. Swirski quotes the *Haaretz* estimate of NIS 1.75 billion for health care costs in the settlements until 2003 alone.<sup>27</sup>

## Housing

*NIS 6.941 billion*

These costs include government subsidies for housing in the settlements and subsi-

**The estimate for  
the total cost of the  
occupation to Israel:  
US\$ 97 billion**

dized loans and grants for settlers to buy their houses. Swirski estimates this cost to be NIS 2.875 billion during the 1990's.<sup>28</sup>

### Industry

*NIS 0.819 billion*

Industrial zones built inside the settlements for the benefit of the Jewish settlers (although Palestinian workers are sometimes hired to work in manual jobs) incurred a cost of NIS 237 million between 1997-2001, according to an estimate by Dror Tsaban. This refers only to government expenditures, not private investments.<sup>30</sup>

### Municipal Funding

*NIS 5.553 billion*

In 2004, while municipalities within the Green Line were unable to pay the salaries of their employees, the funding for the municipalities of the settlements increased by over 14%.<sup>30</sup> This must be compared with the cut of over 10% in the average budget of Israeli municipalities that year.<sup>32</sup>

Ironically, the government funding to the settlers eventually comes to oppose the official policies of the government. The government itself indirectly funds the campaign by the settlers against the Disengagement plan, as the settlers find ways to manipulate government funding to the 'Yesha Council', the leadership of the settlers. Millions of these funds were spent on driving people to demonstrations. In a way, the funding

for the settlements created a mechanism intended to prevent their evacuation.<sup>33</sup>

The capitalist concept is that value is calculated as the sum of money inputs. The settlements then gain a strange form of 'value' for being a bottomless pit for government expenditures.

Swirski estimates that in the 1990's, NIS 2.3 billion were provided as extra funding to the municipalities of the settlements. This means that settlements received more than double the equivalent per capita funding for municipalities within the Green Line.<sup>34</sup>

### Security Costs

*NIS 119.292 billion*

Naturally, security costs are the biggest factor in the cost of the occupation. A great deal of them are already dispersed among the other costs. For example, security costs for paving roads was 19% of the budget for the roads mentioned above.<sup>36</sup> Therefore, here we will only include security costs that were incurred by the Israeli army when guarding the settlements or for protecting the settlements themselves. The security figure is obscured by the authorities, and is therefore at risk of being underestimated. We should note, however, that special budgets for military actions in the OPT exceeded NIS 14

billion since the beginning of the second Intifada, in addition to the ordinary defense budget (part of which refers anyway to actions in the OPT).

## Priority Areas

**Almost 70% of the settlements are classified as 'priority A areas' in Israel, and over 20% were 'priority B' areas. This classification entitles people coming to live in the priority A settlements to a subsidized loan of NIS 60 thousand, half of which becomes a grant after 15 years. People moving to priority B settlements are entitled to a subsidized loan of NIS 50 thousand, 20 thousand of which later becomes a grant. These benefits, and other benefits for priority areas, are already calculated in the various items on the list of costs.<sup>29</sup>**

Swirski notes that between 1988 and 2005, NIS 28.7 billion were spent on extra security needs caused by the occupation through the defense budget. Unsurprisingly, the defense budget is Israel's largest budget. In 1994 Israel further established the new Ministry of Public Security, whose official first priority is to "fight terrorism". The ministry's budget so far accumulated at NIS 64.434 billion.<sup>37</sup>

Funds go to buy armored vehicles, to arm and train settler militias, for surveillance gear, fences and walls and a plethora of weapons and ammunition for uses ranging from suppressing demonstrations to assassinations and house demolitions.

**Security costs far outweigh all the other costs. This means that the occupation is costly mainly because of the Palestinian resistance**

### Tax Benefits

*NIS 1.811 billion*

Tax benefits to the settlers come in three forms. One is extensive discounts on municipal taxes, already calculated into the municipal benefits above. Despite paying less for municipal taxes, settlers enjoy better municipal services and have more public buildings in their vicinity. The second is various tax benefits for businesses in the settlements, designed to promote industry and commerce there. The third kind is discounts in direct taxes, mainly in income tax, that settlers receive. Swirski quotes the report by the *Haaretz* newspaper that NIS 1.5 billion were given as tax relief until 2003 (although the calculation of Naor Gamliel would suggest an extrapolated amount of over 3 billion).<sup>38</sup>

### Transfers to the Palestinian Authority

*NIS 29 billion*

Certain sums of money were transferred by Israel to the Palestinian Authority (PA). Naturally, these funds are not part of the cost of occupation because they were originally monies belonging to the Palestinians, but they should also be considered part of the occupation cost calculation as they are deducted from the income received by Israel. This expenditure, a total of NIS 5.7 billion between 1995 and 1998, did not exist before 1995 and will only be extrapolated upwards.<sup>39</sup>

### Water

*NIS 0.886 billion*

Israel invested a great deal in creating a water infrastructure for the settlers, based mostly on exploiting the mountain aquifer in the West Bank and preventing the Palestinians from using it (Palestinian water consumption per capita is a third of Israeli water consumption).<sup>40</sup> Swirski estimated that the expense on water infrastructure beyond the average water costs for population within the Green Line was NIS 0.5 billion in the decade until 2003 (based on the *Haaretz* estimate).<sup>41</sup>

### The Wall and the Disengagement

*NIS 14.5 billion*

Two recent costs should be added to this tally. These are one-time projects and will therefore not be extrapolated. One is the Wall, built on Palestinian lands in violation of international law as ruled by the International Court in Hague.<sup>42</sup> In response

to this international pressure, the route of the Wall is constantly being moved and re-planned. The cost for the Wall currently stands on NIS 6.5 billion, according to Swirski's estimate.<sup>43</sup>

The planned Israeli withdrawal from the Gaza Strip, called the 'Disengagement Plan', is a project that will receive the attention of a full socioeconomic bulletin in the future. Swirski estimates the cost of this redeployment to be NIS 3.5 billion but since the writing of his book, the updated estimate is above NIS 8 billion, a third of which is for security costs and the rest for compensations to the settlers; this does not include the costs of building new houses for the settlers inside the Green Line. Note that this cost applies only to the Gaza settlers, less than 3% of the total settler population.<sup>44</sup>

### Income

*NIS 68.492 billion*

Calculating the cost of the occupation to Israel will not be complete unless the income that Israel gained by controlling the OPT is deducted from it. *Kav Laoved*, an Israeli workers' rights organization, estimates that between 1984 and 1992, Israel confiscated various wage-additions from the Palestinians totaling NIS 800 million. Economists Stanley Fischer (who is currently the chairman of the Central Bank of Israel) and Thomas Shelling calculated that between 1968 and 1993, Israel confiscated NIS 1.125 billion from social security taxes collected from Palestinians, a bogus taxation as social security funds were never allocated to Palestinians. Union fees for Israel's

central labor union, the *Histadrut*, reached NIS 481.5 million, though the Palestinians never enjoyed the union's protection.<sup>22</sup>

In addition, income was generated by exploitation across the board of Palestinians and their natural resources, primarily land and water. Shimshon Bichler and Jonatan Nitzan calculated that the income gained by Israel from controlling the OPT amounted to 10% of Israel's GDP (as of 2001). This amount is about NIS 46.651 billion.<sup>23</sup> The sum above, and the following sums, are extrapolations for the years 1970-2005.

**The settlers in Gaza are less than 1.7% of the total settler population, so compensations for the West Bank settlers in the event of a future withdrawal will exceed NIS 421 billion**

### **Interest**

Finally, interest must be added for income and expenses alike. This is important as money and resources spent on the settlements could have been invested in other areas as well (infrastructure, education, debt-relief etc). To truly assess the accumulated cost of the occupation, interest must be applied to the total cost, and applied to the time since the payments were made. For the years 1988-2005, The Bank of Israel interest rate will be used. This rate is a rough estimate for the average interest available for Israeli investments during these years.

For the earlier years, the average Bank of Israel interest rate will be used for the years 1988-2005, for lack of better data. The Bank of Israel interest rate is the interest that averages the interest rates on loans and on deposits. The real interest, adjusted for inflation, is used here.<sup>45</sup>

The interest calculation is very important, yet Swirski overlooked the effects of interest on the accumulated costs of the oc-

cupation. By calculating the accumulated interest and adjusting the costs to the settler population in any given year, we reach the conclusion that the total cost of occupation should be multiplied by 3.54.

### Summing the Cost

Summing the list above to obtain the total cost of the occupation for Israel is very dangerous, as many items yet remain hidden.

Sum: NIS 119.921 billion (after subtracting the income to Israel). This is more than the original estimate made by Swirski, de-

spite the fact that the estimate for Israel's income was also increased here by a factor of ten.

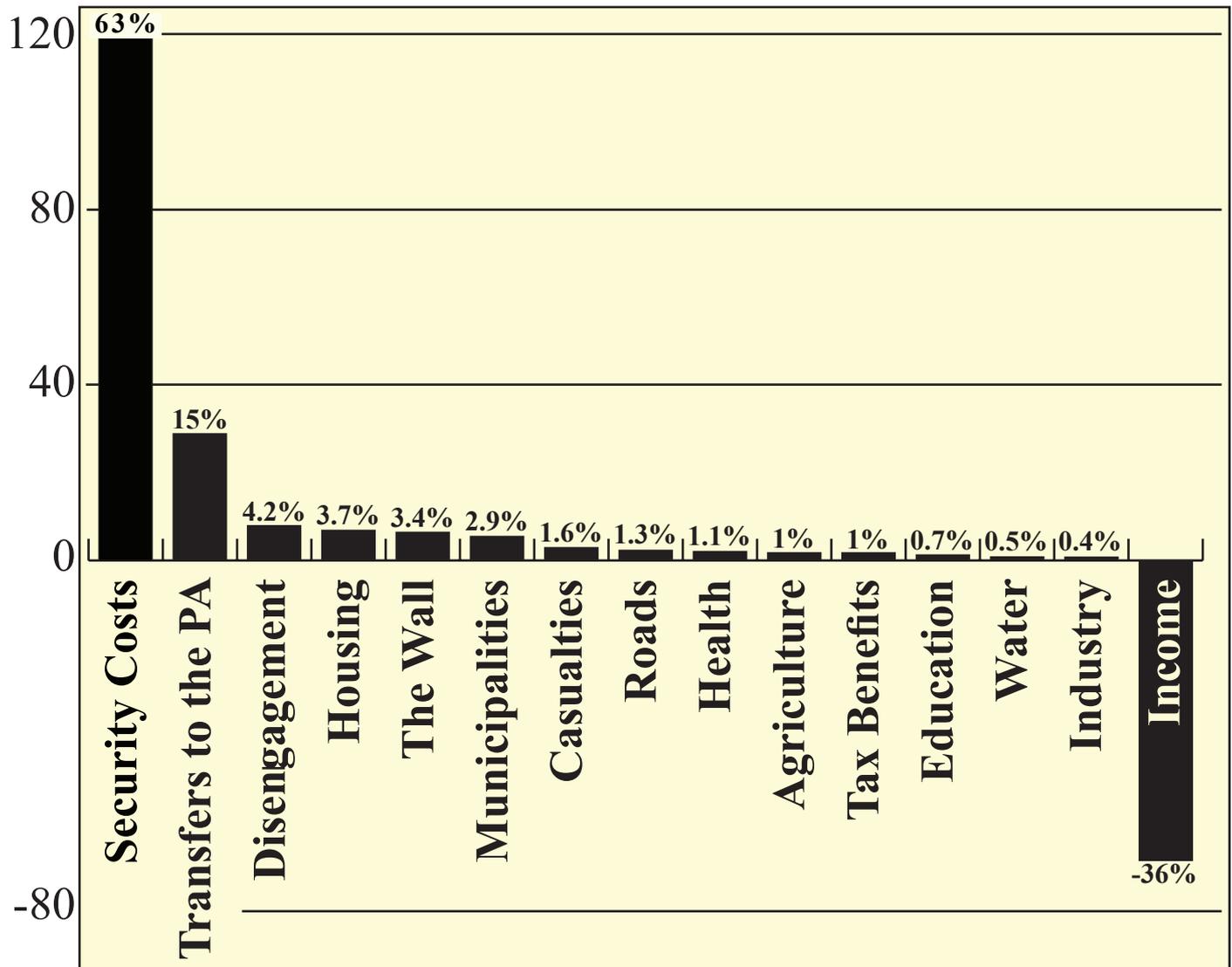
Without interest, the settlers, comprising only 3.93% of Israel's population, received as extra funds more than 13% of Israel's budget for 2005.<sup>46</sup>

Sum with interest: When the accumulated interest is added to the sum, we reach the staggering amount of NIS **425 billion**.

In US dollars: US\$ **97 billion**.<sup>47</sup>

## Costs of the Occupation

Billions of NIS



### Security Implications

Almost 66% of the total cost of the occupation for Israel was in security costs, as the graph above shows. **The fact that security costs far outweigh all the other civil costs means that the occupation is costly mainly because of the Palestinian resistance.** The Palestinians are the true force driving Israel out of the OPT, transforming every move made by Israel in the OPT difficult and expensive and making the occupation an increasing burden for Israel.

### Comparisons of Totals

The following graph shows the various estimates for the economic cost of the occupation to Israel. The bottom part is the extrapolated cost for the period of 1970-2005. The upper portion is the interest accumulated on the estimated sum.

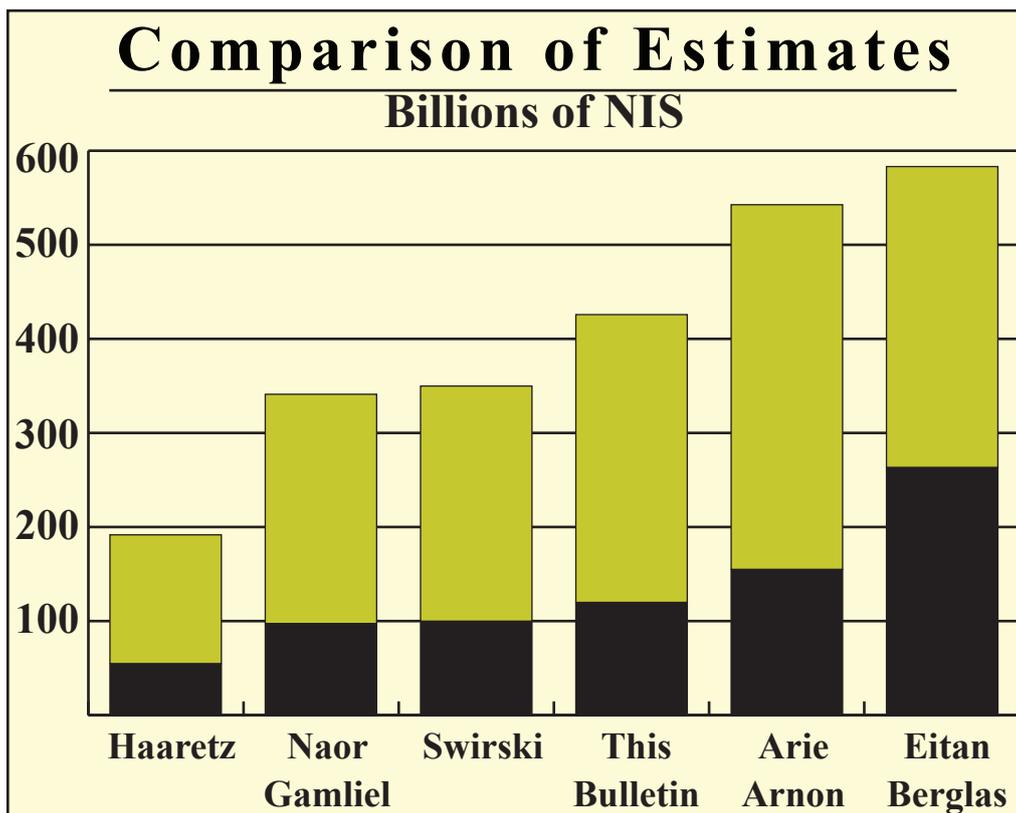
By adding extrapolations for years for which we have no official data and by assessing the accumulated interest costs, the sum

of NIS 425 billion is much higher than other current estimates of the cost of occupation. Swirski estimates the sum at 100 billion,<sup>48</sup> and Naor Gamliel at 2.5 billion per year.<sup>49</sup> A report done by *Haaretz* in 2003 estimated that until that year, the total cost of occupation was NIS 45 billion. Extrapolating until 2005 and adding interest results in a sum of ‘only’ NIS 192 billion. However, this sum applies to the civilian costs alone (only 88% of the estimated civilian cost here).<sup>50</sup>

It comes as no surprise that Swirski’s estimate is higher than the previous estimates, because of the thorough manner of his data collection. However, there are even higher estimates in existence.

Arie Arnon estimated that Israel lost 1% of gross domestic product (GDP) per year of occupation since 1973, as resources were diverted to the occupation instead of to developing and improving the Israeli economy. This accumulated to 32% of the GDP in 2005, or about NIS 155 billion without interest. With interest the sum is approxi-

mately NIS 543 billion. Professor Eitan Berglas also noted a loss of GDP. Berglas reasoned that the losses should be calculated only from 1988, but at a rate of 2% per year, for a total of 56% of 2005’s GDP. With interest the sum is about NIS 583 billion.<sup>51</sup>



# Conclusions

## Compensations

A recent estimate of the cost of the so-called Disengagement Plan is NIS 8.5 billion.<sup>52</sup> About NIS 7 billion will be compensations for the settlers, who are currently appealing to the Supreme Court to ask for more money. The settlers in Gaza are less than 1.7% of the total settler population, so compensations for the West Bank settlers in the event of a future withdrawal will exceed NIS 421 billion (multiplied by the future increase in the settler population).<sup>53</sup> We can learn two things from this.

One, the total accumulated costs of the occupation does not include the potential costs of a future evacuation. Two, the settlers not only received a continuous and intensive government support and subsidy for almost every aspect of their lives, but now demand to be compensated for the loss of their preferred treatment. When the security costs are added but no interest is calculated, an average settler received over NIS 39,100 annually since the start of the occupation in excessive funds (beyond the government's investment in other citizens of Israel).

Finally, none of the estimates above considered the compensations for the Palestinians. If we realize that eventually Israel will have to compensate the Palestinians for the past four decades of occupation, we realize that all of the previous estimates are just the tip of the iceberg.

## Who Actually Pays these Costs?

Most of these costs (especially for security) are paid directly by the Israeli government through the state budget. The rest of these

costs are paid by government institutions such as the Institute for Social Security, the World Zionist Organization or the Israeli Lottery Institution (Pais).<sup>54</sup> Economic losses of private individuals were not taken into account in this article, though they are probably considerable.

Most of the budget is funded with taxes that the government levies from the public.<sup>55</sup> However, two other groups also bear some of the burden:

- U.S Citizens: The U.S funnels to Israel about US\$ 1.8 billion annually in military aid alone since 1973.<sup>56</sup> These funds, when calculated with interest, most definitely surpass the security costs of the occupation. Since this massive funding began in 1973, it raises the question of why the U.S sees it necessary to fund the Israeli occupation and whether cutting this funding will force Israel to stop the occupation.<sup>57</sup>

William Bowels of the Information Clearing House says that Israel's economy is already on the brink of collapse, held together artificially solely because the U.S is directly funding the occupation of the OPT.<sup>58</sup>

- Palestinian Population: for the Palestinians, the correct term is 'damages' rather than cost, as they never 'bought' their own occupation. However, they did pay for it partially in taxes that they were forced to pay to Israel. Their own taxes were turned against them to build forts, bypass roads, roadblocks and the Wall, and to create an infrastructure for extracting their resources to the benefit of Israelis. These damages will be discussed in a future publication.

## Profits of the Occupation

The profits of the occupation are too widespread to be fully discussed here, but are important to understand when analyzing the reasoning for the ongoing occupation. In fact, the concept of 'cost' that was used here might be misleading. The occupation has not only caused significant economic damage, but actually involved a substantial redistribution of income. Whenever the government spent extra money on funding the occupation, someone made his or her own cut of this money.

Here is a partial list of the beneficiaries of the occupations:

- Settlers enjoy a very high lifestyle compared to other Israelis.<sup>59</sup>
- Military officers and the military industry enjoy the endless need for more security measures and the constant increase in military expenditures. More recently, private security companies have begun to flourish in Israel.<sup>60</sup> The military industrial complex in Israel uses the OPT as a place for 'field trials' of new weapon systems. Military exports from Israel in 2004 totaled US\$ 4.5 billion, with US\$ 10 billion more in pre-orders, and was 10% of the total military export in the world.<sup>61</sup>
- Company owners in Israel who use the Palestinians as scapegoats for the economic recessions, to justify lowered wages and massive layoffs, or as scapegoats to justify faults in supply (blaming the Palestinians as 'unreliable workers').

- The financial sector businesses (especially banks and insurance companies) respond quickly to changing situations and

make large profits from the financial instability caused by the volatile reality of the occupation. Also, the mass media and cellular phones sectors also enjoy revenues from the panic of Israelis.<sup>62</sup>

- Employers can exploit Palestinians workers because the occupation prevents the Palestinians from acquiring alternative income avenues.<sup>63</sup>

- The general Israeli (mostly Jewish) public, enjoying their higher status when they compare themselves with the Palestinian population. Although the occupation is costly, it allows the Israelis to be the *relative* kings of the hill.<sup>64</sup>

## Conclusion

In monetary terms, funding the Israeli occupation of the OPT has been the most expensive project undertaken by Israel since 1967. The reason for this has been that Israel chose to suppress the economy, the culture, the human rights and the dignity of the Palestinians. The Palestinians do not sit idly as Israel exploits and suppresses them, and their efforts to break free from Israel's control forced Israel to spend more on security than on anything else, taking the shape of a militarized state, constantly on guard against the resistance of the oppressed Palestinians.

The occupation continues, for Israel still has the means to perpetuate it. Although the Israeli economy is straining, U.S funds and arms continue to reach Israel and allow it to maintain its military superiority and violent control of the OPT.

**After the Second Intifada, Israelis are finally becoming aware of the heavy burden of the occupation**

# Endnotes

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- (37) Although the Ministry of National Security is responsible among other things for maintaining Israel's civil police force, its number one priority on its agenda is "preventing attacks from hostile organizations". Despite the fact that the civil police budget was moved from the Ministry of Defense to the Ministry of National Security, the budget of the Ministry of Defense grew that year by NIS 0.5 billion, and it received an extra sum of 2.7 billion specifically for actions in the OPT. Swirski, Shlomo, 2005, *The Price of Occupation*, ADVA Center, MAPA Publishers, p. 84-87. See also Gamliel, Naor, 2005, *The Cost of the Settlements, How Much Do We Pay?*, Seminar work, p. 17.
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- (53) The estimate on the expected number of settlers to be evacuated from Gaza is taken from Hass, Amira, 2005, *Haaretz*, 5.7.05.
- (54) The Israeli Lottery institution transferred NIS 265 million to the Settlements between 1999-2003 alone. The Settlements received more than double their share of the total budget of the institution. See Gamliel, Naor, 2005, *The Cost of the Settlements, How Much Do We Pay?*, Seminar work, p. 29.
- (55) In the last 10 years, 70.71% of the Israeli budget was directly funded by taxes levied on the population. See the Ministry of Treasury, <http://www.mof.gov.il/budget2005/mainpagin.htm>.
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- (59) In 2000, the Settlements had the highest per-capita income in all of Israel, at NIS 15,000 per month. See Gamliel, Naor, 2005, *The Cost of the Settlements, How Much Do We Pay?*, Seminar work, p. 35.
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# The Alternative Information Center

The Alternative Information Center (AIC) is a joint Palestinian-Israeli organisation which prioritises political advocacy, critical analyses and information sharing on the Palestinian and Israeli societies, as well as on the Israeli-Palestinian conflict. In doing so, the AIC promotes responsible cooperation between Palestinians and Israelis based on the values of social and political justice, equality, solidarity, community involvement and respect for the full inalienable national rights of all Palestinian people.

The AIC believes that true social cooperation and communication between Palestinians and Israelis is possible. We have embodied this ideal for the past twenty years through our joint and collective structure. However, we acknowledge that this can only come to pass in the region if the root cause of the conflict is targeted and challenged – that being the long Occupation and dispossession of the Palestinian people. Based on these convictions, the AIC will continue to work towards the establishment of genuine and responsible grassroots bridges between the two communities.

AIC activities and publications provide a critical discussion of the political realities that shape the current situation, with special attention given to the radical democratic and feminist struggles, critical perspectives on the colonial nature of Israel and the alarming authoritarian features of the Palestinian Authority.

Shir Hever

# The Economy of the Occupation

*The Economy of the Occupation*, published monthly by the Alternative Information Center (AIC), offers a new approach to the economic situation in the Occupied Palestinian Territories (OPT) and Israel. This bulletin will provide accessible and singular analyses of the socio-economic interests behind the Israeli occupation of Palestine.

At the present time, the majorities amongst the otherwise politicized Palestinian and Israeli populations possess a limited understanding of their own socio-economic situation. Available publications are sporadic, insufficient, often biased and fail to consistently link society, politics and the economy in the OPT and Israel. This disempowering state of affairs makes it all the more critical to offer alternative readings of the economic reality governing Palestinian and Israeli lives.

*The Economy of the Occupation* focuses on and analyses socio-economic data related to the OPT and Israel. It touches on various issues such as inflation, debt, trade, employment, poverty and capital, and will be presented in an accessible way which demonstrates the influence of these issues on the daily lives of Palestinians and Israelis. The aim is to enhance awareness of the existing socio-economic reality of the Israeli occupation and to contribute to a more informed struggle for social justice and a just peace for Palestinians and Israelis.

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