

The Materiality of Subordination in the Israeli Occupation of the West Bank and Gaza¹

“Their new impoverishment lies in the fact that resources which supported their survival were absorbed into the market economy while they themselves were excluded and displaced by it.” *Vandana Shiva, Development, Ecology, and Women, “Staying Alive.”*

In “Development, Ecology, and Women” Vandana Shiva traces the colonial roots of development and its ramifications for the developing world. According to Shiva, development promises the rewards of capitalist industrialization to the Third World. It normalizes the standards of production and consumption achieved by the West. However, it ignores that these standards were achieved by virtue of its colonial history. The exploitation and dispossession of the Third World enabled the West to achieve its standard of living. To the extent that development necessitates this underbelly of exploitation, the project of international economic development is a threat the Third World must resist, or be destroyed by.

Shiva further points out that it is not the developing world’s exclusion from the forces of “development,” that is the problem, but rather “their enforced but asymmetric

¹ This excerpt does not take into account the events in Israel/Palestine during the last year. It utilizes research conducted in the summer of 2001; the essay in its full form will hopefully address, at least partially, the events of the last year.

participation in it, by which they bore the costs but were excluded from the benefits.”²

Development is not a benign force characterized by a mere inequitable distribution of resources. The global production of capital is premised on cheap resources and cheap labor. Resources are extracted from communities without fair compensation, leaving them stripped of the means of survival. The Third World is deeply involved in globalization – it provides land, labor, and markets. It is, however, excluded from an equitable share in its profits.

For Israel, this model is instructive. The dispossession of the Palestinian community from its natural resources, such as land, water, and labor, and their appropriation for the benefit of Israeli society mirrors the colonial model. Development, introduced during the Oslo period as a partial answer to the problem of Israeli rule, utilizes the same model in two different, but related ways. First, the brand of development practiced by the international community through such institutions as the World Bank and the IMF is precisely the form of development Shiva criticizes. The Industrial Estates Project exemplifies this approach. Furthermore, Israel, through the Oslo process, shaped the development process to its benefit. Oslo enabled Israel to sidestep real political change in the name of “economic development.” This approach maintained Israel’s hold on Palestinian resources, institutionalized Israel’s ability to benefit from these resources, and severely limited the ability of the Palestinian community to control and utilize them.

An examination of the Industrial Estates Project, and the Gaza Industrial Estate (GIE) in particular, provides a useful case study. In the mid-1990’s, at the onset of the

² Staying Alive, Vandana Shiva, 2.

Oslo Peace Process, the Palestinian Authority (PA,) under the direction of President Yasser Arafat, adopted a strategy of private-sector driven economic development for the West Bank and Gaza (WBG). The Industrial Estates Program (IEP) was created as part of that strategy; the GIE is the first of the program's nine planned industrial estates and free zones.³ The IEP was developed in cooperation with the World Bank and USAID, and the Government of Israel. The PA, formally considered the initiator of the IEP, has fully supported the program through economic commitments and regulatory changes.

The IEP was promoted as a measure to harness the peace dividend for Palestine, and contribute to the welfare and development of the Palestinian people. Billed as the answer to high WBG unemployment rates and the under-developed industrial sector of the Palestinian economy, it is unclear whether the IEP has provided any but the most cosmetic benefits to Palestinian society.

According to the World Bank's December 1997 Project Appraisal Document, the GIE's primary objective is the creation of "direct and indirect employment in Gaza." World Bank figures project 20,000 direct and 30,000 indirect jobs by 2004. Today, five years and some \$40 million into the project, the GIE employs an estimated 600 people. This is due in part to delays in project implementation, and in part to a staggered development schedule whereby the GIE is completed in Phases, each Phase only moving

³ While Palestinian law distinguishes between an industrial estate, "a geographically defined area designated to service a number of beneficiaries to carry out industrial activities and services," and an industrial free zone, "a geographically defined area assigned to service one or more beneficiaries for export related activities having special customs and tax provisions," in fact industrial estates are also free zones. Accordingly, the GIE is both an industrial estate and a free zone.

forward upon successful completion of the last. However, the number of businesses actually operating at the estate falls below all expectations.

Of perhaps more concern is the quality of employment offered by the GIE. For the most part, GIE factory workers are unprotected: without contracts, benefits, or a minimum wage. Furthermore, some 70% of GIE concessions are Israeli owned or subcontracted. While the GIE provides worker proximity and accessibility for Israeli industrialists, the recent trend wherein Israeli industries relocate to cheaper venues in Jordan and Egypt continues. International companies answer to the same profit motives. Employment at the GIE provides little evidence of sustainability.

As is the case in many economic development projects, regulatory changes accompanied the PA's adoption of the IEP. Those changes provided for economic incentives for foreign investors, including the elimination of income tax,⁴ export and customs duties, and taxes paid on equipment used in the production of goods. Without these charges, the government earns no revenue from industrial activities. While projects like the IEP have contributed to industry's increasing share of the Palestinian GDP, the benefits of increased industrial activity accrue to the owners rather than the population as a whole.

The PA's regulatory measures entitle the investor to full repatriation, or removal, of invested capital and profits earned from Palestine. Allowing investors to import and export foreign currency from Palestine without restriction facilitates this process. Such measures provide a disincentive to investment in the domestic economy. Without reinvestment in the Palestinian economy through savings, which can in turn be lent to

⁴ Income tax holidays are provided to foreign and domestic investors alike for defined periods.

other investors, and investment in new projects, industrial activity is stripped of its contribution to economic growth.

Instead, the GIE becomes a site for efficiently tapping captive labor. With an estimated unemployment rate of 27%,⁵ and highly restricted access to international and Israeli employment markets, the 630,000-person⁶ Gaza labor force is vulnerable to the demands of the domestic employment market. Furthermore, in order to remain competitive in a fierce global market, the GIE must maintain low production costs, i.e. low wages. To the degree that the standard of living in Gaza improves and wages increase, the GIE runs the risk of pricing itself out of the market. While the IEP is promoted as a means of increasing Palestinian prosperity, its success depends on precisely the opposite.

Finally, while the GIE is touted as a mechanism for furthering the peace process, it actually increases Palestinian dependence on the Israeli economy. A history of forced non-development in the economic sector made Palestine dependent on Israeli imports. Now, export-oriented production furthers that dependence. Likewise, the GIE provides Israeli industrialists with unfettered access to the Gaza work force, augmenting the Palestinian labor force's dependence on Israel. Incentives favoring large capital investments in the GIE squeeze out smaller Palestinian enterprises, often forcing Palestinian business owners into subcontracting for Israeli companies.

The impact of the GIE on Palestinian society cannot be measured without evaluating the allocation of resources involved. The creation of the GIE mandated an

⁵ UNSCO Report on the Palestinian Economy, Spring 2000, Executive Summary.

⁶ Ibid.

enormous investment of scarce land, water, and financial resources. The GIE's half-a-million square meters occupy over 1% of Gaza's total landmass, in a region with one of the highest population densities in the world. Gaza's primary source of water, the overdrawn shallow aquifer, is threatened by the wells drilled to supply water to the GIE. The GIE cost an estimated \$84.5 million, approximately \$37.4 million of which represents Palestinian resources invested in the project.⁷ While some of the money invested in the project came from trust fund grants, the project required loans that the PA now owes to the international community. The creation of debt among emerging nations is a defining feature of the globalization of industry and international economic development.

The GIE can be understood as a microcosm of the relationship between Israel and the Occupied Territories. In economic terms, the Israeli occupation of the West Bank and Gaza has been characterized by expropriation, integration, and externalization.

Expropriation is the exploitation of the resources of one community for the use and benefit of another. Such a relationship is characteristic of colonial occupation, wherein colonial powers utilized the land, labor, and natural resources of colonized communities for their own benefit. While there are factors that distinguish the Israeli occupation from a classic colonial relationship, the parallel is both apt and instructive.

Integration is the binding of one economy, and particular sectors of that economy, to another. In the case of Israel and Palestine, integration is most visible in the role of Palestinian labor in Israeli society. Until the mid-1970's, Palestinians comprised 8% of the Israeli labor force. They also comprised, until the early 90's, 45% of all workers in

⁷ World Bank figures from the Project Appraisal Document, Gaza Industrial Estate Project,

Israeli construction, sanitation, and agriculture, and 15% of hired labor in textile and food industries, garages, and restaurants and hotels.⁸ By 1987, some 60% of Gaza's GNP was derived from employment in Israel.

Because of Israeli restrictions on industrial development, achieved through the denial of business permits to entrepreneurs, the prohibition of trade and exports, and the replacement of the extant banking system with Israeli banks, as well as sub-par investment in infrastructure and production, the Palestinian economy exported most of its labor and imported most of the goods it consumed. By the early 1990's, half of the Palestinian labor force was employed in external markets.⁹ Between 1970 and 1990, imports averaged 70% of the GDP, while exports averaged 20%. Most of these imports were from Israel.

Palestinian integration into the Israeli workforce meant Palestinians provided labor for the lowest-paid, least protected sectors of the Israeli economy, such as construction, agriculture, and low-paid service work in hotels and restaurants. The Israeli economy is highly segmented along ethnic lines, with the highest-paid, professional level jobs reserved in the most part for Ashkenazi Jews, the lowest tier comprised for the most part by Palestinians and foreign workers, and *Mizrahi* Jews and Israeli Arabs falling somewhere in between.¹⁰

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⁸ The Gaza Strip: The Political Economy of De-Development, Sara Roy, 209-210.

⁹ Ibid, pg. 338.

¹⁰ While labor laws and labor unions are strong in Israel, the development of the Israeli economy has witnessed an attack on labor protections and a decrease in union strength. The phenomenon of employment agencies, which contract with businesses to provide labor and

Moreover, the West Bank and Gaza are dependent on Israeli imports for basic goods. The citrus industry provides an important example of this phenomenon. Most West Bank and Gaza citrus crops are imported to Europe through Israel. The surplus is exported to Israel and then re-imported to the territories at a higher price as juice and jam because no local industry exists to manufacture these products, despite the availability of raw materials and labor.¹¹

Israel's policies of suppression of Palestinian industrial development, land and water confiscation that contributed to the diminishing of the Palestinian agricultural sector, and Israeli restrictions on Palestinian trade, forced the West Bank and Gazan populations to look for employment outside their domestic economies, and created a dependence on Israeli imports. The economic integration this produced came, however, without political integration. Palestinian residents of the West Bank and Gaza were not offered citizenship in Israel, and were denied the benefits of citizenship. Consequently, the integration of the Palestinian economy into the Israeli economy took a misshapen, unilateral form in which Israel benefited and Palestine lost.

Externalization is the orientation of an economy to needs other than those of its own population. The Palestinian economy, forced to seek elsewhere for employment and crippled by a stifled production sector, is externalized towards the needs of the Israeli market. These characteristics help define the ways in which the Israeli occupation of the West Bank and Gaza has been an economic, as well as a political, occupation.

enable companies to sidestep the provision of benefits, etc., combines with a lack of labor law enforcement to weaken the stereotypical notion of a protected and strong Israeli working class.

¹¹ Industrialisation in the West Bank: A Marxist Socio-Economic Analysis, Adel Samara, 198-9.

Ethnic subordination and economic subordination are, however, interwoven. The human rights abuses that have obvious economic impacts, such as land confiscation and closure, are part of the system of ethnic differentiation and subordination. They are also a direct means of manipulating and limiting Palestinian economic development, and are used to leverage Israel's participation in the global economy.

Human rights abuses are an instrument of control, and, at the same time, construct the very body that is controlled. Torture as a practice terrorizes a community and creates, in the discursive mind of Israelis, a being, known as a Palestinian, who may be tortured. Similarly, the denial of movement permits to laborers or development and business permits to entrepreneurs creates, in addition to the de-development of the Palestinian economy and a captive market for Israel, a class of people whose economic and physical activities may be regulated at a minute and radically invasive level.

The success of the occupation depends on this construction. Not only because in order to allow the systematic oppression of another group one must see them as subhuman. Rather, the human rights and economic and social abuses perpetrated against the Palestinian community are a means of the "exclusion and displacement" Shiva refers to. The act of closure, of settlements, of restrictions on the development of the economy, are all means of excluding Palestinians from the wealth generated by Israel's entrance into the global market. These exclusions deny Palestinians the means of their own subsistence, utilize the resources of the Palestinian community for the exclusive benefit of the Israeli community, and inscribe a system of second-class status for the excluded. This process is typical of the globalization of capital; it is also reflective of the occupation.

Economically, Israel enters the world economy as a colonial power. It has the captive labor pool, captive market, and stolen resources of a colonial power. This enables it to enter the world market and shapes the form of that entrance. Israel's entrance into the global market figures its relationship with the Palestinian community as strongly as its occupation of the territories. It also figures who the Palestinians are vis-à-vis the world, and who Israel is. This moment, which is not a moment at all but an ongoing creation of relationships, inscribes a relationship of domination between Israel and Palestine.