

# Transnational Ownership and the Palestinian Uprising

Shimshon Bichler and Jonathan Nitzan

**T**he recent Palestinian uprising should hardly come as a surprise. When “peace” means being harassed and humiliated by an occupying force, having no job and becoming poorer and poorer, people often rebel – with or without their leaders’ consent. The Israeli response to the uprising, on the other hand, is puzzling. Prime Minister Barak has been using force, threatening Arafat with deadlines, and declaring the immanent death of the peace process. Yet his actions seem confused, indeterminate, and above all lacking a clear goal. What is it exactly that Barak wants to achieve, and how does he think he can get there? Why does he insist on peace, while at the same time being unwilling to create the minimum conditions to make such peace viable?

The reason for Barak’s hesitance is structural more than personal. Fifteen years ago, the Israeli elite would have used such Arab “aggression” as yet another piece of evidence that peace was too expensive, and that permanent war was inevitable. Now the situation seems to have reversed, with the elite (or a growing part of it) insisting that war is doomsday, and that we should not let “violence” deter us from reaching peace. The question is why? Have Israeli politicians finally become more far sighted, and if so, what sobered them up? Part of the answer is of course the mounting cost of occupation and war caused by Palestinians fighting back. Yet, from the elite’s perspective such “cost” must be computed against the “benefits.” The basic arithmetic is simple enough: during the earlier, “garrison state” regime, war profits were deemed sufficiently high to offset the cost; now, that the benefits of war are all gone, and profits are increasingly associated with peace, the cost of war suddenly seem unbearable.

The underlying cause of this new arithmetic is a deep change affecting the nature of Israel’s political economy. Over the past decade, the local business elite has shifted its attention outside the country, increasingly aligning itself with, and integrating into an emerging transnational

business class. Yet this very transnationalization helped intensify domestic and regional processes which now come back to haunt this elite.

The evidence of Israel’s integration into the global economy is overwhelming. Foreign institutional investors now own 10-15 per cent of the Tel-Aviv stock market. Many of the country’s largest corporations have been taken over by non-resident “Israelis” – such as the Arison family of Carnival Cruise who bought the leading Bank Hapoalim, and the Bronfman family of Vivendi-Seagram which controls the largest conglomerate Koor. Most of Israel’s leading high-tech firms, such as Comverse, Checkpoint, Amdocs and Teva, are Israeli mostly by name, having their shares listed in New York and much of their activity carried outside the country. The vast majority of the country’s startup companies are driven by “inverted cannibalism:” their sole purpose appears to be to attract a global giant such as Cisco, Lucent or General Electric to take them over. Indeed, the whole outlook of the Israeli business sector is pointing overseas. Until the late 1980s this was mostly reflected in rising exports which have recently reached a third of the GDP, but since the early 1990s capital too has begun moving out, with outflowing FDI now accounting for roughly one per cent of the GDP, and growing.

This business re-orientation changed the domestic disposition of Israel’s elite. Until the 1980s, private business and national security went hand in hand. The large firms lunched at the military procurement table, while benefiting handsomely from the resulting inflation which ravaged much of the economy but fueled the stock market which they helped rig. The social cohesion necessary for sustaining this war economy was cemented by Zionist nationalism and frequent armed conflict. The Palestinians provided the cheap labour force in this equation, and were pacified by a combination of higher standards of living and a large dose of force. The shift toward globalization upset this “equilibrium.” With the elite increasingly focused on the Nasdaq, the

Shimshon Bichler teaches political economy at Emek Hayarden College in Israel (tookie@internet-zahav.net). Jonathan Nitzan is Associate Professor of international political economy at York University, Canada, and former Senior Editor of Emerging Markets at the Bank Credit Analyst Research Group (nitzan@yorku.ca). Both are Israeli citizens.

high-tech industry and markets in the rest of the world, the prospect for peace dividends began looking much more attractive than dwindling war profits. Business was less and less receptive to the “garrison state,” and calls to end the Arab-Israeli conflict mounted. Once the peace process started and the globalization bandwagon began rolling, however, domestic and regional “details” were seen as less and less important. Somehow, these details were expected to take care of themselves, and if they didn’t – well, that was no longer a matter of great concern. As it turned out, however, the details hardly “fixed themselves,” and were certainly far from unimportant. To begin with, the Israeli elite seemed to have confused corporate peace dividends with real peace. Its intention was to replicate the *apartheid* arrangement by making Arafat head of a “Gazustan-Wesbankustan” (or “Palustan”), a semi-autonomous entity with only half its original territories, no army, no fiscal and monetary sovereignty, limited access to water, and complete dependence on Israeli infrastructure. Most importantly, it left the Jewish settlements intact, making the resulting Palestinian entity look like Swiss cheese with holes full of ethnic and religious explosives. As the experience of South Africa and the former Yugoslavia suggests, this is hardly the ideal setting for peace.

More broadly, despite its peace treaties with Egypt and Jordan, and normalized relations with other neighbours, Israel remains regionally isolated – only a negligible proportion of its trade and investment flows are with surrounding countries, and beyond diplomacy there is really little cultural and intellectual interchange. In the absence of such secular ties, religious hostility toward Israel continues to build up pretty much unopposed.

Corporate peace dividends have also aggravated domestic disparities. Over the past decade, Israel has become one of the less egalitarian countries in the western world. Its high-tech boom smiled only to a minority, causing the income ratio between the top and bottom 20 per cent of the population to rise to 21.3, compared to 10.6 in the US. With unemployment at over eight per cent and rising, it is clear that peace is yet to bring prosperity and security for most Israelis.

Perhaps the most important detail, however,

is the demographic basis of Zionism, which the Israeli elite allowed, almost haphazardly, to erode beyond reversal. Out of a total population of six million, 15 per cent are now Muslims, 4 per cent Christian and Druse Arabs, 15 per cent are immigrants who arrived during the 1990s from the former Soviet Union (some with only remote connection to Judaism and most with little Zionist socialization), and 4-6 per cent are foreign workers imported in recent years to replace the Palestinians. *Roughly 40 per cent of the population therefore have either limited or no affinity to the Zionist project.* The remaining 60 per cent are also split by two deep cleavages – an ethnic one between Ashkenazi (European) and Sepharadi (Middle-Eastern) Jews, and a religious one between orthodox and secular Jews. The orthodox population is commonly poorer, and although supportive of a hawkish stance against the Arabs, many of its members do not serve in the army. The secular segment is often more conciliatory, although its increasingly individualistic outlook limits its willingness to kill and be killed for anachronistic nationalist goals.

And so just as Israel’s business elite became transnational, it also lost the domestic basis on which to stand, as well as the certainty of what to do about it. Globalized business ties require peace, yet it is globalization itself that helped undermine the prospects for such peace. Barak, representing an elite torn between its Zionist allegiances and transnational aspirations, is therefore understandably indecisive. Alarmed by the Palestinians loss of fear, anxious that his army may be unable to win a guerrilla war (let alone a full-fledged one), and aware that conflict will shatter the hard-won business confidence, he hesitates, tending to respond rather than initiate. At the same time, his apprehension about disintegrating “Jewish” cohesion makes it difficult for him to accept a democratic, non-racial solution for the conflict. The current uprising is the first clear evidence that corporate transnationalization and the Zionist project are incompatible. But the problem runs deeper. Even if the Israeli elite eventually decides to give the Palestinians full independence, unless it also addresses the various other disparities which globalization created or aggravated, domestic and regional stability will remain elusive.