
The Economy of the Occupation
A Socioeconomic Bulletin



ISRAEL AND THE OECD

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(left/right) Andrus Ansip, Prime Minister of Estonia; Felipe Larrain, Minister of Finance of Chile; Benjamin Netanyahu, Prime Minister of Israel; Silvio Berlusconi, Prime Minister of Italy; Borut Pahor, Prime Minister of Slovenia and Angel Gurría, Secretary-General of the OECD at the OECD Conference Centre, Paris, France.

Picture by Andrew Wheeler/OECD (27 May 2010).

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Introduction



In 1993, Shimon Peres, then Israeli foreign minister, initiated Israel's request to join the Organisation for Economic Co-operation and Development (OECD) (CIDSE, 2010). This was part of a strategy adopted by Israel in 1990 to use the Oslo Process as leverage to become more integrated and positively viewed in the international community. Israel initiated economic reform that was designed to make it more competitive in the international markets (Shalev, 2004), and has since become one of the most globalized countries in the world (KOF, 2010). In 1994 and again in 2000 Israel lost the vote and was not accepted into the OECD (Martin, 2010).

In 2007, the official process of acceptance into the OECD for Israel began, and no OECD member country

voted against inviting Israel (Basok, 2010; OECD, 2010c: 3).

Although a group of Irish senators and parliament members signed a petition appealing their government to vote no to Israel's accession, Ireland eventually voted yes (The Irish Times, 2010). The World Bank and the International Monetary Fund further raised three concerns regarding Israel's acceptance in light of its treatment of the Palestinian residents of the Occupied Palestinian Territories, concerns which were ignored: the blockade on Gaza, the prevention of investment in Area C of the West Bank and the limitations on Palestinian foreign trade (Jnews, 2010).

Additional protest was also made by Switzerland, Norway and Turkey about accepting Israel as an occupying power, although they all voted

in favor of Israel's accession in the end (Stein, 2010).

Israel was officially accepted into the OECD in May 2010, after all member states voted in favor of its accession (Lavie, 2010). Along with Israel, Estonia and Slovenia were also accepted into the OECD, bringing the number of member states to 34 (Agencies, 2010).

The OECD reports on Israel paint a misleading picture of the Israeli economy and society.

The OECD published two reports on Israel, reports meant to serve both as a tool for OECD countries to judge Israel's readiness to join the organization, and also as a list of recommendations for the Israel government—which policies the OECD recommends that Israel adopt in order to improve its economy, as well as increase its chances of being accepted into the OECD (OECD, 2010a; OECD, 2010b).

These reports paint a detailed picture of the Israeli socioeconomic reality. However, the reports lack several

key points, essential to understanding the Israeli economy and which thus provide a partial and misleading picture of the Israeli economy and society. This is not to say that the reports are not useful. They are, indeed, informative, but often underestimate the true meaning and impact of the deep divisions within Israel's stratified society, the political reality of Israel, the

Israeli-Palestinian conflict, the occupation of the Palestinian territories and the Syrian Golan, the repression of minority groups within Israel (especially

the Palestinian minority) and the economic meaning of the unfulfilled rights of the Palestinian refugees.

Furthermore, the report did not address the possible repercussions of accepting Israel into the OECD on the other OECD members, especially in light of Israel's controversial policies, consistent violations of international law and rapidly declining international standing.

Although the OECD reports relegated secondary importance to Israel's political situation, the Israeli discourse regarding joining the OECD was fully

cognisant that Israel's international standing, which is at constant risk due to occupation of the Palestinian territories and violations of international

law, stood to gain from a vote of confidence from the international community in the form of OECD membership (Oren, 2010).



"Arrival of Benjamin Netanyahu, Prime Minister of Israel to OECD Headquarters"

Picture by Benjamin Renout/OECD (Paris, 27 May 2010).

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What is the OECD and What Does Israel Gain from Membership?

●

The Organisation for Economic Cooperation and Development is a forum in which 31 of the world's most economically advanced countries are members. The organization presents itself as a forum in which "democracies work together to address the economic, social and environmental challenges of globalization." It was founded in 1961 on the foundations of the OEEC, the U.S body for delivering aid to Europe through the Marshall Plan (Even et. al., 2010).

The organization does not wield authority or provide finance, but is used for the member countries as a tool to discuss economic policies and reach agreements for aligning their policies together.

However, the most important characteristic of the OECD is that it serves

as an "exclusive club" for developed democracies. Member states enjoy a certain prestige from their membership in the organization and, importantly, are recognized as developed and stable democracies by the international community. This prestige is sometimes useful for governments and corporations seeking to raise capital and sell bonds (Avriel, 2010a; Ben, 2010).

Although membership in the Organization for Economic Cooperation and Development (OECD) does not provide money or any special economic benefits, it is easy to see why the Israeli government attributes great importance to Israel's membership. For Israel, membership in this prestigious organization means a **victory of legitimacy**, and a major setback for the worldwide movement calling on Israel to be held accountable for its crimes

against the Palestinian people. Israel's Tourism minister Stas Misezhnikov said that "Israel's joining the OECD is of great importance in terms of building a positive image for the country" (Rriedman, 2010).

Only democratic countries are allowed to join the OECD, and Israel finds it increasingly difficult to portray itself as a democracy, when 35% of the

Israel won a victory of legitimacy by being accepted into the OECD, an act that whitewashes its crimes.

population under Israel's control and sovereignty are disenfranchised, denied their basic human and civil rights and repeatedly attacked by the Israeli army.

What appears less obvious is why the member countries wanted to include Israel in the OECD. Israel's membership is a confirmation of Israeli policies, eroding the OECD's prestige while undermining the efforts of these very same countries to achieve peace in the Middle East. The OECD is inviting the world to see how it pre-

fers to ignore the crimes committed by Israel, and reward it instead. This is doing no less than feeding into the argument of extremists who claim that only violence can safeguard the rights of occupied Palestinians.

Ironically, however, it seems the OECD worked harder than Israel to facilitate the latter's acceptance in May 2010. Israel refused to comply with the OECD's demand to provide statistical data which applies only to the internationally recognised parts of Israel, excluding the occupied Syrian Golan, East Jerusalem and the illegal settlements in the West Bank. Yet despite Israel's refusal, the OECD Committee on Statistics found ways to accept Israel anyway.

According to a leaked report: *Ascension of Israel to the Organization: Draft Formal Opinions of the Committee on Statistics*,* the committee proposed Israel's acceptance based on statistics currently available (which include Israeli citizens in the occupied Palestinian territories), but asked Israel to provide raw statistical

* <http://cryptome.org/israel-oecd.zip>.

data that would allow the OECD to conduct its own calculation in order to separate the OPT data from that of Israel. Israel, however, committed to providing this data only after

The OECD accepted Israel's promise to provide accurate data on its population within a year, although it cannot enforce the decision.

it became a member of the OECD. According to one OECD report, Israel is only “requested” to provide the data after 2-3 years (OECD, 2010d). However, now that Israel is a member, it has the right to veto this decision, rendering the commitment worthless. Tim Davis, an OECD official with the OECD statistical committee in Paris admitted that the OECD cannot force Israel to live up to its obligation (Cook, 2010a). Netanyahu has also hinted that Israel is not obligated to accept all the OECD requirements, and will choose which ones to adopt: “no member state is obligated [to take up all of the OECD regulations and standards], and indeed many states decide not to adopt all of the standards” (Avriel, 2010b).

Furthermore, the Israeli government intentionally avoids collecting separate data on the illegal settlements in the occupied territories. This willful ignorance serves the government’s plausible deniability tactic to deflect international criticism on its colonial policies in the occupied territories, but also makes it impossible for the OECD, even with Israeli raw data, to obtain accurate statistics about Israel (Hever, 2005).

Despite all this, on May 10th the OECD issued a statement commending Israel on “quickly and positively responding to our recommendations” (Agencies, 2010).

It should be noted that in this way the OECD has chosen to adopt the Israeli approach—an approach that eliminates the Palestinians and Israel’s effective sovereignty over the occupied Palestinian territory, and focuses solely on Israeli citizens. This approach is tantamount to recognizing the Israeli illegal occupation, which stands in direct contradiction to international law and the foreign policies of most OECD countries.

WHY ISRAEL DOES NOT MAKE THE GRADE‡

1. Statistics and Borders



In many ways Israel does not meet the basic requirements for OECD membership; however, what is especially interesting is that the OECD was not even able to define Israel. What are the borders of this new member of the organisation? It seems OECD officials are well aware that Israel is very different from other OECD countries. In fact, in its assessment of the Israeli social and economic situation, the OECD said that Israeli politics are defined by “Policy agendas rooted in ethnicity and religion” (OECD, 2010a: 11). Nevertheless, there seemed to be a great deal of pressure within the OECD to accept Israel, mainly because whitewashing Israel’s crimes helps legitimize similar crimes by other OECD countries. The countries which supported Israel’s as-

cession most vigorously were those with governments from the right or extreme-right, such as Italy. Though there is no proof that this was the reason for Israel’s acceptance, one should remember Israel’s boasting that it can teach the world how to fight Muslims (Haaretz, Reuters, 2008).

The OECD Committee on Statistics was asked by the OECD to find a technical solution to what is essentially a political problem: how to deal with the occupied Palestinian territories under Israeli control? The Committee published a report, in which the confusion within the OECD regarding Israel’s territory is evident. The committee realized that although the internationally-recognized borders of Israel are the 1967 borders (the “Green Line”), Israel controls a

much larger territory, including the Gaza Strip, Syrian Golan Heights and the West Bank (including East Jerusalem). Furthermore, although Israel controls this wide territory, it ignores the Palestinians living in the Gaza Strip and the West Bank, and only collects statistical data on the Israeli

Israel ignores the Palestinians but counts settlers. Only 7 out of 11 million people who live under Israeli control are reported.

colonists in these areas, who comprise approximately 13% of the population there. Finally, Israeli statistics render it impossible to get an accurate view of the Israeli economy excluding the occupied territories, as the illegal settlements are included in every piece of data.

The OECD uses the 1993 *System of National Accounts* (SNA) in formulating statistical reports on OECD countries and on prospected members, which provides for situations where the political boundaries of a state may not coincide precisely with the economic boundaries of a state.

However, the OECD Committee on Statistics found that this does not resolve the political issue—that Israel ignores the Palestinians but counts the settlers, creating an intentionally-distorted picture of the area which it controls, as well as of its national economy. Although Israel does indeed enforce full economic control over the Gaza Strip and the West Bank, it does not include the majority of the population in these areas in its statistics, thus leaving the OECD Committee on Statistics with no statistical way to separate the data between the occupied territories and Israel proper (Statistics Directorate, Committee on Statistics, 2010: 4). As a result, the OECD asked that Israel not include any statistics concerning these territories (although this would exclude about 7% of Israeli citizens from the statistics as well).

The insistence of the OECD that Israel exclude statistics concerning East Jerusalem and the Golan Heights from its reports to the OECD is tantamount to burying their head in the sand. The occupation of these areas remains in effect whether it is report-

ed to the OECD or not.

Thus, the OECD reports present false and deceptive information, as if 74.2% of people under Israeli control in 2007 were Jews (OECD, 2010a: 30), a figure which counts Israelis illegally living in the West Bank and the Golan Heights, but ignores the 3.8 million Palestinians under Israel's control who are deprived of citizenship. Including the unemancipated Palestinians would bring the proportion of Jews in the areas under Israel's control down to about 49%, clearly demonstrating Israel's colonial policies of ethnic stratification, which the OECD chose to ignore.

Indeed, by excluding almost four million Palestinian subjects of Israeli occupation from the statistics, Israel creates a distorted and unrealistic image of its economy. It masks the stark inequality in income and in standards of living, it masks the deep poverty of large segments of the population, it

masks the true extent of unemployment and the atrocious condition of welfare and social benefits in the areas controlled by Israel.

An internal discussion in the OECD developed around this question. Israel proposed a technical solution, simply adding a footnote to the accession papers which states that the data including the West Bank, East Jerusalem and the Golan Heights is used for technical reasons, and does not comment on the legal status of these territories.* However, the OECD staff realized that Israel can block the approval and publications of OECD documents containing this footnote, and thus suggested adopting a "language for the footnote which is acceptable to both OECD members and Israel." In other words, the OECD did not put any pressure on Israel to change its policies, but merely attempted to find a semantic way to avoid this explosive political

* The text for the footnote that was put forward by Israel is: "This report/review/document is not intended to cover the territories known as the Golan Heights, the Gaza Strip, the West Bank and East Jerusalem and is without prejudice to positions regarding those territories. However, for technical reasons, this report/review/document uses Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and the Israeli settlements in the West Bank."

topic (OECD, 2010c: 5).

By March 12th, the OECD's internal report to the Secretary General has already stated that the "only" unresolved issues remain corruption and international commercial transactions, thus indicating that the issue of Israel's borders has been sidestepped. The report mentioned that OECD officials held a seminar with Israeli parliament members and were convinced to remove their objections (OECD, 2010d).

As Israel is responsible, according to international humanitarian law, for the economic well-being of the Palestinian population under its control, the OECD should have demanded that Israel include in its statistics not only East Jerusalem and the Golan Heights, but the entire area under Israeli control and under Israeli responsibility: the entire West Bank and the Gaza Strip. If this data would have been provided, Israel would not have even been close to meeting the OECD standards for acceptance, and would be correctly seen as a developing country with deep social divides, a state of civil war, a non-democratic regime and a highly unstable political

situation (Loss, 2010). These traits will be elaborated further on.

OECD's tendency to ignore a large segment of population controlled by Israel represents uncritical acceptance of Israel's views. Israeli officials have adopted a hostile approach even to groups among Israel's own citizenry (and of course, maintain their hostility towards the occupied Palestinians). In the recent Herzliya Conference in February (an annual high-profile conference where the Israeli elite meets to discuss policy) Haim Shani, the CEO of the Israeli Ministry of Finance, said that if the Arab and Haredi (ultra-orthodox Jews) populations would have been deducted from the calculation of Israel's per-capita GDP, Israel would be one of the richest countries in the world (Foyer, 2010). His statement clearly demonstrates an establishment that desires a "pure" Israel, devoid of ultra-orthodox religious Jews and devoid of Palestinians. This approach stands in complete contradiction to policies aimed at promoting equality and closing social gaps in society, and portents to policies of discrimination, patronizing minorities and eventually even ethnic cleansing.

The OECD takes decisions unanimously. Only one country of the 31 current members was needed to block Israel's inclusion into the organization.

The OECD accepted Israel's rhetoric that Palestinians and Ultra-Orthodox religious people are carriers of poverty.

In light of the information above, it is puzzling and worrying that no country made a clear stand on the matter.

The OECD relied on data provided by Israel that includes details

about the illegal colonies and their Israeli residents in the occupied Palestinian territories, but includes absolutely no information concerning the Palestinian population subject to Israel's control. By accepting this data, the OECD is also adopting Israel's apartheid perspective and policies according to which Israel may do as it wills in the occupied Palestinian territories, in contravention of international law, while ignoring the very existence of the Palestinians in these areas.



"FM Liberman signs agreement with OECD Secretary General Gurría"

Picture by Israel Ministry of Foreign Affairs (19 Jan 2010).

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WHY ISRAEL DOES NOT MAKE THE GRADE‡

2. Economy



Now, however, the discussion turns to the characteristics of the Israeli economy itself, and specifically how its military aspects are uniquely different from the military expenditures of other OECD countries. While some OECD members are belligerent states that maintain large standing armies and engage in warfare (chief among them the United States), Israel's military is such a defining feature of its economy that this sets it apart from all other OECD countries.

DEFENSE AND DEFINITIONS

The Israeli army is officially named the "Israeli Defense Forces (IDF)", and the OECD accepts Israel's defi-

nition of its military expenditure as spending on "defense," conveniently forgetting that Israel is an aggressive country. The acts of violence launched by Israel are far too numerous to list here, and are more than enough to prove that Israel is not the blameless victim of external aggression. Israel is also one of the biggest exporters of weapons in the world (Sipri, 2010).

Clearly, Israel's constant engagement in conflict is not a result of some accident, or some inexplicable hatred of Arabs towards Jews or vice versa. It is because of the role that Israel plays in the Middle East, as the most belligerent country in the region, promoting ethnic policies and engaging in military expansionism. As such, the term "defense" expenditure in no way reflects reality.

TABLE 1: ISRAEL SPENDS MORE ON DEFENSE THAN ANY OECD COUNTRY*

	Israel	OECD average
GDP per capita (2008)	US\$ 27,300.0	US\$ 34,125.0
Spending on defense**	8%	1.4%
Civilian public spending**	33.0%	41.0%

* The data in this table and the following tables is based on the data in the OECD reports on Israel which are quoted extensively in this publication, but which are themselves based on Israeli data. As such, they only apply to Israeli citizens (both in Israel and the West Bank), and omit the Palestinians living under Israeli control.

** As a proportion of GDP.

According to the OECD and Israeli official data, Israel spends 8% of its GDP on defense, more than any OECD country (OECD, 2010b: 18). About one fifth of that is military aid

As a result of Israel's massive security expenditure, it falls behind on social investments.

from the U.S. By comparison, the majority of OECD members spend only 1-2% of their GDP on defense (OECD, 2010a: 29).

The OECD notes that such a massive expenditure on defense is not

only a tremendous loss of resources, but also a qualitative difference from other OECD countries. Israel's workforce is defined by the millions of workdays lost to military service (and reserve duty), and the public space in Israel is studded with security guards, who perform invasive security checks at commercial venues, transportation networks and public offices, creating countless delays and making everyday activities slower and more cumbersome (Ibid.).

Table 1, above, illustrates the comparison in defense spending between Israel and the OECD. Every Israeli

citizen spends on average US\$ 1,774.5 on defense every year (not including the aid from the U.S). Conversely, it is possible to note there were 7.5 million Israeli citizens in the first quarter

of 2010, but only 2.8 million were employed. Accordingly, an average Israeli worker spends US\$ 4,693 every year on defense, just by paying taxes (ICBS, 2010).

TABLE 2: ISRAEL LAGS IN NEARLY EVERY KIND OF NON-MILITARY EXPENDITURE

	Israel	OECD average
Spending on social policy (total)*	15.8%	20.5%
Public pension transfers*	4.9%	7.2%
Public health* expenditure	4.4%	6.3%
Public housing support*	0.6%	0.8%
Public spending on active labor market policies*	0.1%	0.6%
Public spending on labor market policies (total)*	0.4%	1.4%
Public spending on long-care support*	1.0%	1.0%
Public employment service budget	0.2%	0.4%
Government spending on vocational training	0.08%	0.14%
Spending on education, per student in primary through tertiary education (US\$)	US\$ ~6,000.0	US\$ ~8,000
Teacher's average salary**	62.0%	100.0%-150.0%

* As a proportion of GDP.

** As a proportion of per-capita GDP.

As Table 2 above shows, a direct result of Israel's focus on military spending is that there are fewer resources available for other things. The Israeli government spends less on social policies than the OECD average, including on pensions, health, housing, the labor market and education. The notable exception is expenditures on long-term care for people with disabilities and for geriatric nursing, which is comparable with the OECD average. The relatively

high spending on disabilities is a direct result of Israel's generous program for people who became disabled during military service, but one should remember that the statistics only refer to Israeli citizens and not to the Palestinians who receive almost no disability support from Israel (especially for people who were injured by the Israeli army), and must rely on very small stipends from the Palestinian Authority (Al Qadi, 2003).

TABLE 3: SELECTED RESULTS OF ISRAEL'S LOW SOCIAL EXPENDITURE

	Israel	OECD average
Public debt*	82.0%	76.7%
Per-capita GDP growth rate: 1996-2008	1.7%	2.0%
Poverty rate	23.4%	13.5%
Inequality (Gini coefficient)	0.38	0.31
Unemployment rate (official)	6.1%	7.8%

* As a proportion of GDP.

As a result of decades of under-investment in social policies, Israel has failed to live up to its potential. Table 3, above, demonstrates that Israel has accumulated a high public debt, and had a slower per-capita growth rate

than the OECD average (OECD publications focus on the past 4 years in which Israel had a comparatively high growth rate, "skipping" over the years of the second Intifada which were devastating to the Israeli economy).

Israel is thus among the most unequal of all OECD countries, comparable to the U.S and Poland (although this is based on 2005 data, and since then Israeli inequality has further increased). Israel also has the highest poverty rate compared to all OECD countries (OECD, 2010b: 15).

Official unemployment in Israel is surprisingly lower than the OECD

Israel has more poverty than any OECD country, even when only counting Israeli citizens.

average, mostly because of people suffering from under-employment, people who have given up looking for jobs and people who have used up their rights for unemployment benefits are not registered in the official unemployment figures. The full unemployment problem in Israel is estimated by the Commitment Organization to be nearly three times higher than the official data (Ben-Shakhar et. al., 2006).

It should be mentioned, as a side-note, that the Israeli government also spends the least amount of money

on development aid abroad compared to any OECD country (OECD, 2010b: 229).

THE REAL EXPENDITURE ON DEFENSE

A recent study by Tal Wolfson, an economics student building upon 1989 research by economist Eitan Berglas, shows that the official statistics for defense expenditures published by Israel and used by the OECD do not include several crucial items:

- § The value of time lost by conscripts in the army (as opposed to being gainfully employed).
- § The value of the land used by the military, which in Israel is nearly 50% of all its territory, and which is not used for economic purposes.
- § The loss of productivity as a result of deaths and injuries of military personnel and civilians, as a result of military conflict.
- § The cost of “civil defense” projects such as shelters, which are a legally-required component in apart-

ments built in Israel, and emergency programs for protecting civilians in case of attack.

- § The cost of security services provided by hundreds of private security companies, which employ tens of thousands of security guards.
- § The budgets for the secret security services in Israel—the GSS (General Security Services, or “Shabak”)

A recent study reveals that Israel spends the highest proportion of its GDP on defense than any country in the world.

and Mossad, which are not included in the official figures of defense budgets, but rather are hidden in the government’s budget reserves.

- § The cost of maintaining government-managed emergency supplies of food and petroleum, to be used in case of war.
- § Security agencies not included in the cost of defense: the Discharged Soldiers Department, the Atomic Energy Committee and the Coordinating Office for Government Activities in the Territories (COGAT).

Wolfson calculated that if the items above would be considered, the real expenditure on defense in Israel would not be 8% of the GDP, but NIS 88.9 billion, which amounts to 12.3% of the GDP (for 2008). This is 53% higher than the official figures, and even Wolfson’s study could not take into account numerous expenses that are not reported properly and for which there is insufficient data (Wolfson, 2009).

To amend the calculation above, it would mean that every Israeli worker actually spends US\$ 7,798 on defense (not including aid from the U.S).

It should be noted that the expenses above are not completely absent from the OECD reports on Israel. In fact, the OECD counts much of them as “civilian” expenses. Therefore, the distortion in the data is double—the expenses are not only absent from the military expenditures of Israel, but are misleadingly inflating the figures on Israel’s civilian expenditures.

WHAT DOES IT MEAN?

The meaning of this data is that Israel can be understood, to borrow Naomi Klein's term, as a "fortress state," where military and security are so central that the state can be seen almost as a large military base (Klein, 2007).

Israel's acceptance as an OECD member significantly alters OECD statistics, making it possible for

OECD countries to boost military expenditure and still be well below the OECD average.

The name of the OECD is the Organization for Economic Cooperation and Development. The inclusion of Israel, a state whose economy is devoted so intensely to conflict and destruction, now raises serious questions concerning the meaning of "cooperation" and of "development."



"Accession of Israel to the OECD"

OECD publications on Israel written prior it accension.

Picture by OECD's Photostream (29 June 2010).

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WHY ISRAEL DOES NOT MAKE THE GRADE‡

3. Education



The OECD mentioned Israel's poor tertiary education system, and the very low scores in PISA and TIMSS tests.* It also noted that this poses an immediate and grave risk to the future of Israel's high-tech sector, which is one of Israel's most important engines of growth. Also, the OECD mentioned that although Israel is spending a relatively high proportion of its total GDP on education, due to the rapid population growth and the relatively young population in Israel, Israel is one of the countries investing the least in each pupil. The OECD report even noted about a -15% drop in per-stu-

dent spending in Israel between 1995 and 2006. No OECD country has had a decline in the rate of tertiary education attainment except Israel, who according to 2007 figures, had fewer 25-34 year-olds who attained tertiary education compared to 34-54 year-olds (all OECD countries had higher attainment among the younger population, indicating an improvement in the education system). Unsurprisingly, density in Israeli classrooms is far above the OECD average. The report also found very wide gaps between the Jewish and Palestinian education sectors (which is apparent in every aspect of the education system: in budgets,

* The PISA test results for Israel are skewed upwards, because ultra-orthodox schools rarely participate in the tests. These schools often teach very little mathematics and science, two out of the three core skills (reading, mathematics and science) tested in PISA tests. Thus it could be expected that if they had participated in the tests, Israel would score even lower.

class density, test results and more). In 2007, the chance of a Palestinian citizen in Israel to have attained tertiary education (regardless of age) is half of the chance of a Jewish citizen (OECD, 2010a: 78-89). What the re-

The structural discrimination in Israel's education system creates poverty and entrenches social gaps.

port failed to do, however, is make the simple connection between these pieces of information. Clearly, the drop in tertiary education attainment, the drop in per-student expenditure and the rapid increase in population indicates that the Israeli education system is in a state of crisis, and that unless a meaningful change occurs, it will continue to decline in the near future and drag the entire Israeli economy down with it.

The OECD report argues that Israel has a dual system of universities and colleges (OECD, 2010a: 97-98), with wide ranging gaps in quality and costs. It did not mention, however, that Israel also has two Councils for Higher Education: one council for the

universities and colleges within Israel, and another one to serve Israeli settler citizens in the occupied West Bank. This year Israel's Ministry of Defense (and not the ministry of Education) approved the creation of a new

university in the West Bank to serve Israeli settlers, the University of Ariel, in violation of international law (Zelikovich, 2010). Thus,

Israel actually lacks a unified system of higher education.

Also, the army discharge grants mentioned by the OECD as a program in Israel used to encourage higher education, apply only to Israeli soldiers. As non-Jewish citizens in Israel rarely serve in the army (mainly because the army does not consider them loyal enough to serve), they are discriminated against by the system of army discharge grants, contributing to the deep levels of inequality in Israel's education system (OECD, 2010a: 99).

Thus, the OECD report seems to have missed the greatest flaw in the Israeli education system—the inequality that continues to expand among Israelis in their education levels. For

example, when mentioning the “New Horizon” reform in the Israeli education system aimed at addressing the inadequate wages of teachers, the report mentioned that teachers in “national priority areas” receive a 50% hike in their salaries (OECD, 2010a: 88-91). What the report did not mention, however, is that most of the il-

legal Israeli settlements in the West Bank are considered “national priority areas” regardless of their socio-economic conditions (Ravid, 2009), and that this creates an unequal pay distribution which favors the teachers in the illegal settlements, almost all of them Jews, adding to an already deeply unequal pay system.



"Launch of OECD's Review of Labour Markets and Social Policies: Israel"

Presentation of OECD Review of Israel's Labour Market & Social Policies in Jerusalem. In this photo from left to right Benyamin Ben-Eliezer, Minister for Industry, Trade and Labour, Israel; Angel Gurría OECD Secretary-General and Yuval Steinitz, Minister of Finance.

Picture by OECD's Photostream (20 January 2010).

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WHY ISRAEL DOES NOT MAKE THE GRADE:

4. Poverty



The OECD reports fall into the common rut of Israeli rhetoric: that poverty in Israel is confined to non-Jews and to Ultra-Orthodox Jews (OECD, 2010a: 108; OECD, 2010b: 16). This myth is used to justify the government's negligence in addressing poverty and inequality, because these populations are presented as "incompatible" with the modern economy. In fact, even the data presented in the OECD report shows that 40% of the poor citizens in Israel are neither Palestinians nor Ultra Orthodox (OECD, 2010a: 40). The rhetoric painting the Palestinians and Ultra-Orthodox Jews as the "carriers" of poverty is dangerous, as it focuses on the victims of poverty rather than on the reasons for it, and promotes arguments blaming the poor

for their own fate (Doron, 2004). The ease by which the OECD accepts Israel's own terminology blaming minority groups for poverty, indicates that the OECD attempts to see Israel as a white, European-style state, making it easier to swallow.

A strong example of this can be found in the quote of Dr. William Adama, a senior economist at the OECD and one of the authors of the OECD reports on Israel, that "What amazes me in Israel is that 45% of your children in primary schools are either ultra-orthodox or Arab, you really don't have much time to deal with this issue. It's a reality you must focus on" (Detal, 2010).

The report claims that the high level of poverty in Israel is a result of Israel's low employment levels.

However, there is a certain aspect of poverty that the OECD does not explain. Although Israel's poverty rate is higher than any OECD country and is double the OECD average (OECD, 2010b: 19), its employment rate is not the lowest among OECD countries (although it is lower than average). This means that in Israel many households are poor despite holding jobs. According to the OECD report, 38% of households with one earner are poor, and 4% of households with two earners are poor* (OECD, 2010a: 38-40). Israelis cannot escape poverty by finding a job, because they will likely only have access to low-paying jobs that will keep them poor. This is because poverty in Israel is a result of structural discrimination against minorities in education, employment, housing and public spending. It is also a chronic and rapidly growing problem for the Israeli economy, because budget priorities focus on military matters, leaving few resources to deal with social injustice.

It should be noted that as the OECD ignores the occupation of the OPT by Israel, it did not include poor Palestinian households in its calculations. The most recent poverty figure on the OPT is from 2006, when 56.8% of Palestinian households in the OPT were below the relative poverty line (which was below a monthly income of US\$ 518 at the time), and 44.1% were below the absolute poverty line (below a monthly income of US\$ 414). Israel's official poverty line, by comparison, is US\$ 1,718 per household of 5 people (NII, 2009: 8).

After 2006, Israel's siege of the Gaza Strip and the invasion of 2008-2009 have made it impossible to measure poverty in Gaza, although it is clear that under the conditions created by Israel poverty must have increased significantly (OCHA, 2008). If Palestinians would be calculated as part of the population that Israel controls, Israel's poverty figures would skyrocket even further, distancing Israel even more from the OECD countries (in which absolute poverty is rare).

* Israel provides lower assistance to families with two unemployed earners than any OECD country (OECD, 2010a: 112).

Why Did OECD Countries Not Object?



As the OECD makes decisions by consensus, it only took one OECD country to oppose the integration of Israel into the organization in order to block the

The United States pressured the OECD members to accept Israel, despite their various objections.

process. However, not a single OECD country voiced intention to vote against including Israel in the OECD.

The reason for that is twofold. First, there is the usual fear that any country (especially a European country), that voices its objection to Israel's joining the organization will be accused of anti-Semitism. Israel enjoys the unflinching support of the United

States, and few European politicians have the courage to take a moral stand against it. According to Shimon Stein, former Israeli ambassador to Germany, behind the scenes, the U.S put

tremendous pressure on OECD member states to vote Israel in (Stein, 2010). Turkish Prime Minister Erdogan also attested to

the tremendous pressure of the U.S to usher Israel into the organization (Kara, 2010).

Second, right-wing parties around the world see Israel as the Mecca of anti-immigration policies, Islamophobia and the "war on terror." With every new line that Israel crosses in abusing the human and national rights of Palestinians, right-wing

parties are emboldened to deepen their own politics of hatred toward immigrants. If Israel conducts extrajudicial assassinations, why shouldn't other countries be allowed to do the same? If Israel installs surveillance mechanisms that invade the privacy of its citizens, who can stop other countries from doing so as well? Legitimizing Israel by inviting and facilitating its ascension to the OECD is thus a tool to legitimize the extreme measures promoted by far-right parties in Europe, which are eager to do away with democratic mechanisms and human rights of minorities in the name of nationalism and "security."

European law clearly forbids European countries from recogniz-

ing the Israeli occupation of the Palestinian territories, as has been affirmed by the Russel Tribunal,* and yet, by granting Israel OECD membership, they are doing exactly that. OECD members have knowingly accepted Israel to the organization based on deceptive statistics provided by the latter, statistics which conceal the occupation while simultaneously treating it as a permanent fact.

Israel's acceptance into the OECD was a grave mistake. It rewarded violations of international law, fed the extreme right-wing which is growing in developed countries** and rendered all OECD countries as accomplices in Israel's illegal occupation.

* See Jasiewicz, Ewa & Barat, Frank, 2010, "European Union Found Guilty at First Session of Russel Tribunal," *The Electronic Intifada*, March 15th, 2010, [http://electronicintifada.net/v2/article11135.shtml?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+electronicIntifada+\(Electronic+Intifada\)](http://electronicintifada.net/v2/article11135.shtml?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+electronicIntifada+(Electronic+Intifada)).

** There is no proven evidence that the right-wing in Europe directly benefits from Israel's accession to the OECD. This point is merely the author's opinion based on discussions with political activists in Belgium, France, Germany, Greece, Ireland, Italy, Spain, Sweden, the Netherlands and the UK.

Lobby Efforts in Paris



On May 5th, Professor Karma Nabulsi travelled to the OECD in Paris on behalf of the BNC, in order to lobby representatives of Belgium, Greece, Ireland, Norway and Spain. Nabulsi demonstrated that the OECD, by accepting Israel's data, which included statistics from the Occupied Palestinian territories, was in violation of international treaty law. Given that the OECD had (even provisionally) ac-

cepted this data as a basis for Israel's membership, OECD member states were now directly in breach of the Geneva Conventions in light of their own obligations as High Contracting Parties. The case was made that the OECD now found itself directly participating in Israel's illegal settlements policy. The OECD had to insist Israel remove all data from the settlements in Palestinian territories occupied in 1967—which are themselves a grave

breach of international law—before accession. If unable to achieve this, the OECD must therefore also include the protected Palestinian population in this data, lest the OECD itself becomes complicit in Israel's war crimes.

The OECD now found itself directly participating in Israel's illegal settlements policy.

Nabulsi requested that member states delay accession until this OECD member state's illegal status vis-à-vis this serious issue was resolved (Nabulsi, 2010; BNC, 2010b).

Although the OECD state representatives were receptive to the legal

arguments, and although Professor Guy Goodwin-Gill followed up Nabulsi's OECD visit with an *amicus curia* brief confirming the legal case (Goodwin-Gill, 2010), OECD representatives claimed they had not

been made aware of these particular legal constraints before that moment, and Israel was already too far along in the accession process. Accordingly, they were

reluctant to raise reservations at this late stage, especially after all the other conditions for membership had been met by Israel in over two years of committee meetings. They therefore refused to delay Israel's accession (BNC, 2010b).

Protest



Israel's accession to the OECD was a complex issue, mired in bureaucratic terms, statistics and legal jargon. Nevertheless, the risk of legitimizing Israel's crimes has stirred many into action.

BNC, the Palestinian Boycott National Committee, issued an article titled "A Vote for Israel's Accession to the OECD is a Vote in Support of Israel's War Crimes and Other Grave Violations of International Law and Human Rights" (BNC, 2010a). Palestinian Legislative Council member Mustafa Barghouthi also issued a statement calling on the OECD member states to vote against Israel's accession at this stage, and instead work with Israel to help it meet the OECD requirements (Barghouthi, 2010). Towards the final vote on Israel's accession, the Palestinian Au-

thority and Prime Minister Salam Fayyad also tried to intervene and requested that the OECD members not vote to accept Israel (Ravid and Bassok, 2010).

Additionally, journalists published critical articles on the accession, such as Jonathan Cook's article in *Counterpunch* (Cook, 2010b). Seth Freedman wrote an article for the *Guardian* (Freedman, 2010) and Luisa Baroni published an article in the *Association France-Palestine Solidarité* (AFPS) (Baroni, 2010).

A website called www.nomembership.org was set up to concentrate information on why Israel should not be accepted to the OECD, and 100 Israelis signed a petition supporting the campaign to block Israel and sent their petition to all of OECD members (Nomembership, 2010).

Conclusion and Repercussions of Membership



It should come as no surprise that the OECD's reports on Israel suffer from numerous inaccuracies, for they are based on false data provided by the Israeli authorities. A great deal of data that would be considered trivial and straightforward in other OECD countries, such as government budgets, unemployment and poverty, is complicated in Israel by the occupation of the Palestinian territories and by the inherent discrimination against Palestinian citizens, as well as by Israel's own agenda of presenting an optimistic version of its economy in order to avoid showing weakness (Shihadeh, 2006). Israel includes the illegal settlements in the West Bank in its statistics, and facts about the extent of the illegal settlements are considered military secrets.

As such, the OECD made a decision based on incomplete and partially deceptive data. By accepting Israel to the OECD, nearly every aspect of the OECD standards in governance, economic management, transparency and commitment to development are jeopardized.

The true extent of the damage to the OECD itself as a result of Israel's accession is yet to be determined, but it can be expected that most members of the OECD will consider its practices and standards as less binding from now on, in light of Israel's blatant disregard for them, and that economists who once relied on OECD publications, will take into consideration that the data published by the OECD has been corrupted by misleading data published by Israel.

Accepting Israel to the OECD was a significant political act, a vote of confidence for Israel's foreign and military policies that defy international law. The OECD effectively made a statement that despite Israel's illegal activities, it prefers to ally with Israel than with the victims

Widespread protest against Israel's accession has eroded the prestige of the OECD.

of Israel's aggression. Such an act exposes the OECD to worldwide criticism and outrage, and weakens its legitimacy in the eyes of Middle Eastern countries, which have grown all too familiar with Israel's aggression over the years. Stronger economic ties between the OECD countries and Israel are an aggressive act, exposing the moral deficiency of these governments in not making Israel accountable for its crimes.

As for Israel itself, joining the OECD is a culmination of Israeli foreign policy efforts over the course of nearly two decades, to gain international acceptance and legitimacy

in spite of Israel's unwillingness to abide by international decisions (Bronner, 2010). Indeed, Israel has considered accession to the OECD a very high priority, and the most senior levels of government were deeply involved in the process (OECD, 2010d). Its acceptance now

emboldens Israel's government to keep defying international law, and reinforces Israel's current for-

foreign policy, headed by current foreign minister Avigdor Lieberman, to count on intimidation and a show of confidence in order to shake off international criticism.

It is also a detrimental blow to the few and scattered voices of criticism within Israel. Not only will OECD policies hasten the growing inequality in Israel and further disempower discriminated groups within Israel, but the OECD now grants the Israeli government further legitimacy in persecuting dissenters, clamping down on freedom of speech and employing state violence against unwanted political movements.

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"OECD Ministers welcome new members"

Borut Pahor, Prime Minister of Slovenia; Benjamin Netanyahu, Prime Minister of Israel and Andrus Ansip, Prime Minister of Estonia at the ceremony and press conference of the accession invitation. OECD Conference Center, Paris, France.

Picture by Andrew Wheeler/OECD (27 May 2010).

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AIC Mission Statement

The Alternative Information Center (AIC) is an internationally oriented, progressive, joint Palestinian-Israeli activist organization. It is engaged in dissemination of information, political advocacy, grassroots activism and critical analysis of the Palestinian and Israeli societies as well as the Palestinian-Israeli conflict.

The AIC strives to promote full individual and collective social, economic, political and gender equality, freedom and democracy and a rejection of the philosophy (ideology and praxis) of separation.

The most urgent regional task is to find a just solution to the century-old colonial conflict in Palestine and confront the ongoing Israeli occupation-regime within its international framework. The AIC method of action develops from the awareness that local struggle must be practically and analytically situated within the framework of the global justice struggle.

The internal AIC structure and working relationship aims to reflect the above mentioned values.

Shir Hever

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 socioeconomic 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 socioeconomic 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 of the occupation.

The publication touches on various issues such as inflation, debt, trade, employment, poverty and capital, and demonstrates the influence of these issues on the daily lives of Palestinians and Israelis. The aim is to enhance awareness and to contribute to a more informed struggle for social justice and a just peace for Palestinians and Israelis.

Publications of the AIC are also available at:

www.alternativenews.org