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## Gaza war takes its toll on Israel's finances as threat of war with Lebanon escalates

Prime Minister Benjamin Netanyahu's fascist government putting the country on a war footing in pursuit of its policy of Jewish Supremacy over the whole of Israel/Palestine from the Jordan River to the Mediterranean Sea comes with a heavy price tag.

Last week, the southern port of Eilat halted its operations, declared bankruptcy, after losing \$13.61 million, and is to lay off half of its 120 workers. The port has been largely inactive since the start of the war as ships diverted around Africa to avoid the Red Sea route through the Suez Canal to reach Europe, following attacks by Yemen's Houthi forces in support of the Palestinians in Gaza on shipping in the Red Sea with connections to Israel.



Eilat's Harbor [Photo by Adiel lo - Own work / [CC BY-SA 3.0](https://creativecommons.org/licenses/by-sa/3.0/)]

Logistical and commercial support from some of the Gulf States and Jordan that have provided an overland route to Israel's markets have to a degree cushioned Israel from the full impact of the closure. But the port is just one of Israel's 46,000, mainly small businesses that have gone bankrupt, according to the daily *Maariv*, which referred to Israel as a "country in collapse."

Some 60,000 small businesses are expected to close by the end of the year. Yoel Amir, CEO of Israeli information services and credit risk management firm CofaceBdi, told *Maariv* that “the most vulnerable industries are the construction industry, and as a result also the entire ecosystem that operates around it: ceramics, air conditioning, aluminum, building materials, and more. All of these were significantly damaged.”

This is because the government has blocked the entry of 120,000 West Bank and Gaza Palestinian workers into Israel, where they were employed in construction, manufacturing and agriculture.

Based mainly in the north and south, agriculture has been badly affected by the war against the Palestinians in Gaza and Hezbollah in Lebanon. As a result, the government has agreed to raise the cap on the number of migrant workers allowed to enter Israel. These workers, without rights or access to healthcare, are subject to even more exploitative conditions than the Palestinians.

Israel’s tourism industry, which accounted for 5.6 percent of GDP before the COVID pandemic, has collapsed. When the war broke out, all flights were cancelled. While they have since resumed, the tourists have stayed away. “When the war began, everything stopped, and until April, not a single tourist arrived in Israel,” Moshe Benishu, a tourism expert and guide in Aujo Travel, told *The Media Line*. While the number of visitors has started to rise, this is less than a quarter the number in the same period last year. Many of the hotels are occupied by evacuees from the towns and villages near the borders with Gaza and Lebanon.

Israel’s economy contracted by almost 22 percent in the last quarter of 2023 following the start of the war and was still 7 percent down in the first quarter of this year, compared with the same period in 2023. Credit ratings agency S&P said it expected Israel’s economy to recover more slowly than after previous military campaigns or the COVID-19 pandemic, achieving just 0.5 percent growth in GDP this year. S&P, along with Moody’s Investors Service, has downgraded Israel’s credit rating, viewing the war-hit sectors of the economy—tourism, construction and agriculture—as well as escalating regional conflicts and domestic political uncertainty, as impeding a recovery.

Even before Israel’s genocidal war on Gaza, business had begun transferring money out of the country because of Netanyahu’s planned “judicial overhaul” that would give unlimited power to the government amid the increasing dominance of the religious authorities over everyday life.

According to figures released by the Bank of Israel and the Israeli Ministry of Finance, the cost of the first six months of the war had reached more than 70 billion shekels (\$73 billion)

by the end of March. Nonetheless, Netanyahu has said the war will continue for months and it shows every sign of escalating into an all-out conflict against Hezbollah in the north and the Houthis in the Red Sea, despite fears of military overstretch. This prompted the Knesset to increase the 2024 budget by \$73 billion, with most going to finance the military and the rest to civilian wartime needs, compared with the original budget approved in May 2023, leading to a likely deficit equal to 8 percent of GDP, breaching the 6.6 percent target ceiling the government set for 2024.

This will mean a massive hike in taxes and drastic cuts to public services to at least partially cover the rising deficit. But public services, underfunded for years, are now at breaking point, with infrastructure, education, welfare, health care and other public services on the verge of collapse. According to a study by the Arlozorov Forum, Israeli government civilian spending would have to increase by 171 billion shekels (\$47 billion) just to reach the OECD average level of expenditure.

At the same time, Netanyahu's far-right coalition continues to funnel billions of shekels to its political allies, including the settlements in the West Bank and subventions to the ultra-orthodox schools that do not meet core curriculum requirements, and religious seminaries, under deals reached in coalition talks after the November 2022 elections.

Since October 7, nearly 700 Israeli soldiers have been killed, including at least 350 during Hamas's attack on Israel's southern towns. The 326 soldiers killed in Gaza is more than four times the toll from the 2014 war against Hamas. There is a mounting sense of strategic failure within Israel.

Indicative of the prevailing despondency is the huge increase in the number of Israelis who have left the country permanently. According to the *Times of Israel*, this surged 285 percent after October 7. It confirms earlier reports published two months after the war started that showed that nearly half a million people left the country, presumably those fortunate enough to have a second citizenship and/or a home overseas.

There was also a significant drop in the number of Jewish immigrants arriving in Israel. A second survey conducted in March by the Hebrew University in Jerusalem revealed that 80 percent of those living abroad said that they do not intend to return.

The reverse migration of Jews from Israel has a profound political significance, as it further erodes the "demographic balance" the Zionist state has sought to maintain. It prompted far-right former Prime Minister Naftali Bennett to call on Israelis not to leave Israel, "which is going through its most difficult times since 1948."

“Talks about leaving the country. This must not happen,” he insisted. “We need all the talent and dedication of the people of Israel just to get out of the pit and relaunch Israel.” Seeking to reassure people, he said, “But unequivocally we are capable—and we will get out—of this pit.”

Fuelling the despondency is the prospect of a full-scale war against Hezbollah—which has twice as many battle-hardened fighters as Hamas and more than four times as many munitions, including guided missiles—under conditions in which concerns that Israel is unprepared are being openly voiced.

Yair Golan, who heads Israel’s Labour Party and is a former deputy chief of staff of the Israel Defense Forces, told an Israeli radio station, “The reserves and the regular army system have been worn to the bone.” The Israeli army admitted in filings to the Supreme Court earlier this month that it is short of ammunition and tanks, with many damaged.