

Analysis-Base

Integrating Israel's Arab citizens into the ISRAEL 15 Vision

Executive Summary

This document deals with the challenge of socially and economically integrating Israel's Arab citizens in order to generate a socio-economic leapfrog that will place Israel among the leading 15 nations in the world in terms of quality of life. The document illustrates the importance of integration, touches on basic gaps in current government policies, and presents a new look at the government's role and areas in which it needs to design policies.

The integration of its Arab citizens is critical for the State of Israel. On the one hand, such integration constitutes an essential condition for a socio-economic leapfrog. On the other hand, it is likely to defer trends of separatism and alienation between the Arab minority and the state. Nonetheless, it is clear that a significant improvement in the Arab sector's quality of life will not 'solve' the complex relations between the Arab minority and the state.

In recent years, many plans which deal with closing the gaps between the Jewish and Arab sectors have been published, and it seems that the government has indeed taken a significant step in this direction.

However, although these plans carry the potential to significantly contribute to the Arab sector's socio-economic development; it is unlikely they can reduce the gaps in quality of life between Israeli Jews and Arabs or to drastically increase economic integration within Israel. This is mainly due to the fact that these plans do not provide an appropriate solution to:

- **Communal Obstacles within Arab Society** which represent a serious restriction on the Arab sector's economic development and its integration into the Israeli economy.
- **Inherent and Structural Distrust of Arab Society towards the Government** which is one of the main obstacles towards implementing effective government policies.

Without overcoming these obstacles, a socio-economic leapfrog among Israel's Arab citizens will not be possible.

Effective government policies should not only include 'traditional' government actions which aim at 'affirmative action' and equal opportunities, but also *additional* measures that promote mechanisms that encourage growth in the Arab sector and prepare the ground for deepening cross-sector economic and business relations.

This paper was translated from the Hebrew original without the footnotes and references.

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Introduction: Reducing the Gaps between Israel's Jews and Arabs

1. For years, the issue of integrating Israel's Arab citizens into Israeli society and economy (hereafter 'integrating Israel's Arab citizens') has been low down on the agenda of the Jewish community in Israel. This, despite the fact that the gaps between the Jewish population and the Arab minority are significant in every economic index such as GDP, education, occupation and type of profession, industry, women's employment, participation in decision making, board of directors and governmental organizations as well as in community development.
2. The October 2000 Disturbances revealed the widespread feelings of discrimination among Israel's Arab citizens and raised the awareness of this issue in the public discourse. However, only for a short while. Much discussion took place immediately after the disturbances. However, since then the issue has been raised only sporadically such as after the publication of the Orr and Lapid Commissions, or in light of friction between the Arab population and the security forces.

It seems that Israeli Jews do not perceive the issue of Israel's Arab citizens as 'acute' to the nation's economy or national security.
3. This document analyzes the importance of the social and economic integration of Israel's Arab population in order to generate a socio-economic leapfrog that will place Israel among the 15 most developed nations in the world in terms of the quality of life of its citizens (hereafter 'ISRAEL 15 Vision').

The document presents the components of the ISRAEL 15 Vision and maps the issues that are connected to the integration of Israel's Arab citizens.
4. The basic assumption of this document is that economic integration is not enough in and of itself to 'solve' the complex relations between the Arab minority and the Israeli establishment. In addition to being influenced by the Israeli – Palestinian (Arab) conflict, this issue touches on basic questions connected to Israel's identify as a Jewish and democratic state as well as to the rights of the Arab minority.

However, the integration of Israel's Arab citizens is likely to alleviate the feeling of discrimination that feed the distrust Arab citizens possess towards the establishment.

5. **This document will present a fresh look at the roles of the state in promoting a socio-economic leapfrog in the Arab sector and will suggest a number of arenas in which the government should formulate principles for policy.**
6. This document will **not present a plan** for integrating the Arab population into Israel's economy. In recent years a number of such plans have been published and emphasize the need for developing infrastructure, creating mechanisms for new funding, reforming the state's land policies, encouraging entrepreneurship, training manpower, reducing the exclusion of women in the workplace, etc.

Implementing these plans is likely to significantly contribute to the economic development of Arab society. However, as is demonstrated below, unless the issues of communal obstacles and inherent distrust within Arab society are solved, it is unlikely that integration efforts will be enhanced and that gaps between the Arab and Jewish sectors reduced.

The Carrot: Integrating the Arab Sector is Essential for Leapfrogging and the ISRAEL 15 Vision

7. The ISRAEL 15 Vision is the guiding vision of the Reut Institute and aims to turn Israel into one of the leading 15 nations in the world in terms of quality of life of its citizens. Fulfilling this vision is conditional on a 'socio-economic leapfrog' that will reduce the gaps in quality of life between Israel and the leading countries.
8. Leapfrogging is a rare and complex phenomenon that has no exact formula. While most of the countries in the world have experienced economic growth, only approximately 15 countries, such as Ireland, South Korea, Chile, Taiwan and Finland, have 'leapfrogged'.
9. **Harnessing Israel's Arab citizens is essential for leapfrogging.** This argument is based on simple arithmetic. The Arab population constitutes approximately 20% of the population while only contributing 8% of the GNP. As a result, according to estimates, the economy is losing approximately 40 billion shekels each year.

Ironically the relative weakness of the Arab sector increases its potential to become an engine of growth. Growth in the Arab sector will increase the GDP, reduce poverty and bring about an increase in the employment rate, which is a major component of growth.

10. Moreover, the Arab sector is connected to several essential components for leapfrogging. While there is no exact formula for leapfrogging (as each country 'leaped' in its own unique way) the Reut Institute has identified a number of components which were present (at different levels) in each of the successful states. These include:

Forming and branding a textured national vision that deals with development and growth; Identifying and exploiting engines of growth based on strategic decisions; Exploiting unique advantages and disadvantages; Improving the government's ability to make and implement decisions; Implementing structural reforms based on cross-sector cooperation; Enhancing human capital; and mobilizing the entire public to face the challenge of economic and social development.

The common denominator in most of these components is the need to recruit all layers of society towards the mission of 'leapfrogging' and establishing trust between the different sectors (See [Israel 15 Vision](#)).

The Stick: Continuing Lack of Integration accelerates Separatism

11. Against the background of accusations of continuing discrimination, recent years have also seen an increasing trend of alienation and separatism among Israel's Arab citizens.

Between September 2006 and May 2007, Arab organizations published four different documents which later became known as the 'Vision Documents' and presented a formulated concept of the optimum set of relations between the Arab minority and the State of Israel. The documents, as well as several additional events in recent years, testify to a number of trends developing within the Arab community:

- a. **Challenging the Jewish identity of the State** – The Vision Documents call for turning Israel into a 'State for all its Citizens' or a binational state that will ensure civil-national equality for the Arab minority. In order to promote their argument, many Arab organizations in Israel compared Israeli policies towards the Palestinians and its Arab minority to the apartheid policies of White South Africa.
- b. **National Separatism** – The demand of Israel's Arab citizens indicate the creation of an independent Palestinian discourse with nationalist and separatist characteristics. These demands are based on international law concepts such as 'indigenous minority' and [Consociationalism](#) that are based on the rights, theoretically, of Israel's Arab citizens to fulfill their right to self determination as a national minority.
- c. **More 'Palestinian' than the Palestinians: Intransigent Positions on the Political Process** – in recent years, the position of the Arab leadership in Israel towards the core issues of the Israeli–Palestinian political process (especially regarding Jerusalem) has become stronger.

Against the background of the Annapolis process, Arab leaders in Israel did not rule out challenging the authority of the PLO to negotiate on the core issues in the name of the Palestinian people. Statements in this vein signal that Arab society in Israel will not accept any agreement between Israel and the PLO, and that the establishment of a Palestinian state will not necessarily fulfill the rights of Israel's Arab citizens to self determination.

- d. **Internationalization of the issue of Israel's Arab citizens**– the center of gravity for managing the relations between the Arab population and the Israeli establishment has recently moved from the State of Israel - in which it is considered an internal issue – to the international arena in which it is exposed to supervision, criticism and external intervention. Organizations within Arab society in Israel are encouraging this trend and openly calling for greater intervention by the international community. The fact that minority issues are gaining traction across the world does not change the significance for Israel. This phenomenon is, among other things, an expression of despair within Arab society of its ability to instigate change in the State of Israel 'from within.'
12. **The Resistance Network 'embraces' Israel's Arab citizens** – the Resistance Network- which includes Hizbullah, Palestinian resistance groups and other terror organizations - has recently worked hard to ideologically influence Israel's Arab citizens, including actively trying to recruit them to join the fight against Israel.

The Resistance Network sees Israel's Arab citizens as possessing a central role in undermining the foundations of the 'Zionist entity' from within and promoting the logic of an 'Islamic State' in the area of 'Historic Palestine'. In recent years, there have been considerable attempts by Hizbullah and Hamas to gain influence among the Arab population.

While the Resistance Network has so far been unsuccessful in gaining a significant 'foot in the door' among the Arab population, there is concern that allowing discrimination to continue may change this trend and accelerate processes of extremism against the state.

A socio-economic leapfrog in the Arab sector will not solve all the demands of Israel's Arab citizens. However, it may alleviate the tension between the population and the establishment and ease its integration into Israel's society and economy.

Government Policies towards the Arab Sector: Why Don't they Succeed?

13. The Orr Commission Report for investigating the events of October 2000 recommended taking urgent steps against discrimination suffered by the Arab sector in order to achieve 'true equality'. The Commission suggested that the Prime Minister himself should have a central role in this mission. The Lapid Commission's recommendations to deal with the implementation of the Orr Commission were adopted by the Government of Israel (6/04).
14. On paper, the Government of Israel has taken many decisions in recent years with the aim of integrating Israel's Arab citizens into the state's institutions, promoting economic development, improving the education system and social services, improving infrastructure, reform land policies, and upgrading local authorities.
15. Despite these decisions, there has been no significant reduction in gaps between Israeli Jews and Arabs. In fact, according to a document published by the Central Bureau of Statistics, these gaps have even grown.
16. **Apparently, the need is understood; the problem is in the implementation** – A widespread claim by Arab leaders is that most government decisions, Knesset laws and Court judgments relating to the Arab public remain unimplemented. The reasons for this are the following:
 - a. **Discrimination in Implementation** – In a speech during the Prime Minister's Conference on the Arab Sector (7/08), PM Olmert admitted that there is 'discrimination against the Arab population. Part of this is unintentional, but it remains influential.'
 - b. **Weak System of Governance** – According to estimates, approximately 70% of all government decisions remain unimplemented, a ratio which also applies to the Arab sector.
 - c. **Zero Sum Game over Resources** – Positive discrimination and encouraging development in Arab society also fail because of restrictions on resources, as well as the widespread feeling that granting extra resources to the Arab sector comes at the expense of the Jewish sector.
 - d. **Lack of Urgency** – The issue of The Arab citizens in Israel is not considered essential to Israel's economy or national security. Many government decisions intended to reduce gaps were ultimately pushed aside for budget cuts in favor of other issues.
17. **Moreover, in the last decade, the picture has changed.** Since 2000, there has been increased investment on plans for significantly developing the Arab sector, and the government has begun to implement a large number of its decisions.

Among other things, the government has begun to take practical steps for integrating Arabs into state institutions, implementing steps to create employment in high priority areas, advancing the project of permanent communities for Bedouins in the Negev, establishing an

investment fund for business in the Arab sector, implementing a plan for encouraging excellence among the Negev Bedouin, working to complete sewage and other waste infrastructure in non – Jewish communities, and completing the preparation of a number of master plans for many Arab communities and launched the National Civilian Service that is active in the Arab sector.

18. The most important structural change in the aftermath of the Lapid Commission is establishing the **Authority for Economic Development in the Arab, Druze and Circassian Sectors**. The Authority works within the framework of the PMO and aims to maximize the economic potential of the minority sectors through encouraging business and economic activities and integrating Israel's Arab population into the national economy.
19. **It is clear that the non-implementation of many government decisions obstructs the economic development of the Arab sector. However, although one would have expected that the implementation of at least some government proposals would have reduced the gaps between the Jewish and Arab populations, in practice, these gaps remain.**
20. It seems that even if more government decisions relating to the Arab sector were implemented, the gaps between the two populations would not be significantly reduced. This is because government activities either ignore or do not properly deal with several major factors, the most important of which are communal obstacles preventing economic integration and inherent distrust.

Communal Obstacles - Out of the Game

21. It is customary to divide obstacles preventing the integration of Arab society into the Israeli economy into two clusters:
 - a. **'External' Obstacles: Discrimination and Absence of Equal Opportunities** – Such as governmental discrimination in allocating budgets, resources and services, as well as social segregation that makes it harder for Arabs to integrate into trust based vocations.
 - b. **'Communal' Obstacles: Clans and the Structure of Traditional Society** – Which are mechanisms within Israel's Arab population impeding economic development. The Hamula (extended family clan) remains the most important social framework influencing the individual's conduct within Arab society and is a factor in the lack of efficiency in the business sector, failures in local government and the phenomenon of not trading land.
22. The combination of both external and communal obstacles creates a series of impediments for social development of Arab society, the most notable of which are: exclusion of women from the work place, shortage of land, failure in managing local government, difficulty of raising capital, distance from the center of the country and a weak education system.

See [Communal Obstacles for Integration of Arab Sector](#).

It seems that one of the government's major working assumptions was that communal obstacles in Arab society and are not the government's responsibility to resolve and that every attempt to directly deal with these obstacles is only likely to increase barriers of mistrust.

23. However, at this stage, it is not possible to point to a serious attempt by Arab society to alleviate these communal obstacles and the recent strengthening of the clan based structure is preventing modernization.

These communal obstacles constitute a serious constraint on the economic development of Arab society and its integration into the Israeli economy. Without dealing with these obstacles, the Arab sector will not be able to leap.

Inherent Distrust prevents Growth

24. Despite the government's aforementioned activities and prominent Arab voices calling for greater integration of Arab society within the general population, relations between the Arab population and the establishment have been characterized primarily by mistrust and suspicion. This distrust stems from;
- The definition of Israel as a Jewish State** – Which fulfils the right to self determination of the Jewish people yet is considered by the Arab population as an attempt to exclude any non-Jew from the political and economic system.
 - The Israeli – Palestinian conflict** – The perception that Israel's Arab population comprises a separate community is a result of the Israeli – Palestinian / Arab conflict. Therefore the conflict stands at the focus of the complex relations between the establishment and the Arab population.
 - Continuing Discrimination** – The Orr Commission's report determined that discrimination and the absence of equality on the part of the government towards its Arab citizens constituted a 'major provocation.'
25. **Inherent Distrust 'From Below'** – The combination of these factors creates **inherent distrust** of the Arab population towards the Israeli establishment. For many years different governmental plans were seen as attempts by the state and the Jewish majority to control the Arab minority.
26. **Within Arab society**, the Israeli establishment is considered the source of all evil and therefore any attempt (even sincere) by the government to promote integration is considered an attempt to erase their ethnic-cultural Palestinian identity (Israelization) and perpetuate their status as second class citizens.
27. Lack of trust is one of the major obstacles preventing the government from implementing effective policies which fall outside the usual traditional realm of government. Mutual distrust also causes a lack of participation in decision making, both among the Arab political leadership and the economic business elite.

Conclusion and Policy Options

28. The current role of government activities aimed at closing gaps between the Jewish and Arab populations has focused on more equally allocating resources, infrastructure and services through affirmative action.
- However, a more effective government policy should not only include these 'direct' activities but also a number of *additional* measures that can bypass the inherent distrust and communal obstacles in Arab society. **Without overcoming these obstacles, there can be no leapfrog within Arab society in Israel.**
29. Therefore, the state should turn itself into a **Strategic Enabler** that has the capacity to trigger mechanisms that encourage growth in Arab society and to prepare the ground for deepening cross-sector economic and business connections that enable bottom-up growth.

The Arab population's mistrust towards the Israeli establishment constitutes an obstacle for effective government policies for eradicating gaps in quality of life between the two communities. While the Arab population knows how to demand equality in budgets, infrastructure and services compared to the Jewish sector, it distrusts any initiative, new agency or social project which promotes its integration into the economy. Therefore from time to time, if the government leads the effort for developing the Arab sector, it is likely to achieve the opposite effect.

Only 'authentic' groups within Arab society can deal with communal obstacles, and only non governmental groups not suspected of hidden motives can promote socio-economic integration of Israel's Arab citizens.

Therefore, the government should move from the 'fore-front' to '**behind the scenes**' and accelerate market and societal forces via legislation, cooperation and regulation.

30. As stated, this document does not present an economic plan for developing the Arab sector, but rather a number of arenas for action in which the government can proceed via the logic of its role as a **Strategic Enabler**:

- a. **Strengthening Organizations that Mobilize Change in Arab Society** – The government should consider formulating a new model of 'connecting' with organizations that contribute to the quality of life of Israel's Arab citizens. Most of these groups are opposed to preserving the clan structures that prevent modernization in Arab society (although this is not their stated aim).

For example, the government could strengthen organizations working among Israel's Arab citizens in areas such as: the environment, developing modern leadership and social growth; providing planning and accessibility to rights; making the business sector more efficient and encouraging cooperation between sectors; promoting employment for academics, supporting populations in situations of emergency, as well as different sectors who promote education and training.

- b. **Encouraging the expansion of economic-business links between sectors** – The government should encourage cooperation between the private business sector and Arab and Jewish organizations. If the government has difficulty implementing policies to integrate Israel's Arab citizens due to bureaucracy, the weak system of governance and implicit discrimination, the business sector can act in a more efficient way if it is mobilized by economic considerations.

Economic and business synergy between Israeli Jews and Arabs creates a shared language based on a more efficient mechanism than that of the government. While the business sector is ranked 8th in the world in terms of its innovation, availability of capital and technology, the public sector in Israel is ranked at 29th. Despite this, the government still maintains an important position in removing obstacles and encouraging cooperation between sectors.

- c. **Focusing on Local Authorities as a Growth Engine in Arab Society** - In many respects (both practical and symbolic), local government is more important to the Arab sector than the central government. The influence of the Arab sector over the central government does not reflect the relative size of its population, while local governments constitutes a type of 'authentic' autonomous Arab body. Furthermore, Arab members of local government automatically join the Committee of Heads of Arab Local Councils in Israel which increases their influence in national politics; Local government also makes resources more accessible as well as granting jobs in return for favors.

For all of these reasons, as well as the fact that local government is the largest employer in the Arab sector - both in academia and the general population - there can be no leapfrog among Israel's Arab population without an efficient and professional local government.

The attempt to appoint 'Ad Hoc Committees' in Arab local governments to 'neutralize' the Clan effect has been unsuccessful, mainly because the committees suffered from a lack of legitimacy from the residents and were often considered as part of a government conspiracy to control Arabs. Therefore, the government should consider a course of action whose aim is the professionalization of Arab local governments without overly undermining their representation. For example, the government could work with local governments on a strategic long term development plan, as well as develop a more efficient mechanism for budget oversight.

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