

The Privatization of Israeli Security

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1

Introduction

The key to corporate survival resides increasingly in a political or even a cultural capacity; the ability to influence future customers and suppliers. ... The form of this emphasis on persuasion, however, is distinctive to the arms sector, where it is bound up with the prospect of war, the security potential of new technologies, and so on. Companies have power because they can present themselves as possessing unique knowledge of these issues. This is particularly prominent in the current flurry of claims and counter-claims concerning the future of war. (Lovering, 2000: 170)

In Naomi Klein's book *The Shock Doctrine* (2007), she writes: "The fact that Israel continues to enjoy booming prosperity, even as it wages war against its neighbors and escalates the brutality in the occupied territories, demonstrates just how perilous it is to build an economy based on the premise of continual war and deepening disasters" ... "clearly, Israeli industry no longer has reason to fear war" (Klein, 2007b:428, 440). These claims are both fascinating and unsatisfying. They raise the questions: Who profits from war? And for whom is the war economy perilous?

In *Israel's Occupation* (2008), Neve Gordon developed the idea that the privatization ideology has been implemented in the occupation of the Palestinian Territory, conceptualizing Israel's reliance on the Palestinian Authority (PA) for policing and maintaining the occupation as a form of outsourcing. It was no coincidence that Gordon proceeded from researching the implementation of privatization in the occupation to the study of Israel's arms industry (Gordon, 2009). And yet he did not discuss the connection between the two. The Israeli attack on the Gaza Strip in the winter of 2008/09 is a good example of this nexus. The PA played an important role in enforcing order in the West Bank and allowing the Israeli military to move its troops into Gaza (Human Rights Council, 2009:335-45). Following the attack, the Israeli military held a trade fair in which the technologies used in the attack were showcased and offered for sale (INN TV, 2009). Furthermore, this invasion brought to the fore the role of private economic interests in forming Israel's

security policies. In the years that followed the attack, a debate stirred inside Israel about the privatization of security, as evidenced in books by Yael Berda (2012), Yagil Levy (2012) and Erella Shadmi (2012a); in the film *The Lab* by Yotam Feldman (2013); and in a series of reports by the Van Leer Institute (Paz-Fuchs & Leshem, 2012; Paz-Fuchs & Ben-Simkhon-Peleg, 2013, 2014; Havkin, 2014). The political economy tools proposed in *The Global Political Economy of Israel* by Jonathan Nitzan and Shimshon Bichler (2002) are a way to measure who has profited from the privatization of security, who has lost, and how much.

Although Israeli institutions deny the very existence of privatization of security, the inconsistency of this denial is revealed in the “core vs. periphery” discourse which decision-makers adopt. This narrative justifies the privatization by distinguishing between aspects worthy of privatization and those which are not, a distinction between “core and periphery,” in which only peripheral functions of the security institutions may be privatized. However, empirical evidence shows that outsourcing started in 1994 of Israel’s core security activity: the occupation of the West Bank and Gaza.

1.1 THE QUESTIONS

This book examines the apparent contradiction between, on the one hand, the very strong emphasis on security politics in Israel as a major tool in the hands of the government for the promotion of policy, with, on the other hand, the tendency of the government in recent years to privatize security – and thereby deprive itself of this tool. Existing theories of Israeli militarism have not yet grappled with this phenomenon. The empirical evidence shows that the process of privatization accelerated simultaneously in almost all of Israel’s security institutions: the military, the police and the arms industry. Such privatization was considered taboo in Israel’s early years, but the resistance to the privatization has weakened in a series of stages.

The main question that I hope to answer in this book is what are the main reasons for privatization of security in Israel beginning in 1994? This question can be broken down into three smaller questions: (1) How allocation of Israeli public resources to security contributes to privatization, and what kinds of privatization were promoted by this resource allocation? (2) How did Israeli military and security policies affect the distribution of responsibilities between the state and the private sector

in the application of force? (3) How have international developments in privatization of security (especially in the US) affected Israel's security privatization policy, and how does the private security and military sector in Israel fit into the global market?

Mainstream as well as critical currents among Israeli political science scholars reject the idea that privatization of security in Israel is possible, and very few scholars have acknowledged this trend. Faced with evidence of privatization taking place, three causal hypotheses have emerged to explain it. The first, relying on official statements of government bodies, is that public security institutions fail to address the requirements of the Israeli government, which is then forced to turn to the private sector instead (see for example State Comptroller, 2010:13–38). An alternative hypothesis emerges from critical scholars that privatization of security contributes to the profits of Private Military and Security Companies (PMSCs),¹ and is driven through corruption and lack of public oversight over government decisions (see for example Paz-Fuchs, 2011:62–6). A third alternative hypothesis is that privatization of security is promoted to absolve state institutions of responsibility to human-rights violations committed by security bodies (see for example Gordon, 2002:321–37).

I wish to argue that a political economy perspective in the framework of the Differential Accumulation Theory (DAT) as developed by Nitzan and Bichler, as well as Securitization theory, can offer a different explanation. (1) Allocation of public funds and regular troops to Israel's security missions has become a heavy economic and political burden, and privatization through sale, outsourcing and privatization by default (see below), in line with neoliberal beliefs and practices, shifts the burden to the private sector while weakening the tie between citizenship and military service in Israel. (2) The Israeli occupation of the Palestinian Territory contributed to securitization in Israel and to an accumulation of expertise and prestige among the Israeli security elite. These trends incentivized members of the Israeli security elite to leave the public sector and join the private sector. (3) The close security relations between Israel and the US have created pressure on Israeli public institutions to imitate US policies and even military doctrine, leading to the adoption of privatization of security policies, albeit at a slower rate than in the US itself. Although all three factors contribute to the same trend, each does so in a different way, while overcoming different forms of political and economic resistance.

Institutional political economy emerged as a critique of both Marxist political economy and neoclassical economics by replacing the concept of capital as a physical thing (such as land or machines) with a social concept of capital. As an alternative to understanding capital as ownership over the means of production, institutional political economy views it as a means of assigning value to what has already been produced. Instead of the Marxist emphasis on class relations as the object of study, institutional political economy focuses attention on social institutions.² DAT is a new theory (still undergoing development) within institutional political economy, which develops tools to analyze conflict between elite groups. As such, it is especially useful for analysis of policy decisions pertaining to the relations between the public sector and corporations. Pierre Bourdieu and Erella Shadmi, among others, offer useful insights that help us to round-out DAT in areas which are not yet fully developed.

DAT focuses on two objects of study: institutions and elites. It stipulates that decision-makers promote the interests of their elite group by attempting to accumulate capital away from competing elite groups. The point is not to accumulate as much capital as possible, but rather to accumulate faster than the others, hence the emphasis on *differential* accumulation. The size of the pie is secondary, but different elite groups vie to control the lion's share. Wealth is secondary to power.

1.2 PRIVATIZATION

Two key concepts for this study are privatization and security. Paul Starr defines privatization as "(1) any shift of activities or functions from the state to the private sector; and, more specifically (2) any shift of the production of goods and services from public to private" (Starr, 1988:14). Starr deconstructs the terms "public" and "private" as they have come into use in contemporary social theory. The term "public" in his definition means various institutions of the state, and "private" includes both private companies and organizations of the non-profit sector (ibid.:7-8, 39). Starr discusses the various levels on which privatization can take place: (1) the direct sale of public property into private hands; (2) the outsourcing of the production of public services; and (3) the deregulation of sectors in a way that allows private actors to compete with a public monopoly or the withdrawal of the state from providing services (or allowing the quality of the services to deteriorate) which

invites private actors to fill the void. The latter will be called “privatization by default” in this text.

The historical context of the term privatization is important. It emerged from an economic and political science discourse embedded in the modern capitalist nation-state. The prevalence of private mercenary groups in pre-modern times (Kinsey, 2006:34–57) does not fall into the concept of privatization in its modern sense. The global rise of neoliberalism has placed privatization at the center of a constant debate over the distribution of roles between the state and the private sector as two distinct institutions. Neoclassical economic theory, the scholarly pillar of the neoliberal ideology, stipulates that privately owned assets would be better managed than publicly owned ones (ibid.:19–32). Therefore, privatization is an essential tool of neoliberal policy, as well as one of the ten recommendations of the Washington Consensus³ (Harvey, 2005:3, 60–5). Neoliberalism pushed, quite successfully, for massive privatization of government assets in many countries around the world. The neoliberal economic order, however, does not merely mean a decline of the state and the rise of the private sector, but rather a restructuring of the relations between the two. The concept of “governance” as the main function of the state according to neoliberal ideology does not eliminate the state’s role but redefines it (Abrahamsen & Williams, 2009:4, 9, 14).

The concept of privatization assumes the existence of institutions which act as agents of their own interests while interacting with each other. James Cockayne uses Principal-Agent Theory to analyze the privatization of security as a decision in which both the state (the “principal”) and the private security company (the “agent”) engage in negotiation and weigh the pros and cons of entering into a contract with one another (Cockayne, 2007:196–216). Privatization tenders and contracts are written precisely under this assumption. The porous nature of institutions, evident by the fact that state officials may move into the private sector and become employees of security firms and vice versa, undermines this assumption. Privatization, therefore, requires a more careful analysis of the non-homogeneous interests of various elements within the state and of various private agents.

1.2.1 Objects and recipients of privatized functions

If we start with Weber’s old adage that the state is defined as the body which wields a monopoly over the legitimate use of violence (Weber,

1970:77–128), then privatization of security is seen as the disintegration of the state. In this view, it is not important to whom is security privatized. However, the privatization of security in the 1990s drew a great deal of interest focused on the companies who undertake government security contracts. Singer (2003), Avant (2005), Krahmman (2010) and others write about privatization of security as the transfer of security operations to privately owned corporations, and focus on case studies in which incorporated PMSCs have been the targets of privatization, such as in Angola, Iraq, Liberia and Yugoslavia. Civil society organizations such as non-governmental organizations (NGOs) can also take over security functions from the state in an act of privatization (Ebo, 2008:143–58), although this phenomenon is much less studied.

A relatively rare view of privatization considers “privatization by default” to exist when the state withdraws from previously undertaken responsibilities, which are henceforth taken over by the citizens as individuals (Barak-Erez, 2008:475–6; Paz-Fuchs, 2011:62–6). This type of privatization is also called “commercialising” by Željko Branović (2011:3–4).

1.3 THE MEANING OF SECURITY

Security is a charged and fluid term, especially in the Israeli context. Diverging understandings of its meaning can alter the entire framework of the discussion. A good place to start is to look at the development of the Hebrew word. The Even-Shoshan Dictionary offers five meanings to the Hebrew word for security, *bitakhon*: (1) a feeling of certainty; (2) a strong faith or trust in God’s graces; (3) guarantee or trust (in a legal or commercial context); (4) security of the state; (5) safety installation to prevent accident or failure. In Hebrew and in Yiddish texts up to the early twentieth century, the second definition of the word was the most prevalent, but with the gradual process of secularization of Hebrew, that usage has declined over the years. In contemporary texts of Israeli Hebrew, the fourth definition has become the most widely used.⁴

While the names of the first armed Zionist groups in Palestine were “Hashomer” (in Hebrew: “the guardian”) and “Hagana” (translated as “defense”), the word *bitakhon* became prominent when the State of Israel was founded in 1948, and with it “Misrad Habitakhon” (“ministry of security”) which is parallel to what is known in many countries as the

“ministry of defense.” I will refer frequently to the “Israeli Ministry of Defense” (MOD), but one should bear in mind that the Hebrew name of that ministry is actually “ministry of security.” Another ministry in Israel is called in Hebrew *Hamisrad Lebitkhon P’nim*, with the official English name “Ministry of Public Security” (actual translation: “ministry of internal security”).⁵ The distinction between the concepts of defense and security has been obfuscated in Israeli Hebrew.

The distinction between defense and security is important. Defense can be understood as a reaction to an external attack, and a successful defense repels the attack and restores the state of peace. Defense can also be undertaken in preparation for a future or potential threat. Security has a subtly different meaning. It is a state of affairs that signifies an ongoing protection from threats, be they actual or potential. As it includes the notion of deterrence, security can be said to take place even in the absence of attack. Unlike defense, which comes into play in reaction to an external stimulus, security procedures and actions can also take place in complete absence of conflict. In Section 6.2 I will discuss the emergence of the security logic in the US and elsewhere, yet it is important to note that the logic has already been entrenched in Israel’s political culture from the founding of the state.

The word “security” also joins together, and thus blurs the distinction between internal and external security. While “defense” is usually understood in the context of defense against foreign attacks, “security” also means a constant effort to locate and remove threats from within. The Israeli army had been tasked with enforcing military rule on Palestinian citizens of Israel until 1966 and on Palestinian civilians in the Occupied Palestinian Territory (OPT) since 1967. Israel’s police force has been tasked since 1974 with military-type responsibilities. The Israeli Security Agency operates both with the military and the police, gathering information and suppressing local dissent, as well as countering foreign espionage. The term “security forces” became a frequent expression in the Israeli media to describe an amalgamation of these organizations and of others which straddle both internal and external security (Shadmi, 2012a:142).

The distinction between the internal and external security was further blurred when the Israeli National Security Council, a body which was formed to advise the government on matters of security, decided to dedicate itself to a variety of issues according to a very broad definition

of security, from matters regarding the Israeli military to confronting organized crime inside Israel. The council recommended that the Israeli police will be recognized as a security force, and that recruits who enlist in the police in lieu of military service will be allowed to participate both in police as well as in military actions (ibid.:94–6).

The blurring of the line between defense and security has existed in Israel since its very founding in 1948, but is no longer a distinctive feature of Israeli policy. Didier Bigo points out that in recent decades (especially since the 1990s), this blurring of the line has become a global phenomenon. Bigo shows that organizations tasked with maintaining public order increasingly adopt a terminology of warfare in their work, increasingly referring to themselves as “crime-fighters” and framing their work as combat against an “enemy” (Bigo, 2001:91–3, 106).

Israeli officials also use the term “national security” to further differentiate it from something as mundane as merely safety. The term pertains to security on the state level. The Knesset, Israel’s parliament, issued a document dealing with the definition of “national security” (Section 2.6.1) which demonstrates the extent of securitization in Israel’s political discourse and at the same time the vague and broad understanding of what security means.

The definition of the term “security” is strongly influenced by the security elites themselves (Huysmans, 1998:231–4). The literature on security is peppered with euphemistic terms and justifications for violence. The term “human security” became a key concept in the critical and human-rights discourse as an attempt to circumvent the militaristic connotations of the security literature (Human Security Unit, 2016). Erella Shadmi has shown that the term “security” is used in Israel almost exclusively to refer to the security of Jews. In rare cases in which the Israeli police are deployed to protect Palestinian citizens, such activities are not defined as “security operations.” Even routine police work, however, is referred to as “security” when national-based violence is listed among the possible threats against which the police forces are deployed (Shadmi, 2012a:91–4). “Security threats” are commonly described and alluded to in the Israeli media and by Israeli officials as justification for state policies, and for the investment of resources in the security forces. Crime-related threats, safety hazards or economic precarity are awarded secondary importance, less funding and lower prestige to the relevant state institutions (ibid.).

1.4 THE AXIS OF PRIVATIZED SECURITY

To better understand the field in which privatization occurs, I suggest a thought experiment to consider the extreme cases of “maximum privatization of security” and “minimum privatization of security.” These are not empirical cases, but hypothetical extremes. A “maximum privatization of security” reality is one in which no nation-state exists, all security services and products are provided by companies, and mercenaries fight for the highest bidder. In comparison, the “minimum privatization of security” extreme envisions a reality in which everything that has to do with security is fully owned and operated by the state, down to the locks on the doors of private apartments. Security guards would all be police officers and private citizens forbidden to carry firearms. This thought experiment demonstrates that an axis of privatization exists, and though neither of the two extremes exists in actual contemporary examples, states can have different levels of privatization on various points along the axis. Accordingly, the process of privatization can be considered as the process of moving along the axis in the direction of maximum privatization. The case of Israel is fascinating not because Israel is closer to one of the two extremes than any other state, but because of the speed in which it has been moving along the axis since the early 1990s.

Privatization of security is a relatively new phenomenon, seen by some scholars (such as Peter Singer, 2003:55–8 and Elke Krahnmann, 2010:3–4) as a breakdown of the modern nation-state. If one considers the modern nation-state as built on the republican model of citizen-soldiers and on the Weberian principle of the state’s monopoly over the legitimate use of violence, then privatization of security must be seen as undermining the nation-state. However, PMCSs have started to play a major role both in international conflicts and domestic security operations in recent decades, almost invariably under instructions from sovereign governments of nation-states.

Privatization of security occurs at different rates in different countries. In other words, some states are more willing than others to privatize security operations. In Section 6.6 I will compare privatization of security in the United States (US), the United Kingdom (UK), Germany and Israel. The US is the closest example to the hypothetical “maximum privatization of security” extreme, for a number of reasons: it abolished conscription in favor of a professional army, it relies on privately owned military industries, and since September 11, 2001 (hereafter 9/11) it has

taken further steps towards reliance on private contractors for security and defense operations (Krahmann, 2008:247–61). The US Department of Defense (DOD) spent nearly half of its budget on private businesses in 2008 (Krahmann, 2010:125), and between 2007 and 2016 private contractors have provided an average of 62.2 percent of the US forces in Afghanistan (Peters et al., 2017: 5–6). Israel is far behind the US in the race for privatization of security. It continues to employ a conscription-based military and the government still owns Israeli Aerospace Industries (IAI), the biggest Israeli arms company. However, rapid efforts to sell government holdings in the arms industry and increasing reliance on private security companies for some of Israel’s most important military operations are clear indications that a trend of privatization of security has been adopted as government policy. The policies of privatization of security accelerate despite the long-standing reluctance of the Israeli government to relinquish the policy options made possible by utilizing state security organizations. Starting from a very state-dominated security sector, Israel embarked upon a very rapid privatization process in the 1990s.

1.5 STRUCTURE OF THE BOOK

The book’s narrative proceeds along two paths: (1) a geographic path starting in Israel and moving outwards, from Israel in its pre-1967 borders, to the OPT and then to its global relations; (2) a path which moves from the role of Israel’s public institutions progressively towards private companies and their role in the process of privatization of security.

Chapter 2 formulates the analytical structure of the research. It discusses the state of the art in the field of privatization of security in the world, and of Israel’s security policies, militarism and the military occupation of the OPT. In the chapter I discuss the three theoretical pillars of the book: Differential Accumulation Theory (DAT), Bourdieu’s concept of social capital and the concept of securitization, which analyzes the “culture of security.” Chapter 2 elaborates on the types of sources used in this study, and on the methodology which I use in order to analyze the sources. Finally, in this chapter I develop a typology to classify privatization of security in Israel and how this typology is applied to the twelve case studies selected for this research.

After establishing the theoretical framework, the context of privatization of security in Israel must be established. In Chapter 3 I present a historical discussion of Israel's military and security apparatus, in which security was strongly monopolized by state institutions. The importance of the military-security sectors to Israel's economic and political structures is discussed here, and also the way in which neoliberal policies have eroded this importance over the years, causing a decline in differential allocation of public resources to security and a decline in conscription to the Israeli military. These developments constitute an ongoing crisis for Israel's security elites, and thus reframing of security as "technology" is a mechanism for coping with this crisis, and a stage towards privatization of security.

Chapter 4 deals with the actual acts of privatization of security. It deals with the main case studies of privatization of security in Israel, and surveys the three forms of privatization of security in Israel: sale (mainly in the arms industry), outsourcing (such as in consultancy) and privatization by default (by encouraging individuals to participate in the production of security). In this chapter I discuss two failed attempts at privatizing security (mainly the failed attempt to establish a private prison). I also discuss how the policy of privatization of security expanded and took hold in Israel's public institutions despite the initial barriers to privatization described in Chapter 3. The chapter concludes with a timeline of privatization of security in Israel.

Four case studies have been intentionally omitted from Chapter 4, and are included in Chapter 5 instead. There I introduce the core vs. periphery dichotomy, adopted by senior Israeli policymakers as a guiding mechanism for the privatization of security in Israel. This dichotomy's failure to explain privatization of security is one of the main arguments of this book. Through the four case studies presented in Chapter 4 I demonstrate that the areas in which privatization of security has advanced most rapidly are in fact at the core of Israel's security operations, namely, the occupation of the OPT. I show that the occupation is the core activity of the Israeli military, contrary to its presentation by the Israeli security elites as peripheral. This chapter concludes the argument which begins in Chapter 3 that the crisis in Israel's security elite accelerates the privatization of security.

In Chapter 6 I discuss the privatization of Israeli security in an international perspective. The arguments on the effect of global trends and of US aid are fleshed out. The privatization of security policy did not

emerge first in Israel, but was adopted by Israeli policymakers from the US in a period of rapid globalization. I focus on the US military aid to Israel as one of the triggers for this phenomenon, compare the privatization of security in Israel to that in other countries, and discuss what role the Israeli military and security export plays in redefining the economic role of PMSCs in the Israeli economy and in Israel's foreign policy. The main customers of Israeli security products and services have reasons to buy these from Israeli companies. These reasons then figure into the considerations of Israeli policymakers when formulating security policies.

In the Conclusions, I argue that the Israeli political and security elites have adopted a "core vs. periphery" discourse, legitimizing privatization of security only in peripheral cases. However, the crisis in the Israeli elite has led to the adoption of a "willful ignorance" strategy which falsely defined the occupation of the OPT as a peripheral task for the Israeli security institutions, thereby allowing practices of privatization in Israel's core security operations to proceed with minimal institutional resistance. In this concluding chapter I also review the reasons for Israel's privatization of security which were discussed in Chapters 3–6.