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Position Paper



The War on Gaza and Israel's Technology Sector

Mtanes Shihadeh

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Mtanes Shihadeh

Director of Israel Studies Program

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Mada al-Carmel- Arab Center for Applied Social Research

90 Hamiginim st. Haifa

Tel: +972 4 8552035, Fax: +972 4 8525973

www.mada-research.org

mada@mada-research.org

On June 23, The Marker business newspaper republished a Bloomberg news story about a large group of prominent businessmen and owners of giant companies, especially from the high-tech sector, thinking about and planning to enter the political arena in Israel, because of their frustration with the current government.¹ They are reported to be conducting secret consultations and discussions—albeit preliminary—to examine various options, including establishing a new party, or supporting one of the parties in Israel today. These deliberations came at a time when the Israel Business Forum, in which members of the 200 largest Israeli companies participate, called for early elections to "save Israel from a deep economic crisis."²

This is not the first time that the high-tech sector has tried to influence public debate and the political scene in Israel in recent years, especially after the government introduced its plan to restrict the judiciary last year. However, the high-tech sector has so far been content to play a supporting and financing role for protest movements against said plan, and warning of its dangers on the Israeli economy in general, and the high-tech sector in particular. In addition, since the beginning of the war on Gaza, this sector has on several occasions taken the initiative to express public positions criticizing and opposing the policies of the Netanyahu government, including security and economic policies and exempting students from religious institutions from military service.³

This paper argues that the current attempts to organize the business community in general, and the high-technology sector in particular, to play an effective role in Israeli politics differ from the role that this sector has played in recent years, specifically because it carries signs of a political structure that may transform into a party organization that will run in elections. This is an indication of a change in tactics and of attempts by the business and financial sectors to politically influence events. It is also a change from primarily focusing on economic interests and influencing economic policies, as has been the case since the 2000s, toward paying attention to the broader political context and pressing issues, and perhaps directly influencing political decision-making through forming a political party and running in elections. This is a serious shift in the interests and goals of the business sector, and in the methods of organization and political action, which may lead to it playing a role similar to that played in the early 1990s during peace negotiations with the PLO when the sector supported the Oslo Accords and called for changing economic policies and the structure of the economy and industry in Israel. At that time, the business sector publicly mobilized to support the Labor Party, headed by former Prime Minister Yitzhak Rabin, and to resolve the competition with the Likud Party, headed by Yitzhak Shamir, which was seen as an obstacle to progress in peace negotiations.

The first section of this paper follows the economic implications of the war on Gaza on the new technology sector, and the damage it has caused. The next section provides a short historical review of the political role played by the business sector at the beginning

of the 1990s and the decline of this role since the beginning of the current millennium. Next, the paper looks at current organizing attempts to play a direct political role and evaluates their potential results.

State of the Technology Sector Before the War on Gaza

Over the past decade, the centrality of modern technology ("high-tech") industries in the Israeli economy has increased. It has become the primary engine of growth in the Israeli economy, responsible for a large share of exports, the fastest growing number of employees, and the largest increase in wages.⁴

On June 4, the Israel Innovation Authority published its annual report on the state of the technology industries.⁵ The report presents the development of the modern technology industry in 2023, the achievements and difficulties facing these branches, the role of Israeli governments, the state of foreign investments, and the total output and employment in the branches of highly advanced modern technologies.

According to the report:

- High-tech industries constituted 20 percent of Israel's GDP in 2023 (14 percent in 2012), which makes this branch the largest contributor to GDP in the Israeli economy.
- The volume of total output in the high-technology sector in 2012 amounted to about 126 billion shekels, and in 2022 it rose to 290 billion shekels.
- In 2012, the production of the high-tech industry was 50 percent greater than the production of trade and retail branches, which constitute the second largest economic sector in Israel. In 2022, the gap between them exceeded 90 percent.
- The high-tech industry was responsible for 48.3 percent of total exports from Israel in 2022; in 2023, it was approximately 53 percent. The total exports in this sector reached \$74 billion.
- Over the past decade, Israel's high-technology exports have increased by 107 percent. These exports have grown 3.3 times since 2012: from \$14.6 billion to \$47.8 billion in 2022.
- The modern technology sector was responsible for 40 percent of the growth in the gross domestic product in Israel from 2018 to 2023, and has been responsible for a quarter of the increase in the gross domestic product per capita every year since 2018.

- The total number of employees in the modern technology sector in 2022 reached approximately 402,000 employees, and in 2023 it decreased to approximately 400,000 employees.
- The number of workers in the sector increased in the period 2018-2023 by 60 percent, or about 150,000 workers.
- About 850 venture investment funds operate in Israel, including 306 Israeli and about 540 international funds. In 2023, these invested approximately \$1.52 billion.
- The average salary in the high-tech field was nearly three times the average salary in the wider Israeli economy in 2022.

Based on the report's data, it is clear that the modern technology industries sector constitutes an essential lever in the Israeli economy, in terms of its share of domestic product, employment, economic growth, foreign investments, exports, and as a source of foreign currency.

Damages to the Technology Sector over the Last Year

With the Israeli economy increasingly dependent on technology, it becomes more sensitive and vulnerable to the crises that occur in it. In Israel, more than in other countries, this industry depends almost entirely on the private market and foreign investments, and to a lesser extent on government investments and support, and therefore it is also exposed to global fluctuations that affect investors and multinational corporations in this field.

Based on the Innovation Authority's report, since the protests inside Israel in 2023 and, later, the war on Gaza, the most prominent negative effects on the modern technology sector have been the following:

- A decline in capital mobilization for high-risk startups (a decline of 55 percent).
- Slowdown in development processes and delays in product delivery schedule.
- Less workforce recruitment.
- Lessened status and reputation of Israeli companies due to the war on Gaza.
- Decreased foreign investors' confidence in the economy and in Israeli companies.
- Shrinking increase in the volume of employment from 10 percent in 2022 to 2.6 percent in 2023.
- A 70 percent decline in recruiting capital to Israeli investment funds specializing in startup companies.

- A shrinking volume of investment in modern technology companies as capital investment declined from approximately \$28 billion in 2022 to \$8 billion in 2023.
- The enlistment of a large number of employees in the modern technology sector in the reserve forces of the Israeli army. According to data from the Innovation Authority, the percentage of high-tech sector workers who enlisted in the reserve forces after October 7, 2023, reached 7 percent of the total number of workers in the field, about 30,000, which negatively affected the productivity of this sector.
- Some companies moved their offices outside of Israel, and some of the employees moved to European countries.

In 2024, despite the decline in the economic situation in Israel and the slowdown in most economic indicators, the modern technology sector continued to play a central role in the Israeli economy and achieved positive indicators, even if they were weaker than in previous years. Security and economic conditions also raised concerns for companies in this regard. The sector has increased uncertainty and risks, and thus became more dangerous than in previous years, less stable, and less attractive for foreign and local investments. It is also suffering since the beginning from many difficulties that may change its direction in the coming years if the war on Gaza and political, security, and economic instability continues. All of this happened despite increased consumption by the military sector and the arms industries, which rely heavily on modern technology, which mitigated the severity of the decline in this sector.⁶ In a letter at the end of last May to the prime minister, the minister of finance, and the minister of the economy, a number of senior executives in the advanced technology industry and modern technologies warned of the damage that would befall the modern technology sector and the Israeli economy in general due to the increase in the days of service of the sector's employees in the army.⁷

The Israel High Technology Association conducted a survey of 30 Israeli venture capital funds last May, the results of which were published at the beginning of June. This survey demonstrated the severe damage to the new technology sector as a result of the war on Gaza and the decline in Israel's international standing. According to 38 percent of respondents, at least one of the companies in which they invest has moved its operations abroad due to unstable conditions in Israel, and a third of them estimate that more than 30 percent of such companies have actually moved their operations abroad in the past year, or will move significant operations abroad next year.⁸ "In practice, it is difficult for Israeli startups to raise capital today because of global criticism of Israel," a director of a major company told Maariv. "There is no way to sugarcoat that."⁹

These conditions, the decline in the status of the Israeli economy in general, and the difficulties in attracting capital for modern technology, have become a reality that haunts most Israeli companies, and a majority of them expect the deterioration to continue in the near future. Will this lead to an expansion of the intervention of the modern technology sector and the business sector in the political arena and decision-making in Israel, but this time in an organized manner?

Will the New Technology Sector Enter the Political Arena

It can be said that the attempt of business and financial tycoons to organize in order to influence the political situation and make decisions is a transformation in the Israeli scene in the last two decades. This follows a great decline in the presence and status of the business sector in the general political environment and focus on influence and interest in mainly economic policies, in contrast to its role in the early 1990s during the period of negotiations with the Palestine Liberation Organization and the Oslo Accords.

The peace negotiations were accompanied by Israel's desire to integrate into the global economy and to change the regime and economic policies. Peace and Israel's integration into the global economy represented an opportunity to produce future economic, social, and political profits for some groups in Israel.

The business sector and economic elites saw that the peace process and globalization could provide Israel with regional and global legitimacy, which would facilitate its accession to the global economy, open new markets, and achieve economic profits. Some parts of the business sector were convinced that without political and security stability, and without a solution to the Israeli-Palestinian conflict, the Israeli economy would not be able to catch up with economic globalization and growth. In this case, there was a need for the intervention of the private sector and economic activities among decision-makers in order to change Israeli policy and deal with the issue of the conflict with the Palestinians.¹⁰

The business sector and businessmen then played a serious role in the political transformation that took place, supporting the Labor Party and its candidate Yitzhak Rabin in the 1992 elections, and his victory over the Likud Party. Among the businessmen who played an effective role at that time were Benny Gaon, chief executive officer of the "Koor" company, which was one of the largest companies in Israel at the time; Dov Lautman, head of the Federation of Industrialists; and Eli Hurvitz, chairman of the board of the "Teva" pharmaceutical company, which was also one of the largest Israeli companies.¹¹

The business community largely embraced the peace process and expressed its willingness to intervene and influence decision-makers and society in order to help it succeed. In fact, this group turned into a pressure group that worked collectively, seeking to change public policy in a way that guaranteed the interests of the overall Israeli economy and ensure growth and development, as well as private interests. In other words, they wanted to achieve collective goals for the business sector and society as a whole.

The Sufficiency of Economic Interests

The success of the experience of the 1990s and the work of large companies in supporting the negotiations and the peace process to save the economy did not become a constant in Israeli politics was limited to an attempt to push the government to enter into negotiations and support the negotiating process. This process faltered after the assassination of former Prime Minister Yitzhak Rabin. But Israel's accession to the global economy continued and expanded without the need to reach a peace agreement with the Palestinians. It became clear to the business sector that the negotiation process alone is sufficient to achieve integration into the global economy without ending the occupation, provided that economic policies and the structure of the Israeli economy gets changed and a free market economy is adopted, as has actually happened since the beginning of the 1990s.¹² Peace negotiations were a sufficient condition to ensure Israel's integration into global markets and the building of new, formal economic relations with major countries (such as China and India, for example), many South American countries, and even a good number of Arab countries. In fact, in recent years, the matter has reached a point where, in order to expand its integration into the global economy, Israel no longer needed negotiations with the Palestinian Authority.

Looking at the behavior and statements of businessmen and interpreting economic conference proceedings since the beginning of the 2000s, it is clear that the goals of industrialists and businessmen in influencing politics have essentially become the preservation and deepening of liberal economic policies, and securing concrete economic interests, without having to interfere in broader political affairs. This, of course, does not negate taking positions that support and encourage a return to the negotiating process, but this aspect is no longer the most important or prominent in the attempt to politically influence the business and financial sector or the "business community."

This transformation can be explained by Israel's success in entering the world economic club, and by the changes taking place in the structure of the Israeli economy, which has become dependent on branches of modern technology that are mainly exported to Western countries and that are related to global markets and foreign investments. It can also be explained by the disengagement between integration in global markets and the peace process, the shift in the political convictions in Israeli society and among decision-

makers after the second intifada, and the adoption of former Prime Minister Ehud Barak (1999-2001) statement that there is no Palestinian partner in the peace process. As a result of all this, there was a decline since the beginning of the millennium in the interest and role of economic elites and the business sector in influencing public foreign and security policies, but more clearly since Netanyahu's return to power in 2009, after which their attention became focused on economic issues.

Early Signs of the Business Sector Return to the Field of Politics

This situation has changed in the last two years, beginning after the introduction of the government plan to restrict the judiciary, and in particular after the start of the war on Gaza and the decline of Israel's international standing, and the start of economic crises and signs of economic boycott that may constitute a major blow to the business sector, especially that of modern technology that depends on foreign investments and global markets.

Last year, the business sector and economic elites began to play a political role in Israel following the introduction of the government's plan to restrict the judiciary, which aims—among other things—to complete the religious right's settlement project, and the rightwing camp's control of decision-making and policy centers in Israel. The project also aims to tame the judiciary, prevent oversight, and ensure a conservative judicial branch that does not interfere in the legislative process or criticize government policies, especially the traditional Ashkenazi elites and economic classes that believe that the plan will change the nature of the existing regime and Israel's identity, will cause it economic harm, and will harm its international standing.

Several economic groups from different sectors organized and participated in a protest campaign. The pioneering role played by the modern technology sector was prominent in these protests, which began with a campaign entitled "The legal plan harms high-tech," with a slogan of "Without democracy, there is no high-tech."¹³ The sector also worked to mobilize financial resources to fund the protests, allowed employees to participate in the demonstrations during work days, and published worrying data about the impact of reforms on the sector. Several companies expressed their intention to move their headquarters outside of Israel.

A large group of businessmen who are members of what is known as the "Coalition of Presidents of Companies and Economic Leaders" organized to oppose the judicial plan and announced a general strike with the General Trade Union (Histadrut) against the enactment of a law abolishing the argument of reasonableness in July 2023.¹⁴ This was the first time that the private sector went on a general strike announced by the Histadrut that included all economic and service facilities.

These steps were the beginnings of the return of the business sector and economic elites to playing a role in public and hot button political issues in Israel, after this sector had retreated from this role in the last two decades and focused on making attempts to influence economic policies. The basic premise of the business sector was that of economic profit and loss, but their interest in preserving the political system defined as a "Jewish and democratic" state cannot be ignored. Although these economic elites carry a liberal economic project, and although they are integrated into the global economy, they still carry the Zionist nationalist project, and they support the core culture and basic values that define the State of Israel, the Jewishness of the state, and the centrality of security.

Business Sector Goal after October 7: Early Elections and Defeating Netanyahu

In the wake of Operation Al-Aqsa Flood and the war on Gaza, the business sector and major companies mobilized to support the war effort and those displaced from towns in the south and north.¹⁵ Recently, with the faltering war on Gaza and the failure of all attempts to reach a prisoner and hostage exchange agreement between Israel and Hamas, the increasing economic cost, including the increased government financial deficit and high inflation, and the decline in Israel's economic standing globally, the business sector is trying to play a larger political role. This is akin to the role played by the business sector in the early 1990s, as it now declares that its goal is to have early elections and bring down Netanyahu.

The business sector sees Netanyahu as an obstacle to achieving Israel's goals, to be harmful to the state's security, diplomatic, and economic interests, and to negatively affect the interests of the business sector. In addition, a number of Israeli business and financial tycoons, especially from the modern technology sector, lost relatives in the Hamas attack on October 7 and in the war on Gaza, including Eyal Waldman, founder of Mellenox for modern technologies who is considered one of the leaders of the current movement, and who lost his daughter. Another is the former minister and businessman specialized in the high-technology sector, Yizhar Shai, who lost his son in the war on Gaza. There also are additional prominent figures in Israeli business, including Chemi Peres, the son of former President Shimon Peres, who owns one of the largest investment companies in startups, among others.¹⁶

Conclusion

Attempts by the business sector and proprietors of major modern technology companies to enter the political arena—by establishing a new party or supporting an existing one— are still in their infancy. But these are currently active—albeit without any formal organization—in order to influence the general political and security environment, support the war effort, and help the displaced from the towns of the south and north. This is after they played a central role in the protest campaigns against the government’s plan to control the judiciary last year. This comes after they have been content since the beginning of the 2000s to focus on and influence economic policies in order to provide a suitable and friendly work environment for the business sector.

In the last two decades, the business sector in general and the high-tech sector in particular have achieved a prominent position in the Israeli economy and society and have played an indirect political role through non-public support for parties or candidates, or by providing financial support to them. A few of them entered the political arena through established parties as individuals, without a supportive collective organization from the business sector.

Since the introduction of the government plan to control the judiciary, and more clearly and prominently since the beginning of the war on Gaza, these groups believe that the current political and security situation could cause economic damage to their companies, investments, and standing, and of course threaten the economic, political, and security standing of the State of Israel. Many of them express their opposition to Netanyahu’s government, his actions, and his leadership, and believe that there is no way out of the current crises other than by replacing Netanyahu. From here, groups from the modern technology sector began to organize to play a clear political role as a result of these convictions.

The entry of these sectors into the political and partisan environment in an organized manner will not necessarily lead to resolving the political conflict in Israel, but the possibility cannot be eliminated that this organization will contribute to increasing pressure on the current government, strengthening protest movements, and putting pressure on the Israeli government, and may contribute to changing the situation. They have great financial resources and a symbolic and moral status that enable them to play an important political role. This is possible following the decline in the position of the military and security elite after the clear failure since October 7 and because of the absence of new political faces in the current party structure.

On the other hand, it is not expected that the high-technology sector, if it organizes and enters the partisan and political arena, will present a political vision different from the Israeli consensus. It does not propose an alternative to the issue of occupation and does not oppose the war on Gaza. Instead, it seeks to manage it differently. It does not

have a different perception of the nature of the regime in Israel and does not call for the establishment of a genuine democratic system. Most of what the sector proposes is an alternative to the current policy because it harms the interests of the State of Israel, as this sector sees it, and wants better relations with the American administration. It also wants to maintain an economic situation friendly to investment and the high-tech sector, protect the status quo, and preserve the nature of the State of Israel as "Jewish and democratic" according to the definition of the traditional Israeli political and economic elites.

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3. For example, at the end of last March, more than 50 high-tech leaders signed a letter to Prime Minister Benjamin Netanyahu expressing their loss of confidence in him and his government following tense relations with the United States, his reluctance to make decisions regarding the war, and the deteriorating economic situation in the country. For more, see Yaniv Halperin, *People and Computers*, March 28, 2024, at <https://www.pc.co.il/news/406185/> (Hebrew).
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12. Ibid., pp. 18-21.
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