

Israel's Economy Will Pay Heavy Price for Iron Dome

JAMIE LEVIN MARCH 23, 2012

Since March 9, more than 300 rockets, mortars and missiles have been fired into southern Israel from the Gaza Strip, a response to the killing of Zohair al-Qaisi, secretary-general of the Palestinian Popular Resistance Committee, who the army said was planning a major terrorist attack on Israel. But unlike during the decade of attacks that preceded these hostilities, in which 8,000 rockets induced terror and resulted in 31 fatalities in southern Israel, a sense of euphoria has instead prevailed among many Israelis. The reason? Seventy-eight percent of the rockets threatening population centers were successfully intercepted by the new Iron Dome air defense system, with no Israeli fatalities, according to a report in this paper.

Over the past decade, successive Israeli leaders have struggled to find an appropriate response to these attacks, but neither the unilateral Gaza pullout in 2005, nor an outright three-week war in 2008-09 was effective in halting rocket fire on southern Israel. Rather than toppling the Hamas leadership in Gaza, the most immediate result of long-term closures and regular Israeli military reprisals has been to create enormous suffering among ordinary Palestinians.

Iron Dome has managed to do what the politicians could not: make the

residents of southern Israel feel more secure. Hence the widespread celebration, particularly in the media, which has heralded the missile-defense system variously as "the best show in town," a "star" and a "hero."

Capitalizing on the success of the system, Defense Minister Ehud Barak has begun talking about the urgent need to deploy a total of 13 Iron Dome systems, including those already operational in Ashkelon, Ashdod and Be'er Sheva. From the north to the south, Israelis living under the threat of extended-range rockets from Gaza and Hezbollah rockets from southern Lebanon will likely demand them.

But before Israelis become complacent in a newfound sense of safety that missile defense promises to provide, they should consider that each Iron Dome system costs \$50,000,000 and each Tamir interceptor it employs has a price tag of no less than \$62,000. In contrast, each of the Qassam rockets that the Iron Dome is meant to intercept cost no more than \$1,000. It is believed that there are tens of thousands of Qassam rockets in Gaza alone and the capacity to produce more.

It is the cost differential between the Iron Dome and the rockets that it is intended to defend against that creates the perfect conditions for an economic war of attrition, in which Israel is forced to choose between bankruptcy and security. Rafael's missile-defense system is seen as the perfect response to occasional rocket attacks that do not justify full-scale military reprisals. But while Iron Dome may stop the rockets from hitting their targets, it won't keep them from being fired, and the economic costs of intercepting such intermittent attacks (which have become an almost daily

occurrence) will be tremendous. Israel's enemies can leverage this cost difference to create an economic weapon.

Budgetary shortfalls have plagued the Iron Dome from the beginning, delaying the system's development. The initial budget of NIS 800 million to develop, test and field two batteries was insufficient, according to a report by Gili Cohen in Haaretz. Neither the army nor the Defense Ministry was willing to sacrifice other programs to make up the difference. Limited financial resources (the United States has pledged only \$205,000,000 to the program) mean that Israel will be forced to weigh spending on missile defenses against other expenditures - a scenario that economists refer to as the guns-versus-butter dilemma.

Such trade-offs come in a troubling economic climate. Fully 20 percent of Israelis currently live below the poverty line and the countrywide protests this past summer, which targeted everything from the price of cottage cheese to the lack of affordable housing, highlighted the growing inequality between rich and poor. In the wake of these protests, the Trajtenberg Committee recommended boosting social spending by NIS 5 to 6 billion per year, part of which was to come out of the defense budget.

The confidence inspired by Iron Dome will surely temper the willingness to cut into military expenditures. Instead of money coming from defense to fund social welfare, the opposite will likely occur. Money for the Iron Dome will likely come from programs intended to help the most vulnerable sectors of society, which are less capable of defending their interests. Such cuts will deepen the already troubling disparities between rich and poor, further

threatening social cohesion.

The Iron Dome system promises a sense of physical security, but without a national conversation about economic priorities, its extraordinary cost will have unintended consequences for Israeli economic security. These are the realities that Israel can ill afford to ignore.

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