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Israel, International Trade

### **Israel: A Country With Great Trade Projections**

In a 2010 journal article “Food, Hunger, and Insecurity,” Fred Powledge opened with a startling statistic, “Of the world’s current population of 6.8 billion, 5 billion are living at levels of poverty that deprive them of their basic needs, and more than 1 billion are going hungry (260).” Think about that, seventy-three percent of the people in this world do not have the necessities for basic life, and fifteen percent do not have enough food to eat. How can the other twenty-seven percent of people that live above the global poverty line not realize that so many people live with so little? This question of feeding a growing global population should be a concern for everyone regardless of their status in relation to the international poverty line. While the problem is obvious, solutions to it are not easy to find, especially in developed areas of the world. A country that is developed has access to enhanced infrastructure, trade routes, technology, and more, but they have the same issues that underdeveloped countries have: feeding all their people. Before directly addressing the issue of food security through international trade, it is crucial to understand the climate, demographics, and culture of Israel.

Israel is a relatively developed country in the Middle East, ranking 19th on the UN’s Human Development Report from 2016 (Jahan 224). Founded in 1948, Israel is still in its infancy and shows remarkable progress after only 70 years of organized government. The Mediterranean Sea characterizes the country to the west, with the Mountains of Galilee to the northeast, the Negev Desert to the south, and the Jezreel Valley in the middle. Israel has both a Mediterranean climate along the coast and northern plains and an arid climate to the south and the east. With a total land area of 5,132,160 acres, only twenty percent of Israel is naturally arable land, around 1,026,432 acres. In comparison to the average United States farm of 432 acres, the average Israeli farm is 33 acres. The farm size of Israel relates to the availability of arable land. With just over one million acres available for natural cultivation, it makes sense that farm sizes are smaller than those in the United States. Another reason for the smaller farm sizes is the fact that more and more families moved to cities where there are better opportunities for work, school, and the necessities of life (Rebhun and Brown 115).

With almost ninety percent of the country’s population living in an urban setting, the typical family in Israel is four to five members, with substantial involvement from the grandparents and extended family all living close together in either an apartment or neighborhood. The standard diet consists of traditional Jewish foods, falafel, hummus, baklava, coffee, and grilled meats. In Israel, education is mandatory from age five to fifteen, but it is a low-quality education and to achieve a higher education is expensive. Most people end up going into low skilled jobs to make ends meet (Israel). In the job market, the most prominent fields to work in are agriculture, manufacturing, construction, wholesale/retail sale, business and finance, and public service (Metz “Economic Growth and Structural Change”). The country has a minimum wage of 5,300 NIS per month; this equates to about 1,772 USD (National Insurance Institute of Israel). Some significant barriers involved in making a living and accessing the basic necessities of life are lack of skills, low minimum wage, and where they live. The access to utilities, water and sanitation, infrastructure, and markets is readily available in cities and towns across Israel, but access to these services is harder to acquire in the Occupied Palestinian Territories (Van Esveld et al.). These differences between social structures, availability of suitable farming land, and job outlooks make the differences

between Israelis and Palestinians quite extreme.

Israel is involved in trade deals across the globe, with the primary agricultural exports are fruits and vegetables, avocados, olive oil, pomegranates, almonds, dates, fertilizers, and technology (Ministry of Agriculture and Rural Development 18-21, 35). The problem with Israel's international trade comes from the raw goods that they cannot produce themselves in large enough quantities, such as cereal grains. This dependence on other countries for grain products has garnered a substantial trade deficit and can only decrease by changing the agriculture industry throughout the country. By explaining the volume of exports and imports, understanding three possible solutions to the trade deficit in Israel is more straightforward than it seems.

Recently, Israel's exports lie mostly in diamonds, packaged and unpackaged medicines, telephones and other technology equipment, but only 3% of exports are agriculturally related. The total value of the entire raw fruit and vegetable exports totaled 1.91 billion USD (OEC). Agricultural related exports are down from past years and have rapidly declined since the 1980's, as their industry has moved from agriculture based to technology-based (Metz "Agriculture"). While this shift helped the economy, it had huge downfalls as well, mainly in the agricultural sector. If Israel could build their agriculture industry back up, they could eliminate the need to depend on other countries and lower their agricultural trade deficit.

In 2017, Israel imported around 6.1 billion dollars of agricultural products, including cereals, meat, oilseeds, sugar, fish, edible fruits and nuts, beverages and live animals (International Trade Administration). Israel's cereal grain imports account for almost all of commodities for domestic use (Abdi et al. 1). This statistic is exceptionally high for a country that has the potential to grow most of these products. The country has access to over one million acres of land that is not being used for agriculture at its full capacity when it could be. With as large of a technology industry that Israel has, farmers can utilize this market by advancing alternative farming methods to develop this land to be used to grow more product for trade, whether for internal or external trade possibilities.

The first solution offered is revamping the agriculture industry. By utilizing GMO's, hydroponics, and other methods of farming in lower fertility soils, Israel can comeback against their trade deficit. To fully integrate these methods it requires money, and that is something that both small and large farmers have realized. The need to invest their money to make the arid land produce more than it is already. "Between 1918 and 1938 Jews invested seventy-five million dollars in orange groves, and production grew seven-fold," farmers eighty years ago realized this, and it is just as true today (Tal 233). The more money one is able to invest and spend, the more money they are able to make. Introducing western farming techniques has helped Middle Eastern farmers in the past, and this instance is no different. When compared to other countries in the region during a soil tour by the USDA in the late 1930's and early '40's, the Palestinian farming communities were far superior because of their use of newer farming techniques from the western world (Tal 235). "Yet, in more recent years, ... there is a wide perception among Israelis that agriculture in Israel has lost its luster, comparative advantage, and most importantly, its future," this mindset from farmers, Israeli, Palestinian or Arab, is harming any chances of a large-scale revival of agriculture in the region (Tal 239). Instead of turning away from agriculture, Israeli farmers should turn towards it and use the technology available so that they can improve their current farming situation. This seemingly simple solution is best supported by heavy influence from Israel's large technology sector. One example of where this solution would work best is with grain imports. Currently, Israel heavily relies on the importation of grain for both human and animal consumption. In the 2017/2018 planting and harvesting season only 70% of land able to successfully grow a wheat crop was planted, and feed corn and soybeans were not planted at all. This situation has created an import dependency of about 90% for all grains and cereals (Abdi et al. 2). This single issue of dependency on imports can be helped by implementing new farming techniques, utilizing better crop rotations and increased education for farmers to work together to feed the country.

A second solution for the Israeli trade industry is strengthening its internal trade, rather than relying so heavily on international trade and imports. Defined by InvestorGuide.com, internal trade is referring to the trade between various parts of a country. In the definition, parts could mean either regions or industry areas. With this thought system in place, one can rationalize this solution in many ways. The first way to look at the internal trade in Israel is trade between industries, especially technology and agriculture. With more farmers buying Israeli technology, the cost goes down for both the producer and the consumer. While the cost-benefit is a tremendous plus, it is also beneficial to the equipment supplier and technology developer. It allows those companies to create more specific uses for their product to be used exclusively for Israel and build a customer base easier than going overseas. Other ways for internal trade to be successful is the selling of raw goods right to stores, restaurants, and manufacturing facilities and cutting out the need for long-term storage during harvest seasons. By selling fresh produce right to consumers instead of imported or preserved produce, farmers make more money right away and don't have to worry about the need for finding storage or a large buyer for all their produce. With open opportunities for smaller markets, both commercial and small producers can have an equal chance to sell their raw goods at a price they believe is fair instead of a set market price at a buyer's location. This solution allows both farmer and consumer alike to realize the value of the Israeli agriculture market without having to pay a tariff on the same goods when they are imported.

The final solution to issues with Israel's international trade is engaging in fair free-trade agreements whenever possible. The countries that receive the most significant share of Israeli exports are the United Kingdom, United States, Hong Kong, and China to name a few. While these are prominent countries, not all the agreements are fair to Israeli consumers. Goods that have a lower production cost from Europe are often disfavored for the United States counterparts that have a "Tariff advantage over European and other most-favored-nation status suppliers on a broad range of agricultural produce as well as processed and intermediate foodstuffs," (International Trade Administration). While this might seem like a good value up-front, the cost-benefit is equal for the two choices: save on shipping cost from closer countries and a higher tariff, or a lower tariff but higher shipping costs from the United States. In the current U.S. -Israel Free-Trade Agreement, Israel has high protective tariffs in place on goods that compete with local products (International Trade Administration). This system is useful for Israeli farmers and helps protect their products, but it has some drawbacks when it comes to the overall trade agreement. Israel can combat this in a multitude of ways.

One option is to make all trade with one nation under one free-trade agreement. This option would have benefits for both countries, the most significant benefit for Israel is one tariff and one place to both import from and export to, the benefit for the other country is guaranteed business from Israel. In past times this might have been the best deal especially when it came to shipping practices. In the modern trade system, this is not a feasible option because it puts too many limits on trade and lowers the value of trade overall. By conducting all business with one country, Israel opens themselves up for too many risks, especially in the agricultural sector. Some of these risks are crop failures, food spoilage, and many other considerable risks would cripple the Israeli economy for too long, mainly if they depended on only one country to supply all their import needs.

A second option available to Israel is to trade within Europe and Asia, or other closer trade partners. The key to making this option work is arranging trade agreements that benefit Israeli farmers and consumers at higher levels than they are currently. To do this, farmers need to work together to make gains in production and trade to support new trade ventures. The current Israel trade agricultural trade system is already aligned with the European Union and is the largest supporter of Israel agriculture productions. Trading within Europe and Asia also cuts down on the licensing required to import goods and overcoming tariff related trade barriers (International Trade Administration). Under this international trade solution, transportation costs are lower, licensing is more straightforward to acquire, and it supports a broader

market than the United States. Some of the risks to this solution are limited resources, not all the countries in Europe and Asia can supply everything Israel needs or in large enough quantities. The second risk under this idea is a quality assessment. Not all countries have the same quality assurance levels and if only one country can supply a specific good, but it does not meet Israeli standards, it creates an issue that is hard to resolve. Under this system, Israel would have to weigh the lowered cost of transportation with the risks mentioned.

The final option Israel has is partaking in no international agricultural trade and setting up a protective, isolationist barrier around imports and exports. This final option will hurt the economy of Israel before it helps it. It hurts the economy in three significant ways. The first harm done is Israel would have to find a way to meet all the food needs of the country while keeping it cost effective for the producer and consumer. The second is lowered income in the already diminishing agricultural sector of the economy. The third is a harm to the global economy by Israel not exporting any of their goods as it puts pressure on other countries to step up and produce more of the missing Israeli foodstuff products. The harms in this option are coupled with a series of benefits. One benefit is encouraging farmers to change farming practices to meet the needs of the population. The second significant benefit is the boost to the internal market. By producing and refining all goods in Israel, the technology and production/manufacturing sectors in addition to the agricultural market. All three of these options have benefits as well as drawbacks when it comes to trade agreements. It would be up to the farmers as well as policymakers to decide what is best for the country, economy, consumers, and producers.

Israel depended on agriculture in the early years of their history, and for a long time, it was one of their top exports. Now Israel depends heavily on technology exports instead. This change in industries hurt the agriculture industry of Israel as a whole. This change in industries can be combatted with implementing new farming techniques, strengthening internal trade, and changing the way foreign trade agreements are conducted. These ideas and solutions can help solve the issue of foreign trade and food security in Israel and the Occupied Palestinian Territories (West Bank, Gaza Strip, and the Golan Heights). The issues of food security and hunger are not solved merely by growing more food or educating people on how to save food, but also making sure that the right food is getting to the right people through fair deals to all the parties involved. Israel is one of those countries that is developed enough to realize this fact and might need to combine the offered options in this paper to come out with the best solution to feed their population. Overall, Israel is not a country that necessarily needs to grow more food or educate the people on how to save or cook foodstuff. Instead, the country needs to be taught how to interact with the international economy. By doing so receiving the goods they need and trading the goods they can in a way that the benefits outweigh the harms of the exchange whether from shipping, tariffs or other risks entailed with any trade agreement. The opening statistic said that 1 billion people go hungry every day, and it is not because the world is not growing enough food, but the food grown is spoiling, not being used correctly or not getting to the places it needs to. This is why international trade, especially to small countries, is essential because most of these issues are a real part of the problem. It is not how the food is grown or how much of it is grown because with the ability to import and transport what they need, and food security can become a thing of the past for Israel and the Palestinian Occupied Territories.

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