

# ISRAELI OBSTACLES

TO  
**ECONOMIC  
DEVELOPMENT**  
IN THE  
**OCCUPIED  
PALESTINIAN  
TERRITORIES**

JERUSALEM MEDIA &  
COMMUNICATION CENTRE  
2nd EDITION APRIL 1994

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**JMCC**  
October 1992

# FOREWORD TO 2ND EDITION

There have been no positive economic developments in the Occupied Palestinian Territory (OPT) since we published the first edition of this report. Despite the peace talks and the signing of two major agreements between Israel and the PLO, Israel has not lifted its restrictions against the Palestinian economy, and the one-year closure of the OPT is speeding up the economic decline. Two developments have, however, taken place which will probably have an impact on the future Palestinian economy. The first was the signing of the Oslo Agreement and its economic appendices, as well as the ongoing economic multilateral negotiations and the Continuing Committee for Economic Cooperation. The Oslo Agreement's appendix, 'Protocol on Israeli-Palestinian Cooperation in Economic and Development Programs', nonetheless, did not define the Palestinian National Authority's control over the economy during the Transitional Period. It merely identified the areas of cooperation with Israel, for example, in water, electricity and energy.

The second development was the World Bank and International Monetary Fund missions to the OPT in 1993. These missions - commissioned by the countries who pledged 2.5 billion US dollars to the OPT - conducted studies for future development plans, and the funds are expected to target Palestinian development projects over the next five years. The World Bank's study concluded that the main weaknesses in the Palestinian economy lie in the 'structural imbalances and distortions' resulting from 'heavy dependence on outside sources of employment for the Occupied Palestinian Territory, the unusually low degree of industrialisation, a trade structure heavily dominated by trading links with Israel and with a large trade deficit, and inadequacies in the provision of public infrastructure and services'.

The Israeli closure and 'cantonisation' of the OPT, the isolation of East Jerusalem, and frequent curfews, have in fact devastated the economy. Lost earnings amount to millions of dollars as thousands of workers are prohibited from working in East Jerusalem and inside Israel and Palestinian agriculture and internal trade is being severely restricted.

**Ghassan al-Khatib**  
**Director, JMCC, March 1994**

# FOREWORD TO 1ST EDITION

The idea for this report came from two basic considerations. Firstly, from the increase in international involvement, particularly European, in the economic development of the occupied territories, recently illustrated by the size of overseas funding for developmental projects and the concern shown in exploring the different priorities and obstacles to development. Secondly, from the current peace negotiations which began in Madrid on 30 October 1991, and the discussions over the future of the Palestinian economy, the scope of its development, its linkage with the present legal structure, and the need for a future Palestinian legislative authority.

The main obstacles facing economic development are related to structural restrictions generated by a complex network of military orders that have the power of law in the occupied territories. These military orders cover and control all facets of economic activity in the occupied Palestinian territories. Israeli laws are inherently designed to serve the objectives of the occupier in manipulating and transforming the Palestinian economy into a state of dependency, prolonging the occupation and thus forcing Palestinians from their homeland.

Israeli laws and policies have been instrumental in tightening Israel's absolute control over land and water, restricting permits for industrial projects, creating a situation of unequal competition between the Palestinian and Israeli economies, and forcing more than half the Palestinian workforce to become cheap migrant labour working for the Israeli industrial and service sectors. A meager local market and weak purchasing power, coupled with restrictions on exports, have restructured the production infrastructure of the West Bank and Gaza Strip making it dependent and complimentary to Israeli production requirements. In summary, Israeli laws and policies have created a situation detrimental to development and any benefits accrued from international aid become more and more problematic as part of these funds are wasted due to

the inability of the Palestinian economy to accommodate capital formation and accumulation.

International development aid should be contingent on our right to utilise assistance funds in accordance with our developmental needs. We have the right to strive for economic development. If the objective of the peace process is to set the basis for a just and permanent peace settlement then serious efforts at economic development during the transitional period are imperative for success in creating appropriate conditions for a peaceful future.

The application of UN Resolution 242 would lead to a regional settlement. An important prerequisite for achieving this is to prepare the Palestinian economy for the future. Since Israeli military orders, regulations and policies are the main obstacles to economic development under occupation, the cancellation of all or the major part of these laws, combined with Palestinians being able to democratically formulate alternative economic legislation appropriate to their needs, are basic conditions for the transitional period to achieve its desired objectives. In addition, Israeli adherence to international law is an essential element in any attempt at restructuring the present economic situation in the occupied Palestinian territories. Repealing Israel's occupation laws is important for creating a new reality which will allow for economic development and which will contribute to advancing real peace in this area.

**Ghassan al-Khatib**  
**Director, Jerusalem Media & Communication Centre**  
**October 1992**

# GLOSSARY

|   |  |
|---|--|
| <b>Intifada</b>                         | Popular Palestinian uprising against the Israeli occupation which began in December 1987.  |
| <b>West Bank</b>                        | That part of Palestine administered by Jordan between 1948-67, bounded in the north, west and south by the Green Line and in the east by the River Jordan and the Dead Sea. It includes East Jerusalem. Approx. 130kms long and 50kms wide with a population of around 1 million Palestinians. Nearly one-third of the population are registered refugees with UNRWA; around 100,000 people live in 20 refugee camps. The rest of the population lives in 400 villages and 25 municipalities. The three largest towns in the West Bank are East Jerusalem, Nablus and al-Khalil. |
| <b>Gaza Strip</b>                       | Part of Palestine administered by Egypt between 1948-1967. It is an artificial entity with one of the highest population densities in the world; 85 % urban population, 70% refugees, of whom the majority live in 8 refugee camps. The Strip is roughly 40kms long and 8kms wide.   |
| <b>East Jerusalem</b>                   | The Palestinian capital, annexed unilaterally by Israel in 1967 and formalised by the Israeli Knesset in 1980. East Jerusalem now includes (because of the expansion of the Jerusalem municipality boundaries) Kalandia airport, and the lands of several Palestinian villages and municipalities, an area currently covering around 20% of the West Bank.   |
| <b>occupied Palestinian territories</b> | The collective name given to the West Bank, Gaza Strip and East Jerusalem, invaded and occupied by Israel in 1967.   |
| <b>Jewish National Fund</b>             | or Keren Kayemet l'Israel. Quasi-state body which owns <i>all</i> the land in Israel, except private land, for and on behalf of the Jewish <i>nation</i> i.e. not for Israeli <i>citizens</i> . The JNF cannot sell, or formally lease or rent this land to any non-Jew and it is technically illegal for non-Jews to sleep overnight on JNF land. It also administers Palestinian 'absentee' land.  |
| <b>Green Line</b>                       | The April 1949 Israel-Jordan armistice demarcation line, now the border between the occupied Palestinian territories and the Israeli State.  |

|   |  |
|---|--|
| <b>Civil Administration</b>                         | The body established in 1982 by the Israeli military government, through Military Order 947, to administer the West Bank. Its powers are determined and exercised on behalf of the Israeli Military Commander of the West Bank. The headquarters are in Beit El Settlement, near Ramallah. A separate Civil Administration was set up in the Gaza Strip.   |
| <b>Gaza District</b>                                | The Israeli term for the Gaza Strip.   |
| <b>Eretz Israel</b>                                 | 'The land of Israel' is a historical and geographical name; also interpreted as 'Greater Israel', the political name given to the whole of Palestine by the Israeli right wing and settlers' movements.  |
| <b>Judea &amp; Samaria</b>                          | The term used by the Israeli government and the Israeli public for the West Bank, not including East Jerusalem.  |
| <b>British Mandate of Palestine</b>                 | The British colonial rule in Palestine from 1922 to 15 May 1948 under commission from the League of Nations (predecessor to the UN).   |
| <b>1945 British Defence (Emergency) Regulations</b> | Cancelled by the British Mandate authorities on the eve of their departure from Palestine in 1948, and they are still used by the Israeli State (both inside the occupied territories and in Israel), particularly against Palestinians.   |
| <b>UN Partition Plan 1947</b>                       | The United Nations plan which divided historic Palestine into a Jewish state and an Arab state. Jerusalem was declared an 'international zone'. In 1948, Zionist forces took control of 77% of Palestine, considerably more than had been proposed under the UN Partition Plan. Around 750,000 Palestinians became refugees in the West Bank, Gaza Strip and neighbouring Arab countries (especially Jordan, Syria and later Lebanon).   |
| <b>Knesset</b>                                      | The Israeli parliament, which sits in West Jerusalem.  |
| <b>Histadrut</b>                                    | Quasi-state body which was the state institution for the Jewish community in Palestine pre-1948 and the Haganah army was its military wing. It is the 2nd largest employer in Israel and owns the 2nd largest bank, (Hapoalim) the largest construction company (Solel Boneh) the largest stockist of vegetables and fruit (Hamashbir) the largest health insurance scheme (Kupat Holim) and is the largest cultural institution in Israel. It also has a Department of [Trade] Union Affairs. |
| <b>General Security Services (GSS)</b>              | Israeli internal security service, known as the Shabak or, under their old name, the Shin Bet.   |
| <b>World Zionist Organisation (WZO)</b>             | Originally founded at the beginning of this century, it was the main institution active in the Zionist colonisation of Palestine. Since the establishment of the Israeli State, the Jewish Agency (related to WZO) has been the main international organisation through which financial and other support is channelled to Israel.   |



# ABBREVIATIONS

|              |   |
|--------------|---|
| <b>EEC</b>   | European Economic Community                     |
| <b>GFTU</b>  | General Federation of Trade Unions              |
| <b>GDP</b>   | Gross Domestic Product                          |
| <b>GNP</b>   | Gross National Product                          |
| <b>ICRC</b>  | International Committee of the Red Cross        |
| <b>IDF</b>   | Israeli Defence Forces                          |
| <b>ILO</b>   | International Labour Organisation               |
| <b>JNF</b>   | Jewish National Fund                            |
| <b>JD</b>    | Jordanian dinar                                 |
| <b>NIS</b>   | new Israeli shekel                              |
| <b>NGO</b>   | Non-governmental Organisation                   |
| <b>PLO</b>   | Palestine Liberation Organisation               |
| <b>UNLU</b>  | Unified National Leadership of the Uprising     |
| <b>UN</b>    | United Nations                                  |
| <b>UNRWA</b> | United Nations Relief and Works Agency          |
| <b>UNDP</b>  | United Nations Development Programme            |
| <b>US</b>    | United States                                   |
| <b>USAID</b> | United States Aid for International Development |
| <b>VAT</b>   | Value added tax                                 |
| <b>WZO</b>   | World Zionist Organisation                      |

## MEASUREMENTS/CURRENCY

|        |   |
|--------|---|
| Dunam  | measurement of land = 1,000 sq metres               |
| US \$1 | = 2.46 new Israeli shekels (at time of publication) |
| JD 1   | = 3.67 new Israeli shekels (at time of publication) |

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# INTRODUCTION

Through 25 years of military occupation, Israel has created in the occupied Palestinian territories an economy dependent on, and subservient to, its own. In the predominantly land-based economy of the West Bank and Gaza Strip, control of land and water resources is the basis for political and economic control, and vice versa. The Israeli-Palestinian conflict is, above all, territorial. With the failure of the international community to pressurise Israel to implement the host of international resolutions adopted by the United Nations (UN) Security Council, and other international bodies, governing the conduct of a belligerent occupying power, the visible and 'invisible' consequences of the Israeli military occupation have gone largely unchecked and unhindered for the past 25 years.

This report, coming as it does during the latest peace negotiations, details the effects and consequences of the Israeli military occupation on economic development in the occupied Palestinian territories. We have attempted to make the connection between the Israeli occupier's laws, the military orders, and the consequent underdevelopment and 'de-development' of the Palestinian economy. The report, although covering the West Bank, Gaza Strip and East Jerusalem, concentrates on the West Bank where most

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available information and current research comes from. We have not included information on the other territories occupied by Israel - the Syrian Golan Heights (illegally annexed in 1981) and parts of southern Lebanon.

What marks Israel's occupation of the West Bank and Gaza Strip as arguably unique is its methodical attention to 'legal' justifications for what are blatantly illegal acts and clear violations of international law. The result is a status novel under international law; Israel considers itself the 'administrator' as opposed to a 'belligerent occupier', with 'sovereign' powers without formally annexing the occupied territories. The system of Israeli military orders has created a structure which is an obstacle for any significant future development. Most of these military orders are illegal under international law and were developed to serve the purposes of occupation. They create dependency and subserviency, they facilitate the appropriation of vast amounts of Palestinian land, and are designed to serve the interests of Israeli settlers at the expense of indigenous Palestinian interests. When, for example, in 1983 the then Israeli PM Menachem Begin claimed that Israel was not confiscating any 'Arab' land in the West Bank, this was, legally-speaking correct, but according to Palestinian attorney, Raja Shehadeh, 'it was nevertheless taking it by other methods'.<sup>1</sup> By 1991, Israel had expropriated an estimated 65 percent of the West Bank and nearly 50 percent of the Gaza Strip.<sup>2</sup> Most importantly, the military orders are intended to prevent independent economic activity and development since this may lead to political independence.

An estimated 1,500 military orders to date, some unnumbered, regulate *all* aspects of Palestinian life in the West Bank. A similar set with its own numbering system has been issued for the Gaza Strip. These orders amend existing Jordanian law in the West Bank and Egyptian law in the Gaza Strip. They have the force of law and are rarely successfully challenged in the Israeli Courts. The Israeli Military Area Commander is endowed with all legislative, executive and judicial powers previously held under the jurisdiction of the Jordanian and Egyptian governments between 1948 to 1967; the Area Commander also has control over the appointment of all Israeli officials in the occupied Palestinian territories. 'The law' was transferred to 'the person responsible' who became, in effect, a dictator who held nearly absolute power. In addition, the host of military orders relating to 'security' (in the wide definition given to this term by the Israeli authorities), allow the use and abuse of the military orders for political reasons, including punishment and reward through economic restrictions and collective punishment.

Although Israel refuses to acknowledge the application of the Fourth Geneva Convention (1949) and the Hague Regulations (1907) to its occupation of the West Bank, Gaza Strip and East Jerusalem (illegally annexed in 1981),

it has said it complies with the 'humanitarian' conditions of these regulations. However, Israeli policies and practices in the occupied territories are clear violations of international law. The continuing process of Israeli settlement on Palestinian land, for example, illustrates that Israel is not complying with this 'humanitarian' spirit; as the new Israeli PM Yitzhak Rabin said during his 1992 election campaign: 'I was always for the principle that it is permissible to build settlements even beyond the Green Line'.<sup>3</sup>

Nowhere is Israel's control more pervasive than in the sphere of the Palestinian economy and economic development precisely because economic independence would fuel political independence. 'Security' reasons have provided the Israeli authorities with a convenient excuse to refuse anything from planting tomatoes to not publishing a budget for the occupied territories in 25 years. Discriminatory practices abound, from prohibiting picking wild thyme to restrictions on setting up a business, export to Europe and registering every single tractor. Israel's attitude towards development in the occupied Palestinian territories is clear; as Israeli PM Rabin commented during his last premiership: 'There will be no development [in the occupied territories] initiated by the Israeli government, and no permits will be given for expanding agriculture or industry which may compete with the State of Israel'.

To provide an overview of the obstacles to economic development, we look at the different sectors of the economy, the major military orders, the relevant clauses in international law, examples of the effects of Israeli military policies, and offer our conclusions and policy recommendations for each sector. We have attempted to illustrate the dependency on Israel created in each sector; the exploitation of the trapped Palestinian market to provide a dumping ground for surplus Israeli products, the exploitation of cheap Palestinian labour, and the host of economic and legal restrictions faced by Palestinians in daily economic life.

In addition, the Palestinian economy has been severely affected as a result of the Gulf War and the unprecedented 2-month blanket curfew imposed throughout the occupied territories during the war. And, while Israel continues to receive substantial amounts of foreign aid, aid to the Palestinians has fallen dramatically. Remittances from the Gulf States have all but dried up and aid from the United States (US) was cut from \$14 million to \$12 million in 1991. One exception has been aid from the European Economic Community (EEC) which has increased during the past few years.

As a result of 25 years of occupation, the Palestinian economy has 'de-developed'. The result is an inward-looking economy, producing, under heavy restrictions, for the local market. That foreign export is permitted on a small scale is largely insignificant because the current system forces production for

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local demand and effectively prohibits Palestinian industrialists and farmers from utilising any benefits from foreign trade.

One major constraint we have faced in writing this report has been the lack of accurate data. *There is no source of accurate data*; even the published Israeli Central Statistical Bureau's figures are based on 'estimates' for 1988-1991. This illustrates the extent to which Israel's military occupation is secret; no budget has ever been published for the occupied territories, figures for population, water resources, land acquisitions, etc., are all secret and access is consistently denied to Palestinians. We have used data from a number of sources: academic reports, periodicals and magazines, the West Bank Data Base Project (a now defunct Israeli research body which had access to figures from the Civil Administration), books, newspapers, the JMCC database, interviews and field work. In most cases, the figures published and collected vary and sometimes contradict each other, often dramatically, and so are only included to illustrate points rather than provide accurate statistical information. This is one of the major constraints facing all researchers and policy analysts working in the occupied Palestinian territories. Israeli restrictions are designed to prevent accurate data collection. When, on occasion, the Israeli authorities have been approached to provide certain data or information, they invariably refuse to release the information.

Our conclusion is that unless the legal structure and other economic restrictions imposed on the Palestinian economy and society in general are removed, there will be no significant economic development in the West Bank, Gaza Strip and East Jerusalem. Real change, improvement and significant economic development will only come about when the fundamental territorial conflict is resolved and there is an independent Palestinian state with its own economic and legal structures. The issue of economic development cannot be separated from political independence, and until the fundamental political question is solved, economic development will continue to be used as a weapon and tool against the struggle for Palestinian self-determination.

## References

- 1 R. Shehadeh, Occupier's Law (Institute for Palestine Studies, Washington DC, 1988), p.4.
- 2 N. Murray, Palestinians: Life Under Occupation (Middle East Justice Network, Cambridge, 1991), p.16.
- 3 Foundation for Middle East Peace, Report on Israeli Settlement, Foundation for Middle East Peace (Vol.2, no.4, July 1992), p.1.





AN ADVERTISEMENT GOES UP FOR APARTMENT SALES IN ADUMIM, ONE OF ISRAEL'S LARGEST  
SETTLEMENTS IN THE OCCUPIED PALESTINIAN TERRITORIES  
RULA HALAWANI

# LAND 'ACQUISITION' | 1 & JEWISH ISRAELI SETTLEMENT

My friend, take care. When you recognise the concept of 'Palestine', you demolish your right to life in Ein Hahoreh. If this is Palestine and not the land of Israel, then you are conquerors and not tillers of the land. You are invaders. If this is Palestine, then it belongs to a people who lived here before you came ... You came to another people's homeland, as they claim, you expelled them and you have taken their land.

**Menachem Begin, 17 October 1961<sup>1</sup>**

Israeli seizure and acquisition of Palestinian land has increased markedly since the beginning of January 1990. In 1967, only 0.5 percent of the West Bank was under Jewish ownership.<sup>2, 3</sup> During the first four years of the intifada, the Arab Studies Society estimates that the total amount of land expropriated by the Israeli authorities amounted to 4 percent of the West Bank.<sup>4</sup> Between January 1988 and June 1991, over half a million dunams of land, some 8.8 percent of the total area of the West Bank (excluding East Jerusalem) and the Gaza Strip, was appropriated by Israel.<sup>5, 6</sup> So, by the middle of 1991, Israel had acquired 65 percent of the West Bank and an estimated 50 percent of the



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Gaza Strip,<sup>7</sup> amounting to a total of 3,045,655 dunams confiscated between 1967 and 1991.<sup>8</sup> Because there is no public access to Land Registration Department figures, these figures are all estimates. However, they do illustrate the extent to which Israel's land acquisition policies are changing 'facts' on the ground.

As successive Israeli government's have exhausted the 'legal' means to acquire Palestinian land, policies have evolved which amount to land confiscation in all but name. Most of the methods Israel uses to acquire Palestinian land are illegal under international law; those whose principles are not strictly illegal have, however, been violated by the Israeli authorities.<sup>9</sup>

### The Shelta land case

Some of the methods used to acquire land are clearly illegal. The Shelta land case is an example of how land was acquired despite the existence of the owners' land ownership and registration certificates and despite three court rulings which accepted that the land in question was already registered and that alternative land ownership certificates were forgeries. It illustrates the complete manipulation and farce of the Israeli legal system where Palestinian-owned land is concerned.

The village of Shelta was one of the Palestinian villages destroyed during the 1948 war and the new border divided the village lands between the West Bank and the new Israeli state. Heirs of the late owners of the land remaining inside the West Bank (Abdallah Judeh Khalaf and Ismaiel Muhammed Suleiman) became worried in 1978 when they discovered Israeli bulldozers on their land preparing the ground for a road to a new Jewish Israeli settlement (Giv'at Ehud, located on confiscated land from Kherbat Krekour and land from the old village of Shelta). They were told that an Israeli company, owned by Shmuel Innab, had bought the land from a certain Nabhan Othman. Innab had previously been involved in a land document forgery scandal for which he was given a prison sentence. The Khalaf and Suleiman families' lawyer discovered that their land had recently been re-registered by Othman and he appealed to the Department of Land Registration on the basis that the owners had Turkish, British and Arab title deeds to prove their ownership, and thus any new registration would be illegal.

The case went from the Ramallah Department of Land Registration to the Ramallah Magistrates Court, the Court of Appeals, the Court of First Instance, the Preliminary Committee of Land Registration, back to the Court of Appeals, the Ministries of Defence and Justice, the Civil Administration's

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Higher Council of Planning, Petah Tikva police, the New Registration Committee and then the Primary Committee, the Israeli High Court and finally the Military Objections Committee. The Military Objections Committee ruled that the land in question was located inside the Green Line and could therefore be registered as 'absentee property' despite the owners' land registrations certificates showing that the land was in fact located inside the West Bank and had been registered with the Ramallah Department of Land Registration in 1981. Because the Jewish Agency was active in the expropriation of this land, it is highly likely that it will eventually be used for Jewish Israeli settlement.<sup>10</sup>

\*\*\*

The expropriation of land for public purposes is not illegal under international law. The methods adopted and reasons given by the Israeli government to acquire land under this pretext are, however, illegal. Military Orders 131 (cancelled), 321 (28 March 1969) and 949 (30 November 1981), for example, state that in cases where land is declared public or 'state' land, proof of ownership lies on the individual concerned and not on the state. Land registration, proof of continuous cultivation, and other land use restrictions make proof of ownership very difficult.

Land supposedly acquired for 'public purposes' is given by the Israeli state for Israeli settlement and road building. Although payment for land expropriated for public purposes is offered, Palestinians do not accept any payment on principle. The Israeli High Court helped the government's case when it ruled that Jewish Israeli settlers were to be considered part of the 'local public'.<sup>11</sup> This new interpretation of the term 'public purposes' in effect turned international law on its head and opened the way for increased 'legal' acquisition and settlement building for Jewish Israelis. Similarly, land acquired under the pretext of military purposes is given over to permanent settlement building, as happened in the case of the Beit El and Elon Moreh settlements. Land seized for military purposes can only be used temporarily for strictly military purposes under international law. This method of land acquisition stopped when, after the Elon Moreh case (see reference 35), the authorities did not attempt to hide their intention to build permanent settlements on land supposedly acquired for 'military purposes'. The High Court ruled against the acquisition of the land; the land was returned, the settlement was built on near-by land, and land acquisition continued under new pretexts.

Both the Fourth Geneva Convention and the Hague Regulations state explicitly what an occupying power can and cannot do in occupied territories.

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Regardless of sovereignty rights (which, according to the Israeli government, neither Jordan or Egypt had) the Fourth Geneva Convention does not allow land acquisition, even if the ownership of land is under question. And, regardless of Israel's argument regarding Jordanian or Egyptian sovereignty, the right of the Palestinian people to self-determination over their land is still applicable under international law.<sup>12</sup> Israeli land acquisition and settlement policies are clear violations of these laws.

Since 1967, land registration records in the West Bank and Gaza Strip have been closed to the Palestinian public (formalised by Military Order 291, 19 December 1968),<sup>13</sup> while registration in the names of Jewish Israeli settlers is allowed.<sup>14</sup> This opened the way for the occupying Israeli authorities to register land. Records are kept in the 'special land registry' at the Civil Administration's headquarters in Bet El and 'special' transactions, i.e. for Jewish Israelis, are registered there.<sup>15</sup>

## Historical background

The Ottoman Land Code provides the theoretical basis for land holdings in the West Bank and Gaza Strip, and in the West Bank has been amended under the British Mandate, the Jordanian administration and the Israeli occupation.

Under the Ottoman Land Code there was no category of 'state land'. Land was divided into three categories: **Waqf** land was used for religious purposes; **Mulk** land was land given by the Ottoman Sultan or Emir (by conquest) to the local muslim residents and **Khuraj** land given to non-Muslims; **Miri**, **Matruke** and **Mawat** lands, which, although owned by the Ottoman Sultan or Emir, were handed over to be used for public purposes under certain conditions. Matruke land, for example, was to be used for public purposes such as road construction, cemeteries, etc., Mawat land was land that was not used because, according to the Ottoman Land Code, it lay further from the village than the human voice could be heard.<sup>16</sup> In 1967, only 13 percent of the total land in the West Bank was registered in the name of the 'state'. It is this final category which is the most controversial because the Israeli government considers all land in this category to be 'state' land over which it is 'trustee'. Currently, approximately 1 million dunams of Palestinian land has been declared 'state' land, and the Israeli authorities have indicated that they consider 39 percent of the West Bank's land 'potential' 'state' land. 'None of this land has been used for Palestinian development, and indeed Palestinians are not allowed to remain on this land, all of which is classified by Israel as Israeli State Land whose sale or lease to non-Jews is prohibited

for all time under the Basic Law of Israel'.<sup>17</sup> By 1987, 40 percent of Palestinian land had been registered for the exclusive use of Jewish Israelis.<sup>18</sup>

Before 1967, land was registered under the 'Settlement of Disputes over Land and Water Law'; one-third of Palestinian land had been registered under this law during both the British Mandate and the Jordanian Administration in the West Bank. Ownership of the remaining two-thirds of the land is attested by possession of a British Mandate or Turkish (Ottoman) certificate of registration (although the Shelta land case illustrates that this is not always the case), through registration at the tax registry or through proof of continuous cultivation. Under the Jordanian administration, ownership could also be proved with purchase and sale certificates.

## **International law concerning land and settlement in occupied territories**

Al-Haq believes that, 'International Law is unambiguous on issues of land acquisition and settlement in occupied territory'.<sup>19</sup> Article 23 of the Hague Regulations forbids an occupying country '... to destroy or seize the enemy's property unless such destruction or seizure be imperatively demanded by the necessities of war'. Similarly, Article 46 prohibits private property from being confiscated, and Article 52 requires that 'requisition shall not be demanded ... except for the needs of the army of occupation'. In general, Article 43 of the Regulations requires an occupier to administer the territory, with specific limited exceptions, for the benefit of the local population. Article 55 clearly states that an occupying power is the usufruct and administrator of state property. This is clearly not Israel's intention and policy with regard to the occupied Palestinian territories.<sup>20</sup>

Article 147 of the Fourth Geneva Convention states that: 'extensive destruction and appropriation of property, not justified by military necessity and carried out unlawfully and wantonly ...' amount to a grave breach of the Convention. And, Article 146 obliges the contracting parties to the Convention '... to enact any legislation necessary to provide effective penal sanctions for persons committing, or ordering to be committed, any of the grave breaches of the present Convention'.<sup>21</sup> Israeli appropriation and confiscation of Palestinian land has continued unchecked for 25 years with the international community doing little to halt the 'creeping annexation' of Palestinian lands.

Although the UN and the majority of its member states believe that the Fourth Geneva Convention and the Hague Regulations apply to Israel's 25-

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year occupation of the Palestinian territories, Israel refuses to accept the conventions as binding laws. Israel has, however, '... agree[d] to apply the humanitarian standards laid down in these conventions'. According to Israel's interpretation of international law, the West Bank and Gaza Strip are not theoretically occupied; it refuses to accept the pre-1967 sovereignty of the Jordanian Administration in the West Bank and Egyptian sovereignty in the Gaza Strip.<sup>22</sup> Israel has, on numerous occasions, put forward the excuse that many of its policies are justified on the basis of the *sui generis* argument that its occupation of the West Bank and Gaza Strip is prolonged and therefore some significant legal changes are legal and necessary.

There are four situations in which it is justifiable to amend international law regarding belligerent occupation: when the security of the occupant is at stake; to ensure public order; if existing laws do not adhere to the Fourth Geneva Convention; or 'unless absolutely prevented' from respecting the laws already in force in the country. Although Israel maintains that all four of these exceptions are valid for its occupation of the West Bank and Gaza Strip, most analysts and observers do not support these claims. The category 'unless absolutely prevented' has been widely interpreted by Israel, particularly concerning the acquisition of land using the pretext 'state land'. For most observers it is difficult to see how Israeli land and settlement policies comply with even the humanitarian standards of international law.

Article 49, Clause 6, of the Fourth Geneva Convention states that 'the occupying power shall not deport or transfer parts of its own civilian population into the territories it occupies'. The International Committee of the Red Cross (ICRC) believes that this '... is intended to prevent a practice adopted during the Second World War by certain powers, which transferred portions of their own population to occupied territory for political and racial reasons or in order, as they claimed, to colonise these territories. Such transfers worsened the economic situation of the native population and endangered their separate existence as a race'.<sup>23</sup>

Israeli settlement policies explicitly contravene this law. The result is that, by default, the international community has stood back and watched while Israeli settler movements (eg. Kach and Gush Emunim) are colonising (using religious justifications) the occupied Palestinian territories and the Israeli government continues its settlement expansion policies. This is despite the multitude of international laws specifically designed to prevent such activities and international media coverage of continued Israeli settlement activity. Israeli Housing Minister in the previous Likud government, Ariel Sharon, clarified the position: '[s]ettlement in Eretz Israel [Greater Israel] including Judea and Samaria [sic], is a government policy according to

government decisions. I am not executing a personal policy, but a policy of the Israeli government'.<sup>24</sup> And, according to the Israeli Director-General, '[a] freeze [on settlements] violates the very basic principle ... the right of Jews to live in any part of this land west of the River Jordan'.<sup>25</sup> Under international law this is not the case. And the right of Jewish people to immigrate under the British Mandate was not applicable to the West Bank and Gaza Strip; according to the Mandate, the right of return for Jewish people extended *only* to the area of land set aside for Israel under the UN partition plan (1947) for Palestine. Official Israeli claims, such as that of the Israeli Director-General above, have no basis in international law and the Israeli government has no right to invoke the British Mandate's immigration article.

The Israeli government shows no sign of changing its position. Even the new Prime Minister Yitzhak Rabin has said that he is in favour of settlement in the occupied territories (see reference 46). Under the 'Master Plan 2010', the Ministry of Agriculture and the World Zionist Organisation (WZO) envisage only 5 percent of the West Bank would be 'problematic for settlement'. This implies that they regard 95 percent of the West Bank as suitable and available for Jewish Israeli settlement.<sup>26</sup> More recently, ex-Prime Minister Shamir stated, 'no one can stop settlement activity in all of Eretz Israel'.<sup>27</sup> Shamir has clearly stated his belief; that the Palestinian people are '... alien invaders in the land of Israel that belongs to the people of Israel, and only to them'.<sup>28</sup>

## Israeli methods of land 'seizure' and acquisition

To enable the Israeli government to appropriate the property of any Palestinian who 'left his [sic] place of residence and went to another place which was, at that time, held by forces that tried to hinder the establishment of the State of Israel', Military Order 58 (23 July 1967) was issued.<sup>29</sup> This enabled Israel to confiscate approximately 40 percent of privately owned land. It was later modified to include all 'abandoned' land and buildings whose owners had 'left' the country before, during or after the 1967 War, so-called absentee property. The 'legal' situation is even more absurd: 'even when the owner of the property has not left the area (and therefore his property does not qualify as abandoned property) and a Jewish settlement is in need of land, the Custodian can still acquire possession of it and enter into transactions with third parties', provided these transactions were entered into in 'good faith'.<sup>30</sup> That is, if the Custodian believed the property to be abandoned at the time of

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the transaction, 'even if it was later proven that the property at the time was not government property'.<sup>31</sup> In addition, property is confiscated as a result of revoking identity cards for those Palestinians who overstay the time period set by their travel permit (see Chapter 7 on Employment, Unemployment and Emigration).

Until 1979, land acquisition was predominantly for 'military purposes'. Under international law this land remains under private ownership and is eventually to be returned to its owner. Israel has used most of this land for non-military purposes especially for 'permanent' Jewish Israeli settlements, settlement roads and agriculture. More recently, land has been closed and designated 'security zones', supposedly for military training. By 1988, 20 percent of the West Bank was closed for 'military training' (accounting for 53 percent of the total amount of land seized by Israel in the West Bank<sup>32</sup>). By October 1991, one-quarter of the West Bank had been declared closed military areas.<sup>33</sup> Landowners are thus forced to apply for permits to graze their animals or cultivate their land. Much of this land is later requisitioned for settlement purposes; the largest settlement in the West Bank, Kiryat Arba near Hebron, is built on land initially closed for 'military purposes', and later requisitioned.<sup>34</sup> In 1979, the Israeli High Court, ruling in the Elon Moreh case, restricted the ability of the Israeli authorities to acquire land under the pretext of 'military necessity'.<sup>35</sup>

Since 1979, land has predominantly been acquired by declaring it 'state' land. More importantly, the Elon Moreh case illustrated that the Israeli High Court was not prepared to intervene in disputes concerning the ownership of land; it will only hear appeals concerning the seizure of private property.<sup>36</sup> This case, in effect, left Palestinians with no recourse to the Israeli High Court; the only avenue for appeal is the Military Objections Committee. However, even here, every case requires a detailed, costly land survey and specific proof of ownership documents. And, because the rate of past successes is very low, most Palestinians are not willing or are unable to go through the costly process, the result of which is largely a foregone conclusion.

### **Military orders**

**Military Order 364** (29 December 1969) superseded **Military Order 59** to speed-up the transfer of Palestinian land to Jewish Israeli settlements by declaring it 'state' land. This followed the Likud government coming to power in 1977, a government

determined to intensify its settlement activities in the occupied territories, and the subsequent 'discovery' of the 1855 Ottoman Land Code. This order rendered 'a mere declaration by the authorities that land is state land sufficient proof [for] the land to be considered as such "until the opposite is proven" '.<sup>37</sup> Contrary to normal procedures, proof therefore lay not on the party making the claim, but on the party contesting it; a Military Objections Committee was set up to hear challenges to the Israeli government's land ownership claims (**Military Order 172**, 22 November 1967). Raja Shehadeh believes that 'the present use to which this order is put, namely to declare non-registered property state land and to transfer it to the exclusive use of Jewish settlers, is clearly an improper and illegal extension of the original intention of the Order'.<sup>38</sup>

The pretext given for seizing land as 'state' land is as follows: according to the Basic Law of Return in Israel, any Jewish person is entitled to settle in Eretz [Greater] Israel (i.e. Israel and the occupied Palestinian territories); similarly, according to the regulations of the Jewish National Fund (JNF), the quasi-state body which 'owns' and administers all the land in the State of Israel and land which has been seized in the West Bank and Gaza Strip in the interests of the Jewish people only; thus, only Jews can own or lease this land from the JNF. Raja Shehadeh explains: 'The Israeli position is that it is entitled to use for the benefit of its settlers land which it regards as "state" land. Israel regards itself as the legal successor to the government of the British Mandate and as such is entitled to use "state" land for its own purposes.' Palestinians are given a legal status equivalent to that of alien residents with none of the usual rights or guarantees normally enjoyed by nationals or permanent residents. Even if Israel's interpretation of 'state' land is correct, Israel is still only the trustee of this land which is to be used either for the benefit of the local population (and not settler population from the occupying country) or for military purposes. By making this land available for 'permanent' settlement, i.e. for exclusive use by Jewish Israeli settlers, neither of these two requirements is being met.

**Military Order 59** (31 July 1967) enabled the government to take over land that had not been under cultivation by its owner (proof of **continuous cultivation** is



required). Islamic Law states that if land has not been cultivated during the previous ten years, it is considered communal or 'state' land, and thus interpreted by the Israeli authorities as eligible for expropriation. Fruit-bearing and olive trees enable Palestinians to prove 'continuous cultivation'. Destroying or uprooting these trees allows the land to be reclassified as 'uncultivated', and thus eligible to be expropriated as 'state' land. This ruling, combined with the **Closed Military Zones** ruling, gave the Israeli government the opportunity to claim large tracts of land previously held in trust for the community.<sup>39</sup> Similarly, **Military Order 59** states that no one can have ownership claims to land **improperly registered** or surveyed. Because of the high costs associated with surveying and registering land, and the high rate of unsuccessful challenges in the Israeli courts, Palestinians have generally not been able or keen to register their land.

Another method used by the Israeli authorities is to expropriate land for 'public purposes'. **Military Order 321** (28 March 1969) and **Military Order 949** (30 November 1981) allow the authorities to seize land for 'public purposes'. In fact, land seized under these orders is used for expanding or building settlement infrastructure. If the owner of a piece of land resists a confiscation order from the Area Commander to confiscate his/her land, they are subject to a fine and/or five years imprisonment. Seizing land for 'public purposes' and then declaring it state land has been the only method of appropriation used by the Israeli government in occupied East Jerusalem.<sup>40</sup>

And, finally, Israel's policies regarding land use in the occupied West Bank and Gaza Strip amount to nothing less than annexation and control in all but name (see Chapter 2 on Land Use & Planning). There are no development areas outside of the municipalities anywhere in the West Bank or Gaza Strip; 1 million dunams of land have been declared **combat zones** (**Military Order 271**, 12 August 1968), which although the property rights do not change, effectively restricts any land use through being in the firing line. Hundreds of thousands of dunams have been confiscated, with no compensation given, on the grounds that they are **nature reserves**. Restrictions on cultivation, combined with the requirement that unregistered

and uncultivated land is by default 'state' land, have resulted in hundreds of thousands of dunams of land being seized and confiscated (**Military Order 59**). Land specified as **closed military areas** (**Military Order 378**, 20 April 1970) is similarly effectively removed from use; by 1985, 23 closure orders affected approximately 1 million dunams. Although this method does not theoretically change ownership of the land, before 1979 this was the most common method of land acquisition; land was seized for 'military purposes', and was then given over to 'permanent' Israeli settlement, a method which stopped after the Elon Moreh case (see above).

## Israeli settlement

It started as pure ideology. Greater Israel burned in their bones. Shimon Peres, then Defence Minister, helped them get out of the Sebastia problem. But even the settlers understood that if they relied only on their own strength, settlement beyond the Green Line would never be more than marginal. In order to move people east, something more was needed. That something was money. They called it quality of life, and it worked like a charm.

**Yediot Aharonot**<sup>41</sup>

In September 1977, of a total of 57,000 settlers, only 7,000 lived outside East Jerusalem.<sup>42</sup> By 1991, this had increased to between 77,000-120,000 living in the occupied Palestinian territories (not including East Jerusalem), an average increase of 14.6 percent in 1990/91.<sup>43</sup> The total number of Israeli settlers in all occupied lands, including the Golan Heights, is approximately 263,000.<sup>44</sup> As Ariel Sharon explains: 'Israel has no plans to leave Judea, Samaria and Gaza, nor will it ever have such plans ... We have built in the past, we are building now, and we will build in the future'.<sup>45</sup> Israeli Prime Minister Rabin said on his 1992 election campaign trail: 'I was always for the principle that it is permissible to build settlements even beyond the Green Line'.<sup>46</sup>

Israeli settlement policies have three basic strategies. First, to interconnect existing Jewish Israeli areas; secondly, to fragment existing

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Palestinian population centres; and, thirdly, to build concentrated, powerful new Jewish Israeli blocks.<sup>47</sup> Raja Shehadeh believes 'the link between the Jewish settlements and Israel is so far-reaching that it amounts to annexation in all but name'.<sup>48</sup>

Spending on settlements is increasing all the time. Meron Benvenisti of the West Bank Data Base Project (which folded up in 1988) estimated that between 1968 and 1987 a total of \$3 billion was spent on Israeli settlement in the West Bank and Gaza Strip (excluding East Jerusalem).<sup>49</sup> The *Washington Post* estimated that between January and October 1990, Israel allocated \$80 million for settlement building.<sup>50</sup> Peace Now estimated that settlement construction for 1991 alone would cost some \$1.1 billion.<sup>51</sup> Estimates for spending on settlements vary, because, says Peace Now, '... the government of Israel is not interested in providing accurate information on settlement activity, and often conceals the data concerning appropriations for settlements'.<sup>52</sup> Behind the smokescreen is '... a hidden section of the budget, appearing in no budget proposal, with governmental and parliamentary approval neither sought nor given'.<sup>53</sup> This process is set to continue. It was recently revealed that the Israeli Housing Ministry under Shamir's government was planning to build an estimated 106,000 units in the West Bank to accommodate a further 400,000 Jewish settlers over the next three to four years.<sup>54</sup> Although statistics on the number of housing units, housing 'starts', and portable homes vary tremendously, official Israeli figures report that the number of building starts in the occupied Palestinian territories quadrupled in 1991 and the number of prefabricated homes installed in 1991 alone was 5,565.<sup>55</sup> Israeli settlement leaders believe that even if there is a complete settlement freeze, '... by the time a determined government did reduce settlement to a trickle ... it would be 1996 and time for new elections'.<sup>56</sup> According to one settlement council head, '... what we have done in the last 15 years will allow us to continue to grow'.<sup>57</sup> From the settlers point of view, the process has been very successful: 'While the economic incentives brought tens of thousands of people to the "five minute from" areas, they continued to establish settlements. The ideologues lay the foundations, and the financial incentives bring the masses'.<sup>58</sup>

Israeli government incentives amount to approximately two-thirds of housing and infrastructure costs for a Jewish Israeli family settling in the occupied Palestinian territories. For example, a family of four receives between 7 to 10 percent reduction in income tax and a housing grant of \$19,000. Between one-half and three-quarters of mortgages received by settlers in the occupied territories have an interest rate of zero, 'a present from the government'.<sup>59</sup> Given that the price of the land usually represents

one-third of the total cost, if the land is free or 5 percent of its value, the price is immediately reduced by one-third. Settlers can purchase land for 5 percent of its value and receive interest-free or low-interest mortgages.<sup>60</sup> According to Peace Now, '... it is 30-50 percent cheaper to buy a house in the territories [sic] than it is to buy a similar house in Israel. Loans are more convenient, infrastructure is provided free of charge, [and] there are substantial tax discounts.'<sup>61</sup>

Following the upsurge in Jewish Israeli settlement activity in 1979, the UN Security Council adopted a resolution (No. 446) stating that Israeli actions had no legal validity and constituted a serious obstacle to a comprehensive, just and lasting peace in the Middle East.<sup>62</sup> This was reaffirmed in 1980 with Resolution No.465 which emphasised the need to take measures to protect both privately and publicly-owned land and other resources, including water, in the occupied Palestinian territories. Such measures have yet to be taken, and given past experience, significant pressure will be required to ensure that the Israeli authorities stop their confiscation and, in effect, 'annexation' of Palestinian land.

Although current settlement policies are linked to wider political events including the peace process, past trends are set to continue; in April 1992, a major campaign was launched to **Settle the heartland**. The aim of the campaign, financed by the Israeli Ministries of Housing and Labour, is to move 70,000 Jewish settlers a year into the occupied Palestinian territories.<sup>63</sup> With distinctions being made between 'political' and 'security' settlements, it would seem that the Israeli authorities are determined to continue the settlement process, under different pretexts.

## Conclusion

Although international law governing belligerent occupation prohibits *de facto* annexation of occupied land, Al-Haq believes this is precisely what Israel's policies amount to; 'It is clear that Israel is acting as a *de facto* and *de jure* sovereign [power] when it proceeds to change the demographic and physical nature of the territory it occupies, violating and completely bypassing the rights and needs of the Palestinian population living under occupation'.<sup>64</sup> The policy Israel is pursuing 'whereby land to which local Palestinian inhabitants cannot prove their title through certificates of registration (which everyone knows do not exist through no fault of the Palestinians) is declared Jewish land, the exclusive use of which any person of the Jewish faith from anywhere

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in the world may come and enjoy, is simply racist ... the policy which Israel has been pursuing in the West Bank is intended to take over their land, and eventually annex the occupied Palestinian territories.'<sup>65</sup>

Experience shows that the multitude of resolutions and condemnations have had little effect. Genuine concern has to be translated into significant pressure being put on Israel to comply with international law concerning belligerent occupation. The principle that Palestinians must be given control of their own land, and the right to self-determination, as expressed in international law, must be recognised by Israel, and current measures that contravene this principle must be stopped immediately.

## References

- 1 M. Begin, Yediot Aharanot, 17 October 1969, quoted in N. Murray, Palestinians: Life Under Occupation, Middle East Justice Network (Cambridge, USA, 1991), p.55.
- 2 A. Coon, Urban Planning in the West Bank under Military Occupation, Summary Report, Al-Haq (Ramallah, 1991), p.8.
- 3 The sale of land to Jews by Palestinians is considered to be an act of treason; in Jordan it is illegal for Jordanian citizens (which most West Bankers are) to sell land to Jews. See R. Shehadeh, Occupier's Law, Institute of Palestine Studies, (Washington DC, 1988), p.39. Unless otherwise indicated, all references to Shehadeh refer to this book.
- 4 Land Research Society, Arab Studies Society, quoted in Attalia, 2 January 1992, No. 732, p.1.
- 5 Al-Haq, Israeli Land Acquisition and Settlement in the Occupied Territories, Al-Haq Human Rights Focus (Ramallah, 20 August 1991), p.10.
- 6 There are many terms dealing with the 'acquisition' of land:  
**appropriation**: a general term referring to control and possession of land;  
**acquisition**: a term covering the acquisition of land for a particular purpose;  
**confiscation**: the general term covering the Israeli authorities acquisition of Palestinian land;  
**expropriate**: the expropriation of land implies that land is acquired for public purposes. In this case, however, where the Israeli authorities choose to regard Jewish settlers as part of the 'local population', the interpretation of 'local population' negates the intentions of acquiring land under this pretext;  
**seizure**: this method of land acquisition usually refers to land seized as punishment for a security offence or land required for security purposes.
- 7 N. Murray, *ibid.*, p.16.
- 8 International Labour Office, Report of the Director-General 1992, International Labour Office (Geneva, 1992), p.64.
- 9 The acquisition of land, for example, for public purposes, is allowed under international law. However, given the Israeli authorities' interpretation of the status of Jewish settlers - that they are included in the 'local population' - the principle of

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- acquiring land under this pretext is negated, and thus illegal.
- 10 For a complete explanation of the Shelta land case, see Advocate A. Qandeel, **The Shelta Land Case and the methods used for its expropriation**, Land and Water Establishment (Jerusalem, September 1992), pp.1-10.
- 11 See A. Coon, **Town Planning Under Military Occupation**, Al-Haq (Dartmouth Publishing House, UK, 1992), p.157. for the reference to the Israeli High Court's ruling in 1971.
- 12 U. Halibi, **Proceedings of workshop on Settlement and Land Confiscation**, Land and Water Establishment (Jerusalem, 1992), pp.3-15.
- 13 Palestinian lawyer, Raja Shehadeh, wrote to the Area Commander in 1983, asking why land registration had been stopped. In his reply, the legal advisor to the Area Commander said that the Israeli authorities could not allow land registration to begin again as this would jeopardize the interests of absentee landowners (see R. Shehadeh, *ibid.*, p.25.).
- 14 Land is actually owned by the Israel Land's Authority and is only leased to Jews; Jews do not theoretically own the land.
- 15 See R. Shehadeh, *ibid.*, endnote, p.25.
- 16 R. Shehadeh, *ibid.*, p.24.
- 17 A. Coon, *ibid.*, summary report, p.8.
- 18 R. Shehadeh, *ibid.*, p.213.
- 19 Al-Haq, *ibid.*, p.10.
- 20 Al-Haq, *ibid.*, p.10.
- 21 Al-Haq, *ibid.*, p.17.
- 22 Because, Israel claims, neither Jordan nor Egypt were signatories of the Fourth Geneva Convention at the time, and no country in the world (except Pakistan) recognised their sovereignty. The problem with these arguments, however, is that although Israel claims not to recognise their sovereignty, it has based most of the military orders on these laws, and by implication, with the same logic, one could conclude that Israel's occupation similarly has no sovereignty or legitimacy.
- 23 J. Pictet, (ed.) **Commentary: IV Geneva Convention Relative to the Protection of Civilian Persons in Time of War**, International Committee of the Red Cross (Geneva, 1958), p.283.
- 24 Jerusalem Post, 2 May 1991.
- 25 Jerusalem Post, 24 May 1991.
- 26 Al-Haq, *ibid.*, p.7.
- 27 Jerusalem Press Service, 20 June 1991.
- 28 Boston Herald, 6 February 1989.
- 29 N. Murray, *ibid.*, p.56.
- 30 R. Shehadeh, *ibid.*, p.35.
- 31 Al-Haq, *ibid.*, p.3.; see R. Shehadeh, *ibid.*, p.35. for a description of the Francois Albina vs. Custodian of State and Absentee Property, Case No. 16/82. This is one method of land acquisition, although it is not common; as far as Raja Shehadeh is aware, this is the only case where the 'good faith' argument has been used.
- 32 R. Shehadeh, *ibid.*, p.37.
- 33 Al-Quds, 26 December 1991.
- 34 See R. Shehadeh, *ibid.*, p.37.
- 35 See R. Shehadeh, *ibid.*, p.18.
- 36 See R. Shehadeh, *ibid.*, p.28.
- 37 R. Shehadeh, *ibid.*, p.22.
- 38 R. Shehadeh, *ibid.*, p.27.

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- 39 Raja Shehadeh estimates that by virtue of **Military Order 59**, the Israeli government was able to register, and thus control, over 30 percent of the occupied Palestinian territories (see R. Shehadeh, **Legal and Institutional Constraints to Industrial Development in the Palestinian Occupied Territories**, paper presented to UNIDO Seminar on Prospects for the Palestinian Occupied Territories (Vienna, Austria, 11-13 October 1989), p.5).
- 40 Al-Haq, *ibid.*, p.4.
- 41 Gideon Eshet et al., **How much it costs us**, Yediot Aharonot, 31 January 1992, quoted in Al-Fajr, **Israeli Scene: All you want to know about settlements in the occupied territories**, 10 February 1992, p.10.
- 42 N. Murray, *ibid.*, p.59.
- 43 Al-Haq, *ibid.*, p.6.
- 44 ILO, *ibid.*, p.53.
- 45 Jerusalem Post, 7 July 1991 & 25 April 1991.
- 46 Foundation for Middle East Peace, **Report on Israeli Settlement**, Foundation for Middle East Peace (Vol.2, No.4, July 1992), p.1.
- 47 See Dr Suad Nasr's comments in Chapter 2 on Land Use & Planning.
- 48 R. Shehadeh, *ibid.*, p.13.
- 49 Al-Haq, *ibid.*, p.6.
- 50 See J. Hilterman, **Settling for War...**, Journal of Palestine Studies (Vol.XX., No.2., Winter 1991), p.75.
- 51 P. Hirschberg, **West Bank Numbers Game**, Jerusalem Report, 5 March 1992.
- 52 P. Hirschberg, *ibid.*, p.8.
- 53 P. Hirschberg, *ibid.*, p.8.
- 54 Quoted in Al-Fajr, 29 June 1991.
- 55 ILO, *ibid.*, p.50.
- 56 Jerusalem Post, 25 June 1992.
- 57 Jerusalem Post, 25 June 1992.
- 58 Gideon Eshet et al., *ibid.*, p.10.
- 59 Gideon Eshet et al., *ibid.*, p.10.
- 60 Foundation for Middle East Peace, **Report on Israeli Settlement**, Foundation on Middle East Peace (Vol.1., No.3.), pp.1-3.
- 61 ILO, *ibid.*, p.49.
- 62 A. Coon, *ibid.*, p.156.
- 63 ILO, *ibid.*, p.50.
- 64 Al-Haq, *ibid.*, p.17.
- 65 R. Shehadeh, *ibid.*, p.49.

# LAND USE & PLANNING | 2

The crucial feature of development policy in the West Bank is that there are no 'development areas' ... If a Palestinian asks ... where in his [sic] village, or any other village, or anywhere outside the villages, development of any type is allowed, the answer he will be given is that no such area exists. This is because virtually no plans have ever been approved.

**Anthony Coon, *Al-Haq*, 1991<sup>1</sup>**

Planning affects a society's prospects for future development and prosperity. It includes investment in infrastructure, housing, commercial and industrial ventures, transportation, water and sewage systems. Planning and land use decisions influence social and economic development; planning decisions determine whether houses and offices can be built, and if so, where. In the occupied Palestinian territories it is different: 'For many hundreds of Palestinians the town planning system has been the means of deciding that the homes they have built should be bulldozed to the ground'.<sup>2</sup> The other side of the coin of planning and land use policies in the occupied Palestinian territories is Israel's creation of a network of new settlements and roads created specifically for, and used exclusively by, Jewish Israeli settlers. 'The



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planning system in the West Bank is thus a mechanism for implanting Jews into Arab territory'.<sup>3</sup> While Israeli planning policies effectively stifle all Palestinian development, they are simultaneously and steadily reducing the area over which Palestinians have rights and ownership. Planning in the West Bank is not so much a means of mediating conflict as an instrument for conducting the conflict.

### Land use planning

Land use and planning policies have become an increasingly important instrument as the Israeli authorities progressively exhaust the 'legal' means devised to acquire land. Attention has been focused on restricting the legal conditions for development and land use; according to Israeli law in the occupied territories, and implemented through the military orders, development can only take place where an outline, detailed parcellation plan exists, and has been approved. This is unrealistic and absurd because the Israeli authorities have not approved *any* development or land use plan for Palestinians during the 25 years of military occupation. Whereas planning for Jewish Israeli settlements in the West Bank and the Gaza Strip has been encouraged and facilitated, the original planning laws relevant to Palestinian development have been twisted and manipulated to prevent and restrict Palestinian land use and development. The process of land use planning in the West Bank has evolved so that all Israeli planning authorities, including representatives of regional and local settlement councils, are represented and consulted. Palestinians have no part in the decision-making or consultative process. Some of the most stringent land use and development restrictions apply to the 'special use' and 'nature reserve' zones which are, in effect, permanently removed from Palestinian hands even though their title does not change. Many of these zones lie near Jewish Israeli settlements, because, as Israeli analyst Benvenisti explains, they are designed implicitly for Jewish Israeli settlements. As far as any sort of planning is concerned, the interests and needs of the local Palestinian population are not only ignored, but 'the physical planning process reflects Israel's interests exclusively, while the needs and interests of the Palestinian population are viewed as a constraint to be overcome'.<sup>4</sup>

## **International law on planning under occupation**

Under international law an occupying authority is required to maintain an 'effective administration' in the occupied territory in the interests of the local population, or improve conditions, and not alter existing law, unless 'absolutely prevented' from doing so by security or public order requirements. However, as Raja Shehadeh explains: '... it cannot be the case that a military authority working for an aim which is detrimental to the national existence of the Palestinian population is seriously serving the interests of the population'.<sup>5</sup> An occupier is mandated to respect and uphold the existing laws, in this case Jordanian Planning Law No. 79 of 1966 and the two plans drawn up under the British Mandate in 1942 and 1945, and administer the occupied territories with already existing institutions, separate from those of its own. The occupier is obliged to implement policies and objectives which promote the social and economic interests of the local i.e. Palestinian, population.

There is, however, a fundamental discrepancy between expectations under international law that an occupation is temporary in nature, and carrying out development and land use planning, the method by which a society looks forward and plans for the future. The transfer of a substantial part of the population of the occupying power to occupied territory is illegal under international law.<sup>6</sup> On all counts, Israeli policies have proved detrimental to the interests of the Palestinian population. All local participation has been removed as has the input from all 'non-official' (ie. non-Israeli) institutions (Military Order 418, 23 March 1971).

## **Israeli planning policies in the occupied territories**

Jordanian Planning Law No. 79 of 1966 and the British Planning Ordinance of 1936 provide the legal basis for planning law in the West Bank. The Jordanian planning law defines the planning authorities responsible for preparing development and land use plans and monitoring development in the interests of the local population. Under Jordanian law, every stage of the planning process involves the active participation of the local population and related institutions.

### **S15 and RJ5**

Israeli regional planning and land use policies are based on two plans, the Samaria Regional Plan (S15) and the Regional Jerusalem Plan (RJ5), which

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were drawn up under the British Mandate more than half a century ago. At that time circumstances were quite different to those prevalent today; the population was four times less than it is today and economic conditions and land use practices were significantly different. Neither plan was ever approved by the British Mandate authorities, and most importantly, the plans are not applicable in the most important area, namely the local municipalities. In addition, neither plan has been translated into Arabic or ever been made available for public inspection. Israeli amendments to both plans have never been published or approved, and it is not clear which parts of the original plans have been amended. Both are currently of fundamental significance to planning practice in the West Bank: 'the priority accorded by the administration to establishing colonies for people of their own faith is the reason for the inadequate coverage and stunted opportunities provided by the plans for Palestinian development'.<sup>7</sup> S15 covers the northern part of the West Bank (Tulkarem, Jenin and Nablus districts) and RJ5 most of the rest of the West Bank.

Both plans define three land use zones within which only specific types of development is to be allowed: agriculture, development, and nature reserves. The regulations and specifics within these zones are very vague; for example, the Judean Desert (the area to the west of the Dead Sea) is defined as 'state domain' and *no* policies for development are provided for the entire area. In addition, S15 allows the planning authorities to relax any of the restrictions imposed by the plan.

The selective reference and use of these plans by the Israeli authorities is striking. The two plans are interpreted and used to provide spurious justification to prevent almost any Palestinian development outside of existing towns and villages (which are themselves subject to further restrictions).

S15 has had three versions. The first was approved in 1942, but has disappeared without a trace. The second plan was deposited in 1946 and supposedly 'put into force' in 1948. The map has disappeared and what remains of the plan is believed to be an unapproved draft. The third version is the so-called Kendall Plan, named after the Chief Planner of the British Mandate. Kendall himself refers to the plan as a 'proposed plan'. It was never deposited and is so different in character to the previous two plans that it was more likely an advisory rather than statutory plan. It too was never approved. The origin of plan S15 came to light when the minutes of an Israeli Higher Planning Council meeting were leaked; as Moskowich, the head of the Central Planning Department, explained '... I would rather not make reference to the other permits because at the time we did not know of the existence of S15'.<sup>8</sup> Since its 'discovery', S15 has been used relentlessly as the pretext for refusing

permits for Palestinians and for stopping Palestinian development in the northern part of the West Bank.

RJ5<sup>9</sup> appears to have been rediscovered by the Israeli authorities in 1980, a year after the first World Zionist Organisation Master Plan was made public in 1981, although it has never been published. The plan is not available for inspection at any planning office; the Central Planning Department does not have copies of RJ5, yet it persistently cites both plans as the reason for refusing development.<sup>10</sup> These discrepancies add weight to Anthony Coon's conclusion that '... there must therefore be considerable doubt as to both the nature and legal status of RJ5'.<sup>11</sup> When RJ5 was challenged in the Israeli Supreme Court, it was upheld despite the fact that the RJ5 map was 'lost' and only part of the regulations remained. It was made public in 1980, when it was used as the pretext to revoke a building permit for a housing co-operative in Qalandia because it did not conform to RJ5.<sup>12</sup>

The plan covers an area of 446,270 dunams (about 110,272 acres), approximately 11 percent of the total area of the West Bank. The area extends from Dura Al-Qara in the north to Beit Fajjar in the south and includes the main towns of Ramallah, el-Bireh, Bethlehem, Beit Jala, Beit Sahour, 44 villages and seven refugee camps.<sup>13</sup> On the outskirts of Jerusalem, in the village of al-'Issawiah, for example, the Israeli land use plan allowed Palestinian construction on only 650 dunams of land; 1,980 dunams were already built up at the time the plan was announced.<sup>14</sup> East Jerusalem is excluded from the plan because, according to Israel, it was annexed in 1981.

### **Building permits**

Three main reasons are used by the Israeli planning authorities to refuse building permits for Palestinians when land is designated as 'agricultural'<sup>15</sup>; the prohibition on subdividing land<sup>16</sup>; the prohibition of more than one house on each 'plot' of land; and the charge that land is not properly registered.<sup>17</sup> Neither plan contains any development area. As Anthony Coon concludes: 'the virtual absence of any development areas means therefore that almost any development could be said to contravene the plans'.<sup>18</sup> Very few people appeal against demolition orders or refusals for building permits because no one has ever appealed successfully against the refusal of a permit or a demolition order.<sup>19</sup>

Jordanian planning laws have been rendered obsolete by two amendment plans and Israeli-issued military orders which fundamentally change the structure and logic of Jordanian law and '... the obsolete British plans drawn up half a century ago [which] serve as the only legally binding planning document. This is clearly an unfair and restrictive measure in view

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of the drastic changes in living conditions.<sup>20</sup> This is particularly important because of the decisive role attributed to development plans under Jordanian law, especially with regard to the granting of building permits.<sup>21</sup>

### Amendments

Since the Israeli authorities have not repealed or replaced S15 and RJ5 they were faced with a problem: how to restrict and prohibit Palestinian development, while at the same time allow Jewish Israeli settlement and related development on the same land. As Anthony Coon explains: 'Jewish colonisation is so manifestly incompatible with the Mandate regional plans that attempts were made by the Israelis to "amend" those plans to allow settlement to take place and for the roads to serve these settlements to be built'.<sup>22</sup> Consequently two 'amendments' were added to the Mandate plans - **Road Plan No.50**, which provided the framework for a road network linking the settlements with each other and with Israel, and **Plan 1/82**, which allowed for extensive development for Israeli settlements in the West Bank. A large number of objections were made to this plan and a hearing was held on 5 September 1990 to hear the 1,300 objections which were submitted. There was no agenda and the whole hearing was taken up with technical legal points. Although a decision was promised within six weeks, it is still awaited.<sup>23</sup> And, while neither plan has ever been approved, they both form the basis for current planning policies and development in the West Bank, i.e. Israeli development. Indeed many of the roads in the plan were built before the plan was ever published. Both were part of the master plan '... to disperse maximally large Jewish population in areas of high settlement priority'.<sup>24</sup> After 25 years of Israeli occupation, these two plans are the only 'legal' planning documents in force in the West Bank.

### Road Plan No. 50

Partial Regional Road Plan No. 50 (1983) details a comprehensive road system based on an east-west axis to link settlements with each other and with Israel. There are eight main road links across the border between the West Bank and Israel and only one direct link running north and south between major Palestinian cities and towns. Israeli analyst Benvenisti explains that the '... goal was to bring a complete integration of the West Bank and the Israeli systems to promote Jewish settlement in all parts of the West Bank'.<sup>25</sup> The total length of the roads covered by this plan is 1,246 kilometers, covering a total area of 101,082 dunams. Coupled with land designated for construction and roadsides (approximately 178,245 dunams), the total area is 279,327 dunams.<sup>26</sup> Regulations for the road plan indicate that a 'corridor of

uncertainty' of 1.5 km each side may be included. If this occurs, over one-half of the total area of the West Bank will be affected and will be subject to the restrictive planning and land use policies.<sup>27</sup> According to this plan, no buildings can exist within a 200 meter zone of the roadsides without a permit<sup>28</sup>; if they do they are subject to demolition. Between Anabta and Tulkarem in the north, eight houses were demolished immediately after road construction started, and 57 more became illegal and were thus subject to demolition.<sup>29</sup>

Road Plan No. 50 covers the whole of the West Bank and is clearly aimed at promoting Israeli settlement; it by-passes, isolates and fragments Palestinian communities thereby restricting their potential for growth and development and increasing Israeli control over the land. 'The plan has been and will continue to be the means of sterilising development, preventing the adoption of town plans and dispossessing Palestinians of much of their most productive and developable land.'<sup>30</sup> The Israeli authorities have even used this plan to justify development policies because of the benefit they provide to the 'local' i.e. Israeli, population.<sup>31</sup> Whereas roads to Jewish Israeli settlements are in good condition, those to Palestinian towns and villages are old and in disrepair, and no efforts are made to develop and improve them; 'thus, the reality is that two parallel road systems have been created on the West Bank: one for Israeli use and another, in existence prior to 1967, and with certain improvements, for Palestinian use'.<sup>32</sup>

### **Regional Plan No.1/82**

This plan was drawn up after the Likud election victory in 1977. Although the Association of Arab Municipalities submitted extensive objections to the plan, no reply was ever received, they were never consulted at any level, and even the Palestinian engineers in the Central Planning Department knew nothing of the plan until it was placed on deposit.<sup>33</sup> The plan states it covers 2,750 hectares, whereas in reality it covers about 4,500 hectares in a belt around Jerusalem ranging between 5-15 kms deep. According to this plan, there is no allowance made for future Palestinian development, and all 'future development zones' indicated in the plan are, significantly, all adjacent to East Jerusalem. In addition, large areas are referred to as 'reserved land' which include current settlements, indicating that the rest of this 'reserved land' will also be used for settlements.<sup>34</sup> The most remarkable aspect of this plan is that it makes no allowance for urban development on the fringes of an expanding and growing city, Jerusalem.

Having amended existing planning law by military orders and two unapproved amendments to existing planning laws, the Israeli authorities were

free to proceed with their scheme to integrate the West Bank and Gaza Strip into the 'Israeli system'.

## **The 'transfer' of power**

The 'transfer' of power from the Jordanian administration to the occupying Israeli military authorities was done through the use of military orders. Between 1967 and 1971, all official planning bodies effectively ceased to function; procedures and decision-making was unregulated and uncontrolled. It was not until the Israeli government realised the political and physical importance of the planning process that it began to issue military orders to gain complete control over all aspects of land use and development planning. Military Order 393 (14 June 1970) authorised the Military Commander to forbid, halt or set conditions for construction. Military Order 418 (23 March 1971) transferred all planning powers to an official nominated by the Military Commander. This officer assumed the authority, once held by the Jordanian Minister of the Interior, over land use and development planning. This effectively cancelled the Jordanian law of 1966, and included the power to suspend any plan or license anywhere in the West Bank. Until 1985, this appointee was the Israeli officer in charge of interior affairs. After 1985, the position was filled by an appointee from the 'infrastructure branch' of the Civil Administration, the branch responsible for the 'acquisition' of Palestinian land.<sup>35</sup> Palestinian lawyer Rishmawi believes that, '... appointing the person responsible for confiscating land for the purpose of creating settlements as the head of the planning for the West Bank, is an indication that the Israeli authorities are planning in their own interest, and not in the interest of the indigenous Palestinian population'.<sup>36</sup>

### **The structure of the 'legal' system**

**Military Order 418** (23 March 1971) effectively removed all local participation from the planning process. Input from 'non-official' (ie. non-Israeli) institutions was abolished. These were replaced by the Higher Planning Council, composed solely of Israeli officials. The Higher Planning Council is responsible, on a day-to-day basis, for issuing permits, carrying out

demolitions, and ruling on development plans. The Higher Planning Council is now under the direct control of the IDF Commander in the occupied territories. According to Jordanian law, the Higher Planning Council must include individuals representing the various interests of the local population. **Military Order 418** does not specify the composition of the council and **Military Order 604** (20 July 1975) and **Military Order 1100** (25 March 1984) gives the IDF Commander the power to appoint members. This commander is entitled, at any time, to amend, cancel or disregard any plan or permit and issue or dispense the requirements for a permit. By 1991, the Council was comprised solely of Israeli military officers, who, like the head of the Central Planning Department, were residents of an Israeli settlement in the occupied territories.<sup>37</sup>

**Military Order 418** also grants the Higher Planning Council full jurisdiction over other committees. All the Palestinian Village Planning Committees have been abolished and have been replaced by a single local committee for 'Planning and Construction' composed of Civil Administration officials. The only planning authority not brought under direct military authority are the municipal councils. Most of these, however, were dismissed in 1982 and have been replaced, especially since the cancellation of all municipal elections since 1976, by Israeli-appointed officials.<sup>38</sup>

The Central Planning Department, established under Jordanian Law, is now part of the 'infrastructure branch' of the Israeli Civil Administration. It has a staff of 34, 20 of whom are inspectors who track down developments without permits and issue demolition orders. It has very close links with, and often uses the staff of, the corresponding Israeli ministries. All department heads are Israelis and are usually soldiers.<sup>39</sup> There is no public access to information and local offices are unable to give advice on planning policy.<sup>40</sup>

The Higher Planning Council, the body responsible for granting Palestinian building permits, is also responsible for the demolition of Palestinian homes which have been constructed without a permit. Anyone who issues or recommends a permit that does not conform to the above plans is subject to up to one year in jail.<sup>41</sup> Between 1986 and 1989, 1,500 houses were bulldozed for 'planning reasons', more than the number of



house permits issued during the same period. As Anthony Coon explains: 'The greatest injustice is of course not that developers are unable to get the necessary permit, but that so many of them, offered no official guidance on where they may build, have gone ahead and built anyway and then had their homes demolished'.<sup>42</sup> Most houses are demolished because they do not occupy a registered 'plot', or because they allegedly contravene the regional plans prepared under the British Mandate some 50 years ago.<sup>43</sup> Under Jordanian law, the planning authority can remove a building in one of six situations; neither lack of a building permit, nor the violation of a building permit, are adequate reasons to remove or demolish a building.<sup>44</sup>

## House demolitions

Since the beginning of the intifada, the Israeli authorities have stepped up their house demolition operations by approximately 250-300 percent. Benvenisti believes that the Israeli authorities are determined to use planning and house demolitions as instruments of punishment and reward for political and security purposes.<sup>45</sup> In 1988, the authorities demolished at least 255 houses in the West Bank and Gaza Strip on 'planning grounds'; in 1989, this had increased to 331, and during the first two months of 1990, the number was 42<sup>46</sup> (this does not include houses destroyed for 'security reasons', 221 for 1988, and 368 for the first three-quarters of 1989).<sup>47</sup> Al-Haq estimates that during the first two years of the intifada at least 400 homes were demolished on the pretext of 'security' even though in only one percent of cases the 'suspect' had been convicted prior to the demolition. Nevertheless, the Israeli High Court has never overturned a demolition order.<sup>48</sup>

The legal basis of Israeli policies are Jordanian Planning Law No.79 (1966), introduced by the Jordanian Parliament as a temporary measure to cope with urban and rural planning, and Article 119 of the 1945 British Defence (Emergency) Regulations, which allow the authorities to demolish, seal rooms or confiscate a house in the interests of 'security'. The Emergency Defence Regulations (revoked by the British on the eve of their departure in 1948) restricted demolition to instances where the 'accused' had already been tried by a military court and found guilty. Its application by the Israeli military authorities has no such restriction. During the past five years, out of

a total 1,000 homes demolished, approximately 90 percent were either demolished or sealed before a trial had been held or a verdict reached. The Israeli High Court ruled in a case brought by the Israeli Citizen's Rights Movement that current demolitions are legal and in line with the laws in practice in the occupied territories.<sup>49</sup> In addition, Article 33 of the Fourth Geneva Convention prevents an occupying power from punishing any person for an act he/she did not personally commit. Similarly, Article 53 of the Fourth Geneva Convention prevents an occupying power from destroying or demolishing any private property which belongs to an individual or a group. Nevertheless, in numerous instances the Israeli authorities have demolished or sealed houses on the pretext that one of the inhabitants was guilty (prior to a court hearing or verdict) of a 'security' offence.

As a result of these policies at least 13,500 people have been made homeless<sup>50</sup>, and roughly 3,000 families are currently living in houses built without permits. The financial costs of demolitions are enormous; Al-Haq estimates that all demolitions during the first two years of the intifada cost a total of \$12 million.<sup>51</sup>

In contrast, no buildings built by Israelis in the West Bank have been demolished, even if they lacked planning permission. Settlements built in Hebron by the notorious right-wing settler movement, Gush Emunim, had no planning permission; they were not demolished and were soon enthusiastically supported by the Israeli government.<sup>52</sup>

## **Land use restrictions**

By controlling land use practices in the West Bank and Gaza Strip, Israel effectively controls land that is still, in theory, owned and used by Palestinians. The military authorities have used a number of methods to restrict land use practices.

### **Construction prohibitions**

Strict prohibitions have been imposed on all Palestinian construction. Military Order 393 (14 June 1970) gives any military commander the power to halt any construction or impose conditions if he believes it is necessary for the security of the Israeli army or to ensure public order.

### **Combat Zones**

Military Order 271 (12 August 1968), regarding liability in combat zones,

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effectively prohibits any use of approximately one million dunams of land. Although no actual change is made to private property rights, it is too dangerous to use land which is within a military firing zone.

### **Nature Reserves**

Nature reserves, 'considered by the authorities as an integral part of the land-seizure programme', have provided a pretext under which hundreds of thousands of dunams of land have been effectively confiscated - with no compensation given. By 1985, 250,000 dunams had been seized and confiscation of a further 90,000 dunams was in the pipeline.<sup>53</sup>

### **'State land'**

Military Order 59 (31 July 1967) allows the Military Commander to declare uncultivated, unregistered land 'state land' unless ownership can be proved 'satisfactorily' to the Ministry of Justice and the Civil Administration. According to the Israeli authorities, this method of land acquisition is 'legal'; on the basis of the Ottoman Land Code of 1855, where uncultivated, unregistered land belonged to the Sultan, and was therefore 'state land'. The Israeli authorities have been seizing this land ostensibly in the name of the Jordanian government since the beginning of the occupation. The Jordanian government, however, never used this definition of 'state land', and did not acquire land under this pretext. Israel's acquisition of 'state land' has only been possible since Military Order 291 (19 December 1968) was issued. This military order halted the process of land registration. As a result, Palestinians have been unable to register their land since 1968, which, with the double test of proving continuous cultivation for 10 years, has resulted in the acquisition of nearly 800,000 dunams of land in the West Bank. And, according to this double test, the Israeli authorities have indicated that a total of 39 percent of the West Bank is potential 'state land'.

As the process of Israeli settlement of the occupied Palestinian territories intensifies, increasing numbers of Palestinians are 'discovering' that their land is 'state land' which is duly confiscated from them. According to the Israeli Basic Law of 1960, 'state' land can only be used for 'Jewish' benefit; thus it cannot be leased or sold to a non-Jew, a policy through which Israel presented '... its far reaching apartheid legislation as progressive social democracy'.<sup>54</sup>

### **Closed military areas**

Two additional methods have been used for restricting land use. In 1970, Military Order 378 (20 April 1970) gave any military commander the power

to declare any area a closed military area. By 1985, 23 closure orders were affecting approximately one million dunams. Although most closed areas are used as military training areas, some 80,000 dunams near or in Palestinian population centres were declared closed as a first step towards establishing Israeli settlements on the land.<sup>55</sup> Land requisitioned for military purposes does not change the ownership of the land, but restricts rights of possession and use. Between 1968 and 1979, this was the most common method of land acquisition by the Israeli authorities. The pretext was the Hague Convention which allows an occupier to seize land for military purposes. Palestinians challenged this because, they argued, the establishment of settlements on seized lands was clearly illegal under international law. The Israeli High Court upheld the government's position, because, it was argued, the settlements are temporary until a political settlement has been reached. However, when land for the Elon Moreh settlement was seized and the military authorities stated quite clearly their intention to establish a permanent settlement there, the High Court revoked the seizure. Since the Elon Moreh case this method of acquiring Palestinian land has ceased, and land is now declared 'state land', and duly confiscated (see Chapter 1 on Land 'Acquisition' and Jewish Israeli Settlement).

## **Planning and land use for Israeli settlers**

Israeli settlers are subject to Israeli law, including planning law, and do not face these restrictions.<sup>56</sup> When, in 1979 and 1981, Israeli regional and local councils were created in the settlements, planning authority was handed over to them; 'special' planning commissions were created to avoid them being covered by Jordanian planning law. In addition, Military Order 418 gives the Military Commander the power to disregard any plan, and prepare and approve any plan at will. An amendment to this military order allows 'special committees' to be created and to function without explaining their purpose.<sup>57</sup> For Israeli settlers, the planning system is a means of implanting settlements on Palestinian land. While Palestinian building permit applications have been consistently denied, by mid-1987, 274 statutory plans had been approved for Israeli settlements.<sup>58</sup>

The Israeli government's policy regarding settlement in the West Bank and Gaza Strip intensified with the election of the Likud government in 1977. The World Zionist '1983-1986 Plan' estimated that, between these years, the Israeli population in the West Bank and Gaza Strip would increase from

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28,000 to 100,000, and the number of settlements would increase from 90 to 164.<sup>59</sup> In fact it was not until 1991 that these targets were met. Substantial changes were made to planning and development policies; Palestinian development was to be suppressed and restricted, while Israeli development in settlements throughout the West Bank and Gaza Strip was to be facilitated and encouraged. In 1981, Moskowich, a member of Likud and Gush Emunim, and a settler himself, was appointed head of the Central Planning Department.

### **Effects of Israeli planning policies on the Palestinian population**

The Palestinian population in the West Bank, Gaza Strip and East Jerusalem is currently around 2 million people, living, apart from the Jordan valley, in about 470 densely populated towns, villages (half of the total population) and refugee camps.<sup>60</sup> Roughly 875,000 people, some 50 percent of the West Bank population and 85 percent of the Gaza Strip's population are registered refugees, the majority of whom live in 20 refugee camps administered by UNRWA in the occupied territories.<sup>61</sup> None of the 470 towns or villages have adequate development plans. Official Israeli figures show an increase in the annual population growth rate from approximately 2.4 percent in 1974, to 1.5 percent between 1975 and 1981, and stabilizing at 2.7 percent.<sup>62</sup> No account is taken of this population increase, which if current rates continue, will increase by one-third in ten years. Outside the boundaries of the 25 towns in the West Bank which have municipal councils, all construction in rural or semi-rural towns and villages, covering 70 percent of the population, requires permission from the Israeli-controlled Central Planning Department and Higher Planning Council.

#### **Fortress Jerusalem**

The Israeli strategy for the Old City of Jerusalem and East Jerusalem has been to surround the area with Israeli 'fortress' colonies to the north, south, and east. Their aim has been to cut-off Palestinian East Jerusalem from the rest of the West Bank and to make it difficult to restore the pre-1967 boundaries.<sup>63</sup> Since 1967, when more than 90 percent of the population of East Jerusalem was Palestinian, 70,000 houses have been built for Israeli settlers and only 5,000 for the Palestinian population which has increased by about 70,000.<sup>64</sup>

### **Nablus**

The district of Nablus illustrates the reality prevalent in the West Bank. The current population of the Nablus municipality area (covering 2,600 hectares) is 107,000. The Central Planning Department has recently proposed a cancellation of 800 hectares. Similarly, planning in the 63 villages covered in Plan S15, including the villages in the Nablus district, assumes a population of 33,500 people; the current population of these villages is, in fact, around 138,000. Only two of the villages have approved outline plans, both of which allow for development only in existing development zones. Twenty Israeli settlements have been established in the area, all contrary to Plan S15, including Ariel settlement whose development plan allows for a population increase from the present 6,500 to 100,000.<sup>65</sup> In 1990, the plan for Ariel settlement was revised to cater for a population of 200,000.<sup>66</sup> As for development of the roads in the area, a new road is planned linking the settlements with each other. It by-passes Nablus city, for which there are no proposals for road construction to relieve the already congested road system.<sup>67</sup>

### **Hebron**

With a population of 100,000, the city of Hebron is subject to a British Mandate plan prepared for a population of 20,000 and an area one-tenth the size covered by the present municipality boundaries. The town desperately needs a development plan which would include provisions for an industrial area where industries from the town could be relocated. Space needs to be allocated for residential buildings to ease the current housing crisis, where new stories are being added to shop premises. The process of obtaining a building permit in Hebron is as follows: signatures are required from four Israeli government departments before an application can be submitted to the Civil Administration; approximately ten meetings are required with the head of the Central Planning Department, and then there is a wait of about two years before a building permit is granted. Instead of facilitating this process, the Israeli policy has been to reduce the size of the municipality by an unspecified amount.<sup>68</sup>

### **Villages**

A similar scenario can be seen with development and planning in Palestinian villages. In 1981, the so-called Shamshoni outline plans were prepared and deposited for 183 villages, and a further 100 were prepared and deposited in 1985. None of these plans were based on field surveys and '... it [is] clear that the purpose of the plans is not to provide for development but to confine development'.<sup>69</sup> Even officials in the Civil Administration voiced their

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dissatisfaction with them, noting that '... most plans do not acknowledge construction which has already taken place'.<sup>70</sup> Although none of the plans were ever approved, the Shamshoni plans have been used as a basis for issuing and refusing building permits. The intention was clear: to mark a line around the built-up areas, beyond which no further building or development was to be allowed. Despite the fact that with or without regional or local plans, Israel's control over building and development in the West Bank and Gaza Strip is still absolute through its use/abuse of building permits, land acquisition, settlement policies, etc., these plans do strengthen Israel's control by providing the 'legal' basis against Palestinian expansion and development.

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Israeli planning policies have a direct impact on the Palestinian economy and the lives of Palestinian people. Palestinian planner, Dr Suad Nasr, believes that Israel's intention is to suppress the unique and distinctive nature of Palestinian villages and to suppress their agricultural potential. Whereas the average area allocated for each residential unit in a village is approximately 50 square meters, the average area in Israeli settlements is 400 square meters - up to three times as much.<sup>71</sup> Similarly, Dr Nasr notes that the area allocated for agriculture in Israeli settlements is twelve times as large as in Palestinian towns and villages.<sup>72</sup>

Although some Palestinian villages and towns have been encouraged to make town plans, not one of these plans has been approved since 1985 on the grounds that no final statutory plan of the occupied Palestinian territories has yet been made.<sup>73</sup> Between 1985 and 1987, Palestinian planners drew up 55 counter-plans on behalf of local Palestinian councils. These were drawn up according to internationally accepted standards, guidelines and criteria and reflected the true future requirements and needs of the affected communities. Not one of these plans has been used or approved by the Israeli authorities, and with the outbreak of the intifada, Palestinian attempts to challenge Israeli-imposed plans have been impossible. It is in the absence of such a plan that all building licenses have to be approved by the military authorities. In 1986, the Civil Administration stopped funding plan preparations by village councils, although plans for settlements continue to be funded in full by the Israeli government.<sup>74</sup> The result has been that the preparation of development plans for West Bank villages is at a standstill. All development is thus dependent on individual decisions of the Central Planning Department which has already prepared secret plans for the majority of the 400 villages in the West Bank.<sup>75</sup>

According to Jordanian law, a building permit is not required to

conform to a regional plan; it must merely conform to an outline or detailed plan, if such a plan exists. Similarly, there is no requirement that each building be on a separate plot. The only restriction is that within a 'planned area' land cannot be divided into plots of less than one hectare unless they conform with an approved parcellation or outline plan. If plans do not exist, Jordanian law allows all development to be frozen under two conditions; first, a permit can only be withheld for a maximum of one year, and secondly, a plan must be prepared within this period by the planning authority.<sup>76</sup> The situation has been manipulated by the Israeli authorities to remove any legal obligations and responsibilities they have requiring them to prepare plans and grant building permits.

If an applicant is suspected of being a member of a political group or has been 'administratively detained', their application is rejected by the Israeli General Security Service (GSS - Shin Bet), who 'facilitate' the issuing of permits. Similarly, if the applicant is not the registered owner or is thought not to be up to date on tax payments, the application is rejected. Contrary to Jordanian law, no legal appeal is allowed against the refusal of a permit or against a demolition order.<sup>77</sup> The objections committee for regional and road planning schemes is made up of the same military personnel who are involved in the creation of these schemes.

In the absence of legally enacted land use plans, the primary instrument for controlling Palestinian growth has and continues to be the granting and withholding of building permits. Obtaining a permit is a difficult, lengthy and costly business: the average success rate is 20 percent;<sup>78</sup> the average time involved is at least a year; the average cost is \$2,500; and 80 percent of applications are rejected.<sup>79</sup> Roughly 350 permits are issued annually, one-tenth the number necessary to cater for the current population growth. In 1988, for example, 994 building applications were filed and processed; of these, only 221 were approved.<sup>80</sup> In 1982, for example, Bir Zeit University submitted five building permit applications; three took an average of 35 months to be granted, one was refused and one was still undetermined after 43 months. The problem, it seems, is Israel's use of the reference to one building per plot in the British Mandate plans.<sup>81</sup>

Israeli settlers are issued permits at 120 times the rate they are issued to Palestinians. Even in the refugee camps, where space is limited, UNRWA is issuing permits at 5 times the rate that the Israeli authorities are issuing to Palestinians in the West Bank and Gaza Strip; 95 percent of all applications in the camps are granted.<sup>82</sup> And the situation is not improving: Anthony Coon believes that: '...the trend over the last ten years has been for restrictions on development to become more pervasive; permit procedures have become more



cumbersome, lengthy, costly, obscure and centralized ... the remnants of the Jordanian legal system are further enfeebled by arbitrary military orders [and] the bulldozing of homes without permits becomes an almost everyday occurrence'.<sup>83</sup>

## Conclusion

'For Palestinians the planning system is of vital concern because it affects not only their prospects of future prosperity, but their prospects of nationhood'.<sup>84</sup> In reality there is no significant development in the occupied Palestinian territories. Israeli policies regulating planning and development in the occupied territories are characterized by 'racial disparities ... which are systematic and of long standing. The planning of Jewish settlement in the West Bank further violates professional ethics widely accepted elsewhere that planners should not seek to promote the advantage of one racial group over another',<sup>85</sup> especially when the settlements are illegal under international law. 'Arab development zones' comprise the densely populated village cores beyond which no development or construction is permitted without the explicit permission of the Israeli-controlled Higher Planning Council. Not only is further development banned, but parts of already existing towns and villages fall outside the boundaries set for Palestinian development.

The 'legal' system has been transformed and manipulated to scrupulously enable the Israeli authorities to avoid repealing the British Mandate plans: '... one of [which] is indecipherable and incomplete, and the other exists in at least two versions and has no evidence of approval ... [both] whose legal status [have] never been detailed. The Mandate plans are *irrelevant* to Palestinian needs and they provide virtually no *opportunity* for development.'<sup>86</sup> The result is a 'legal' system which provides *carte blanche* opportunities for Israeli development and land use unconstrained by Jordanian or international law, or the requirements of the Palestinian population's agricultural or development needs. Israel's persistent efforts to tighten its control over land use and development planning in the West Bank and Gaza Strip, and the facts created as a result of these policies, are serious obstacles for a peaceful solution to this land-based conflict. It is up to international third parties to ensure that immediate action is taken to stop the colonisation of Palestinian lands, and to ensure that legal and administrative systems are established that allow and encourage Palestinian land use planning and development.

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- 10 Palestinians first hear about plans for Israeli settlements in press notices. Any person is allowed to inspect the plan and object if they wish. In practice, this open-mindedness is not what it seems; the plans are only available for inspection in the offices of the Civil Administration and the Jewish local council, offices to which Palestinians have no access; secondly, Israeli regulations specify that all objectors have to be landowners (a condition not required under Jordanian law); and since land for Israeli settlements has been seized from Palestinian land owners, no objection from a Palestinian to the settlement plan will in fact be considered (see A. Coon, *Town Planning Under Military Occupation*, *ibid.*, pp.201-202).
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## THE ISRAEL MINISTRY OF AGRICULTURE presents: **ISRAEL - THE LAND AND ITS SIGNIFICANCE**

Water is an extremely scarce resource in Israel. In fact, it is in many ways the limiting factor on the country's future development.

At present all the known sources of supply are being almost fully exploited – and in some cases even dangerously **overexploited**.

The country's natural water supply originates from three major sources:

- ★ The Jordan River catchment area
- ★ Two major underground water-bearing geological structures called **aquifers**

- The Mountain (or Yarkon-Taninim) Aquifer
- The Coastal Aquifer

The latter two sources constitute subterranean reservoirs, containing approximately 60 per cent of Israel's water supply. The waters they store are affected, directly and indirectly, by civilian and ecological activity in Judea and Samaria – as to both the quantity and the quality of the water.

- ★ Excessive pumping or uncontrolled sewage and waste disposal in Judea and Samaria are liable to cause serious *depletion, salination and pollution* of the aquifers. Relinquishing the western slopes of the Judean and Samaritan hills will create a situation in which the fate of the national water supply could be determined by the actions of whatever Arab authority controlled the evacuated areas after withdrawal.
- ★ Any exploitation or pollution of the aquifers (particularly the Mountain Aquifer) by the **Palestinian** authorities would, by the principle of connecting vessels, have an immediate and significantly detrimental effect on the **Israeli** water supply. Given the present critical scarcity of water in Israel, even with all the

available sources of supply at her disposal, withdrawal and the relinquishing of control of a substantial portion of these sources could leave the country in a potentially desperate plight.

- ★ It is important to note that the mortal dangers implicit in such a situation could arise, even **without** there being any malicious intent on the part of the Arabs. They could result with equal severity from simple municipal mismanagement, poor planning, lack of knowledge or plain neglect. However, whatever the reasons may be, Israel might easily find herself facing irreparable damage to the supply of one of her most vital strategic sources – a situation which would, in a most tangible way, endanger her continued existence.

- ★ The crucial issue to be considered in any political solution regarding the future of Judea and Samaria is the question of **who will have final authority in resolving issues in dispute**. This is especially acute in the case of water resources, as any proposed Palestinian political entity, whether sovereign or autonomous, would have no water resources at all, other than those upon which Israel is so critically dependent for her day-to-day survival.
- ★ This intense interdependence and the scarcity of water supplies accentuate even more the severity of the problem of **authority**. For under such conditions, even if some sincere and trustworthy Palestinian party could be found with whom an agreement could be made, the problem of allocating such a vital and scarce shared resource would make disputes almost inevitable.
- ★ Who would have the final say as to where drilling sites were to be located? How much water is to be pumped from them without irreparably damaging the aquifers? Where potentially polluting industries should or should not be established within the evacuated areas? In cases of disagreement, whose will is to be imposed on whom? How could Israel secure its vital interests without imposing impossible restrictions on the Palestinians' freedom to resolve their own domestic issues? Conversely, how could the Palestinians be given freedom to safeguard their legitimate domestic issues, without gravely endangering Israel's vital interests?
- ★ Moreover, even if all disputes were resolved, however unlikely such a possibility may be, and some fragile compromise were to

be reached, Israel's future would be completely dependent upon the honoring of that compromise agreement not only by the Palestinian party who **signed** it, but also by any **successor** who may come to power in the future. Clearly, the many extreme and militant elements, who undoubtedly oppose **any** agreement with Israel, together with the enormous socio-economic difficulties that any Palestinian administration would face, make very likely the overthrow of the original Palestinian regime and its replacement by some other regime, far more hostile to Israel. Such a successor regime would, of course, be highly unlikely to honor the compromise so vital to Israel's continued existence, especially as it would constitute the very justification for the overthrow of its predecessor!!!

- ★ Finally, relinquishing control over Judea and Samaria will leave Israel without any legal, moral or practical means to prevent the repatriation of almost a million Palestinians resident in refugee camps in surrounding Arab countries, whether by their own free will or by forcible "transfer" by their reluctant Arab "hosts." Such a wave of poverty-stricken humanity would generate an impossible strain on the already over-extended water supply and inadequate sewerage system, endangering even further Israel's vulnerable and fragile source of life.
- ★ It is difficult to conceive of any political solution consistent with Israel's survival that does not involve complete, continued Israeli control of the water and sewerage systems, and of the associated infrastructure, including the power supply and road network, essential to their operation, maintenance and accessibility.

# STEALING THE WATER

## 3

In a largely agricultural, land-based economy, access to water supplies is second only in importance to control of the land. As Israeli analyst David Kahan explains: 'Given the heavy demand for water from Israeli agriculture ... the competition for future water use is critical. As a result, limits were imposed by the [Israeli] authorities on the drilling of additional water sources in those parts of the West Bank that use water from the aquifer. Pumping of water from wells is frozen at the existing levels, and in some instances has even been reduced.'<sup>1</sup> Control of water is, in every sense, a *political* and *economic* issue; the clear weight of the extensive available evidence suggests that Israel's water policy is motivated by political ends which are incompatible with, and violate, international understanding of the role of a belligerent occupying state.

Shortly after the beginning of the occupation, Israel destroyed 140 Palestinian water pumps in the Jordan Valley which had, until then, been used to irrigate Palestinian farms.<sup>2</sup> Since 1967, this process has continued. Military Order 291 (19 December 1968) declared all existing settlements of disputes concerning water invalid and Military Order 92 (15 August 1967) gives the Military Commander the power to control all permits for existing and new

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water installations. This amounts to a 'creeping' policy of redirecting West Bank water supplies to Israel. 'The main water potential of the West Bank ... [was thus] exploited to its limit, in a ratio of 4.5 percent to the West Bank and 95.5 percent to Israel'.<sup>3</sup> For example, in March 1992, the Israeli authorities began draining water supplies surrounding their military camp in Beit Sahour and using heavy equipment began to pump it to nearby settlements located east and south of Bethlehem.<sup>4</sup> Similarly, the village of Kufr Mallek near Ramallah suffered a severe water shortage when the Israeli water company, Mekorot, dug a deep artisan well for neighboring Israeli settlements without any consultation with, or consent from, the Palestinian villagers.<sup>5</sup>

### **Total water supplies**

#### **West Bank and Gaza Strip**

The West Bank's total water supplies are estimated to be 580 million cubic metres per annum:

- 49% from rivers
  - 10% surface run-off
  - 13% brackish groundwater
  - 28% sweet groundwater sources
- (West Bank Survey, Israeli Prime Minister's Office, 1967).<sup>6</sup>

Groundwater, the only water source in the Gaza Strip, is estimated to be consumed at a rate which exceeds natural replenishment by 60 million cubic metres per annum. This is causing the water table to fall by 15-20cms per annum and is resulting in the salination of all of the Gaza Strip's water supplies, including the wells and aquifer.<sup>7</sup>

#### **Israel**

Israel's total water supplies are estimated to provide between 1,600 to 1,650 million cubic metres, of which 950 million cubic metres are subterranean. The Jordan River and the Sea of Galilee provide a further 600 million cubic metres, and some 60-100 million cubic meters are gathered from other rivers and rainfall. Israel's demand for water has steadily grown out of proportion to its available supplies. In 1949, Israel consumed 17% of its renewable resources. By 1978, it consumed 95%, while five years later Israel was using *all* of its renewable water resources. Depletion of the water table on this scale has caused major salination of remaining water supplies. Israel currently uses

15% to 50% more water than its annual supplies provide, somewhere in the region of 2,100 million cubic meters.<sup>8</sup> Today, over one quarter of Israel's current water consumption has its source in the West Bank's aquifers,<sup>9</sup> accounting for between 80-95 percent of the West Bank's water resources.<sup>10</sup>

### **Alternative supplies**

Non-territorial methods of increasing supplies do exist; desalination of sea water, decreasing evaporation from the Sea of Galilee, rainwater storage and water conservation, for example. According to the Israeli authorities, however, all these methods have been tried and where technically and economically possible, these methods are already being used. Desalination, in particular, is deemed prohibitively expensive. Consequently, current Israeli policy is a continuation of its pre-1967 policy i.e. diverting the West Bank's water reserves to Israel. The military orders which govern the occupied Palestinian territories include provisions for complete Israeli control over water use and extraction in the occupied territories. The point, however, is not that the Israeli authorities have complete control, but that this control is abused to provide ample water supplies to Israel and its settlements in the occupied territories at the expense of Palestinian needs.

The logic of this policy has been carefully explained to the Israeli public; as Israel's Ministry of Agriculture stated in 1990, 'it is difficult to conceive of any political solution consistent with Israel's survival that does not involve complete, continued Israeli control of the [West Bank's] water and sewage systems, and of the associated infrastructure, including the power supply and road network, essential to their operation, maintenance and accessibility'.<sup>11</sup>

In their recent appeal to the International Water Tribunal, the Palestinian Hydrology Group and the Palestinian Advocates Group came to the conclusion that, 'rather than there being a problem of natural water shortages and water needs outstripping supplies, the problem is foremost a problem of water allocation ... It is increasingly evident that Israel's water management policies have never aimed at the sustainable development of the area's limited water stock ... [they] now threaten the water resources on which Israel depends.'<sup>12</sup>



## International consensus on the appropriation of water in occupied territories

Whether water is considered moveable, immoveable, public or private property, international law works with a territorial concept of water. The law is specifically formulated to ensure that no state has the right to deprive a neighboring state or territory, occupied or not, of water from jointly shared resources. The formulation of policy and the management of water resources or water installations in anticipation of their annexation is strictly forbidden. An occupying power is permitted provisional *de facto* authority over natural resources for only two purposes: military needs, or to provide increased supplies to the local population according to *normal use*.<sup>13</sup> Far from catering for the population under occupation, Israeli policies discriminate heavily against them and in favour of its own population, including Jewish Israeli settlers living in the illegal settlements in the West Bank and Gaza Strip.

### Military orders

The clear purpose of Israel's policy is to prohibit Palestinians from freely using their own water resources. Three military orders issued for the West Bank amend existing Jordanian Water Law. Under **Military Order 92** (15 August 1967) full authority was granted to an Israeli official, appointed by the Area Commander. This official became responsible for granting operating licenses to new and existing water authorities, controlling methods of operation, and appointing directors of water authorities. **Military Order 158** (19 November 1967) prohibits the construction of any new water installation without a permit. The official has the right to refuse a permit, revoke or amend a license, without justification. And **Military Order 291** (19 December 1968), concerning settlements of disputes over land and water, declares all prior settlements of disputes regarding water invalid, thereby increasing the already considerable jurisdiction of the officer.

## Effects of Israeli policies

The impact of the military orders has been direct and massive. Palestinian residents of the West Bank currently use between 5-15 percent of the water from their own territorial supplies. During 25 years of military occupation, the amount of water available to Palestinians has not changed.<sup>14</sup> The pumping of water from the Jordan River - before the Israeli occupation the principal means of irrigation for the most fertile areas in the West Bank - is now forbidden for 'security reasons'.<sup>15</sup> Substantial quantities of water are pumped from the Jordan River to the Negev desert (inside the Green Line) leaving Palestinians and Jordanians alike without an adequate supply. Israel's policy has been to refuse permission to deepen and/or repair existing wells or construct new wells. It has been near impossible to obtain a permit to construct a water installation; between 1967 and 1985 no more than five permits were issued to Palestinian residents of the West Bank to dig wells - all for 'exclusively domestic purposes'.<sup>16</sup> 'Until today, not a single permit has been granted to Palestinians to dig deep wells for irrigation purposes'<sup>17</sup>; only three permits have been granted to dig shallow wells for irrigation purposes.<sup>18</sup> The result has been the almost total dependence of Palestinian agriculture on uncertain rains.

Although the area of Palestinian land under irrigation has decreased, improved techniques have resulted in higher yields from this land.<sup>19</sup> Nevertheless, whole areas of land now lie uncultivated because of lack of water. The drilling of new and deeper wells by Jewish Israeli settlers in the West Bank has accounted for the shortages being faced by Palestinian farmers in certain areas, particularly in the Jordan Valley. According to the Israeli Central Water Service (1977-78) settlers were permitted to dig 17 new wells in the Jordan Valley, with a combined total extraction of roughly 14 million cubic metres per year (i.e. roughly one-third of the *total* Palestinian well yield in the West Bank). As of 1982, 314 Palestinian wells have been in operation in the West Bank with a combined yield of 38 million cubic metres per year.<sup>20</sup> In terms of per capita distribution, by 1990 Benvenisti predicted that approximately 100,000 Israeli settlers will be allocated 100 million cubic meters, whereas the Palestinian population, totalling over one million people would be allocated 137 million cubic meters.<sup>21</sup> Whereas Palestinian wells are restricted to a maximum depth of 300 metres, Israeli settlers are allowed to drill to depths of up to 1,000 metres (and up to 2,000 metres in some cases); many old Palestinian wells have dried out, and those that remain are fitted with meters (installed by the Israeli Mekorot water company) which monitor

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the rate of extraction. If Palestinians exceed their quotas they are subject to heavy fines,<sup>22</sup> and although Israeli and settler wells are also fitted with meters, there are no known cases where settlers have been fined for exceeding their quota, a not uncommon occurrence.<sup>23</sup> The costs of extracting water from depths up to 1,000 metres are tremendous and have only been possible because of subsidies from the Israeli government. If the true costs were levied on the settlers, it is questionable whether their agricultural production would be as large as it currently is.

In addition to these inequalities, the price of water depends on whether one is a Jewish Israeli settler or a Palestinian. According to official Israeli statistics, some 50,000 settlers in the West Bank used more water in 1987 than 650,000 Palestinians. And they paid less than one-quarter of the cost levied on Palestinians thanks to a subsidy from the World Zionist Organisation. Palestinians in the West Bank pay 60% more than Tel Aviv residents for the use of West Bank water supplies.<sup>24</sup>

## Conclusion

Given the predominance of agriculture in the West Bank and Gaza Strip's economy, current Israeli water policy amounts to a concerted attack on Palestinian economic and political integrity. Control of land and water is the basis of economic control, and vice-versa; Israel's water policy provides evidence that the economic issues which determine the Israeli-Palestinian relationship are above all based on *territorial* issues. Any Israeli withdrawal from the West Bank and Gaza Strip would require them to relinquish 'control' of the water supply. The ideal situation is equitable joint management of the regions water supplies.

It is more than evident that Israel's water management policies have never aimed at the sustainable development of the region's water supplies; their policies now threaten the future of their own water resources as well the resources of other countries in the region. The allocation and consumption of water currently favours Israel, the 'ruling power'; in the long run, this will not provide stable and satisfactory answers to questions of efficiency, legality, or equity.<sup>25</sup>

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**AL-OUJA, NEAR JERICHO, 1990. LACK OF WATER MEANT THAT MANY FARMERS WERE UNABLE TO  
CULTIVATE THEIR LAND AND SO WERE FORCED TO SELL THEIR WATER PIPES  
RULA HALAWANI**

# AGRICULTURE | 4

Nowhere can Palestinian dependency on Israel be seen more clearly than in the field of agriculture. Israel's policy towards Palestinian agriculture has been, and continues to be, geared towards complimenting Israel's production and market requirements. This is less part of a coherent strategy, and more the result of haphazard policies designed to suit Israel's immediate requirements. Palestinian farmers have been prohibited from producing goods in which they have a comparative advantage, especially in agriculture, because of Israel's similar comparative advantage in producing the same produce. Wherever Palestinian and Israeli interests compete - in resources, marketing, etc. - Palestinian efforts are controlled and suppressed. The sale, for example, of Palestinian fruit and vegetables in East Jerusalem is 'illegal', but it is not illegal to sell Israeli produce. Produce in the street markets is liable to be confiscated or destroyed; on many occasions soldiers, with municipality officials, overturn the carts of fruit and vegetables because the vendors (usually women from the villages) are 'illegal'.

The case of Palestinian watermelons illustrates how one crop has been affected by Israeli measures (and, to a lesser extent, by Jordanian import restrictions). The sale of Palestinian watermelons in Israel and East Jerusalem

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is prohibited and in the West Bank and Gaza Strip they have to compete with subsidised Israeli watermelons grown in plastic houses all year round which Palestinian farmers usually cannot afford.<sup>1</sup> The largest market for Palestinian watermelons, especially from the Jenin area, was Jordan. This stopped in 1988 when Jordan imposed quotas to ensure the sale of their own produce from the Jordan valley. Palestinian farmers wanting to export to Jordan now have to wait until there are insufficient supplies in Jordan before they are given an import quota. Thus Palestinian farmers find themselves unable to sell their watermelons in Israel; in the West Bank and Gaza Strip they are undercut by subsidised Israeli watermelons, and in Jordan they are dependent on strict quotas. Many farmers have thus been forced to stop growing watermelons, and instead grow chickpeas for which there is a large Israeli market. Figures illustrate the effects of these policies: the total area planted with watermelons fell from 71,000 dunams in 1966 to 3,000 dunams in 1975, and rose to 22,000 dunams in 1985, an overall decline of 69 percent.<sup>2</sup>

Israeli analyst David Kahan explains: '[the] policy objective was to orient production from the Territories [sic] toward the needs of the Israeli market, outlined [by the Ministry of Agriculture] as the "development of agricultural branches in coordination with Israeli production for the local market and export utilizing the limited production factors and the relative advantage of climate and cheap labour"'.<sup>3</sup> This policy accentuated the dependency relationship - 'a policy through which Israel gradually engineered a virtual restructuring of the Palestinian agricultural sector to suit its own interests'.<sup>4</sup>

Palestinians have been forced to produce goods with low internal demand in the occupied Palestinian territories, and a higher demand in Israel. While stringent quotas determine what can and cannot be marketed in Israel, Israeli agricultural products flow freely into the occupied Palestinian territories without restrictions, especially in the winter months when Israeli fruits and vegetables, grown in plastic houses in the Jordan valley, are sold in the West Bank and Gaza Strip. In 1986, for example, 20.4 percent of Israel's total agricultural exports went to the occupied Palestinian territories.

Israeli restrictions effectively prohibit Palestinians from exporting abroad, except to Jordan. Recently, direct export to Europe has increased, in part due to efforts by the EEC to trade directly with the occupied Palestinian territories. In practice it is usually not cost-effective to export agricultural produce to or through Jordan. Trucks have to wait on the Israeli side of the bridge for security checks for at least a day; on the Jordanian side they are held in 'Amman for a day to ensure that export is through a licensed export agent, and to check the quota certificate and other papers. When the truck

returns across the bridge, proof is required of the total amount of money received, with receipts. And, with a cost of one shipment across the bridge of 700 Jordanian dinars (approximately \$1,000), any competitive edge the goods may have had in the first place is usually removed.

Long before the beginning of the Israeli occupation, the Gaza Strip was exporting agricultural produce, mainly to Eastern Europe. In the last few years, the Gaza Strip has managed to export agricultural goods to Europe directly, mainly with help from the EEC. Two marketing companies have been established, and their efforts to trade with Europe directly have been encouraged. There are, however, restrictions to be faced at every stage. Produce for export is still subject to Israeli security checks which are costly and time consuming, often resulting in the produce being ruined. Fruit bound for Europe is classified into 1st, 2nd and 3rd class fruit; the problem facing Palestinian farmers is that Israeli juice factories pay more for 1st class fruit than export to Europe would provide. The juice is then sold in Europe under an Israeli label where the price of juice is higher than fruit.<sup>5</sup> Fruit exported to Europe has to be airfreighted by El Al, the Israeli airline company, which costs an estimated 55 percent of the selling price.<sup>6</sup> And, Palestinian fruit in Europe cannot compete under these conditions with produce from Spain and Morocco. Thus, it is more cost effective to sell the fruit to Israeli juice factories.

The purpose of Israeli measures is to prevent Palestinian produce from competing with Israeli agricultural products. In 1968/69, 25 percent of Palestinian agricultural exports went to Israel, 45.5 percent to Jordan and 29.4 percent to other countries. By 1984/85, 62.7 percent went to Jordan, 31.6 percent to Israel and 5.8 percent elsewhere.<sup>7</sup> This in turn increases Palestinian purchasing power with regard to Israel, thereby deepening the dependence of the occupied Palestinian territories as Israel's client state. Goods produced for export, in effect, have to be marketed through AGREXCO, an Israeli marketing company because there were, until recently, no other independent marketing companies with export facilities - eg. frozen-storage equipment, 'security' access, foreign agents, etc. Palestinian goods marketed through AGREXCO are thus exported under the Israeli label. More recently, two marketing companies have been established in the Gaza Strip, in Khan Younis and Beit Lahiya, which export Gazan produce directly to Europe. For exports from the West Bank, it is still cheaper to export agricultural products through AGREXCO because of the host of restrictions facing direct export. At Ashdod port and Ben Gurion airport, for example, export goods have to be checked-in 48 hours in advance, and every box is opened for 'security reasons'. Although Palestinian export agents have to pay the full cost of these security



checks, no Palestinian agent can enter the airport area to follow-up on exports and any possible damage. As a result, Palestinian farmers have found that exporting to Europe is often not cost-effective.<sup>8</sup>

Agricultural production has been directed towards the development of Israeli import substitutes. In 1967, Palestinian agricultural production was almost identical to Israel's: tomatoes, cucumbers and melons were roughly half of Israel's crop; plums and grape production were equal to Israel's; and Palestinian production of olives, dates and almonds was higher. The West Bank, then, exported 80 percent of the entire vegetable crop it produced, and 45 percent of total fruits produced.<sup>9</sup> Since 1982 however, the balance of agricultural trade between the occupied territories and Israel has changed for two reasons.<sup>10</sup> First, there has been a general trend in the Middle East of a decline in agricultural production, and secondly, the occupation has further restricted Palestinian agricultural production which, given that this is the traditional base of the economy, illustrates the extent to which the Palestinian agricultural sector has been successfully downgraded to a state of dependence and decline.

### **Military orders**

Military orders affect every step of the agricultural production process and strangle Palestinian initiatives: land confiscation, water restrictions, exorbitant duties on supplies, access to credit facilities, persistent curfews preventing harvesting of crops, Israel's trade monopoly, marketing restrictions, competition from subsidised Israeli produce and the prohibition of establishing a 'political voice', especially important for competition with Israel where strong farm lobbies influence agricultural economic policy. These are accentuated by the absence of a central agricultural authority serving Palestinian agricultural interests. If Palestinians were in control of their own land, their own resources, their own agricultural development, some of the above problems would be alleviated.

**Military Order 134** (29 September 1967), for example, specifies that every tractor or other piece of heavy equipment has to be registered and the owner is required to have a permit to use it. As with other permits they are not issued until a host

of conditions have been met. Similarly, **Military Order 1147** (30 July 1985) enables Israel to control what, and how many, fruit trees can be planted, and **Military Order 818** (22 January 1990) restricts the planting of seasonal plants including flowers (flowers are an important part of Israeli exports, especially to Europe). According to **Military Order 658** (2 June 1976) Palestinian farmers are subject to VAT and sometimes income tax (see Chapter 8 on Taxation). This contravenes Jordanian law which exempts farmers from all VAT and income tax payments; as a result of the seasonal variations in income, farming is not considered to be a permanent job. Under Israeli occupation, the situation is different. Palestinian farmers pay 18 percent value added tax (VAT) on all supplies and materials, while Israeli farmers are refunded VAT payments on materials.<sup>11</sup> Although Palestinian farmers are entitled to a rebate of the 18 percent, they do not issue receipts when they sell their produce, and thus cannot claim the VAT back. Even those institutions which do issue receipts, including agricultural cooperatives, do not automatically receive the rebate; they are either debited the balance or, in some cases, have gone to court to force the authorities to issue the rebate they are entitled to.<sup>12</sup> With import costs this high, this effectively removes any competitive edge Palestinian products have over their Israeli counterparts. Furthermore, the pesticides and fertilizers available to Palestinian farmers are often out of date and the expiry date is written in Hebrew, which most Palestinian farmers cannot read. Whereas military orders specify that Palestinian goods marketed in Israel require Hebrew labels (**Military Order 530**, 13 December 1973), there are no such requirements for Israeli goods marketed in the occupied Palestinian territories.

## Effects of Israeli policies

### Agriculture as a proportion of GDP

Despite its declining contribution to the GDP, agriculture remains the backbone of the Palestinian economy. However, since the 1980s agricultural

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output has been declining. Between 1968/70 and 1983/85 the percentage of agriculture to GDP in the West Bank fell from between 37.4-53.5 percent to between 18.5-25.4 percent, and in the Gaza Strip from 28.8 percent to between 12-15.9 percent.<sup>13</sup> The agricultural labour force has declined dramatically as economic circumstances have forced people to take alternative jobs. Between 1969 and 1985, the agricultural labour force, as a percentage of the total labour force, fell from 46 to 27.4 percent in the West Bank and 32 to 18 percent in Gaza Strip.<sup>14</sup> Women workers, who often take the place of men who are imprisoned or forced into migratory labour, are usually not included in overall statistics. A recent survey indicates that women make up 50% of the agricultural workforce in the West Bank and 13% in the Gaza Strip.<sup>15</sup> Estimates suggest that in the early 1980s, as a result of competition from Israeli agriculture, and lack of funds to invest in new equipment and technology, one-third of the agricultural labour force left agriculture to work in the industrial sector. This trend changed as a result of the intifada and later the Gulf War when it became increasingly difficult for many Palestinian workers to keep their jobs, especially inside Israel. In addition, because the seasonal factor has largely disappeared from agricultural production as a result of the use of plastic houses, Israeli farmers, especially settlers in the Jordan valley, are at an advantage. Subsidies from the Israeli government enable them to invest in the latest high-tech equipment to increase yields.

Although the agricultural labour force has declined throughout the Middle East as a whole in recent years, it may be the case that it has declined at a slower rate in the occupied Palestinian territories because of the military occupation. Precisely because industrial development is severely restricted as a result of the occupation, and fewer workers are employed in this sector, people are forced to stay in their towns and villages and work in the agricultural sector. Lack of accurate data makes it unclear how far Israeli restrictions have slowed or accelerated the general decline in agriculture.

### **Land Confiscation**

The most serious problem affecting Palestinian agriculture is the continuing confiscation of their farmland (see Chapter 1). Israel has expropriated 65 percent of the West Bank and nearly 50 percent of the Gaza Strip,<sup>16</sup> causing a decline of 23 percent in the area of cultivated land in the West Bank.<sup>17</sup> Military Order 378 (20 April 1970), for example, declared one-quarter of the West Bank closed military areas. Farmers were forced to apply for permits to graze their animals or to cultivate their own land.<sup>18</sup> Similarly, Israeli acquisition of land under the pretext of 'state' land (Military Order 364, 29 December 1969) prohibits Palestinians from using land previously under

cultivation, affecting 80,000 dunams of land in the West Bank.<sup>19</sup>

In addition, the total area of land - 279,327 dunams - designated for road building under Road Plans 50 and 923, includes thousands of dunams of fertile land in the valleys of the West Bank. This figure includes 178,245 dunams of land designated for construction and clear roadsides.<sup>20</sup> Under the auspices of these plans, the Israeli authorities have uprooted thousands of trees and prevent the grazing of animals within a 100 metre zone of the roads (see Chapter 2 on Land Use and Planning).

The percentage of Palestinian land under cultivation reflects the general trend of the declining amount of land under Palestinian control. The total percentage fell from 2,080,000 dunams in 1966 to 1,951,000 dunams in 1980, to 1,700,000 dunams in 1985; an overall decline of 18 percent.<sup>21</sup>

### **Uprooting trees**

Since the beginning of the intifada, the Land Research Committee of the Arab Studies Society estimates that approximately 127,000 trees were uprooted, of which 81,000 were olive trees producing 250 tons of olive oil every year. Although the total value of these trees is difficult to ascertain, the estimated value is \$44 million (olive trees take a minimum of 15 years before they begin to yield their normal crop of olives).<sup>22</sup> The olive crop, one of the main sources of income for Palestinian farmers, usually generates an average income of \$50 million, according to Palestinian economist Naseer Aruri.<sup>23</sup> In 1989, olives contributed 25 percent of total agricultural production. As a result of continued uprootings, land confiscation, restrictive water policies and natural bad harvests, the total crop yield has fallen in the last few years.

### **Net exporter to net importer**

Before the occupation the West Bank exported a third more than it imported - 80 percent of its vegetables and 45 percent of its fruit production. The contribution of agriculture to GNP was 37 percent in the West Bank and 43.4 percent in the Gaza Strip. By 1980, these rates had declined to 29 percent in the West Bank and 12.2 percent in the Gaza Strip.<sup>24</sup> By 1979, after ten years of occupation, West Bank agricultural imports exceeded exports by 11 percent, 90 percent of which came from Israel.<sup>25</sup>

During the 1950s and early 1960s, the Gaza Strip had a healthy citrus industry and was beginning to expand into the European markets. After 1967, Israel effectively banned agricultural exports from the Gaza Strip to western markets. Gazan farmers now had to apply for permits to plant new trees, replace old fruit trees, or to dig new wells. As with other permits, their issuance can take up to five years, if at all, and requires stamps from seven

different Israeli government departments as well as tax clearance certificates. By the mid-1980s, the once agriculturally-prosperous Gaza Strip had become, in Israeli analyst Benvenisti's words, 'the Soweto of the State of Israel'.<sup>26</sup> By 1977, citrus yields had begun to fall below their previous levels; from 243,700 tons in 1975, production fell to 164,000 tons in 1984 - 'a crisis [which] was primarily the result of a series of Israeli measures enacted against it'.<sup>27</sup>

### **Water restrictions (see Chapter 3 on Stealing the Water)**

As a result of restrictions on access to water supplies for irrigation, the proportion of land under irrigation only increased from 4.8 percent of the total land under cultivation in the West Bank in 1966, to 6.4 percent by 1986.<sup>28</sup> In comparison, by 1987, 69 percent of land in Jewish Israeli settlements and 43 percent of the cultivated land in Israel was under irrigation.<sup>29</sup> While Israeli agriculture enjoys subsidies for irrigation of 50 percent of the total cost, Palestinians are subject to the full cost of water supplies.<sup>30</sup>

In Al-Ouja village, north of Jericho, three-quarters of the population were severely affected when nearby settlers dug three wells which drained their water source. As a result, 13,000 dunams planted with banana trees and 150 dunams of citrus fruits dried out and the villagers were unable to support themselves.<sup>31</sup>

Palestinian farmers complain of so-called 'water traps' erected by the Israeli authorities which redirect runoff water (that would otherwise feed naturally into the shallow wells used by Palestinians) to aquifers used by Jewish Israeli settlers.<sup>32</sup> As Mahmoud Salleh, the head of the Al-Ouja Agricultural Cooperative, explains, 'the drought has become so severe in the last few years that we can hardly bear it'. Whereas the co-operatives' 12,000 dunams of cultivated land used to go dry once every 20 years, it now goes dry every year. The reason, Mahmoud explains, is because the Israelis are extracting underground water that used to feed into their spring. In 1991, in the same village, 1,500 dunams of bananas were destroyed because of a water shortage. The farmers asked Mekarot, the Israeli water company, to sell them more water. They were told that there were insufficient supplies.<sup>33</sup>

## **Marketing Palestinian produce**

Marketing is one of the main problems facing Palestinian farmers (see Chapter 6 on Trade Activity). Palestinian economist Gharaibeh explains: 'Normally the Israeli authorities inform their officer for marketing in the military government of weekly amounts of produce allowed to enter Israel who in turn

allocates them among the different districts of the West Bank and for issuing permits ... Israeli policies have blatantly steered the [occupied] territories towards a state of dependency on Israel.'<sup>34</sup> Planning in such haphazard circumstances makes marketing agricultural production uncertain at best, and disastrous at worst. Although there is limited access to the Jordanian market, Palestinian farmers still have to face high transport costs, Jordanian import restrictions and price controls, and fees to both Israel and Jordan. In Israel, the fees are commission agents fees, not government fees; in Jordan, fees are levied at the bridges (produce is now taken across the Damiyeh Bridge in the north, leaving the Allenby Bridge solely for people travelling). In addition, 20 percent of trucks carrying Palestinian produce across the bridge to Jordan are routinely searched; they are often held until the produce is rotten and unsellable.<sup>35</sup> Similarly, the main north-south road in the West Bank goes through occupied East Jerusalem. Farmers transporting their produce, say from Hebron to Nablus, have to obtain a special permit to pass 'through Israel'. These permits are issued for a particular day, and if for some reason (a curfew, for example) the produce is not delivered on that day, there are instances where the truck has been confiscated, its contents sold without compensation, and later released on 'bail', pending a court case. Transport of goods between the Gaza Strip and the West Bank also requires a travel permit. These permits take an average of 45 days to be issued.<sup>36</sup>

In 1990, the EEC decided to trade directly with the occupied territories. Gazan citrus farmers, however, faced considerable obstacles at every stage of marketing their produce through Israel, despite the Israeli military authorities claim that citrus exports were being allowed from the Gaza Strip and the Jordan Valley in spite of the blanket curfew during the Gulf War.<sup>37</sup> In February 1991, a ship intended for export of Gazan fruits departed for Europe without a single Gazan fruit on board. The ship had been in the Israeli port of Ashdod for a week, but Gazan farmers had been unable to deliver their produce because of the curfew. Eventually some Gazan fruit did make its way to Europe: Ghaleb Martajeh, head of the Gazan Chamber of Commerce and a citrus producer, shipped 300 tons of citrus fruits to Norway, half the original amount. Martajeh was forced to sell the remaining fruit, which was not rotten, at half-price to an Israeli juice factory.<sup>38</sup> As a result of the curfew, the head of the Citrus Producers Union, Hashem al-Shawa, deemed the 1991 citrus season the worst since 1967. Only 12 percent of the fruit had been picked from the trees (during the same period in 1991, 50 percent of the fruit had been picked). Al-Shawa also said that the curfew had prevented the export of fruit and destroyed local marketing possibilities.<sup>39</sup>

Until March 1992, the first 3,000 tons of fruit exported from the Gaza

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Strip were exempt from tax. This exemption was cancelled and export tax rates were subsequently increased; \$5 per ton to Europe exported through Israel, \$4 per ton if exported through Jordan and \$2 per ton if sold directly to Israel.<sup>40</sup> Although Palestinian farmers are disappointed by the amount of produce shipped to Europe since direct trading began in 1988, they still believe it is necessary for both the 'national cause' and future development of the Palestinian economy. Foreign trade links also help improve the quality of local produce since exports need to meet foreign quality control standards.

Citrus farmers are not alone in experiencing these difficulties. In 1989, the United Agricultural Company (UAC) exported 5.5 tons of olive oil; they ended up losing US \$1,500. 'The reason was that the oil remained in the port for nearly two and a half months. The [Israeli] port authorities created several justifications for delaying the oil shipment to Liverpool. This [2 month] delay and improper storage conditions affected the quality of the oil, which affected the chances of marketing it,' explained a company official. Storage containers which would have kept the oil fresh for long enough cost more than the oil stored inside them.<sup>41</sup> In the end, the poor quality oil was sold at a very low price to a baby food factory in England. Far from being a profitable export venture, the UAC lost substantial amounts of money.

### **Palestinian agricultural institutions**

There are currently four Palestinian institutions offering financial and specialised advice to Palestinian farmers - the Technical Development Group (TDC), the Economic Development Group (EDG), the Arab Development Company (ADC) and the United Agricultural Company (UAC).

The UAC, for example, is four years old and works predominantly in the Jordan Valley. It offers credit facilities to farmers who have an infrastructure on their farm, and a loans programme (comprising 74 percent of UAC's annual budget) which provides full funding for new projects if they are adopted by the UAC. The UAC is one of the institutions which received funds from the recent EEC aid package to the occupied territories.<sup>42</sup>

### **Effects of the Gulf War**

Palestinian agriculture was severely affected by the Gulf War since the bulk of exports go to the other Arab states. Money from the Gulf States, approximately \$250 million, ceased and exports through Jordan were severely restricted. Palestinian exports to the Gulf States had previously accounted for approximately \$25.4 million. The stopping of this trade caused Palestinian exports to fall by 14 percent of total exports.<sup>43</sup>

The sanctions against Iraq also hit the small amount of Palestinian

agriculture produce which was exported there.<sup>44</sup> The previous Head of the Civil Administration, Shaiki Eretz, confirmed that the Israeli authorities intended to do all they could to stop the export of Palestinian goods through Jordan to Iraq. The sanctions gave the Israeli authorities another excuse to put even more pressure on Palestinian agriculture. The olive harvest, which usually generates an income of \$50 million, was severely hit by these measures, as was the Gazan citrus industry, one-third of which was previously exported to Arab countries through Jordan.<sup>45</sup>

For the future, Palestinian farmers will have to find new markets as the local market is saturated and improvements in agricultural methods are increasing output. Jordan's disengagement from the West Bank in 1988, partly as a result of Jordan's own agricultural crisis, resulted in the loss of yet another outlet for Palestinian agriculture. Recent developments regarding direct trade with Europe, especially the EEC countries, and the initial development of a marketing infrastructure, including the two marketing companies in Gaza Strip and the packing-box companies in Nablus, are encouraging. Because of restricted trade with Israel as a result of direct competition, and with Jordan, Palestinian trade with Europe is considered especially important for the future.

### **Curfew policies**

Curfews are frequently used by the Israeli authorities as a method of collective punishment. Though Israel's curfew policy is not necessarily aimed at destroying the Palestinian economy, it causes economic and social hardship, thereby affecting the economy. As a result of its active part in the intifada the village of Halhoul, near Hebron, was unable to export its grapes and peaches in 1988 because of curfews imposed on the village as collective punishment.<sup>46</sup> And, during the Gulf War, 100,000 dunams of irrigated cultivated land in the West Bank was destroyed during the first 10 days of the curfew. During this two-month blanket curfew, greenhouse losses amounted to \$19 million and 30,000 farm workers were unable to go to work. Estimates for the total loss to the Palestinian agricultural sector as a direct result of the curfew were \$45 million per week in the West Bank, and \$15 million in Gaza Strip.<sup>47</sup> Some areas were totally devastated. In the Tulkarem region, for example, thousands of dunams of citrus fruit rotted, resulting in a total loss of approximately \$4.5 million per week.<sup>48</sup>



## Gazan fishing industry

There was once a thriving local fishing industry in the Gaza Strip. However, the overall catch and production in Gaza has fallen as a result of Israeli restrictions, including a reduction in the sea area allowed for fishing; 300 square km in 1988 was reduced to a mere 24 square km in 1990. Whereas before the Camp David Accords in 1977, fishing contributed nearly 7 percent of total agricultural output (1979), this fell to, and has stabilised at, 2 percent.<sup>49</sup> Fishermen have also been hit by the frequent curfews imposed on the Gaza Strip and the need to obtain a security permit and be up-to-date on all tax payments. Anyone deemed a 'security threat' is denied a permit.<sup>50</sup> As a result, by 1990, 110 fishing boats had been abandoned and some 1,000 fishermen were forced to turn to wage labour within Israel.<sup>51</sup> The number of fishermen fell from 1,000 in 1982 to roughly 700 at the beginning of the intifada.<sup>52</sup> Faced with these restrictions, development has been difficult. Plans for a United Nations Development Programme (UNDP)-financed commercial port, for example, have been shelved.<sup>53</sup>

## Conclusion

In its attempt to 'de-develop'<sup>54</sup> the occupied Palestinian territories, Israel is creating a situation whereby the occupied Palestinian territories are dependent on, and subservient to, Israel. Without a defined development policy regarding agricultural production and marketing, the Palestinian agricultural sector has suffered from unfair competition, haphazard policies, stagnation and Israeli and Jordanian policies aimed at enhancing the interests of their own agricultural sectors at the expense of the Palestinians. Israeli-issued military orders control all aspects of Palestinian agriculture and strangle any development initiatives. As with other sectors of the Palestinian economy, Israeli government policy is aimed at restricting Palestinian competition, and therefore development, of any kind and controlling production, marketing and export of all agricultural produce. As competition over resources (land and water) and marketing outlets became more acute, especially with increased Israeli settlement building, Israel has tightened its control over Palestinian agriculture.

As well as suffering from direct measures, Palestinian farmers are affected by other Israeli policies aimed at de-development, dependence and control. Whereas Israeli agricultural exports are coordinated by AGREXCO

which handles everything from packing boxes to shipping, Palestinian agriculture is subject to Israeli regulations and restrictions at every stage of the production process. Cooperatives are forced to buy all supplies at market prices and are even subject to the 'security costs' when their produce is searched. And, whereas Israeli farmers are reimbursed for the 18 percent VAT payment on supplies, Palestinian farmers are subject to the full amount because they are not allowed to organise themselves and work collectively. This, in effect, completely removes any competitive edge they may initially have over Israeli produce. Palestinian farmers are aware of the constraints they face and are adopting methods to try, as far as possible, to counter Israeli restrictions. However, without significant changes to the 'legal' system, political control and decision-making, new initiatives will continue to face obstacles and restrictions at every stage of production.

Agricultural, like economic, development in the occupied Palestinian territories, is a political issue; it is dependent on the political objectives of the authorities. As Palestinian sociologist Samir Huleileh notes: '... the failure [to] address issues related to agriculture is not surprising. That would force Israel to discuss issues of land and water.'<sup>55</sup>

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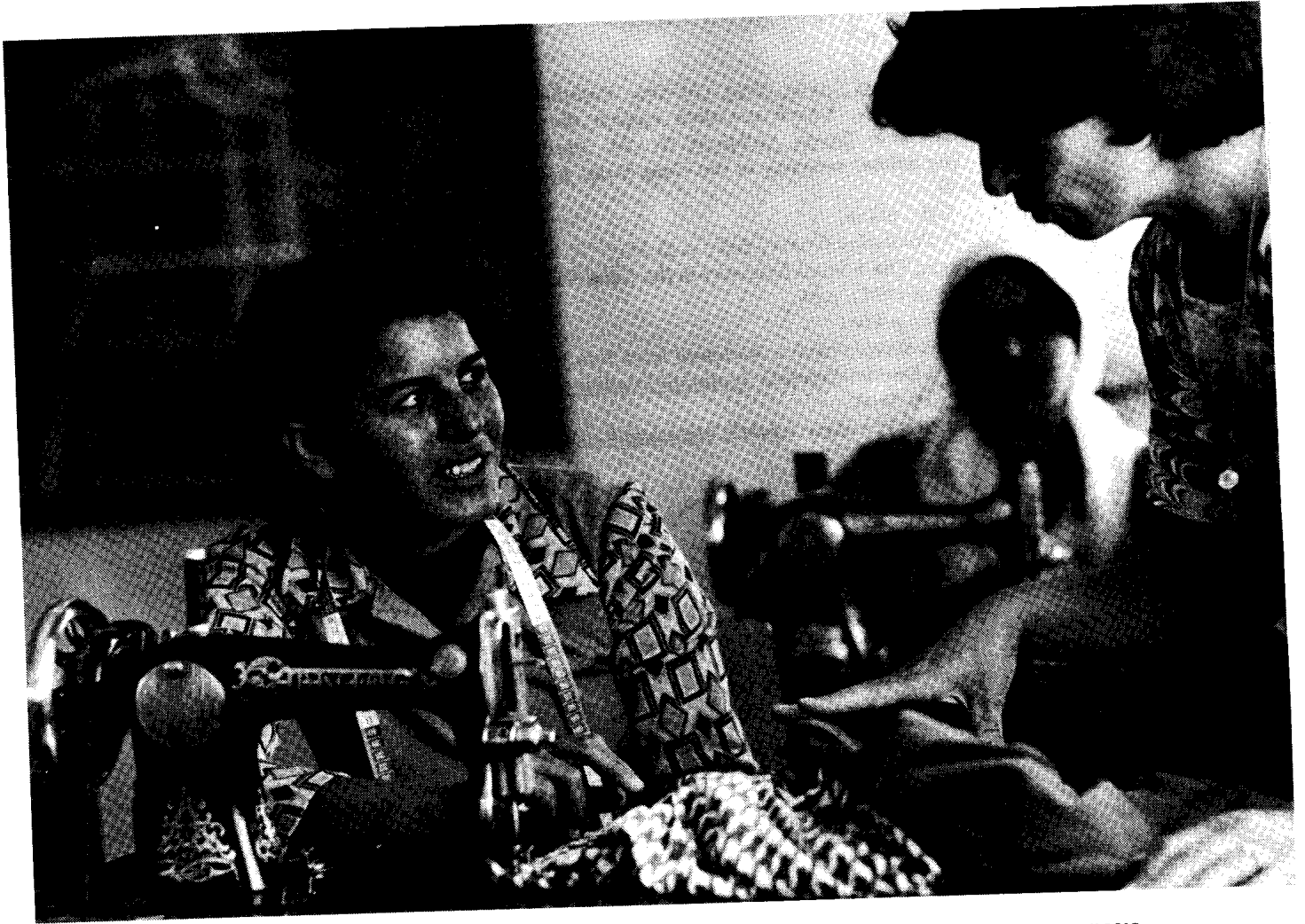
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- 28 UNCTAD, *ibid.*, p.19; Kahan cites a smaller increase: 4.8 percent in 1966 to 5.2 percent in 1985, *ibid.*, p.45.
- 29 D. Kahan, *ibid.*, p.114.
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- 32 K. Touma, *ibid.*, p.8.
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- 37 Jerusalem Post, 4 February 1991.
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## AGRICULTURE

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- 43 S. Barghouti, **The Occupied Territories are moving towards a deep economic  
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- 44 N. Bannoura, article in Al-Ra'id Al-Iktisadi (No.7, 1991), p.12.
- 45 N. Aruri, *ibid.*, p.5.
- 46 UN Committee Report, **Israel practices against the economy of the Occupied  
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- 47 N. Aruri, *ibid.*, p.5.
- 48 N. Aruri, *ibid.*, p.6.
- 49 Al-Haq, A Nation Under Siege (Al-Haq, Ramallah, 1989), p.415; UNCTAD  
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- 50 Al-Haq, *ibid.*, p.416.
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- 52 Dr W. Seiam, **The Animal Economy in the Gaza Strip** (Arabic), Samed Al-Iktisadi  
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- 53 Al-Haq, *ibid.*, p.416.
- 54 The term 'de-development' is borrowed from Sara Roy, **The Gaza Strip: A Case  
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**MANY WOMEN ARE EMPLOYED IN TAILORING WORKSHOPS AND A NUMBER OF ORGANISATIONS  
RUN SEWING TRAINING PROJECTS  
UNRWA**

# INDUSTRY & | 5 'DE-DEVELOPMENT'

There will be no development [in the occupied territories] initiated by the Israeli government, and no permits will be given for expanding agriculture or industry which may compete with the State of Israel.  
**Yitzhak Rabin, Israeli Minister of Defence, 1986<sup>1</sup>**

Industrialisation should offer substantial dynamic benefits for a developing economy, crucial for changing the traditional structure of a less developed economy. After 25 years of Israeli military occupation, the Palestinian industrial sector shows little sign of contributing any benefits or development to the Palestinian economy. As Israeli analyst Simcha Bahiri explains: '[the] barriers to the development of industry in the occupied territories ... overwhelmingly have their origin in the occupation itself and to the lesser degree result from difficulties made by Jordan. The military government runs the [occupied] territories to ensure not only military security but also Israel's "economic security".'<sup>2</sup> Not only has the GDP (Gross Domestic Product) in industry been growing at a slower rate than the total GDP, but 'industry [is] the least productive sector of the economy by far'.<sup>3</sup> West Bank productivity

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is \$3,130 GDP per worker compared to \$16,600 in Israel; i.e. 19 percent of Israel's productivity per worker.<sup>4</sup> Israel is the largest market for Palestinian manufactured goods; with a total value of \$178 million in 1987, 39 percent of Palestinian industrial goods were sold domestically, 40 percent were sold to Israel, and 21 percent were sold to Jordan. This is in contrast to 43 percent of industrial exports that went to Jordan, and 55 percent to Israel, in 1971.<sup>5</sup>

A number of studies<sup>6</sup> illustrate the extent to which Israeli measures, through the use of military orders, are stifling the Palestinian industrial sector. They paint a gloomy picture. One UN study found that whereas in 1970, 21,000 people were employed in industry, by 1984 this had risen to 24,600, and by 1991, 30,000 people were employed - an average annual increase of 240 people over 15 years.<sup>7</sup> According to a study by Palestinian economist Dr Samir Abdallah and others (published in 1991), the industrial labour force has declined significantly during 25 years of occupation. Before the beginning of the occupation in 1965, 17,101 people were employed in industry; by 1967, this had risen to 21,970. Following the Israeli occupation numbers fell dramatically, until, in 1969, only 12,200 were employed in this sector. The numbers remained relatively stable, rising slightly to an average figure throughout the 1970s of 14,000. By 1986/87, numbers began to increase: 18,000 in 1986 and 19,000 in 1987. Although no figures have been collected since the outbreak of the intifada and in the aftermath of the Gulf War, it is widely believed that thousands of Palestinians working in the local industrial sector have lost their jobs in the last few years.

Industry in the occupied territories is mainly light manufacturing industry with a concentration in food processing, plastics, soap, pharmaceutical products, clothing and shoes. Most of the industries are, in reality, 'workshops'.<sup>8</sup> Ninety-eight percent of established industries employ ten people or less and most are financed by owner-capital and are family-run businesses.<sup>9</sup> Since 1967, an average of ten new industrial projects have been 'approved' annually by the Israeli authorities but, once approved, it takes at least five years to obtain the necessary licenses.<sup>10</sup> Of the firms surveyed, the UN study found that most are operating at 50 percent capacity. The obstacles encountered by factory owners were financial, administrative and legal constraints. The overall result has been the survival of predominantly small-scale operations which have been less affected by Israeli restrictions and competition.

## Problems of industrial development under occupation

### A 'colonial' economy

Israeli restrictions on Palestinian industry and economic activity should be seen as part of Israel's occupation policies and not as part of its economic policies. While Israel considers its economy the core economy, and Israeli industry as the core industry, the Palestinian economy is viewed as the 'colonial' or 'peripheral' economy. An increasingly dependent relationship has developed - a 'bi-national economy'. As Palestinian economist, Awartani explains: '[Israel's] policy has been to keep the West Bank and Gaza Strip as markets for Israel's products, and a supplier of cheap labour for Israel'.<sup>11</sup> With the terms of trade strongly in its favour, Israel has used the Palestinian economy to reduce its own trade deficit. In contrast, the West Bank and Gaza Strip's trade balance suffers from a chronic trade deficit. Its deficit is largest with Israel which accounts for over 90 percent of total imports into the occupied territories. In 1983, this stood at \$400 million and it has continued to grow each year.<sup>12</sup>

Under Israeli occupation the Palestinian industrial sector is being deprived of a strategy for industrial development. After 1967, the West Bank and Gaza Strip's industrial sector was severely affected by being cut off from previous supply and trade links with Jordan, by the closure of Arab banks, the requirement of Israeli government approval for all industrial projects (often denied for political reasons), military government restrictions on raw material imports from Jordan, inflation (which causes an increase in the cost of raw materials), hyperinflation in Israel in the late 1970s and early 1980s, and stagflation (which causes a drop in demand).

As a result, the share of industry in GDP fell from 9.4 percent in 1970 to 5.9 percent in 1979, and to 8 percent in 1987.<sup>13</sup> Over the same period, the proportion of industry in GDP increased in Jordan from 10.3 percent in 1970 to 20.3 percent in 1979.<sup>14</sup> Between 1980 and 1983, the proportion of Palestinian industry declined by an average of 8 percent annually, whereas there was an increased rate (including in construction) of 31 percent (of GDP) in Jordan over the same period, 25 percent in Syria, 33 percent in Egypt and 27 percent in Israel.<sup>15</sup>

### Construction

One exception has been the construction industry, financed largely by private capital and foreign aid. Before 1967, the percentage of construction in capital



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investment in the West Bank was 23.6 percent.<sup>16</sup> Between 1968 and 1985, this rose to 17.8 percent, largely as the result of an increase in private residential housing.<sup>17</sup> By the late 1970s, construction accounted for 70 percent of total investment in the occupied territories.<sup>18</sup> And, although in 1988, construction accounted for 29 percent of total GDP,<sup>19</sup> it is believed that activity fell by approximately 40 percent between 1987 and 1988.<sup>20</sup> The most worrying aspect of this is that housing is largely 'dead investment'; it represents funds that could have been used for investment in industrial plants, equipment and machinery i.e. in more productive sectors of the economy. 'This atypical and economically unhealthy pattern of investment is the consequence of a number of elements related to the fact and nature of the occupation, including wide-ranging Israeli prohibitions on industrial development, the concomitant lack of alternative investment opportunities, unwillingness to invest in an "occupied area" with uncertain political status and the Palestinian people's determination to hold onto their land, known as "sumoud" [steadfastness]'.<sup>21</sup>

A 1986 survey of industrialists illustrate the constraints and restrictions they encounter.<sup>22</sup> The most common problem mentioned was the lack of credit and financial facilities, largely due to the absence of a Palestinian banking infrastructure, and where Israeli banks are considered to offer very limited assistance in providing credit. A survey in 1989 (Dr S Abdallah et al.) found that 44.5 percent of businesses employing eight or more people relied on their own private capital; the rest were able to secure loans for investment. Sixty-three percent of those companies employing less than eight people relied on their own capital.<sup>23</sup> Under Military Orders 7 (9 June 1967) and 8 (10 June 1967) all banks were closed and all transactions prohibited. Military Order 8 was later superseded by Military Order 42 (4 July 1967) which replaced general prohibitions with a permit system.

In the 1986 survey, industrialists expressed the need for a Chamber of Industry to oversee dealings with the Israeli and Jordanian authorities. Many industrialists complained of interference by the military government, the final arbiter in all transactions,<sup>24</sup> and the problems associated with exporting produce (see Chapter 6 on Trade Activity). There were also complaints of a shortage of skilled labour as a result of higher wages in the Gulf States and Israel. High taxes were identified as a major obstacle to industrial development, especially given that few benefits were received in return.<sup>25</sup>

### **The olive industry**

The olive industry is included in general industrial figures for the occupied territories. In 1989, approximately 40 percent of all cultivable land in the West Bank was planted with olive trees.<sup>26</sup> Although the olive crop is bi-

annual, income earned from olive oil accounts for about one-third of the total agricultural income, roughly 5 percent of Palestinian GNP<sup>27</sup> and roughly three-eighths of industrial output,<sup>28</sup> (although this fluctuates annually since it is intimately related to seasonal variations). In 1985, for example, exports to Jordan fell by 97 percent, thus substantially affecting industrial output.<sup>29</sup> This has continued, especially following Jordan's disengagement from the West Bank in 1988. The olive industry has been severely affected as a direct result of Israeli policies; land confiscation, tree uprootings, curfews, marketing restrictions, etc., further hampering what is an already vulnerable industry.

## Industry in the Gaza Strip

'Gaza is an undeveloped dependent economy, as regards industry', explains Israeli analyst Simcha Bahiri.<sup>30</sup> The industrial sector is predominantly composed of owner-operated small-scale workshops primarily servicing local demand. One analyst summed up Gaza's industrial sector as comprising of 'fourteen factories for toilet paper, three for cookies, two for notebooks, five for packing ranges for export and two for soft drinks'.<sup>31</sup> When, in 1967, Israel imposed a common market with the Gaza Strip, Gazan dependence on Egypt overnight shifted to dependence on Israel. All previous links with Egypt were cut, thus accelerating Gaza's economic dependence on Israel. The extent of this dependency had grown so much that, by 1984, 100 percent of the Gaza Strip's industrial exports went to Israel. This decreased somewhat in 1985 to 70 percent. Similarly, 91 percent of Gazan imports were from Israel, of which industrial imports accounted for 87 percent. 'As a result, not only is the local economy increasingly shaped by and adjusted to economic demand across the green line, but it grows inappropriately dependent upon externally generated sources of revenue'.<sup>32</sup> The result is that Israeli restrictions have prevented Gaza's industrial sector from growing beyond its traditional *structural parameters*. Industry may have expanded, but it has not developed.

### Stifled development

Israeli-imposed restrictions cover two main areas: marketing and investment. Whereas Israeli manufactures have unlimited access to the captive Gazan market, thereby crowding-out any local competition, Gazan industrialists are strictly prevented from marketing inside Israel or transporting their goods to the West Bank or exporting to Jordan. 'As a result, Gaza has become a repository for Israeli goods against which it cannot compete, insuring Israeli

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producers against any future competition and providing the Israeli economy with an uncontested and captive market'.<sup>33</sup>

Financing industrial activity in the Gaza Strip is similarly grossly unequal; while Israeli industrialists located in the Gaza Strip receive grants of up to 39 percent for their equipment costs, in addition to infrastructure facilities, Palestinian industrialists receive next to no government grants, which, in addition to the lack of banks and other financial institutions, means that the only funds available are from private sources or, to a lesser extent, from local development agencies. Foreign aid has, however, been targeted by the Israeli authorities. The Israeli government, for example, only authorised one-third of industrial development projects planned for the Gaza Strip and West Bank and funded by US foreign aid between 1975 and 1983.<sup>34</sup> Investment is thus predominantly owner-financed (67 percent). Even spending on consumption leaks back into the Israeli economy. In 1984, 67 percent of private disposable income went into private consumption, and most of this was spent on goods produced inside Israel, thus denying Gaza of any economic benefits from its consumer spending.<sup>35</sup>

Industry accounted for only 3.3 percent of GDP prior to 1967. And, although there was significant industrial development between 1968 to 1979, this was *horizontal* rather than *vertical* development, and was largely the result of subcontracted industries utilising cheap labour and overhead costs, and not the result of structural innovation.

Subcontracting constitutes the main form of Israeli investment in the occupied Palestinian territories; under subcontracted arrangements Israeli contractors provide Palestinian enterprises with semi-processed raw materials. To this extent, by 1987, 88 percent of Israeli textile factories were dependent on cheap Gazan labour in subcontracted enterprises in the Gaza Strip.<sup>36</sup> Gazan workers in the local economy (47 percent of the total workforce), mainly women, work in small workshops near their homes producing textiles, carpets, clothing, furniture and shoes. Although subcontracting has increased employment and output from the Gaza Strip, it creates no structural benefits for the Gazan industrial sector. One of the main characteristics of economic development, namely an increase in the size of industrial enterprises, has not occurred in Gaza.

Although the proportion of industrial output in GDP rose from 4-5 percent in 1969, to 9-10 percent in 1985, a higher rate than in the West Bank, Gazan industries are generally less developed than their West Bank counterparts. Its industrial productivity was one-sixth that of the West Bank, which in turn was one-sixth that of Israel.<sup>37</sup> A similar picture is painted by figures for capacity operation; in one sample in 1985, 22 percent of factories

were operating at less than 50 percent capacity, 40 percent were operating at 50 percent capacity, 32 percent were operating at 75 percent capacity, and only 5 percent were operating at 90 percent plus capacity.<sup>38</sup> As a result, capital reserves were being severely under-utilised, which, in turn, affects future investment.

### **Gaza's industrial labour force**

The average number of workers per industry was four (1985), with only 5 percent of factories employing more than 10 workers, and only 1 percent employing more than 21 workers.<sup>39</sup> Wages are also significantly lower in the Gaza Strip than in the West Bank. In 1985, the average daily wage was \$2, 40 percent of equivalent wages in the West Bank.<sup>40</sup>

Most significantly, however, is the 'export' of the majority of Gaza's male labour force to Israel; over half of the Gaza Strip's workers were dependent on work in Israel in 1991, an increase of 600 percent between 1970 and 1987. The majority of these 50,000 workers are unskilled or semi-skilled doing low paid, menial jobs.<sup>41</sup> This 'export' left a vacuum which was filled by women, especially during the intifada years. '[This] high percentage of Gazan labour in Israel is not a function of a society experiencing typical patterns associated with the process of industrialisation (or modernisation) in which labour gradually shifts from agricultural to non-agricultural activities ... Rather, for Gaza's labour force, the decision to seek employment inside Israel is a function of the lack of comparable options inside the Gazan economy'.<sup>42</sup>

Between 1979 and 1983, the proportion of industry in GDP in the Gaza Strip declined from 11 percent to 9.9 percent - in real terms a decline of 26 percent.<sup>43</sup> Gaza suffers from being isolated from the West Bank and Jordan, and from Egypt because of the Sinai peninsula. Israeli-imposed marketing restrictions on all products, agricultural and industrial, severely limit access to markets previously supplied by Gaza.

### **Effects of the intifada and the Gulf War**

The two major effects of the intifada and the Gulf War on the Palestinian industrial sector have been a significant fall in industrial production, and the drop in the number of Gazan workers allowed to work inside Israel. Official Israeli figures suggest that by 1988, the first year of the intifada, industrial production fell some 22 percent, and by early 1989, to about 50 percent, except in the food processing industry which expanded due to the boycott of Israeli goods as part of the intifada resistance. And, as a result of the fall in the numbers of people permitted to work in Israel, economic activity in the

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Gaza Strip, including industry, was estimated to have fallen by 20-30 percent (see Chapter 7 on Employment, Unemployment and Emigration).

### **Production and marketing restrictions**

#### **International law**

Under international law, an occupying power must not abuse its power to protect its own industries and create out of the occupied territory a free market for dumping its own products. Israeli policies and practices in the occupied Palestinian territories clearly violate this principle. Whereas Palestinian industries require military permission to exist, and to market their produce both within and outside Israel, Israeli firms have free access to 'captive' Palestinian markets. Military Order 49 (11 July 1967) makes it an offence to import from outside Israel, or take out of the occupied territories any goods without a permit. In addition, Israeli industries enjoy generous government support in the form of subsidies, access to cheap credit, tax incentives, concessions on foreign exchange earnings, protective customs duties and good infrastructural facilities. Despite the severe restrictions facing Palestinian exports to Jordan, links have been maintained with 'some success'.<sup>44</sup>

#### **Israeli industrial estates**

Palestinian industries face further competition from Israeli plants being built in the occupied Palestinian territories, an industrial development policy that compliments Israel's settlement programme. Israel's aim is to attract Israeli labour and industry to the occupied territories and to locate large Israeli industrial concentrations in the West Bank, close to major towns and cities inside the Green Line. By 1983, six Israeli industrial estates were operating in the West Bank, employing 2,500 workers, 70 percent of whom were Israelis.<sup>45</sup> During 1985, the Israeli government approved investment worth \$27 million for Israeli industrial enterprises in the West Bank. In addition, direct government grants amounted to \$11 million.<sup>46</sup> Current plans envisage a further seven industrial estates by the year 2010 to create an additional 83,500 jobs for Israeli workers and only 23,000 for Palestinian workers. In contrast, Israeli policies for Palestinian industries are aimed at dispersing them in rural areas, thereby developing 'workshops' in villages and towns. Although Palestinian industries are allowed to operate in the industrial estates, they are not eligible for any of the incentives offered to Israeli industry.<sup>47</sup>

**Marketing: denied access**

Dr Samir Abdallah et al. found that by 1989, 15 percent of all Palestinian businesses employing more than eight people were prohibited from marketing in Israel; 32 percent of those employing less than eight people were also prohibited from marketing in Israel.<sup>48</sup> Of those allowed to market their products, they found that 32 percent of Palestinian businesses face significant difficulties marketing because of the Israeli consumer's hostility towards buying Palestinian products.<sup>49</sup> Unofficial trade, however, does exist between the occupied territories and Israel. Dr Abdallah et al. found that even though Palestinian products of similar quality are often cheaper, 39 percent of those businesses employing eight or more people face stiff competition in Israel.

**'Made in Israel'**

Strict labelling regulations increase manufacturing costs and further restrict Palestinian access to Israeli markets. Military Orders 149 (22 October 1967) and 530 (13 December 1973) stipulate what is to be marked on products. In 1986, for example, as a result of complaints from Israeli manufacturers, the then Minister of Industry and Trade, Ariel Sharon, broadened the labelling regulations for Palestinian products thereby restricting their entry onto the Israeli market. These new restrictions covered beverages, pasta, halvah, chocolate and sweets.<sup>50</sup> Similarly, in May 1992, the Israeli authorities stopped the sale of Palestinian-made pharmaceutical products in East Jerusalem unless companies were registered with the Israeli Ministry of Health. In a joint statement the Palestinian pharmaceutical companies explained why they were not registered with the Israeli Ministry of Health: 'Arab companies have tried for many years to register their brand names in Israel, but have been rejected every time without reason. The last attempt was in 1986, when the authorities said they would send their conditions for registration, but never did. The point is that the Arab companies do not refuse to register their products in Israel.' Palestinian pharmaceutical products are in fact registered and permitted to sell their products in the West Bank and Gaza Strip; Palestinian industrialists thus believe that the Israeli government's decision to restrict sale in East Jerusalem is political, rather than motivated by medical or quality-control considerations. The consequences of this restriction are substantial: 150,000 Palestinians living in East Jerusalem and Palestinian hospitals in East Jerusalem will be forced to buy Israeli-made or foreign medical products which are, on average, 30-40 percent more expensive. East Jerusalem pharmacists, all members of the Jordanian Pharmacists Union, met, and decided to ignore the Israeli government's threat: 'Arab medicine is registered, licensed and meets all the conditions of the official agencies'.<sup>51</sup>

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### **Lack of coordinating/planning body**

The lack of an appropriate body to regulate trade and adopt an import policy beneficial to local industries creates a situation where Palestinian industries have to fight individually for survival at every stage of production and marketing. This has had an adverse effect on the balance of payments and reduces the possibilities for import substitution and export promotion from the occupied Palestinian territories. There is no arbitration board, and without an effective means for resolving commercial disputes when they arise, it is difficult for industries to prosper, invest and develop. Similarly, no efforts have been made to develop legal protection for research and innovation; 'without the provision of sufficient protection, producers will not be able to protect their trademarks, their specialised services, etc'.<sup>52</sup> Most importantly, there is no overall development strategy for Palestinian industry, the result of which is haphazard and sporadic development on a small scale.

Instead, Palestinian industrialists are subject to military orders issued by the Israeli military authorities who have assumed control over all aspects of the economy, including industry and trade. The military authorities determine policy concerning finance, credit, export and import policies, land and other resources, companies, trademarks, trade names and patents. As Israeli analyst Bahiri explains, the Israeli authorities, including the Area Commander, Military Commander and the military-appointed Objections Committee function '... to enhance Israel's "security" in the economic no less than the military field'.<sup>53</sup>

### **Imposition of taxes and VAT**

Fiscal policies in the occupied territories are designed to benefit Israeli industrialists at the expense of their Palestinian counterparts. Taxes on industry in the West Bank and Gaza Strip include VAT, production tax, income tax, customs, levies and a host of taxes related to transporting and marketing finished products. Military Order 31 (27 June 1967) vested all powers relating to customs, taxes and fees in the hands of an Israeli official appointed by the Area Commander.

One of the most serious constraints facing Palestinian industrialists is the advance tax levied on every business deal with an Israeli manufacturer; proof of payment is required before any transaction can be made. Under Israeli law, every business transaction between Palestinian and Israeli industrialists requires payment of an advance tax of between 0-13 percent; whereas Israeli industrialists are levied this tax at 0-2 percent, Palestinian industrialists are levied the tax at about 10 percent which effectively removes their profit margin. It is thus rarely cost-effective for Palestinian industrialists

to do business with Israeli manufacturers, unless it is 'unofficial'.

The result is that '... the high taxation that is levied without reference to the economic reality of the inhabitants, as well as the unfettered power of the military to create new taxes without restraint, must also not only decrease incentive but complicate the process of planning the expansion of an industrial project'.<sup>54</sup> Military Order 1263 (20 December 1988) enables the Head of the Civil Administration to appoint 'inspectors' who can impose taxes without reference to any law, and without giving the plaintiffs a chance to defend themselves. The imposition of VAT (illegal under international law) in 1976, further reduced any advantages Palestinian industries had, until then, enjoyed over comparable Israeli products (see Chapter 8 on Taxation Policies).

### **The negative investment climate**

'Infant industries and industrial development require a (sympathetic) state infrastructure to help them in investment, research, development, protection, promotion, etc. Not only is no such infrastructure in existence in the occupied Palestinian territories, but the Israeli administration (actively) neglects industrial development except as an annex to Israeli industry.'<sup>55</sup> On the absence of investment in Palestinian industry and infrastructure, Israeli analyst Benvenisti explains: '... there is no promotion of investment ... aimed at encouraging growth. This is only one example of the deliberate freeze characterising government policy as regards the Arab productive sector.'<sup>56</sup> In contrast, the Israeli government's contribution to Israel's industrial sector accounts for over 50 percent of gross capital formation.<sup>57</sup> Instead, the Israeli authorities spend their operating budget on *policing* regulations (stipulated in the host of military orders) relating to economic development.

Whereas machinery and equipment accounted for 14.7 percent of gross capital investment in the occupied territories between 1970 and 1984, they accounted for 58 percent, over four times as much, in the Israeli economy.<sup>58</sup> In 1979, Palestinian economist Awartani found that few industrialists considered lack of credit and finance facilities to be a substantial problem; they were simply no longer interested in investing in the occupied territories, preferring instead to invest in Jordan and other Arab states where they could get a higher rate of return.<sup>59</sup> More recently, especially in the aftermath of the Gulf War, the devaluation of the Jordanian dinar and Jordan's disengagement from the West Bank in 1988, those Palestinians who are able and who want to invest, do so in land or housing in the West Bank or Gaza Strip.

### **Sub-contracting**

Industrial specialisation in the occupied Palestinian territories has occurred as



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a result of increasing sub-contracting for the Israeli market. In general, Israeli firms prefer to subcontract capital investment in the occupied Palestinian territories (except settlements). This is especially the case in labour-intensive industries, including the shoe, textile and confectionery industries, because of the cheap labour supply and lower overheads (see Chapter 7 on Employment). The result has been a significant growth in the dependence on external (mainly Israeli) contracts and the demands of the Israeli economy; the benefits go to the contracting nation, who remains in control. Palestinian industry thus plays a subservient role to Israeli industry. The main incentive for Israeli industrialists in sub-contracting work to the occupied territories is the cheap labour costs (large numbers of underpaid women workers). In the shoe industry, for example, in the 1970s, salaries accounted for 30-40 percent of the total cost and 80 percent of labour required was unskilled.<sup>60</sup> As a result of an increase in sub-contracting, by 1992, the Palestinian shoe industry constituted 4.1 percent of total industrial GNP, an increase of 2.3 percent since 1981.<sup>61</sup> It is interesting to note that in the aftermath of the Gulf War, when Israel was using its curfew policy as a weapon against the Palestinian economy, shoe industries, supplying Israel with 90 percent of its needs at low cost, were allowed to operate without interruption.<sup>62</sup> Forty percent of Palestinian-made shoes are sold in Israel, with the other 60 percent sold in the West Bank and the Gaza Strip.<sup>63</sup>

Labour conditions are very flexible and adapt to fluctuations of demand. It is easy (given the high rate of unemployment and a weakened trade union movement) to lay-off workers in times of recession and to add new ones in boom times. It is difficult to measure the extent of subcontracting and orientation to exports within subcontracting. However, estimates for 1972 suggest that 52 percent of industrial exports went to Israel.<sup>64</sup> By 1985, this had increased to 56.8 percent,<sup>65</sup> and by 1991, to approximately 80 percent.

### Registration and permits

'The licensing of a new Palestinian factory requires securing certification from potential Israeli competitors that they will not suffer from the new Palestinian competition. Naturally, very few licenses for new factories are granted'.<sup>66</sup> After a six-year feasibility study for establishing a cement factory in Hebron, and the results looked promising, the factory was not given a licence because it would compete with the Israeli cement industry.<sup>67</sup> The factory would have made the West Bank self-sufficient in cement production and, in addition, would have been able to export cement to Jordan. As Palestinian lawyer, Raja Shehadeh, concludes: 'The basis, then, for granting or withholding a permit is not objective and is not related to any development policy. It is based on

what has all along been the paramount consideration for Israel in its dealings with the Palestinians: security in the broadest definition.<sup>68</sup>

Military Orders 397 (28 June 1970) and 398 (19 June 1970) state that all companies have to be registered; those already in existence prior to 1967 were given 90 days to re-register. Under these orders, Israeli companies are allowed to operate in the occupied territories without being registered there. The Jordanian Companies Law was amended by changing the appeal procedure against the Registrar of Companies from the local courts to the Military Objections Committees. In addition, Military Order 47 (9 July 1967, including amendments) states that any animal or plant product requires a permit from the military authorities if it is to be transported outside or into the occupied territories.

Military Order 1262 (17 December 1988) was issued to help the authorities improve their tax collection procedures. This law made the granting any one of 23 different licenses or services conditional on the presentation of satisfactory evidence proving that the applicant is up-to-date on tax and other payments. In practice this meant that no licence for an industrial project, import or export licence, or any changes in the particulars of a company could be considered until the application had been stamped by at least ten different Israeli departments.<sup>69</sup>

In 1991, the regulations for setting up new industries were relaxed slightly in the Gaza Strip; this included a three-year Civil Administration exemption of some taxes under certain conditions for new industries. Anyone investing NIS 50,000, or more, was exempt from income and property tax for a three to five year period. Industries that started up after January 1991 were also to be exempt. As a result, 140 requests to set up new factories in the Gaza Strip have been approved (under Military Order 1055 for Gaza, 17 June 1991).<sup>70</sup> In contrast, between 1981 and 1991, the Civil Administration approved an average of ten industrial projects a year.<sup>71</sup> Industrialists in the West Bank have also taken advantage of a similar scheme;<sup>72</sup> in 1991, 67 new factories were given operating licenses in the West Bank, of which 32 were already in operation.<sup>73</sup> Many investors are deterred from participating in this scheme, preferring instead to pay the full tax amount. The conditions for eligibility in the scheme state that all sources of funds have to be declared. Many people do not want to declare this information to the Israeli authorities. If they have brought money in from abroad, the penalty is confiscation, and so it is often cheaper to pay full taxes.

Palestinian economist Salah Abdel Shafi does not believe that these tax-exemption schemes encourage investment since the situation has only improved very slightly. The Israeli tax authorities still decide whether an

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industry can be exempt or not (Item 20B, Article 3). Machinery and industries manufacturing 'prohibited goods' are still not eligible and no definition of 'prohibited' goods is given. To qualify for the exemptions, all capital has to be from local sources, i.e. from the occupied territories or Israel; no foreign or international investment is allowed. Israeli 'security' considerations, in the widest definition, are still paramount. As Item 13B of the IDF Military Order Draft makes explicit: 'the administration of the centre, before taking its decision to approve the projects or the capital investment, must consider the factors related to security of the area, security of the Israeli Defence Forces, and the general order'. There are no economic considerations on whether investment is, or is not, to be exempt from taxes. And, industries are still subject to all the other restrictions stipulated by other military orders.<sup>74</sup> One major concern is that new industries which qualify for these exemptions will be able to significantly undercut existing industries and drive them out of business. In addition, because businesses are exempt from tax for the first three years after they start making profits, and as long as this does not exceed six years, they are in effect encouraged to 'delay' making any profit for as long as possible in order to qualify for tax exemptions. This creates an overall unhealthy business climate.

### **Tourism**

Tourism and its related industries is potentially one of the most important income-earners for the occupied territories. Its development has been curtailed because of the occupation and a lack of a Palestinian state body to develop and promote the area to foreign visitors. Israel's occupation has given it the opportunity to develop holy and historical sights in the occupied territories and reap the profits. The number of tourists increased substantially during the 1980s, since the outbreak of the intifada and especially during the Gulf War, numbers fell dramatically, although they are now on the increase. Opportunities for the development of Palestinian tourism are strictly controlled. Hotels and hostels have to be registered with the Israeli authorities and require permits to operate and their issuance requires a clean tax record, among other things. Palestinian tourist agencies also require a permit to operate, and are subject to exorbitant taxes. Similarly, tourist guides have to be registered. Palestinians have been unable to develop their historical sites and, with most of the West Bank and Gaza Strip often closed by military order, tourists have been discouraged from entering the occupied territories. Tourism also includes related traditional craft industries eg. olive wood carving, Hebron glass, Jerusalem pottery, embroidery etc.

## Prospects for the future

In the light of future political changes in the occupied Palestinian territories, the consequences for the economy will be significant. In 1987, Israeli analyst Bahiri looked at the prospects for Palestinian industry under three different scenarios.<sup>75</sup> In the first scenario, the political situation continues much the same as it is; under the second the current situation is modified slightly with some of the barriers and restrictions removed; and thirdly, unrestricted development is envisaged in a separate Palestinian entity. The political changes required under each scenario are not difficult to envisage. Bahiri's conclusions illustrate the prospects for Palestinian industrial development in the light of greater Palestinian autonomy and decision-making, and the severe consequences if no significant changes are made.

Under the first scenario, investors will continue to be reluctant to invest in the occupied territories, capital and credit facilities will continue to be limited, ties with Jordan will continue to be strained; 'Israel's dominant political and economic control will continue to dampen industrial development efforts within the status quo'.<sup>76</sup> With little change in the current political situation, the Palestinian economy will be increasingly integrated within the Israeli economy, thereby deepening the state of 'economic annexation' and dependency that currently hinders development.

Under the second scenario, although the Israeli occupation remains, major liberalisation of industrial and trade policies occurs, as well as the relaxing of both Israeli and Jordanian trade barriers. Local entrepreneurs are anticipated to increase investments in the occupied territories and a Chamber of Industry is introduced. Under this scenario, Palestinian industry would still amount to less than 10 percent of GDP and only 18 percent of local employment; productivity would still only be 53 percent of average productivity. Although dependency on, and integration with, the Israeli economy would continue, economic ties with Jordan would be strengthened. The result, however, would still be an underdeveloped economy, suffering the effects of continuing occupation.

The third scenario envisages major political and economic changes. The new Palestinian entity would retain economic links with Israel and dramatically increase economic links with Jordan and other Arab states. If investment, a growth in employment, growth rates and external assistance (to the tune of \$1 billion per annum) were achieved at rates similar to those Israel achieved in its early years, the results would be substantial. GDP would be 60 percent higher than the second scenario, with industry doing especially well.

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Compared to 1987, industry would reach 11 percent of GDP, the maximum possible, and account for 17 percent of employment; GDP per worker would rise to 66 percent of average sectoral productivity (in 1987 it was 49 percent); industrial employment would grow by nearly 10 percent per annum and industrial productivity by 4 percent per annum.<sup>77</sup> Most small industries would continue and expand, with new industries being created in the high-tech sector. Compared to UN forecasts for 1984, this scenario is neither too optimistic nor unrealistic.<sup>78</sup> Foreign investment would be important, as would the return of highly skilled and qualified Palestinians from abroad. Similarly, without substantial amounts being spent on defence, the new entity could direct all its resources to economic growth. As Bahiri concludes: 'The economic benefits and interdependence generated by real cooperation would give each of the participants a vested interest in peace and raise the future costs of dissociation. In the long run this scenario is of most economic benefit to Israel ... the long-range benefits to the Israeli economy from peace resulting from giving up the [occupied] territories would exceed short-term economic gains from retaining them'.<sup>79</sup>

This analysis is useful in that it illustrates some of the possible consequences for Palestinian industrial development in the light of a political settlement of the Palestinian-Israeli conflict. The message is clear; unless significant political and economic changes are introduced, the Palestinian industrial sector will continue to be hindered by Israeli policies aimed at stifling development and keeping the Palestinian economy in an undeveloped state of dependency.

## Conclusion

Without political and economic independence, the occupied Palestinian territories cannot use traditional policy instruments such as tariffs or exchange rate controls as part of an economic policy designed to encourage, develop and protect local industries. Instead, they are subject to fiscal and monetary restrictions, as well as prohibitive policies on trade, investment, finance and development designed to satisfy the requirements and interests of the Israeli economy at the Palestinian expense. Industrial development is crucial to the future development of the occupied Palestinian territories. At present the Israeli Civil and Military Administrations control every aspect of industrial development. As Raja Shehadeh explains: 'The incentives, as well as the possibility of the success, of any entrepreneur is significantly lowered when the businessman [sic] has to work under conditions where government officials have unfettered powers to decide not only whether to allow imports, exports,

opening of credit accounts, marketing, access to and from the area of the plant, etc.<sup>180</sup> Until the 'legal' framework is altered to serve the interests of the local Palestinian population, rather than maintain and develop Israel's 'economic annexation' of the occupied territories, Palestinian industrialists will continue to be hampered by policies designed to suit Israel's interest.

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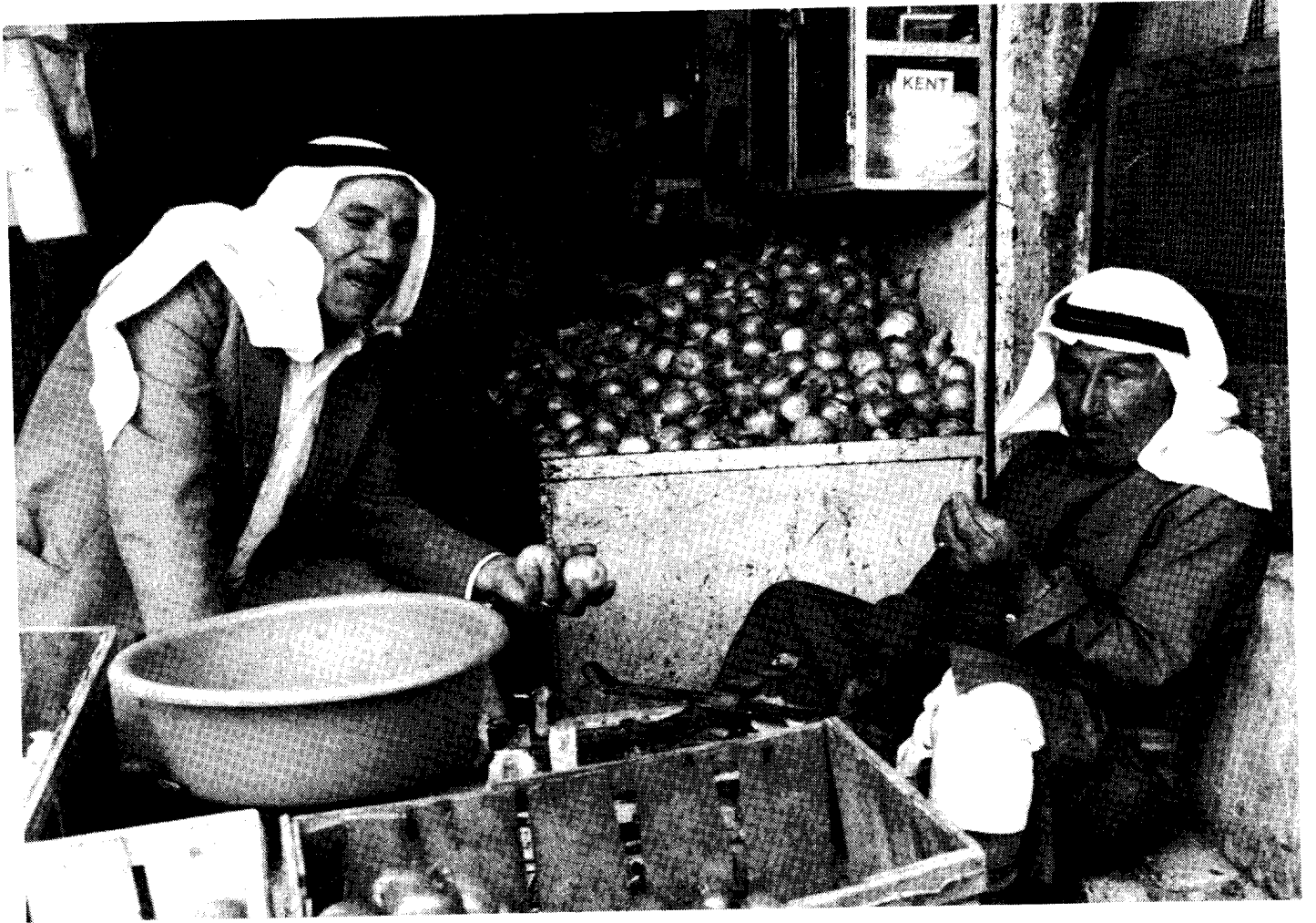
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**TWO PALESTINIAN VEGETABLE SELLERS IN BETHLEHEM MARKET  
UNRWA**

# TRADE ACTIVITY | 6

The terms of Palestinian trade have steadily worsened since the beginning of the Israeli military occupation, reflecting the dependency relationship created by Israel:

Even in 1968, Israel supplied approximately 75 percent of total Palestinian imports and accounted for 40 percent of exports; by the late 1980's this had increased to nearly 90 percent of Palestinian imports (10 percent of all Israel's exports); and 66 percent of exports, a deficit of \$650 million.<sup>1</sup>

Israeli policies, carried out through military orders, control and restrict every aspect of production, marketing and trade in the West Bank and Gaza Strip. Foreign trade is directed almost exclusively towards the Israeli economy and domestic trade is effectively subservient to Israeli interests.

Trade within and between the occupied Palestinian territories requires a host of permits and is strictly monitored according to the needs and requirements of the Israeli economy; arbitrary periodical decisions decide exactly what, and how much, Palestinian produce can leave the West Bank

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and Gaza Strip. Israel has adopted policies that purposely undermine Palestinian initiatives, creating a negative impact on the occupied territories' trading status. Any import or export to or from the occupied territories requires a permit, the issuance of which is dependent on tax and security clearance, among other things. Various trade procedures and practices adversely affect the ability of Palestinians to trade competitively. Israeli manufacturers, for example, are eligible for a host of subsidies and grants not available to Palestinian producers. On international markets Israeli manufactured goods are protected up to 60 percent of their value by the Israeli government.<sup>2</sup> When Palestinian produce is allowed to be sold in Israel, direct and indirect subsidies of Israeli goods, coupled with the requirements on Palestinian goods, effectively remove the competitive edge that Palestinian goods may have had in the first place.

Even foreign trade is monitored, controlled and in effect prohibited by policies designed to stifle and 'de-develop' the Palestinian export sector in favour of Israeli goods. The relatively small local market and the difficulties of manufacturing capital and consumer goods competitively make international trade especially important for a developing economy. The cost and restrictions on foreign trade for Palestinians, however, make it difficult, if not impossible, for Palestinian manufacturers to enter the international market. There are, for example, no refrigerated containers suitable for the export of Palestinian agricultural products. Exporters are thus forced to airfreight their produce with El Al, which costs 55 percent of the selling price of the goods, effectively removing their competitive edge.<sup>3</sup> And, exports as well as income from exports are highly taxed.

A host of other Israeli policies and military orders relating to the general economic and political climate in the occupied Palestinian territories; curfews and other collective punishment measures, security measures, employment policies, etc. have an indirect but substantial effect on the ability and climate for trade in and out of the occupied territories.

In addition to the problems of trading under military occupation, Palestinian exports were severely affected by the Arab boycott of goods from Israel. The boycott included, by default, products from the occupied Palestinian territories. Arab countries, including Jordan, were determined to avoid any hint of Israeli contribution to exports. As a result, all exports are checked for *any* Israeli content in the raw materials. More recently, Palestinian exports to Jordan have been hit by Jordan's disengagement in 1988 and the significant restrictions imposed in the aftermath of the Gulf War.

Israeli policies amount to an almost effective 'economic annexation' of the occupied territories; Israel's aim has been to integrate the West Bank and

Gaza Strip into its own economy to create a market - a 'buffer zone' - for Israeli manufactured and agricultural products. The benefits for Israel are significant: no transaction costs, no export taxes, a cheap and flexible labour supply, free trade (no customs), cheap transport costs, and a 'dumping ground' for goods that cannot be sold elsewhere. The aim has been to impose strictly bilateral trade between the occupied territories and Israel on Israel's terms. Accordingly, Palestinian goods, especially manufactured goods, cannot compete and are becoming increasingly dependent on Israeli supplies; not only have Palestinian exports been targeted, but raw material imports are similarly monitored and controlled. Israel has thus been able to reduce its own trade deficit at very little cost to its own economy, and the West Bank and Gazan economies have suffered severely as a result.

### Legal obstacles

The military orders determine what Palestinians can, and cannot produce, market and trade. They restrict what can and cannot be planted and produced to what can be transported and marketed. **Military Order 1147** (30 July 1985) states what type of fruit trees and how many can be planted; **Military Order 818** (22 January 1980) restricts the planting of flowers because this would threaten Israel's monopoly on flowers produced for export. A further 60 military orders determine customs fees and taxes for all exports and imports from the occupied territories; absolute power and decision-making related to customs duties, fees and taxes is vested, according to **Military Order 31** (27 June 1967), in the hands of the Israeli Area Commander. Tariffs and VAT are charged on all imports, even when they are in transit through Israel.

Export permits are required for the sale of all produce. **Military Order 49** (11 July 1967) makes it an offence to export anything from the occupied territories without a permit; as with other permits, their issuance is dependant on a host of other restrictions and regulations. To regulate this, the operating budget for the Israeli Trade and Industry Department in the occupied territories is spent entirely on policing activities to enforce the military orders rather than on encouraging trade

and development.<sup>4</sup> The transfer of any agricultural or industrial goods requires a permit from the place of origin. The Civil Administration's Agriculture Department, for example, cannot issue a permit until it receives instructions from the Israeli Marketing Council, which specifies what, and how much, can be marketed in Israel; the result is that '... normally the Israeli authorities inform their marketing officer in the military government of weekly amounts of produce allowed to enter Israel, who in turn allocates them among the different districts of the West Bank for issuing permits ... Israeli policies have blatantly steered the [occupied] territories towards a state of dependence on Israel'.<sup>5</sup> The export of all pharmaceutical products, one of the main industries in the West Bank, is, for example, strictly prevented.<sup>6</sup>

Similarly, **Military Order 1147** (30 July 1985) prohibits certain crops from being grown to minimise competition for Israeli producers - a policy which has resulted in the '... virtual restructuring of the Palestinian agricultural sector to suit its [Israel's] own needs'.<sup>7</sup>

Concerning manufacturing, **Military Orders 149** (22 October 1967) and **530** (13 December 1973) specify Hebrew labelling instructions which must appear on Palestinian goods marketed in Israel, thereby adding extra costs to an already difficult manufacturing process. Even in the production process, certain military orders limit what types and quantities of raw materials can be used.

A legal net has thus been created to monitor, restrict and control the production of Palestinian goods, not only to protect Israeli manufacturers from competition, but also to prevent improved trade, both locally, and with Israel, the Arab world, and outside the Middle East.

## Trade in the West Bank and Gaza Strip

Palestinian industrialists and farmers are faced with a significant lack of infrastructural investment, the destruction of the financial sector, unfair competition from the Israeli sectors, high and arbitrary taxes, coupled with

political instability. When farmers from the Gaza Strip, for example, want to sell produce in East Jerusalem or the West Bank, they must obtain a permit to travel through Israel and another permit to sell the produce. Similarly, a farmer from Hebron who wants to sell produce in Nablus requires a permit to travel through 'Israel' i.e. occupied East Jerusalem (see Chapter 4).

The Israeli authorities control *all* trade practices and patterns, over which Palestinians have little, if any, control. There is no industrial or agricultural development strategy and no control is exercised over the quality and quantity of goods sold in the occupied territories, Palestinian or Israeli, to safeguard local production capacity and the consumer. As Benvenisti explains: 'due to lack of quality control laws in the West Bank [and Gaza Strip], the area has become a dumping ground for low quality products forbidden for sale in Israel, especially pharmaceutical and metallurgical products'.<sup>8</sup> The extent of this is clear: by 1987, exports to Israel from the occupied territories amounted to \$305 million, as opposed to \$1 billion's worth moving the other way.

## Palestinian trade with Israel

Israeli trade policies towards Palestinian trade are deliberate and calculated policy decisions. They are based on the premise that Israeli goods should be allowed to flow freely into the occupied territories, while Palestinian goods exported into Israel are strictly controlled to safeguard the interests of Israeli producers. Palestinian exports, one Israeli official explained, '... threaten Israeli firms with unfair competition'.<sup>9</sup> To this extent, Israeli vegetable farmers went to the Israeli Supreme Court in 1990 to try to get a complete ban on the sale of Palestinian products on the Israeli market.<sup>10</sup>

In 1985, the occupied Palestinian territories was the second largest market for Israeli exports, after the US. In 1986, for example, 20.4 percent of Israeli agricultural exports went to the occupied territories; produce that Palestinians are quite capable of producing themselves, but which, as a result of Israeli policies, they are either directly or indirectly prohibited from doing so (see Chapter 4 on Agriculture). By 1987, this amounted to 16 percent of Israeli exports.<sup>11</sup> Israel's effective trade monopoly forces Palestinians to purchase manufactured goods and agricultural produce from Israel, while Israel absorbs the bulk of Palestinian 'exports', and severely restricts Palestinians' opportunities to expand and develop their marketing and trade elsewhere.

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The Palestinian boycott of Israeli goods during the intifada in 1989 had a severe impact on Israeli imports. Trade fell from \$240 million at the end of 1987, to \$174 million during the first three months of 1989. This boycott, however, encouraged Israelis, including the Histadrut, to call for a retaliatory boycott of Palestinian products.

### **Sub-contracting**

A high proportion of Palestinian exports are unfinished goods, originally subcontracted by Israel to the West Bank and Gaza Strip, then resold in Israel or abroad. This mainly occurs in the textile industry and has a high manual labour content (see Chapter 7 on Employment).<sup>12</sup> Subcontracting has no lasting effects for industrial development or the development of existing industries. The local economy becomes increasingly dependent, to the point of survival, on external contracts, and increasingly less investment occurs. The very nature of this relationship is designed to benefit the Israeli economy at the expense of the Palestinian economy. Although sub-contracting started as a haphazard policy to take advantage of cheap Palestinian labour and the lack of controls, it has now become part of Israel's proposed plans for industrial development in the occupied territories.

Even the sole Palestinian supplier of a product to the Palestinian economy faces unfair competition from Israeli competitors. Israeli agents have free access to the Palestinian market, in addition to all the benefits they are eligible for from the Israeli government; Palestinians are not eligible for most of these benefits.

Trade between the Palestinian and Israeli economies could be beneficial to both if production was based on fair and free competition and focused on the comparative advantages of each economy. However, until the current system of economic interaction is altered, marketing and trade in the Palestinian economy will continue to be an often impossible and wasteful exercise.

## **Trade with Jordan and other Arab states**

The West Bank's historic trade links with the rest of the Arab world have largely been severed by Israel's attempts to ensure the 'captivity' of Palestinian markets. Palestinian economist George Abed believes that '[this is] one of the most destructive economic effects of the prolonged occupation ... the isolation of the occupied territories from their traditional, and by and large, natural Arab markets, and the forced reorientation of the Palestinian

economy towards the specific requirements of Israeli hegemony'.<sup>13</sup>

Israel's 'open-bridge' policy attempted to direct Palestinian agricultural produce to Jordan, thereby preventing it from competing with Israeli produce. Palestinians, however, still face many restrictions exporting to Jordan, including severe bureaucratic and administrative obstacles, high transport costs, transport and border fees, and all trucks crossing the bridges are required to have been registered before 1967, and are subject to extensive security checks. There are also Jordanian price controls and restrictions on what Jordan will allow into the country. Jordan insists, for example, that all Palestinian exports have to be composed of 'non-Israeli' raw materials, or raw materials solely from the West Bank or Gaza Strip. Not everything, of course, is available in the occupied territories or from Jordan and it is near impossible for Palestinians to avoid using some Israeli raw materials. As a result, Palestinians are severely restricted in what they can export to Jordan and other Arab countries.

There are also numerous instances of Palestinian exports being held up at the bridges by the Israeli authorities, often until the produce has rotted. In April 1990, the Israeli authorities held up 50 trucks for over a week with no explanation given. As a result, the entire contents were too rotten to be sold.<sup>14</sup>

Olives and olive oil were the West Bank's main exports until the early 1980s. The revenue from this crop exceeded \$100 million. In September 1988, the Israeli government debated whether or not to prohibit the whole of the West Bank from harvesting and processing its olives. Instead, they decided to carry out punitive measures on a case-by-case basis. Although exact information is difficult to obtain, 24 villages were prohibited from harvesting their olive crop by October and, during the whole of 1988, approximately 31,583 olive trees were uprooted in the West Bank.<sup>15</sup> Following Jordan's disengagement in 1988, Jordan decided to prohibit the import of olives or olive oil unless required for domestic needs. Three-quarters of all West Bank olive oil produced lost its market overnight.<sup>16</sup>

## **The Gazan citrus trade**

The plight of the Gaza Strip's citrus farmers illustrates the extent to which Israeli measures control every aspect of marketing and trade, and aim at prohibiting independent trade abroad lest they compete with Israeli produce. Citrus fruit production (mainly oranges) was the largest source of income in the Gaza Strip. By February 1991, the consequences of Israel's severe



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marketing and trade restrictions became all too apparent. In February, total citrus production in the Gaza Strip was estimated at 140,000 tons. Of this, only 15,000 tons were successfully exported, a considerably smaller amount than the year before.<sup>17</sup>

The Gaza Strip's citrus crop is strictly monitored. Until the 1980s, Gazan farmers were forbidden to market their produce in Western Europe. Palestinian markets in Eastern Europe have also been threatened by the Israeli authorities. Between 1967 and 1974, Gazan farmers could only market their produce through the Israeli Citrus Marketing Board at less than competitive prices. In 1986, under pressure from the EEC, the Israeli authorities allowed Palestinian farmers to market their produce in Western Europe. Israel still insisted, however, that all exports had to be marketed through AGREXCO, the main Israeli export marketing organisation. In addition, Palestinian citrus exporters pay a tax of \$22 per ton more than Israeli exporters: \$15 for each ton of citrus produce exported, and \$7 per ton for security inspection. Once again, Palestinians faced disadvantageous export conditions.

Under the EEC plan, 25,000 tons of Gazan citrus fruit was to be exported to EEC markets. 'Security delays' of more than a week resulted in poor quality and rotten fruit finally arriving in Europe. Israeli interference created a highly unstable export atmosphere which was discouraging to both Palestinian exporters and European importers. It also damaged the competitive potential of Palestinian agricultural exports<sup>18</sup> (see Chapter 4 on Agriculture).

## Taxes

The system of taxes imposed on Palestinian foreign exports and imports is one of the most restrictive measures imposed on Palestinian trade. After the Israeli invasion of Lebanon in 1982, the *Galilee* tax was imposed; this is a 2 percent tax on the price of the import or export in addition to airport or port fees. This new 'accepted' price is then subject to *customs* tax which is levied on the price of the product on top of the Galilee tax and the port or airport tax. Israeli traders are reimbursed this tax on raw materials, which anyway is gradually being phased out; by 1997, no Israeli trader will pay this tax. A *purchase* tax is then imposed on the cumulative costs, a tax which Israeli traders are reimbursed on export of the goods. Although Palestinians are legally entitled to a similar refund, in practice this does not happen. And finally, 18 percent *VAT* is imposed in addition to, and including, all the above taxes.<sup>19</sup> Not only is this system of taxation quite ridiculous, but many taxes are levied at each stage of the production process. As a result, the price of

Palestinian goods rise and they lose their competitive edge over Israeli goods which are cheaper.<sup>20</sup>

## **Imports**

Importing goods through Israel is difficult, costly and complicated. Palestinians are forced to import through an Israeli agent if one exists for the product. They are obliged to pay taxes twice: once to the Israeli agent, and again when they are sold on the Palestinian market. The 18 percent VAT, for example, is levied twice on Palestinian imports; whereas Israeli agents are reimbursed this 18 percent, Palestinian agents are only reimbursed once. Customs dues on imports amount to between 8-12 percent of the value of the finished product, averaging 112 percent of the world market price (see above and Chapter 8 on Taxation). And, Palestinians have access to far fewer financial and credit facilities (see Chapter 9 on the Financial Sector).

Although Palestinians prefer to import from Jordan than from Israel, the security is tight and costly, and not everything is available from, or through, Jordan. At the bridge crossing-points high taxes are levied on all imported goods. Palestinian economist Hisham Jabr estimates that the Israeli authorities collect about \$3 million each year on bridge-crossing fees for trucks and taxis. In addition, about \$15-20 million is paid each year in customs fees at the bridges.<sup>21</sup> All Palestinian imports have to be checked and examined by Israeli security. This can take up to a week, and the owner has to pay transit fees during this period. In addition, imports are subject to additional scrutiny by the Israeli Institute of Quality Standards.

At times, Israel has attempted to restrict the flow of goods to the occupied territories as collective political punishment. In 1988, as a result of increasing intifada activities, special permits were required from the military authorities to import fuel. Similarly, a host of tariffs, customs duties and other regulations restrict the flow of foreign goods into the West Bank and Gaza Strip, thereby regulating the only route for imports of raw materials and goods imported into the occupied territories.

Import permits are only issued if it is in the interests of the Israeli economy. It takes between 25-40 days to obtain an import permit and no Palestinian is issued a permit if there is already an Israeli agent for that product.

## Conclusion

Palestinian attempts at defying punitive Israeli policies against trade are immediately suppressed. When, for example, five Palestinians decided to start a marketing company for agricultural supplies, they were harassed and arrested. As one Israeli newspaper explained: 'The [military] administration believes that they sell vegetable plants and seeds to the inhabitants to let them develop home farms that might enable them to become independent of Israel ... Therefore, their houses are guarded day and night, they are harassed, summoned everyday to the governor's office and held there from the morning till night.'<sup>22</sup> *The New York Times* described Israeli response to another Palestinian initiative: 'Asked why the Israelis are keeping the pressure on [a particular West Bank town], a Western diplomat who follows the West Bank closely said some Israeli commanders see in [the town] a "dangerous example" of a place that knows how to use free enterprise to lessen its dependence on Israel. "They have sustained resistance by planting their own gardens", the diplomat said.'<sup>23</sup>

Until Palestinian entrepreneurs, farmers, and industrialists are allowed to produce, market and trade in an equitable and just manner with Israel and abroad,<sup>24</sup> the Palestinian economy will continue to suffer as a result of the severe constraints imposed by the Israeli authorities. Without significant economic and political change, the Palestinian balance of trade will continue to be in deficit as it has been since 1967.

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21 percent tax for the same t-shirt (S. Daebes, *ibid.*).



**PALESTINIAN WORKERS WAIT FOR WORK AT EREZ CHECKPOINT, GAZA STRIP**  
**ALEX LEVAC, *Challenge***

# EMPLOYMENT, | 7 UNEMPLOYMENT & EMIGRATION

The Israeli government has taken a two-policy approach to Palestinian labour. On the one hand, they encourage Palestinians to work in Israel to provide a cheap pool of casual and seasonal labour. On the other hand, successive Israeli governments have suppressed all attempts by Palestinian workers in the occupied territories to organise themselves and have targeted the trade unions, union officials and their activities. A weak, unorganised Palestinian labour force ensures Israel's ability to continue to exploit Palestinian workers. As the Palestinian Labour Studies Center explains: 'Although Palestinian workers suffer from acute racism and exploitation by the employer from one side, and by the Histadrut from the other side, they have been deprived so far from enrollment in the Arab trade unions in the West Bank'.<sup>1</sup>

## **Employment conditions**

### **Cheap, flexible labour**

Israeli industries have utilised and come to depend on this source of cheap,

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flexible labour. By 1987, for example, 88 percent of Israeli textile factories were dependent on cheap Gazan labour.<sup>2</sup> Migratory Palestinian labour is essential for the regulation of the Israeli economy. Of a total labour force of 308,000 workers in 1990 (200,000 in the West Bank and 108,000 in the Gaza Strip), 90 percent of whom were men, 108,000 worked in Israel, approximately 36 percent of the total.<sup>3</sup> According to the director of the Israeli Labour Ministry's Manpower Planning Authority, 'If the Palestinian workers were suddenly to disappear overnight, the [Israeli] economy would find itself in chaos, short of 7 percent of its workforce'.<sup>4</sup> Around 64 percent, or 189,000 Palestinian workers were working in the occupied territories. By 1992, this included about 4,000 workers who were employed in Israeli settlements (mainly in construction work).<sup>5</sup> Most other workers in the West Bank and Gaza Strip are either self-employed or are working in small businesses; in 1991 only 40 percent were wage employees.<sup>6</sup> Data for 1991 suggests that the total labour force increased to 322,000, an increase of 4.7 percent.<sup>7</sup>

Palestinians are prohibited from organising collectively and are generally hired irregularly and informally to avoid Israeli employers having to pay taxes and benefits. Palestinian labour is also cheap. In the 1970s, the average Israeli salary was seven times as high as a Palestinian salary, and has remained so throughout the occupation.<sup>8</sup> The Head of the Histadrut's Organising Department, Haim Haberfeld, said that Palestinian workers, including those from inside Israel, get approximately 50 percent of what Israeli workers receive for the same job.<sup>9</sup> Although the Israeli authorities admit that there are problems with the application of the laws covering employment conditions for Palestinian workers in Israel, they have yet to take measures to improve these conditions. There are, for example, only two inspectors for the whole country to deal with complaints regarding the widespread practice of underpaying, or not paying, Palestinian workers.<sup>10</sup> According to Israeli law, an employer must pay an employee not later than the 8th of the following month. If payment is delayed, the employer is obliged to pay a 5 percent penalty for the first two weeks, and a 10 percent penalty if payment is more than two weeks overdue.<sup>11</sup> According to the International Labour Organisation (ILO), the Israeli Ministry of Labour said it would need 30-40 more inspectors, and that in the meantime the 70 inspectors currently supervising occupational safety should take over responsibility for monitoring complaints against employers.<sup>12</sup> And, whereas the Histadrut should be technically responsible for protecting the interests of all workers in Israel, it does not defend Palestinian workers against their employers, and has, in some instances, been involved in, and encouraged, the dismissal of Palestinian workers from their jobs (see below).

## Trade union harassment

Palestinian trade unions have been specifically targeted by the Israeli authorities. They operate under constant harassment because those responsible for trade unions in the occupation's Civil Administration in the West Bank and Gaza Strip believe that they '... are so bound up with political activity and associated with terrorist or other illegal acts as to render them unacceptable'.<sup>13</sup> They are not recognised, their members intimidated, their offices raided and closed down, and their leaders jailed and/or deported. Their offices have been closed during the night and the entrances sealed shut, or they are blockaded during the day by the Border Police or the Shin Bet. The Public Services Union in the Gaza Strip, for example, was raided by the military in April 1987. The union offices were searched, all official documents were confiscated and four trade unionists were detained in order to prevent the union's annual elections taking place.<sup>14</sup> Jordanian labour law, applicable in the West Bank until 1988, allowed for every union to have an office or branch in its work area. The union was only required to inform the authorities when it opened an office. Not only have the Israeli authorities prevented Palestinian unions from opening new offices, but they have targeted and closed existing ones.<sup>15</sup>

At one point in 1988, 44 union activists, mostly members of executive councils or secretary generals, were imprisoned at the same time. Seven union activists have been deported during the intifada. The trade union detainees submitted a memorandum to the ILO in 1989 asking them to put pressure on Israel to stop the deportations. Similar memoranda were also submitted to foreign consulates in Jerusalem and an appeal was submitted to the UN. Their efforts were in vain; Israel went ahead with, and continues to carry out, deportations of Palestinians from their homeland, including trade union activists. Between 1967-1987, 48 trade unionists were administratively detained. Under administrative detention (using the British Defence Emergency Regulations of 1945), a person is detained without any charges or accusations being made. In addition, the tactic of 'preventative apprehension' is used to disrupt a union event or activity; any person can be arrested and held up to 48 hours before being released. This practice has been used against thousands of workers and trade unionists since the beginning of the occupation, and the consequences have been significant. A worker can lose his/her job or miss an election or conference, etc. When, on May Day 1989, the General Federation of Trade Unions (GFTU) called on workers to participate in a march, the police attacked the march with live ammunition,



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rubber bullets and tear gas. The Israeli authorities themselves admitted that the workers did not raise any political slogans.<sup>16</sup> Since the beginning of the intifada, 30 union offices have been ordered shut by military order. In 1988, the GFTU office in Nablus was ordered shut for two years. In addition, the Israeli authorities have threatened and harassed landlords who rent office space to trade unions, often until the landlord is forced to evacuate the building.<sup>17</sup>

'Trade Unions have ... been specifically targeted by the authorities, probably because of their potential to control a mass constituency and all this might entail, including general strikes and boycotts'.<sup>18</sup> According to the ILO, the result is '... that the constraints imposed on trade unions and their activities under a situation of military occupation render the free exercise of trade union rights impossible ... there is considerable and convincing evidence of continuing harassment and obstruction of trade unions and their officials by the military occupation forces'.<sup>19</sup> Official Israeli statements such as the government's response to the ILO's 1991 report, are disingenuous given their policies and actions on the ground: 'The Civil Administration has always encouraged organised employment because only in this way can exploitation of workers from the areas [sic] be prevented and their social rights be safeguarded'.<sup>20</sup>

Trade union membership increased from 3,250 members in 1978, to 11,000 in 1981, and to more than 60,000 members in 1989.<sup>21</sup> Whereas the Histadrut has spoken out against attacks on trade unions in Poland and South Africa, they have never said one word against their own government's attacks on Palestinian trade unions. In some instances they have even defended the government and attacked Palestinian trade unions for being '... bases for hostile terrorist actions ... who do little, if anything, for the welfare of workers'. They offer no evidence to support their allegations, and ignore the work the unions are attempting to carry out.<sup>22</sup> Palestinian workers have, in some cases, been dismissed from their jobs because of their involvement in union activity. In 1980, 11 workers were dismissed from their jobs at the Shalom Hotel in Jerusalem after they protested against the 12-hour work day. When the Histadrut learned that the workers were members of the Arab Hotel Workers Union, which was helping them to file a complaint, the Histadrut supported the Shalom Hotel's decision to dismiss them.<sup>23</sup>

Trade unions are especially important for Palestinian workers, the majority of whom work in businesses employing less than ten workers. For these workers, the union office is one of the few places they can go to for help. Military Order 825 (20 February 1980) gives the military authorities complete control over union activity.<sup>24</sup> It amended Article 83 of Jordanian Labour Law No. 21 (1960). As Adel Wazwaz of the Labour Studies Centre

explains: 'In amending Article 83 of the Jordanian law, the authorities tried to deprive the working class of their activist leaders. They also tried to dwarf the federation and the unions so as to squash its mass revolutionary content'.<sup>25</sup> Anyone imprisoned for more than five years for any crime, including any 'security offence', is barred from union administration work.<sup>26</sup> It is only because unions have collectively ignored this military order that the authorities have been unable to implement all these regulations.

According to the ILO, only a very small number of unions have received a licence since 1979. In 1986 alone, 31 applications were submitted to the Israeli authorities; none were accepted. In 1991, only one new union was registered, bringing the total number of registered unions to 32.<sup>27</sup> The most common response to unions who wait years after submitting a registration application is, 'your application is being studied'; the law specifies no time limit on a decision from the Minister of Labour, thereby preventing the unions from filing a suit against the Ministry of Labour.<sup>28</sup> Since 1980, however, more than 80 unlicensed unions have begun operating in the West Bank. In the Gaza Strip, the trade union federation is made up of six registered trade unions.

### **'There is no place for Arabs'**

Palestinian workers in Israel do not enjoy the same work conditions as their Israeli counterparts. Although 35 percent of their wages are deducted through the Israeli labour exchanges,<sup>29</sup> they receive less benefits (3 out of 12 categories), pay higher taxes (see Chapter 8 on Taxation Policies), and are the first to be fired during times of recession. Sometimes, being a Palestinian is sufficient grounds for dismissal; in December 1989, the Police Commander in Tel Aviv met with the Mayor of Bnei Brak, and agreed to expel all the Palestinians from the area because, it was alleged, they harass the local residents.<sup>30</sup> Similarly, in May 1989, Ashkelon and Ashdod municipalities decided to prevent Palestinians from entering these cities. A notice was posted in Hebrew at the entrance to the municipality: 'There is no place for Arabs in Ashdod'.<sup>31</sup>

The town of Petah Tikva took the most racist approach against Palestinian workers. The Mayor asked for a special barn to be built, reminiscent of the 'singles' hostels for black workers in South Africa and Namibia, at the entrance to the town where Palestinians would be forced to sleep. The municipality ratified the project. Palestinian workers refused to

sleep in the barns, and turned them instead into places where they waited for work in the mornings. The local police tried to force the workers to gather in the barns, but stopped after a wave of protest in the Knesset and amongst the Israeli public. Around this time, Ariel settlement decided to force its Palestinian workers to wear a badge saying (in Hebrew): 'I am a foreign worker'. Palestinian workers were required to leave their identity cards at the entrance of the settlement until they left at the end of the day.<sup>32</sup> The settlement was acting illegally since any Palestinian caught without an identity card is subject to immediate arrest and a fine.<sup>33</sup> An Israeli newspaper pointed out the similarity with the Nazi regime in Germany forcing Jews to wear a yellow Star of David. Nehman, the head of Ariel's local council, rejected this comparison. As one Israeli newspaper sarcastically pointed out: 'He is right. In Europe, Jews were the victims, whereas today they are masters. This is the big and principal difference'.<sup>34</sup> Two more settlements adopted Ariel's practice.<sup>35</sup> An international and local outcry eventually forced the settlement councils to stop this overtly racist policy.

Palestinians are permitted to work in Israel for the simple reason that they will do jobs that no Jewish Israeli will do, and for wages which no Jewish Israeli would accept.<sup>36</sup> Whereas unskilled Israeli workers are hired on a monthly basis, Palestinian workers are hired on a daily basis, because, their employers argue, they are absent from work more often than Israeli workers due to strikes, curfews, etc. This absenteeism is rarely the fault of the worker; curfews, roadblocks, etc. prevent Palestinian workers from going to work. In addition, Palestinian workers are forced to join the Histadrut, to which they must pay one percent of their earnings. They are, however, not eligible for most of the benefits because they are not residents of Israel or an Israeli settlement in the occupied territories. Nor are Palestinian workers from the occupied territories allowed to vote in Histadrut elections, participate in workers councils and, in some cases, they have been denied observer status on plant worker's committees.<sup>37</sup>

Because of the difficulties (and expense) Palestinian migrant workers face travelling to and from work every day, many workers sleep inside Israel overnight, often illegally. Although estimates vary, one Knesset report issued in 1985 indicated that up to 50,000 workers slept overnight in Tel Aviv. For the employers the benefits are obvious; as one factory owner explained, 'I lock the door in the evening and know that in the morning I will find all of them on the premises. I won't have to run to the Police to look for them and waste time'.<sup>38</sup> For Palestinian workers, there are no benefits; the conditions in which they are forced to live in are often intolerable and they risk constant threat of arrest and attacks. A worker with the Histadrut-owned Solel Boneh

construction company described his 'hostel': 'the company hostel was more like a jail. At night they would lock us in. The rooms we slept in were 4 metres square and we had six workers sleeping in them. There weren't enough beds for everyone so four would sleep in the beds and two would sleep on the floor, and we would take turns. The blankets were dirty and had holes in them. Sometimes we would have mice bigger than cats running around us ... Only a few days each week we would have hot water. The food was no good, but they took 10 percent of our wages just for the food.'<sup>39</sup>

For other workers, living conditions were worse than prison conditions. Radwan works on a moshav agricultural project in Israel. 'Some of us', he explains, 'sleep in chicken coops, some just in the open air. It's hard on us and it's hard on our families. We come home and are too tired to be part of the family. We are forced into this work because our families need the food. But our work is like a prison. We can't leave and our families can't visit us. We are guarded with guns. What's the difference between that and a prison? At least in prison you have windows and doors and they give you blankets.' When two moshavim attempted to improve living conditions for their workers by fitting some old buildings and buses with electricity, toilets and running water, they were accused by the government of improperly using state land by letting 'foreigners' sleep there. The government threatened to confiscate the land.<sup>40</sup>

More importantly, the Histadrut has played an active role in displacing Palestinian workers, and replacing them with Jewish Israeli workers. In 1984, for example, when Israeli workers at the Dimona Textile factory were laid-off, the Histadrut worker's council demanded that all Palestinian workers in the factory (all legally registered) be dismissed before any Israeli workers were laid-off.<sup>41</sup> Histadrut General Secretary, Israel Kissau, has urged a return to *Avodah Eivrit* ('Hebrew work'), the rallying call of the early labour Zionist movement.<sup>42</sup> In the light of these and other statements and actions, it is difficult to see how the Histadrut can, as it claims, represent the interests of Palestinian workers. And, at the Berman Bakery in Jerusalem, when 35 legally-registered Palestinian workers walked out in protest at low pay and bad work conditions (many had been in their jobs for many years, yet were still earning only one-third of what a Jewish Israeli worker would earn doing the same job), the response they received from a Histadrut official was, 'we have no commitment to West Bank workers'. According to Professor Michael Shalev from the Hebrew University, had the Palestinian workers at Berman's earned what was due to them under the legally-binding collective agreement for the bakery industry, their wages would be three times higher.<sup>43</sup>

The Histadrut has also benefitted from its involvement in settlement

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building in the occupied Palestinian territories. The Solel Boneh construction company has been heavily involved in settlement construction since the 1970s; according to the Histadrut itself, one-quarter of all housing units in the West Bank were built by Solel Boneh and its affiliates.<sup>44</sup>

Government bodies have been accused of collectively dismissing Palestinian workers as punishment for intifada-related activities. Both the Tel Aviv and Jerusalem municipalities dismissed hundreds of Palestinian workers because of what they termed the 'compulsory absence' of Palestinian employees due to the permanent instability in the occupied territories.<sup>45</sup>

Since 1990, the Israeli government has been actively trying to reduce the number of Palestinians working in Israel to reduce its dependence on Palestinian labour for political, economic and 'security' reasons. The Ministry of Labour, for example, dismissed 500 Palestinian workers who had been employed by the Tel Aviv municipality for a number of years because, they said, the number of attacks against employers was rising. Many of these workers did not receive the severance pay they were entitled to, and some were not given their wages.<sup>46</sup>

### **Keren Hanikuyim Fund**

Tax, national insurance, social benefits and Histadrut deductions are all managed according to a policy decision taken in 1970 which covers wages and benefits for Palestinian workers. The Keren Hanikuyim Fund was set up, supposedly for social development, with deductions from the wages of Palestinian workers employed in Israel (see Chapter 8 on Taxation Policies). In total, 20 percent of a Palestinian's total wage packet is deducted and transferred into this fund. The Israeli Prime Minister, the Minister of Finance and the Minister of Labour are responsible for administering the fund. This fund has been the subject of controversy because no information on it has ever been made public. Estimates suggest that the total wage deductions which have gone into the fund could be in the region of \$1-2 billion.<sup>47</sup> Contributions from Gazan workers alone amount to \$2-3 million per month, about \$24-36 million annually.<sup>48</sup> Palestinian workers do not know how much is in it or what it is used for. Israeli analyst Meron Benvenisti believes that about \$250 million has gone directly for Israeli public expenditure, and the rest has been used to subsidise the occupation's Civil Administration.<sup>49</sup> Money from the fund is transferred directly to the Israeli treasury, the same body which finances the illegal settlements in the West Bank and Gaza Strip. When ILO representatives asked the Ministry of Defence about the funds, they were told that all the funds are transferred to the Civil Administration which uses them for development in the occupied territories.<sup>50</sup> Palestinian workers believe that it

is their right to know how much has been collected and where these funds are, and that they be given the right to administer the funds. And while the Histadrut has shown little interest in supporting Palestinian worker's rights, it has been trying to get control of the fund, because this would mean literally millions of dollars a year for the Histadrut pension funds alone. The Histadrut has even threatened to take the government to court several times over control of the fund.<sup>51</sup>

### **Work permits**

These anti-worker and anti-trade union policies should be seen in the wider context of Israel's realisation that military force alone is insufficient to end the intifada; economic pressures are used alongside physical repression. In March 1991, for example, in the aftermath of the Gulf War, Israeli public debate was focused on whether or not single Palestinian males should be banned from working inside Israel.<sup>52</sup> Working in Israel has thus become a privilege, not a right. An Israeli newspaper explained the situation in December 1991: 'Every day, the police carry out thousands of identity checks in Israel [and East Jerusalem], looking for Palestinians from the territories [sic] there without a permit. Checks are made, according to the police, depending on the "appearance" of the persons, that is, their oriental features'.<sup>53</sup> If Palestinians are caught without a work permit at a particular time and place, they are fined NIS 350 if they are from the West Bank and NIS 500 if they are from the Gaza Strip; the average daily wage of an unskilled Palestinian worker in Israel is NIS 20-30 after transport expenses.<sup>54</sup> In March 1991, it became a criminal offence to employ Palestinians illegally;<sup>55</sup> the fine against Israeli employers hiring Palestinians without a work permit was increased to NIS 2,000, and the fine for Palestinian workers working without a permit was increased to NIS 15,000.<sup>56</sup> Any Palestinian caught working and sleeping illegally in Israel was to be immediately arrested and charged.<sup>57</sup>

The effects began to be felt. Palestinian workers, mostly with legal permits, were fired as a result of curfews and strikes which prevented them from getting to work. In addition, the Association for Civil Rights in Israel filed a number of lawsuits against the Israeli police for arresting Palestinians, who, even though they were in possession of approved permits, were arrested on their way to work in Israel.<sup>58</sup> Since the beginning of the intifada, the situation has steadily worsened; during the first three months, for example, the rate of absenteeism was 43 percent.<sup>59</sup> In October 1990, some 20,000 Palestinian workers were issued with green identity cards (given to those charged with a 'security' offence) to prevent them from working in East Jerusalem or Israel.<sup>60</sup> Israeli attorney, Hana Zohar, said that by the end of

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1991, approximately 6,000 Palestinians had been arrested since the Gulf War for being in Israel or East Jerusalem without military permission.<sup>61</sup>

Israeli citizens began to take the situation into their own hands and attacks against Palestinians working in Israel increased. In May 1990, for example, seven Palestinians working in Israel were killed and others wounded by an Israeli civilian, Amy Popper, in what became known as the Rishon Letzion massacre. Similarly, in November 1991, a group of Israeli high school students harassed and beat a Palestinian man on his way to work in an Israeli bus in West Jerusalem; the Police determined that the attack was racially motivated.<sup>62</sup> And, in April 1992, the Israeli press reported that Mousa Abu-Leil had been attacked in Eilat. A group of youths beat and injured him on his head, then threw him into the harbour.<sup>63</sup>

### **Palestinian women in the wage labour force**

Palestinian women's role in the labour force has increased during the 25 years of Israeli military occupation, especially during the intifada years;<sup>64</sup> '[the] occupation has both initiated and sustained female participation in the wage labour force'.<sup>65</sup> The progress and contribution by Palestinian women, however, is more the result of economic distress than of economic development; as Suha Hindiye of the Women's Studies Centre explains, this situation 'was not the result of women's involvement in social production; it was the outcome of the prevailing objective conditions represented by male migration (internal and external) in addition to the deteriorating economic conditions'.<sup>66</sup> Palestinian women have been caught between the needs of the national liberation struggle, which dominates their lives, and their own needs '... stemming from their class oppression and their oppression as women by a patriarchal system of social organisation'.<sup>67</sup>

As increasing numbers of men have been forced to migrate abroad or become migratory workers in Israel in addition to the large numbers of men in detention or those deported, Palestinian women have taken their place in the local wage labour market. A large proportion of these women (according to one survey, 85.8 percent), are unmarried; of the remainder, approximately 3 percent are divorced, 3 percent widowed and 7.6 percent are married. Palestinian factory owners admit that they prefer to hire unmarried women because they have 'less' outside responsibilities. Employment conditions also affect married women's ability to work; both Jordanian and Egyptian law discriminate against women. Maternity leave is only 40 days (if women are entitled to it) and most women do not have health insurance (according to the

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Women's Studies Centre's forthcoming survey, 6.3 percent of women workers have their full health insurance paid, 7.6 percent have it partially paid, and the rest, 86.1 percent, have no health insurance at all).

### **Distribution of women in the workforce**

While the economic effects of the Israeli military occupation have increasingly forced women to work to supplement family incomes, the occupation's restrictions on job opportunities determines both where women work and the kind of jobs available. As one analyst explains: 'Although Israeli exploitation of women's role in the industrial work force is ultimately class-determined, women's status as second sex, already exploited by Arab factory owners, is also exploited by Israel. Subcontracting (small-scale operations loosely tied to an integrated industry on the other side of the Green Line) involves little investment.'<sup>68</sup> The whole system of subcontracting is based on cheap labour, which usually means female labour. Wages paid to these women, for example, are 50 percent lower than wages for equal work performed in Israel.<sup>69</sup>

In the occupied Palestinian territories, women constitute one-quarter of the workforce, which includes many part-time workers. A large majority of these women are young: 46 percent were under the age of 20 with 40 percent between the ages of 16-20 years old; 7 percent were under 15.<sup>70</sup> The number of Palestinian women working in Israel has decreased; whereas in 1979 they comprised 4.5 percent of the Palestinian workforce in Israel, by 1983 this proportion had dropped to 2.5 percent, and by 1990 only 469 women were registered.<sup>71</sup>

### **Percentage of women in workforce**

|                       | <b>West Bank</b>   | <b>Gaza Strip</b>  |
|-----------------------|--|--------------------|
| <b>agriculture</b>    | 50%  | 13 % <sup>72</sup> |
| <b>service sector</b> | 35%  | 65 % <sup>73</sup> |
| <b>professions</b>    | mainly medical and pharmaceutical:<br>13% in the dentists union<br>30% in the pharmacists' union<br>8% in the physicians union<br>7% in the journalists union<br>6% in the lawyers union<br>8% in the agronomists union<br>4% in the engineers' union. <sup>74</sup> |                    |



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In a 1983-1984 survey, women in the labour force were distributed as follows:

- 57.5% worked in agriculture
- 21.6% in science, academic and the 'caring' professions  
eg. teaching and nursing
- 9.4% in the industrial sector
- 8.4% as skilled labourers
- 5.2% in the service industry
- 4.3% in clerical work
- 2% in commerce
- 1% as unskilled labourers<sup>75</sup>

### **The traditional role of women workers**

These surveys show that, excluding agriculture, the majority of women, as in many other countries, still work in traditional female jobs. Suha Hindiyeih outlines the socio-economic conditions which face Palestinian women: 'In capitalist societies the labour power is oppressed on the basis of class. Under occupation the labour force is also oppressed on national lines. The female labour force, however, suffers from the addition of gender oppression.'<sup>76</sup> Class oppression, she explains, is demonstrated in Palestinian society by the Palestinian 'semi-proletarianised' worker in Israeli enterprises; while family labour provides the means of subsistence through agriculture, thus meeting workers costs of production and reproduction. These underpaid women workers become cheap labour power and the industrial reserve army. While all Palestinian workers earn approximately half of what Israeli workers earn for the same jobs, Palestinian women earn half what their male counterparts earn. Factory owners explain the large wage discrepancy by saying that men have greater family responsibilities.<sup>77</sup> In a survey carried out by the Women's Studies Centre, 85.3 percent of women interviewed who worked in mixed factories said that equal wages were not paid for equal work.<sup>78</sup> One industry in which women workers are the clear majority is the clothing industry.<sup>79</sup> Women's pay is related to length of time in the job, when the 'risk' of marriage has declined.

In a 1990 survey, 44 percent of women interviewed received up to JD 100 per month, and 53.5 percent received between JD 101-130 per month, and none received more than JD 130 per month. These figures illustrate the low standard of women's wages and work conditions, especially given that 34.9 percent of these women work 8 hours a day, 52.2 percent work 9 hours per day, and 8.5 percent work ten or more hours a day. In addition, only 63.2 percent of the women surveyed were paid for their day off.<sup>80</sup>

The pool of cheap labour provided by women is, in many instances, exploited by the factory owners. In the Gaza Strip, for example, many believe that it is the only thing that keeps outmoded factories from going under in the face of Israeli competition.<sup>81</sup>

Social pressures have added to the situation whereby the only jobs available to women are those traditionally associated with 'women's work'. In households in the Gaza Strip, for example, where women do work, the fact is denied or hidden because a house where women work is considered 'poor'.<sup>82</sup> Explained one Palestinian employee in a Gaza labour office: 'Women in factories! There are none. You see, our customs do not allow this.'<sup>83</sup>

### **Low educational and training standards**

One of the main reasons for a concentration of women in traditional jobs is the high percentage of women who do not complete their schooling (the Women's Studies Centre's forthcoming survey found that 60 percent of women workers had attended no higher than prep school, of which 7 percent had no formal education whatsoever), and the lack of vocational training schools for women. In the early 1980s, for example, the average percentage of girls in secondary education was 37.4 percent in the West Bank and 42.2 percent in the Gaza Strip.<sup>84</sup> Those training programmes that do exist focus on training in sewing and typing. In the Gaza Strip, women were especially hit by the decision of the Egyptian government after 1967 to severely restrict higher education to Palestinians. Professional women in Gaza, many who were themselves educated in Egypt, cite this as a major blow to women's educational standards in the Gaza Strip; whereas in the 1950s and 1960s everyone who passed tawjihi had access to higher education in Egypt, this is now restricted to 100 students annually.<sup>85</sup> Currently, women account for between 30-40 percent of the total number of students at the various Palestinian universities.<sup>86</sup>

Women in routine work, for example in the clothing and textile industry, are given minimal on-the-job training, thus their skills and potential are not developed. This is once again illustrated by the survey carried out by the Women's Studies Centre. It found that 32.7 percent of women sampled were unskilled workers working on one machine, with a further 13 percent involved in secondary work, including folding and packing. Forty-six percent of the women interviewed considered themselves skilled when their job consisted of sewing and hemming using different sewing machines. A further 5 percent in the sample worked as secretaries and 3 percent as cleaners.<sup>87</sup>

Current economic problems affect women more than their male counterparts. Unemployment, for example, hits women harder than men.

Surveys of women graduates illustrate that very few women who graduated with university degrees went on to pursue careers of any kind.

### **Women in the unions**

Participation of women in trade unions is minimal (the Women's Centre survey found that 95.2 percent of women do not participate in unions because they have not heard of unions, or they do not have the time to participate or because their family would not accept their participation in union activities<sup>88</sup>) and there is an apparent absence of women from the union leadership. Of the women who are active in unions, many have to give up their activities after marriage because of family or societal pressures. The women's committees do, to an extent, act as trade unions for women, however even here, their role is largely symbolic and mainly restricted to mobilising around national issues or organising traditional women's activities (see below).

### **Women's Committees**

The five major national Women's Committees which have evolved over the last decade have been active in both the national struggle and in activities specifically concerning women. Many of their activities have centred on setting up projects, including co-operatives. These, however have mainly focussed on traditional women's work such as sewing, embroidery and food processing.<sup>89</sup> The typical wage for a woman working on an embroidery project is NIS 6 per ball of embroidery thread, equivalent to 1-2 days work. The dilemma, which many committee leaders point out, is that while many women are dependent on this income, the extent to which their economic and social power and stature is increased is minimal.<sup>90</sup>

A number of projects set up and organised by the Women's committees have, however, been successful. The Surif Women's Cooperative, for example, has successfully been transformed into an independently-run and largely self-sufficient project managed and run by the women from the village of Surif, having originally been set-up and managed by a foreign NGO.<sup>91</sup>

Women's committees have also been involved in lobbying for women worker's rights. In 1982, for example, their efforts succeeded in persuading about 100 local companies to acknowledge International Women's Day (8 March) as a paid holiday for women employees.<sup>92</sup>

### **Charitable societies**

A number of charitable societies set-up and managed by women employ a large number of women themselves and provide for a substantial amount of other women and their families. Inash al-Usra in el-Bireh, for example,

employs 3,000 women and provides support for 2,500 women and their families in 1990. While these social welfare 'hand-out' programmes may be necessary in the short-term, they only serve to consolidate the women's economic dependence and do not lead to any beneficial changes in women's economic rights or status.<sup>93</sup>

## **Child labour**

Under Israeli law it is illegal to employ children under the age of 15, and a special permit is required to employ a young person between the ages of 15-18. However, hundreds of Palestinian children are employed in Israel, especially in the agricultural sector where they make up 40 percent of the total workforce from the occupied territories.<sup>94</sup> They work long hours, for very low wages, and are unable to file complaints against their employers because they are working unofficially.<sup>95</sup> Although child labour has received wide coverage in the Israeli media, the Israeli government has taken no action to stop this exploitation.

## **Migratory labour: the 'right' to work in Israel**

In general, Palestinians prefer (or have no choice) to work as migrant workers in Israel in order to maintain close links with home and keep their national identity rather than emigrate abroad. This migratory phenomenon works to the advantage of the importing Israeli economy. It enables Israel to use seasonal labour to regulate and balance the cheap labour requirements of its economy. Changes in Israeli law in 1968 allowed Palestinians to work in Israel under the restrictions of the labour exchanges. In order to legally work in Israel and to be eligible for the so-called benefits of the Histadrut, Palestinians have to go through these labour exchanges. According to Military Order 65 (12 August 1967) and the Employment Service Act of 1959, Palestinian workers from the occupied Palestinian territories can only work inside Israel if they have a job with an Israeli employer through one of the labour exchange offices and the worker can only work in that particular job and for that particular employer; they have no choice in the type of work they are allocated and are not given any contract. When the employer no longer needs the worker, all he/she has to do is inform the employment office. According to the Employment Act of 1959, a Palestinian worker can be denied a job '... where the character or

nature of the task or considerations of state security prevents or prevent a person's being referred to or being engaged for some particular work'. As the ILO explains, these considerations are 'omnipresent' between the Israeli authorities and Palestinian workers, and are likely to lead to discriminatory and arbitrary practices.<sup>96</sup> In addition to securing a job through one of the labour exchange offices, Palestinian workers from the West Bank should not be in possession of a green identity card. These cards are issued for 6 month periods to people who have been detained on security grounds, usually without being charged or tried, and they prohibit the holder from entering Israel or occupied East Jerusalem. Palestinian workers from the Gaza Strip must be in possession of a 'magnetic card' before they can work inside Israel (see below). Being able to comply with all these conditions is a difficult and lengthy process. Even if a worker meets all the conditions, there is no guarantee that he will be given a permit (Palestinian women do not need a permit to work inside Israel). In 1986, for example, out of a total of 520 applicants in Jenin, only ten were given work permits; the rest were rejected for 'security reasons'.<sup>97</sup>

The *wage gap* between what Palestinians could earn in the occupied territories and their wages inside Israel is not seen as the cause of migratory labour since the difference is relatively small. In 1976, for example, Palestinians working in Israel were only making 1.1 times as much as they could earn in the West Bank for comparable work, and 1.2 times what they could earn in the Gaza Strip.

Nor is *under-development* unemployment the reason for the migratory labour. Many similar under-developed regions have escaped migration because the artisan base of the local economy has remained strong. Rather, unemployment in the occupied territories is *politically induced* as a result of Israel's discriminatory policies targeted against the Palestinian economy and Palestinian society. The employment situation is better described by the term *underemployment* reflecting the substantial insufficiency in the volume of employment and the high proportion of workers who are either self-employed or who work in small businesses.

## Unemployment

Unemployment is *push* induced; that is, poor economic prospects and continuing land expropriations have pushed people to leave the land and seek work inside Israel for lack of an alternative. By 1980, 76 percent of migrants from the West Bank were from villages, largely because their land had been

seized or they were unable to compete in agricultural production with subsidised Israeli agriculture. In the Gaza Strip, 50 percent of migrant workers came from the refugee camp population who lost their lands in 1948.<sup>98</sup>

According to the Israeli Bureau of Statistics, unemployment has increased dramatically, especially in the West Bank, from approximately 3.6 percent at the end of 1990 to 10.3 percent by the end of 1991. In the Gaza Strip, unemployment has remained at approximately 4 percent, because of the large numbers of people who now work inside Israel.<sup>99</sup> According to Palestinian and foreign analysts and economists, these figures are completely misleading; they estimate actual unemployment to be between 25 and 40 percent of the total labour force.<sup>100</sup>

In 1989, the Israeli authorities declared that all cars entering Israel from the Gaza Strip required a car sticker; only drivers with a 'clean security record' were eligible for the sticker. In effect, this barred most Gazan residents from entering Israel. The Area Commander of the Gaza Strip, Yitzhak Mordechai, explained: 'I don't want to punish anyone, but to grant those who deserve it the privilege of working in Israel'.<sup>101</sup> One Israeli journalist explained that this new policy amounted to '... an established process of expelling the Arab workers from their work places in Israel'.<sup>102</sup>

## Magnetic cards

Those Palestinians with jobs in Israel found that their jobs were now used as a weapon against them. Following Palestinian resistance to Israeli efforts to hold municipal elections in the Gaza Strip, the Israeli government issued the following threat: 'if ... they still oppose [Israel's election plan], we will reduce our dependence on their labour in Israel and take other economic steps against them'.<sup>103</sup>

The Israeli government soon acted on their threat. The next day, all Gazan workers were ordered to return home, and the entire Strip was placed under blanket curfew. Henceforth, all workers from the Gaza Strip required a new permit to work in Israel, a 'magnetic card' in addition to regular identification papers. As one security source explained, this was to be 'one of a series of measures aimed at tying the individual to the central authority'.<sup>104</sup> Workers were required to pay a fee for the new card; a portion of the proceeds of which were to be used to finance shatter-proof car windows for Jewish Israeli settlers living in the Gaza Strip.<sup>105</sup> The UNLU called on all workers from the Gaza Strip to reject the magnetic cards and popular

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committees gathered all the cards and burnt them. An official Israeli army source estimated that the popular committees had confiscated 75 percent of the magnetic cards issued. The UNLU called on workers throughout the occupied territories to strike; on the first day of the strike, only 2 percent of workers went to work in Israel.<sup>106</sup> The head of the Civil Administration confessed that the government had been defeated in its attempt to force people to accept the magnetic cards.<sup>107</sup> Gazan workers resisted taking the magnetic cards for 45 days, after which they had no option but to accept them to return to work in Israel.

Once again, these cards were only to be issued to those with a 'clean security record'; tens of thousands of workers were thus potentially ineligible for work in Israel. By 1989, only 40,000 Gazan laborers were given permission to work in Israel, as opposed to 46,000 before the intifada.<sup>108</sup>

The social and economic effects of these measures were immediate. Income earned by Gazan workers inside Israel is estimated to have declined by 18 percent in real terms in 1988, and a further 7 percent in 1989.<sup>109</sup> One disturbing result has been the increase in child labour from the occupied territories. The number of working children between the ages of 8 to 14 years has recently doubled. They make roughly \$10 per day working in Israeli fruit and vegetable markets, slaughterhouses and restaurants. As Sara Roy notes, this illustrates the extent to which people are struggling to survive; 'as the intifada enters its fourth year, the capacity of the individual and the community to avoid complete destitution is weakening ... The situation in Gaza is not only critical but without precedent. For the first time since the beginning of Israeli rule, hunger exists inside the territory.'<sup>110</sup>

The Israeli government's intention was to replace Palestinian workers with Jewish Israeli workers, or with Palestinians (Israeli Arabs) from inside Israel. In January 1992, for example, the Israeli government, in cooperation with the Histadrut, launched a large-scale training programme aimed at replacing Palestinian workers in the construction industry with 30,000 new immigrants. The sponsor's report said, 'the number of construction workers from the territories [sic] is expected to fall as the number of qualified Israelis grows'.<sup>111</sup> During the six-week training programme, Israeli workers' wages were to be jointly funded by the government and contracting firms.<sup>112</sup> The Israeli government's efforts have, however, been largely unsuccessful as unskilled or semi-skilled manual jobs are unpopular amongst the Jewish Israeli labour force.<sup>113</sup>

The crackdown against Palestinian workers intensified. In 1989, the Israeli Association of Petroleum Station Owners announced that it was dismissing 2,000 Palestinian workers and replacing them with Israeli workers.

They announced that they would be offering the new Israeli workers 25 percent more than the previous Palestinian workers for the same job, an initiative of the chairperson of the Histadrut branch. They also proposed that the government subsidise the owners by paying unemployment benefits to employees, as an incentive, on top of their regular salary.<sup>114</sup>

These actions contradict Israeli government's claims, made to the ILO, that the military government protects the rights of Palestinian workers to seek employment inside Israel. The government explained that it was their belief that '... freedom to work represents one of the fundamental principles of the ILO', and that '... the government of Israel has never used workers' rights and the working conditions of the Palestinian inhabitants of Judea, Samaria [sic], and the Gaza District as a political tool'.<sup>115</sup> Young Palestinians from the village of Ba'leen questioned this stand when, in March 1991, their land was confiscated by the Israeli authorities. How, they asked, could the Israeli government be serious about providing jobs for Palestinians while, at the same time, it was confiscating their land, their primary resource.<sup>116</sup>

Although the UNLU has called for boycotts of work inside Israel, it has largely abandoned this call because of the occupied Palestinian territories' heavy dependence on the Israeli market for providing jobs, coupled with the lack of viable employment alternatives in the occupied territories. It is this lack of viable alternatives to wage labour inside Israel that is a critical constraint on indigenous economic development inside the occupied Palestinian territories.

#### **Eretz checkpoint - the 'slave market'**

To mark International Labour Day, 1 May 1991, the Head of the Federation of Palestinian Labour Unions in the Gaza Strip, Mohammed Quneitah, described the situation in the Gaza Strip. As a result of the stringent conditions imposed by the Israeli government, unemployment had reached 70 percent.<sup>117</sup> Quneitah explained that one of the main difficulties is that people cannot afford to pay the so-called 'life tax' required for tax clearance which amounts to approximately \$1,000 per annum, required for tax clearance. Even those fortunate enough to get a magnetic card are not allowed to drive into Israel independently; they have to wait for employers to pick them up at the Eretz border checkpoint. This means they must already have a job and arrange to be picked up each morning. The effect, Quneitah explained, is that workers are '... treated at the border like animals or slaves'. Unemployed workers are not allowed to look for a job. Instead, they must stand in the 'slave market' waiting for prospective employers to hire them for the day. Even these 'Arab gatherings' were objected to. The Mayor of Petah Tikva wrote to the Police



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Commander: 'On behalf of the residents of the area, I am asking you to wipe out this phenomenon of a concentration of Arabs gathering at Geha and Jabotinsky'.<sup>118</sup>

Quneitah explained that even within the Gaza Strip, most of the local factories had gone out of business during the Gulf war and the ensuing curfew. There was no income being generated to pay the taxes demanded by the Israeli authorities. The only factories in operation were seasonal ones, which, he explained, '... can do nothing towards employing a total labour force of 120,000'.<sup>119</sup>

### **The extent of 'dependency'**

Overall, the proportion of the Palestinian workforce working in Israel has been increasing, thereby deepening the consequent dependency relationship of the Palestinian to the Israeli economy. The heavy reliance of the Palestinian workforce on employment outside the Palestinian economy is not typical of an economy experiencing typical development patterns. In a typical situation, labour would shift from agricultural to non-agricultural activities. In the Palestinian case, however, the decision to seek employment inside Israel illustrates the steady decline of other options within the domestic economy. This internal weakness is most obvious in the industrial and agricultural sectors.

In 1970, some 20,000 people (11.9 percent of the total Palestinian workforce) worked in Israel. By 1987, this had increased to 109,000, about 48 percent of the total.<sup>120</sup> In the Gaza Strip, the situation is worse. Between 1970 and 1987 the number of Gazans working in Israel, according to official Israeli statistics, rose over 600 percent.<sup>121</sup> In 1980, only 56.9 percent of those were salaried workers, the rest were wage labourers.<sup>122</sup> Palestinians usually do menial jobs. In 1983, only 22 percent of migrant workers had some kind of job qualification.<sup>123</sup> There has been a continuous increase in the number of unskilled Palestinian workers; from 34 percent in 1980, to 38 percent in 1987.<sup>124</sup> Israeli policies discriminate against the training of Palestinians. As one Palestinian economist explained: 'Most training institutions are under severe financial handicaps, and suffer from restrictions on expansions imposed by the Israeli authorities'.<sup>125</sup> There is very little on-the-job training and Palestinian institutions of higher education are constantly faced with closure and harassment.<sup>126</sup>

The construction industry has, and continues to be, the main employer of Palestinian labour in Israel. Like other industries, however, construction

suffers in times of recession. Between 1987 and 1988, it is estimated that construction activity fell by approximately 40 percent.<sup>127</sup> Whereas 54 percent of migrant labour was employed in construction in the early 1970s, by 1985, this had fallen to 48 percent as a result of recessions in the Israeli economy in 1973-76 and 1984-85.<sup>128</sup>

With the recent decrease in migration to Arab countries and the return of thousands of Palestinians from the Gulf States after the Gulf War, the number of new jobs required in the occupied Palestinian territories is roughly 7,000 each year. Increasing numbers of immigrants, particularly Soviet immigrants, to Israel mean more job losses for Palestinians. By March 1992, approximately 400,000 new Jewish immigrants had arrived in Israel. In order to help absorb them about 60,000 Palestinian workers were to be laid-off. By the end of 1990, approximately 30,000 Palestinian workers had already been laid off from Israel's industrial and service sectors.

## **The effects of the Gulf War**

The Gulf War marked a turning point for Palestinians working in Israel. What were already difficult employment conditions were further worsened by the return of approximately 25,000 Palestinian workers, most having lost their savings, from the Gulf to look for work in the occupied territories or Israel.<sup>129</sup> During the war Israel imposed a blanket curfew on the whole of the occupied territories for 45 days, and since the war, travel restrictions have been, and continue to be enforced on Palestinians throughout the West Bank and Gaza Strip.<sup>130</sup> For Palestinians whose jobs were in Israel, this was disastrous. Between 15,000 and 25,000 Palestinians lost their jobs. Others, as a result of the severe economic crisis in the West Bank and Gaza Strip, were forced to look for new jobs in an increasingly hostile labour market. Forty thousand agricultural workers, for example, were forced to look for additional jobs to make up for the severe drop in income caused by the curfew which prevented them harvesting and marketing their produce. Coupled with the severe economic crisis in Jordan, and the subsequent loss of remittances from Kuwait and Jordan, the situation was desperate. Palestinian economist, George Abed, estimates that previous annual flows from Arab sources, estimated at \$1.4 billion, fell some \$700 million within a matter of months. As a result, per capita income fell about 50 percent to \$800, half of what it had been at the beginning of the intifada, one-tenth of the per capita income in Israel where the cost of living is similar.<sup>131</sup>

Palestinians in the rest of the Middle East also suffered substantial financial losses as a result of the Gulf War. Palestinians in Jordan are estimated to have lost \$2.5 billion between 1990-91, and those living in Kuwait, some \$10 billion.<sup>132</sup>

## **Emigration**

The emigration of mostly skilled, well-qualified Palestinians from the West Bank and Gaza Strip is one of the most serious consequences of the Israeli occupation.

Emigration began in 1948, and has continued steadily since. By 1989, the rate of emigration was 1.3 percent.<sup>133</sup> Israeli restrictions on development and collective punishment measures produce a very restricted future for young Palestinians. An increase in the number of high school students and university graduates over the years with no future job prospects in the occupied territories led to dissatisfaction and disillusionment and consequently to a 'brain drain'. This migratory trend was reversed as a result of the Gulf War for the first time since the beginning of the occupation.<sup>134</sup> The majority of Palestinian emigrants have made their way to the US and to various countries in Latin America.

Palestinians in transit through Israel require a permit, and if, after one year, they do not return to the occupied territories, they lose their identity card and their right to residency in the West Bank or Gaza Strip; they become 'aliens' in their own country. If Palestinians travel through Jordan, they also require a permit, and are not allowed to return to the occupied territories within nine months. If they do not return within three years they lose their identity card, and therefore their right to residency. Students studying abroad, and people who live abroad and who must return periodically to avoid having their land confiscated (under the pretext of 'absentee' property), must return every one or three years. These restrictions account for the large number of professionals who do not return to the West Bank or Gaza Strip.

The wage gap between the territories and abroad accounts for some of the attraction. One surgeon in an Israeli government-run hospital in the West Bank, for example, earns between \$700-\$800 a month and one gynaecologist in Hebron district earns NIS 1,400 (\$600-700) per month.

### **The nature of West Bank and East Jerusalem emigration**

Since 1975, emigration has tended to be family emigration (as opposed to single adults during the 1950s). Between 1967 and 1980, more than one

quarter of all emigrants were less than four years old (27.5 percent), and about 60 percent were less than 14 years old. A high proportion of male emigrants (42 percent) during the same period, were aged 15 to 49 years old. They left in search of work, predominantly in the construction and service industries.<sup>135</sup>

The rate of emigration has outstripped the population growth. Between 1967 and 1980, the annual population growth rate in the West Bank was only 1.5 percent, whereas the increase in the birth rate was more than 3 percent. Thus, the net population actually fell between 1967 and 1980. Whereas the population of the West Bank was 664,000 in 1967, and, given that the number of people displaced between June and September 1967 was about 200,000, the 1980 population of 814,900 represents an overall decline.<sup>136</sup>

In the Gaza Strip, emigration has been less significant. Jordanian restrictions on emigrants from Gaza, and generally lower levels of education and a poorer population have meant the population rose at a rate of 2.4 percent between 1967 and 1980.<sup>137</sup>

## Conclusion

The Gulf War marked a turning point for Palestinian workers in Israel. According to Israeli sources, some 15,000 Palestinians were banned from working in Israel when they were issued with green identity cards. Palestinian sources put the figure at 25,000, with a loss of earnings of approximately \$125 million.<sup>138</sup> Coupled with a loss of remittances from the Gulf States of \$150 million, the total cost of the Gulf War to the Palestinian economy was some \$1.4 billion.<sup>139</sup> As a result, monthly income per capita was expected to fall to \$800, half what it had been on the eve of the intifada. This figure, however, can be misleading since it does not take into account women's income nor does it reflect the situation many families are in where only one person is the bread-winner. In addition, the Israeli government has been keen to replace Palestinian workers with new Jewish immigrants, both to provide jobs for new immigrants and to reduce dependency on, contact with, and opportunities for Palestinians. The official Israeli response to the ILO report is a blatant misrepresentation of what Israeli policies and practices amount to: 'Three major goals guide the Government of Israel with regard to the employment of workers in Judea, Samaria and the Gaza District [sic]. The first is full employment of all jobseekers - with employment opportunities in Israel being regarded as supplementary to those in Judea, Samaria and Gaza

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[sic]. Second is freedom of choice and of movement in obtaining work; and third, equality of wages, social benefits and working conditions for those working in Israel.<sup>140</sup>

The 'dependent' Palestinian economy has minimal absorptive capacity under current Israeli restrictions. Creative productive employment opportunities, like labour-intensive public works schemes, need to be initiated to absorb both the natural increases in the labour force, and the return of migrant workers from Israel, the Gulf states, and, in the light of an independent Palestinian state, Palestinians returning from around the world. The ILO estimates that at least 100,000 jobs will need to be created by the end of this decade just to cover the 15,000 or so new entrants into the labour market each year. This figure is based on the assumption that approximately 100,000 Palestinians will continue to work inside Israel.<sup>141</sup> Job creation of such magnitude is unlikely to happen until labour policies reflect the aspirations of the Palestinian people, articulated in terms of an overall development objective and strategy.

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# TAXATION | 8 POLICY

Hard as it is to believe, if you are not a settler or a soldier, and just an Arab who lives in the West Bank, you are taxed more than a person in Israel with the same income. We asked the Civil Administration why - and were told: 'That's how it is'.  
**Gideon Eshet, *Yediot Aharanot*, 7 May 1991**

Although Jordanian tax law is the basis for Israeli tax law in the West Bank, some 200 military orders, issued since the beginning of the occupation, have rendered the Jordanian law unrecognisable and largely irrelevant. Israel's occupation of the West Bank and Gaza Strip necessitated substantial financial resources; whereas immediately after the 1967 war, Israel's share of the budget for the occupied Palestinian territories was almost 100 percent, by 1987, figures from a Knesset subcommittee on the occupied territories' budget showed an annual surplus of between \$10-\$20 million, including monies collected from Palestinians working inside Israel.<sup>1</sup> Israeli analyst, Meron Benvenisti, estimates that in 1987 alone, at least \$80 million collected from Palestinians in the occupied territories was directed to Israeli public

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expenditure.<sup>2</sup> And, Israeli Member of Knesset, Yossi Sarid, estimated that in 1987, the Civil Administration spent \$25 million on its development budget for that year, whereas it netted \$170 million in the form of income tax, VAT, customs duties and compulsory deductions from Palestinians.<sup>3</sup> This 'profit' is financed by the array of taxes levied on Palestinians.

Israel has refused to publish a budget for the occupied territories since the beginning of its occupation in 1967.<sup>4</sup> Tax brackets are constantly increased, exemptions have been systematically reduced, and businesses and non-profit making organisations, previously exempt, are now taxed and receive no special considerations. The Israeli human rights group, B'Tselem, believes these measures amount to nothing less than 'collective punishment'.<sup>5</sup>

Palestinians currently pay more each year to the Israeli authorities than they did to the Jordanian authorities between 1948-1967.<sup>6</sup> Taxes are arbitrarily assessed, often levied at excessively high rates (between \$5,000 to \$500,000), with little, if any, reference to financial circumstances or accountability. In 1991, for example, Muhammed Al-Mahsiri, the owner of a small store in Bethlehem, was ordered to pay NIS 1 million, and three brothers from Tulkarem were ordered to pay down-payments for the coming year of NIS 129,000 (despite the fact that the curfew during the Gulf War prevented them from operating their carpentry business).<sup>7</sup> Salan Fanoun, from Bethlehem, was ordered to pay NIS 400,000 in taxes or face 80 years in prison; he offered his kidney for sale because his car, furniture and savings of NIS 230,000 from the bank had already been confiscated.<sup>8</sup>

Taxes are often assessed in Jordanian dinars at official exchange rates, although Palestinians are subject to Israeli prices; Military Orders 509 (27 March 1973), 586 (11 March 1975) and 612 (1 September 1975). Palestinians begin paying taxes at lower income levels than Israelis, and whereas Israeli taxes are adjusted for inflation, assessments for Palestinians are not. Jewish Israeli settlers living in the occupied Palestinian territories are subject to Israeli law, and thus Israeli tax laws. The so-called 'intifada tax', a vehicle tax levied on every car, truck, bicycle and donkey cart in the West Bank and Gaza Strip, for example, is not levied on settlers' cars.<sup>9</sup>

Palestinian taxpayers are usually unable to pay these exorbitant tax demands. In addition, the Unified National Leadership of the Uprising (UNLU) has repeatedly called on Palestinians to boycott paying taxes as part of the intifada resistance. To enforce payment, tax officials have the right to seize and confiscate property and assets, often above the tax value; attached property and assets, usually valued twice as high as assessments, are sold at public auctions inside Israel.<sup>10</sup> In the industrial sector, Israeli tax policies are considered one of the main obstacles to expansion and development; taxes

serve to undercut the competitive edge of Palestinian enterprises, especially the advanced tax required from any Palestinian industry doing business with an Israeli industrialist (see Chapter 5 on Industry). Those companies unable or unwilling to pay, face closure or the seizure of their stock. In the agricultural sector, Palestinians are subject to taxes when they register their land, when they cultivate their land, and when they sell and market their produce. According to Jordanian law, farmers should not be subject to income tax or VAT because of the seasonal and vulnerable nature of their profession.

## International law on taxation

International law provides only general guidelines for taxation under belligerent occupation. Article 43 of the Hague Regulations states that an occupying power must respect the laws in force 'unless absolutely prevented' from doing so by the need to 'restore and ensure public order and safety' or for security needs.

An occupying power can collect taxes under two conditions. Firstly, all revenue collected must be returned to the occupied territory for the benefit of the local population, and secondly, taxes have to be collected in accordance with international law. Failure to comply with these conditions deprives the occupier of a legal basis for tax collection.

Throughout the years of occupation the Israeli authorities have shown bad faith and irresponsibility in their administration and collection of taxes. Contrary to international law, the Israeli authorities have consistently refused to publish a budget since the occupation began,<sup>11</sup> and have failed to follow internationally accepted standards that all revenues collected be invested for the benefit of the local population.

'The sum of these violations is that ... current attempts to collect payments from individuals and groups in the Occupied Territories are simply *ultra vires*, or without legal effect'.<sup>12</sup>

## Israeli taxation policy in the occupied territories

**Direct taxes** include income tax, customs payments, municipal property taxes (including the 'arnona' tax in East Jerusalem), business taxes and rural property taxes. **Indirect taxes** include import duties, excise on local products, VAT, inventory taxes, and fuel, stamp, travel and exit permit taxes.

## **DIRECT TAXES**

### **Income tax**

'Nowhere in the tax system of the territories are changes more pronounced and frequent than in the area of income tax ... They are all aimed at maximizing the revenues of the occupation authorities'.<sup>13</sup> Jordanian income tax law has been amended 40 times since the beginning of the occupation (as opposed to four times in Jordan), most recently by Military Order 1313 (12 August 1990). This order dramatically increased income taxes for Palestinians by changing the tax brackets and exemption categories. In 1988, income tax revenue amounted to \$100 million.<sup>14</sup> In 1984, Palestinians were paying approximately nine times what they would be paying if Jordanian law had not been amended, despite the fact that per capita income in the West Bank and Gaza Strip is only 29 percent of per capita income in Israel, and 72 percent of per capita income in Jordan.<sup>15</sup> Those in the lowest income bracket (JD 1,500 or less), for example, are totally exempt from income tax in Jordan and Israel, whereas in the occupied territories they are subject to a 3.75 percent tax.<sup>16</sup> The Israeli authorities even charge income tax on Palestinians earning \$30 a month.<sup>17</sup> One study of Israel's tax assessment and collection practices found that if parity in taxation between Israel and the occupied territories was introduced, 90 percent of Palestinians in the occupied territories would be exempt from paying income tax.<sup>18</sup> Jordanian income tax has been amended four times in Jordan since 1967, each time improving the position of the tax payer.<sup>19</sup> In 1988, the highest tax rate in Jordan was 45 percent, in contrast with 52.8 percent in Israel, and 55 percent in the West Bank.<sup>20</sup>

Military Order 1225 gives the Head of the Civil Administration the power to change tax brackets, discount rates and payments. In 1988, tax brackets were increased in the occupied territories; Palestinians earning \$16,000 per annum were now to be taxed at 55 percent, in contrast to Israelis who do not reach the top tax bracket until annual income reaches \$30,000, when the rate is 48 percent.<sup>21</sup> The right to appeal against tax assessments to local courts has been eliminated and replaced with the right to appeal to a military court under military orders 109 (5 September 1967), 172 (22 November 1967), 355 (7 September 1969), 406 (1 September 1970) and 410 (6 September 1970). This court or tribunal does not make decisions, rather it makes recommendations to be accepted or rejected by the Area Commander.

Palestinians working in Israel pay 16 percent of their salary in social security payments; 10.85 percent is paid by the employer, 5.35 percent by the employee. Of this, however, Palestinians are only entitled to four of the insurance rights categories, roughly one-eighth of the total. The other seven-eighths has been accumulating since the beginning of the occupation in a

'Deduction Fund' in Israel - the *Keren Hanikuyim* fund (see Chapter 7 on Employment).

An amendment to Israeli law in 1980 allowed for Jewish Israeli settlers' incomes produced or received in the West Bank or Gaza Strip to be treated as if its source were in Israel. Israeli law allows the tax authorities to collect taxes in the 'region' (i.e. including the West Bank and Gaza Strip), thereby avoiding an explicit reference to settlers.<sup>22</sup>

### **Land tax**

The 1955 Jordanian Land Tax Law imposed a nominal fee of one Jordanian dinar on one-quarter of an acre of land planted with fruit and vegetables. Since the occupation began this tax has been raised three times, and is collected as a government tax.<sup>23</sup> Military Orders 505 (31 December 1972), 693 (31 February 1977) and 1018 (15 September 1982) specify the fees for registering land. As a result, many Palestinians could not afford to register their land, leaving them vulnerable to other military orders which facilitate the confiscation of unregistered land. Or, they have avoided registering their land lest the authorities' attention be brought to it, and the land is confiscated (see Chapter 1 on Land 'Acquisition').

### **Stamp duties and bridge-crossing tax**

Stamp duties for daily transactions, mainly with government agencies, existed before the Israeli occupation. Under Jordanian rule the rates were very low but stamp duties are now 15 times higher than they are in Jordan.

In 1967, the Israeli authorities introduced a new 'bridge-crossing tax' at the border crossings with Jordan. These fees have been used by the Israeli authorities as a 'security' measure and as a reliable source of government revenue. Palestinian economist, Hisham Jabr, estimates that travel taxes collected in 1986 from Palestinians crossing the bridges to and from Jordan, from the airport and other border crossing points, amounted to some \$32 million.<sup>24</sup> In addition, about \$3 million is collected each year from taxis and trucks crossing the bridges, and some \$30-40 million is paid annually in customs fees at the bridges.<sup>25</sup> The total amount collected from Palestinians who need to renew their travel permits is around \$200,000 annually.<sup>26</sup>

### **Vehicle tax - 'intifada tax'**

In August 1988, Military Order 1249 was issued because, according to the Israeli authorities, '[in] the present circumstances there is a shortage of finances to cover vital services to the public'. This so-called 'intifada tax' was to be paid on all vehicles: \$250-\$1,100 for a car, \$250 for a donkey cart, and

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\$15 for a bicycle.<sup>27</sup> To enforce payment, all licence plates in the West Bank and Gaza Strip were to be replaced. By the end of May 1987, 57,049 vehicles had been registered, amounting to some \$28 million in annual revenues;<sup>28</sup> there has not been, however, a discernable corresponding improvement in public services for Palestinians in the West Bank and Gaza Strip.

### Education tax

The Jordanian Education By-Law of 1965 imposed a tax of 3 percent on the estimated annual rent of buildings in municipal areas. The proceeds were credited to education departments of municipal authorities. Military Orders 501 (31 December 1972), 763 (29 May 1978) and 821 (1 February 1980) raised this tax to 5 percent, then to 7 percent.<sup>29</sup>

## INDIRECT TAXES

### VAT (excise or value added tax)

The introduction of VAT (Military Order 658, 1 July 1976, and Military Order 643, 31 March 1976) is illegal under international law.<sup>30</sup> Although the order does not mention the words 'VAT', in all but name it is quite clear what it is. It was not published, was signed by a person without a title, and was distributed only to public accountants.<sup>31</sup> The VAT rate has risen from 8 percent in 1976, 12 percent in 1978, 15 percent in 1988, to 18 percent in 1991.<sup>32</sup> The order has been amended 18 times and the amendments have not even been made available to lawyers.<sup>33</sup> Whereas in Jordan, VAT is only levied at the first stage of production, in the occupied territories it is levied at all stages where value is added. By 1988, VAT revenues from the occupied territories amounted to about \$50 million annually.<sup>34</sup>

In an appeal to the Israeli High Court in 1983, the Court ruled that there was no absolute prohibition on the imposition of new taxes in conquered territories - 'unless absolutely prevented' was to be interpreted as 'unless necessity arises'; VAT was deemed necessary to achieve equilibrium between the economic system in the occupied territories and inside Israel so as to prevent a tax haven for Israelis.<sup>35</sup> As the Israeli section of the International Commission of Jurists explains: 'The object of VAT is not only to raise revenue, but also to serve as an economic tool for promoting exports and reducing imports, to encourage the keeping of proper books of account, to assist in the collection of the true tax at each stage of production and to encourage capital investment ... In the light of [these] considerations, the military government concluded at the time that the imposition of VAT in the Region [sic] is fully in accordance with modern international law.'<sup>36</sup>

Palestinian and international lawyers believe otherwise. Al-Haq states

that 'the effects on the productive economic sector of the Palestinian economy have been clearly negative'.<sup>37</sup> And a UN report concluded that '... VAT has evolved over the past few years to become one of the most serious fiscal constraints on the development of Palestinian industry and trade'.<sup>38</sup>

Citing Bank of Israel documents, this UN report claimed that the tax was increased in 1982, in both Israel and the occupied West Bank and Gaza Strip, to help finance the Israeli invasion of Lebanon.<sup>39</sup>

Prior to 1976, tax was levied on the wholesale value of a product. From 1976, the 15 percent tax became payable on value added at every stage of the production cycle. Imports and services were also taxed. In the traditional economy where most businesses were family-run and taxation was largely a matter of 'negotiation' between the authority and the tax-payer, book-keeping was rare. The imposition of VAT thus created tremendous accounting problems. In their attempt to defy the tax, however, Palestinians have refused to keep records as another form of intifada resistance.

#### **Customs & excise duties and import taxes**

After 1967, a host of duties and taxes were imposed on imported goods. At the bridge-crossings with Jordan, for example, Palestinians are charged customs fees. All goods, even those in transit through Israel, are subject to Israeli import taxes and VAT. These taxes have been fixed with Israeli industry and prices in mind and take no account of conditions in the Palestinian economy. Military Order 31 (27 June 1967) vested all powers regarding customs and excise to the 'appointed Israeli officials'. Subsequent military orders empowered these officials with near absolute powers: confiscating goods (Military Order 78, 24 August 1967), the right to open and search postal packages (Military Order 90, 7 August 1967), restricting movement of goods (Military Order 96, 15 August 1967), and arrest without warrant (Military Order 309, 16 February 1969).

In addition, Military Order 31 imposed a tax of between 10 percent on clothes produced locally to 270 percent on locally produced cosmetics.<sup>40</sup>

Customs duties on imports amount to 8-12 percent of the value of the finished product. The total revenue from customs duties is in the order of \$85 million annually. Additional customs payments have to be paid at the Jordanian border in Jordanian dinars.

#### **Permits and fees**

Twenty-three different permits are subject to tax payment, and are only issued after the applicant has obtained the stamps from seven different departments (Military Order 1262, 17 December 1988).<sup>41</sup>



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In 1988, for example, Abu Ida went to register the birth of his newly-born daughter. In order to obtain a birth certificate, he was told that he would first need stamps from seven different Israeli government offices. The income tax office refused to give him a stamp because of his outstanding arrears, some NIS 900. Abu Ida claimed that he was a salaried worker and as such, his taxes were deducted at source by his employer. Abu Ida's wife filled in an identical form under her own name, and was duly issued the seven required stamps and the birth certificate. There is no military order that makes the issuance of a birth certificate contingent on tax payments.<sup>42</sup>

Military Order 1262 makes the issuance of licenses and permits dependent on proof of prior payment of all outstanding tax debts. This military order effectively makes the pursuance of economic activity of any significance dependent on a prior statement of political intent: the recognition of the Civil Administration's right to administer the occupied Palestinian territories. When, for example, the stone quarry workers of Qabatiya applied for an export permit, they were refused until they had paid their taxes.<sup>43</sup> Likewise, the accountants of Ramallah were told to obtain prior proof of payment of all taxes before requesting a permit from the authorities.<sup>44</sup>

In the Gaza Strip, Palestinians are only issued magnetic cards enabling them to work inside Israel if they, and all their relatives, are up-to-date on tax payments (see Chapter 7 on Employment).<sup>45</sup>

People in legal, medical and other professions must obtain a permit and pay an annual fee before they can practice. Palestinian lawyers, for example, pay fees in the form of stamp revenues. Under Jordanian law these fees were collected by the Lawyer's Bar for the benefit of the profession. Under Israeli rules, fees are collected by the occupying authorities. The Israeli government has not accounted for any of the money collected, nor is there any indication that the money is being held in trust.<sup>46</sup>

## **Tax collection practices**

In their response to the ILO, the Israeli government claimed that, 'tax systems and methods of collection were continually examined in order to make them effective, as well as to ease the tax burden on the residents whenever possible'.<sup>47</sup> Since 1967, most of the legal constraints against tax collectors have been removed. In the light of a decline in tax revenues since the beginning of the intifada, the Israeli authorities have stepped up tax collection and are resorting to increasingly aggressive methods: roadblocks,<sup>48</sup> detention without trial, seizure of the entire contents of shops, and midnight raids,

accompanied by the military, during curfews. During one month of tax raids under cover of curfew in the West Bank and Gaza Strip, 76 people were arrested in the Gaza Strip,<sup>49</sup> 60 people in Jericho, Tulkarem and Bethlehem, 20 people in Bir Zeit, 39 from Qarawat Bani Zeid, and 14 people from 'Awarta near Nablus.<sup>50</sup> In 1991, the East Jerusalem Chamber of Commerce alerted politicians and foreign diplomats to the fact that the Israeli tax authorities were seizing Palestinian property on the pretext that landowners had not paid the land tax; one Beit Hanina landowner discovered the seizure of his land when he read in the newspaper that his land had been confiscated because he had not paid the tax, which was made retroactive to 1985. None of the landowners concerned had received a tax notice; they first read about the seizure of their property in the newspapers.<sup>51</sup>

There are four main methods of tax collection and all are illegal under international law: excessive and arbitrary assessments; violence and intimidation; the collection of debts from third parties; and the confiscation of identity cards.<sup>52</sup> When, for example, the confiscation of identity cards was challenged in the Israeli High Court, it was found to be illegal. In practice, however, this ruling has made little difference. In Tulkarem Refugee Camp, for example, while residents were confined to their homes by a military curfew in October 1991, tax officials raided a number of shops; if payment was not forthcoming they confiscated the shop owners' identity cards or those of their relatives.<sup>53</sup>

As the IDF Information Department branch claimed: 'For its part, [the Civil Administration] is searching for ways to overcome the phenomenon of [tax] evasion so that it can continue to provide public services to the population ... These collection and enforcement activities are, among other things, what has assured the provision of a high level of services in these regions [the occupied Palestinian territories], which has in turn raised the standard of living there.'<sup>54</sup> On 23 May 1986, for example, tax officials entered Aqabat Jaber Refugee Camp near Jericho. They violently ordered shop owners to pay taxes ranging from NIS 10 to 50 million; most of the shops' assets were only worth about \$2,000 to \$3,000.<sup>55</sup>

The Reyashi Commercial and Industrial Company was one of the Gaza Strip's most technologically advanced factories. In February 1988, 50 Israeli soldiers raided the factory and confiscated goods. The company was raided twice again that year. During the second raid, soldiers broke Mrs Reyashi's arm and kicked their daughter in the knee; when Dr Reyashi attempted to file a complaint with the police, he was told to file it with the tax authorities directly. They refused to respond. In 1990, Dr Reyashi was served tax demands for the period 1986-1990, totalling approximately \$2.5 million.<sup>56</sup>

In 1988, the Israeli authorities announced that tax revenues were down by 50 percent.<sup>57</sup> The total reduction in 1988 is estimated to have been \$187.1 million.<sup>58</sup> If this is correct, it would have eliminated the 'profit' to the Israeli national budget. Similarly, in 1989, as a result of Palestinian resistance to Israeli tax policies, revenues from income tax were down \$27.9 million (a reduction of 30 percent from 1986 levels). Losses from VAT amounted to an additional \$76.5 million. By the end of 1989, as a result of tax raids, tax revenue had almost returned to pre-intifada levels. However, one Israeli newspaper claimed that, as a result, half of Palestinian tax-payers were paying twice as much tax as before.<sup>59</sup> Israel maintains that the decrease in tax revenue since the beginning of the intifada has forced them to reduce the regular budgets of the West Bank and Gaza Strip by 30 percent.<sup>60</sup> Israel's per capita public expenditure is already more than 20 times that of the West Bank, and 26 times that of Gaza.<sup>61</sup> According to the Israeli Ministry of Defence, the result is that the only funds available for development in the occupied territories are those contributed by international aid organisations.<sup>62</sup>

### Military Orders

Certain military orders were issued to enable the Israeli authorities to improve tax collection rates; taxes were to become a weapon against the intifada. **Military Order 135** (29 September 1967) allowed the Area Commander to delegate his ultimate power over the collection of taxes to whoever he chooses. **Military Order 1263** (20 December 1988) permits the Head of the Civil Administration to appoint 'inspectors' who have the authority to impose a penalty without reference to higher authority and without giving the plaintiff the chance to defend himself/herself. Taxpayers are usually small unregistered businesses or salaried employees, who face this assessment process without protection. Such claims can be made against some 34 military orders, covering income tax, VAT and licenses.<sup>63</sup> Most tax officers are Israelis who are unable to read balance sheets and income statements in Arabic. A 1988 survey found that all tax departments directors were Israelis with no professional qualifications. Most had only attended a one year training course.<sup>64</sup> Palestinian employees

working in the tax department resigned en masse in the first few months of the intifada, along with other Palestinian employees in the Civil Administration.

**Military Order 309** (16 February 1969) allows tax collectors to carry out an arrest without a warrant, seize, search or confiscate the property of anyone 'suspected' of tax evasion. **Military Order 1285** (13 September 1989) extended these powers to allow inspectors to completely ignore the provisions under Jordanian Tax Law of 1952, and 'temporarily' confiscate property whenever they deem it necessary, even if it is in the hands of a third party (**Military Order 1095**, 26 January 1983).

**Military Order 1241** (10 April 1988) allows tax officials to confiscate property without reference to any higher authority. **Military Order 770** (5 November 1978) enables them to prohibit departure from the West Bank any person suspected of tax evasion, or to attach his/her property without legal authority. **Military Order 791** (9 April 1979) allows tax officials to sell any property belonging to a tax debtor in order to realise an outstanding debt.

**Military Order 1262** (17 December 1988) enables tax officials to make the granting of 23 different services or permits contingent on producing proof of tax payment.<sup>65</sup> B'Tselem has drawn attention to the fact that when the Israeli Ministry of Transport decided to condition the renewal of driving licenses on payment of all traffic fines, there was public uproar and the Israeli Minister of Transport decided that the two issues were not related. As far as the occupied territories are concerned, however, the Israeli government believes the two issues are related.

**Military Orders 770, 791 and 1143** (9 July 1985) state that advance payments are to be collected from tax payers, '... [a] practice particularly objectionable not only on legal grounds, but also from an economic point of view, as it impinges on the limited resources available to businesses for investment and/or as working capital'.<sup>66</sup> Tax officials have the right to increase or decrease the level of these advance payments. As with other taxes, if payment is delayed exorbitant fines are levied: 0.4 percent of the total for one week's delay, increasing with each subsequent week of delay (**Military**

Orders 924, 7 July 1981, and 1296, 15 January 1990).

**Military Order 1249** (17 August 1988) allows tax officials to impound any vehicle if the owner is suspected of having failed to pay his/her vehicle levy. Similarly, **Military Order 1272** (25 March 1989) makes the sale of any vehicle contingent on payment of the vehicle levy.

Confiscation of identity cards, although declared illegal by the Israeli High Court, has become routine in order to enforce payment of taxes. Military orders specify when a person's identity card can be confiscated; it is strictly forbidden for the purpose of imposing tax payments.<sup>67</sup>

In February 1992, the Israeli High Court issued a temporary order forbidding the army from confiscating goods from stores or arresting people accused of non-payment. This decision followed a petition by Palestinian businessmen who demanded to know why they paid more taxes than Jewish Israeli settlers, even though the settlers receive far superior services. Avigdor Feldman, their lawyer, charged that only a minimal amount of the money taken from Palestinians was being used to provide services for them; most was being funneled into Israeli settlements.<sup>68</sup>

## The Case of Beit Sahour

In the early years of the intifada, the town of Beit Sahour was at the forefront of efforts to build a self-sufficient Palestinian economy and resist Israeli-imposed tax policies. The residents decided to refuse to pay Israeli taxes as part of their non-violent protest. They explained: 'Why do we not pay our taxes? First, the military authority does not represent us, and we did not invite them to come to our land ... No taxation without representation. Second, the collected taxes are used to increase the harsh measures against our people. Must we pay for the bullets that kill our children? Or for the growing number of prisons? Or for the expenses of the occupying army?'<sup>69</sup> Al-Haq believed that the Beit Sahour tax boycott was firmly grounded in international law.

In August 1989, the town was placed under siege as tax officials, accompanied by the military, went from shop to shop confiscating goods far in excess of taxes owed. In September 1989, the army sealed-off the town and

all telephone lines were cut. The Israeli government's position was clear; as then Defence Minister Yitzhak Rabin said: 'We are going to teach them a lesson there ... There will not be any attempt to not pay taxes. Even if it has to take a month, in the end they will collapse. We will not let this kind of civil disobedience succeed, and we have to pass through this test. We should tell them: forget it, even if the curfew on Beit Sahour lasts two months ...'.<sup>70</sup> The siege lasted 40 days; 60 merchants were arrested, the majority of houses were left empty, many workshops left without equipment and the shelves in stores were empty.<sup>71</sup>

The military authorities issued two important military orders to deal with the situation. First, **Military Order 1285** (13 September 1989), allows tax collectors to ignore previous laws regarding prior notification and the issuing of receipts for cash seizures. If, after a ten day period, outstanding taxes have not been paid, any seized property can be confiscated. **Military Order 1287** (12 October 1989) went even further. It was no longer necessary to privately notify a debtor of any outstanding debts; it was sufficient to publish the debtor's name and the debt amount in the press. If payment is not made within 15 days, attachment can occur. Neither Al-Haq nor any local lawyers received notification of these military orders until two months had elapsed. Thus, throughout the raids in Beit Sahour, the authorities were relying on what were, in effect, secret laws.<sup>72</sup>

On behalf of the residents of Beit Sahour, Al-Haq contacted the Consul Generals in Jerusalem, requesting them to intervene in accordance with their obligations under Article 1 of the Fourth Geneva Convention. The military authorities denied several consuls access to Beit Sahour, their press conference was closed by the army, and the British Consul was threatened with legal action for attempting to investigate human rights abuses while the area was closed off by the military.<sup>73</sup>

## Conclusion

Israeli tax policies amount to an 'occupation tax' for Palestinians. As Benvenisti explains: 'The 15 [now 18] percent value added tax on \$350-\$400 million worth of Israeli goods alone comes to about \$50 million a year, and import duties to about \$30 million a year. If one assumes a subsidy of 50 percent on all imports of Israeli subsidised products (\$50 million of agricultural products a year) some \$25 million should be deducted, and the remaining balance is at least \$40-\$50 million each year. The West Bank

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residents (as well as the Gazans), therefore, pay an "occupation tax" to the occupying authorities, that can be estimated after 19 years at a conservative figure of \$700 million (West Bank alone) or two-and-a-half times the total government capital formation in the entire occupation period. That fact refutes Israeli claims that the low level of public expenditure and investment derives from budgetary limitations. If net fiscal transfer had been invested in the area, rather than added to Israeli public expenditures, it would have been possible to improve local services significantly, and in particular, to develop local economic infrastructure.<sup>74</sup>

The Israeli government uses the tax system in the occupied Palestinian territories to supply its revenue: '... its role in influencing entrepreneurial decisions on the allocation of resources leaves much to be desired'.<sup>75</sup> Official Israeli statements such as, '... all monies collected from the local population go solely to the administration of the region's [sic] benefit',<sup>76</sup> and '... taxes now [1992] collected in Judea and Samaria [the West Bank] are the same taxes that were collected before 1967, and these are collected according to laws that were in effect before 1967, with minor adjustments made ... within the context of security legislation'<sup>77</sup> are blatantly false.

The point is not that all these taxes should necessarily be cancelled, but that they should adhere to standards and practices laid down in international law for a belligerent occupier, and should be levied according to the level of services received in return. Current Israeli taxation policies and practices imposed on Palestinians in the occupied territories are intended predominantly to serve Israel's interests, including financial gain, and keep the occupied Palestinian territories in a permanent state of de-development, dependency, and its population in despair.

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# THE FINANCIAL | 9 SECTOR

The Palestinian economy operates with an unpublished, unspecified budget, with a minuscule banking and credit system, and an industrial and development strategy haphazardly based on individual and small scale attempts at investment and development under military occupation. Since the beginning of the occupation, Israel has been determined to control all financial activities between the West Bank, Gaza Strip and the outside world; until 1992, strict restrictions limited how much money could be brought in from abroad. Those Palestinian banks which were allowed to open were not allowed to deal in foreign currency and foreign aid was determined by Israel's political goals: '[the] political goal of the Israeli government aims to prevent the formation of an independent Palestinian state. This, in turn, has resulted in official restrictions on a range of project activities perceived to decrease Palestinian dependence on the social and economic infrastructure established by Israel inside the occupied territories.'<sup>1</sup> Without vital financial facilities, and without a central authority and the other necessary institutions, the Palestinian economy can never expect to accumulate adequate resources to be channelled into productive sectors promoting growth and development.

The banking facilities that do exist operate almost exclusively for the

benefit of Jewish Israeli settlers in the occupied Palestinian territories: 'While the Central Bank of the occupation authorities may preoccupy itself with certain aspects of the [occupied] territories' monetary system and its operation, this effort has had no links with and/or participation of the inhabitants of the [occupied] territories'.<sup>2</sup> In addition, military orders controlling financial activities are directed at preventing financial ties between Palestinians in the occupied territories and individuals and organisations outside. This reflects the Israeli belief that the basis of the PLO's influence in the West Bank and Gaza Strip derives from the financial assistance it gives to Palestinians living under occupation. If these benefits are stopped, so too will the PLO's influence, according to Israeli logic.<sup>3</sup>

From the beginning of the intifada until 1992, currency restrictions were increasingly tightened. Capital transfers to the occupied territories were limited to \$400 per person per month, as opposed to \$5,000 per person per month before the intifada.<sup>4</sup> And, although all currency restrictions have now been removed,<sup>5</sup> this has come too late; the ability of Palestinians in exile to send money back home has severely declined (especially post-Gulf War), as has the amount of foreign aid, in part, as a result of Palestinian opposition to the Gulf War. All money brought into the occupied territories, and its source, still has to be declared if it is above JD 2,000. Money from abroad was also often confiscated by the Israeli authorities. In addition, remittances from abroad have fallen significantly (approximately 70 percent), from \$250 million to \$75 million a year, a trend that has increased markedly as a result of the Gulf War.<sup>6</sup> Palestinian savings in Kuwait, accumulated over the last 40 years and estimated at some \$15-\$20 billion, have virtually disappeared because of the devaluation of the Kuwaiti dinar post-Gulf War.<sup>7</sup>

## Military Orders

In its attempt to control all financial activities between the West Bank and Gaza Strip and the outside world, the Israeli military authorities introduced repressive financial legislation. Two Military Orders were issued in 1982: **Military Order 952** (20 January 1982) controls foreign currency flows (amended 23 times), and **Military Order 973** (9 June 1982) controls the flow of money into the occupied territories (amended seven times).

According to **Military Order 952**, permission had to be obtained from the authorities for any of the following:

- any transaction in a foreign currency which a resident from the occupied Palestinian territories was party to, whether this transaction was carried out in the occupied territories or outside ('transaction' is defined in the broadest of terms);<sup>8</sup>
- exporting of money from the occupied territories;
- bringing Israeli money into the occupied territories;
- any transaction involving property in the area if a resident of a foreign country was party to the agreement, or a Palestinian 'absentee' or living in exile (including Palestinian residents and refugees), or any property outside the area if a resident of the occupied territories was party to the agreement;
- possession of foreign currency by a resident of the occupied territories.

Subsequent amendments to these military orders added further restrictions. The amount of money, for example, that Palestinians could bring into the West Bank from Jordan fell from JD 500 to JD 200.<sup>9</sup> Thus the Israeli authorities effectively isolated the Palestinians from outside sources of funds when they needed them most. One Palestinian economist estimates that these policies successfully stopped half the normal transfer of external funds into the occupied territories.<sup>10</sup> These restrictions made investment almost impossible and thwarted initiatives for development and economic growth. And, although some of these restrictions were removed in 1992, this has come at a time when the ability of the Palestinians in exile to send money back home, and the flow of aid to the Palestinians are both low.

## The closure of the banking system

In 1967, all Palestinian, Arab and other banks were closed by Military Order 7 (8 June 1967) and their assets and liabilities seized or impounded;<sup>11</sup> the Bank of Israel's authority was imposed over all banking matters in the occupied Palestinian territories. The Israeli lira (and later the new Israeli shekel - NIS),

was made joint legal tender with the Jordanian dinar. Thus since 1967, only Israeli banks have been operating in the occupied territories, which offer little, if any, credit to Palestinians. Because they are subject to Israeli regulations, Palestinians do not trust them, or use them for major transactions. The principle objective of the Israeli banks is not to provide services for Palestinians, but to facilitate transactions between the occupied territories and Israel and provide banking services for Israeli settlers. In addition, the Israeli shekel has a history of devaluation and hyperinflation, so Palestinians prefer to keep their savings in Jordanian dinars (a currency not dealt in by Israeli banks) or US dollars.

The Israeli authorities said they would permit the re-opening of banks in the West Bank in 1967 on condition that they operate under the control of the Bank of Israel. The Jordanian authorities refused and demanded that West Bank banks remain attached to the Jordanian Central Bank. The result was that between 1967 and 1987, the first 20 years of the occupation, only one Arab bank was allowed to reopen in the West Bank.<sup>12</sup> The closing of Arab and foreign banks and the ineffectiveness of Israeli banks '[left] the West Bank virtually without a banking system',<sup>13</sup> a situation almost unique in the world.

Although Israeli banks have a clear monopoly in the West Bank and Gaza Strip, they do very little business. Their role is perceived as promoting dependency, thereby enabling the Israelis to increase their control over the Palestinian economy. By 1986, there were 22 branches of Israeli banks in the occupied territories, 14 of which were located in Jewish Israeli settlements in the occupied territories serving the settlers.<sup>14</sup> Palestinian deposits have been minimal (especially since Israel's hyperinflation between 1977-1985), and almost no bank credit is available. In 1984, only 8 percent of these branches' total assets were loans to individuals and most were to Jewish Israeli settlers or short-term loans to merchants.<sup>15</sup> Palestinian depositors are afraid of being stripped of their assets or of Israeli tax claims being made against their deposits. In addition, devaluation of the Israeli shekel in the 1980s and restrictions on foreign currency made outside banks more attractive.

The fall in the Jordanian dinar in 1988-89 had serious repercussions for Palestinians who, as a result of a lack of banks in the occupied territories, had deposited a large proportion of their savings in Jordan; estimated at JD 250 million.<sup>16</sup> The dinar was considered more stable than the Israeli shekel and better able to retain its value against the dollar. By 1989, however, the dinar had lost 40 percent of its 1987 value. Palestinians soon began to feel the fall in their savings, which, coupled with the fall in remittances and a 15 percent devaluation of the Israeli shekel, amounted to substantial losses in income and savings, and an increase in the cost of living and raw materials.<sup>17</sup>

Between 1968-1975 total deposits in Israeli banks in the West Bank amounted to less than 4 percent of GNP of the occupied territories, as compared to 29 percent of GNP deposited in 1967, and 48 percent of GNP deposited in Israel over the same period (1968-75).<sup>18</sup> By 1990, Israeli banks had halted credit to Palestinians and Israeli suppliers of raw materials were no longer accepting their cheques.<sup>19</sup> And, as a result of the intifada, all branches of Israeli banks inside the West Bank and Gaza Strip were closed.<sup>20</sup>

In 1986, Military Order 1180 (26 September 1986) substantially changed the Jordanian Bank Law. Following this, the Cairo-Amman Bank was allowed to open in the West Bank (the terms of this agreement have not been published). And, in 1981, the Bank of Palestine was allowed to reopen in Gaza City. It operates under a host of restrictions; all assets have to be kept in shekels, it has no central planning authority, it is subject to military restrictions on transactions and transfers, and is not allowed to deal in foreign currency. In 1990, the Bank of Palestine was allowed to open its Khan Younis branch and to deal in foreign currency. These banks, however, require very large collateral deposits if credit is to be given. Palestinian industrialist, Ibrahim Haddad, for example, had to put up 110 percent of the loan in guarantees for his new oxygen plant in Jenin in order to obtain a loan from the Cairo-Amman Bank.<sup>21</sup>

## **The informal financial sector**

### **Money changers**

With the absence of an adequate banking system, the informal monetary sector has assumed increasing importance in day-to-day transactions, both within and outside the occupied territories. Money changers and small lending agencies have become increasingly important. These operations deal mainly in foreign currency and provide embryonic banking facilities including deposits, transfer of funds, clearance of cheques and granting small loans. Agreements are oral and undocumented and depend on a high level of trust. However, even they have been subject to successive military orders regulating their activities. Because there are no banking links between Israel, the occupied territories and their surrounding Arab neighbours, there is a substantial amount of currency smuggling. This is the main method money changers transfer money into and out of the occupied territories.

### **Loans organisations**

A number of small loans organisations do offer limited credit facilities. These include: the Economic Development Group, the Arab Development and Credit Company, the Arab Technical Development Corporation, UNDP, ANERA, the United Agricultural Company, the Arab Fund for Economic and Social Development and Co-operation for Development. These organisations, however, only lend small amounts and they do not help existing businesses. And because of their size, they cannot attempt to compensate for the services usually provided by banks and other national financial institutions.

As Palestinians increasingly turned to outside sources of funds, Israeli restrictions on capital inflow got tighter and tighter. This has been disastrous for the Palestinian economy and has also had a severe effect on families dependent on support from family members residing abroad. Loans from Jordan and other Arab countries, for example, require collateral in those countries.

### **Insurance market**

Insurance enterprises in the occupied territories are predominantly agencies for Israeli firms. In general, they do not adequately meet the local needs; premium rates are high (often three to four times as high as Jordan<sup>22</sup>) and contracts are usually in Hebrew, which few Palestinians from the occupied territories can read. There are only three Palestinian insurance companies operating in the occupied territories. The Arab Insurance Company, active in the West Bank, Gaza Strip and East Jerusalem accounts for about one-half of all insurance activity. Two other companies have recently started operations in the West Bank and Gaza Strip.

### **The effects of Israeli financial policies**

#### **Lack of credit**

Israeli banks have not played the fundamental role of acting as intermediaries between depositors and borrowers, essential for mobilising local financial resources and channelling them into investment opportunities. As a source of credit for Palestinians their role has been largely insignificant.

Two types of credit were available. Loans were offered with funds provided by the Israeli military government, and were administered in co-

operation with the military authorities. As one report concludes: 'lending from government earmarked funds [was] viewed by Israeli authorities as more of a favour than a purely banking service'.<sup>23</sup> As a result, Palestinians were suspicious of these loans; they were perceived as tools for achieving certain political goals. Only half the funds allocated under this scheme were actually lent to borrowers and the source of funds soon dried up; since 1977, the loan programme has lost its significance.

The other more important and more common form of credit was in the form of overdrafts. However, with interest rates between 39-50 percent, in addition to an 8 percent fee, this was an expensive source of credit.

Israeli credit supplies froze in 1975. This was due to the devaluation and deterioration of the Israeli currency, the Israeli Knesset's imposition of a \$50 million limit on credit guarantees in the occupied territories, limits on loans above a certain amount, high interest rates and popular resistance within the occupied territories to the Israeli banking system.

Money changers offer modest credit facilities on a small scale, usually for domestic purposes.

#### **No publicly available budget**

The Israeli government has not published a budget for the occupied territories since the beginning of its occupation. And indeed, it is not in their interest to publicise how much money they are making out of their occupation and how little, if anything, they are putting back into the occupied territories in terms of health care, services, education etc. Far from being a financial burden on Israel, the occupation of the West Bank, Gaza Strip and East Jerusalem is economically beneficial to Israel.<sup>24</sup> As little Israeli government expenditure as possible is spent on capital and infrastructural investment. In 1980, of a total expenditure for the occupied territories of NIS 211.7 million, 89 percent was spent on current expenditure; only 11 percent was spent on capital development.<sup>25</sup> Figures provided by the Civil Administration to the ILO in 1992 indicate that only 15 percent of total revenue is spent on capital expenditure, the remaining 85 percent is spent on current consumption and recurrent expenditures.<sup>26</sup> Of this capital expenditure it is not specified what amount is spent on investment for the benefit of Jewish Israeli settlers in the occupied territories, providing, for example, roads to new settlements.

In 1992, in response to the ILO Director General's 1992 report, the Civil Administration provided partial information on its budget in the occupied territories; taxes and fees make up 88 percent of *total revenue*, the *Keren Hanikuyim* 'Equalisation' Fund contributes 7 percent, and other sources, including flows from Israel, 5 percent.<sup>27</sup> According to these figures, *recurrent*



*expenditure* accounts for 85 percent of total income: 27 percent on education, 19 percent on health, and 40 percent on 'other' sectors - it is not specified whether or not this includes the security costs of the occupying military authorities. The remaining 15 percent is spent on *capital expenditure*: 2 percent on education, 3.75 percent on health, 3.1 percent on grants to municipalities, 2 percent on communications, 2 percent on waterworks, and 2 percent on 'other'; similarly, it is not specified how much of this is used for infrastructure and investment in Israeli settlements.

Despite the secrecy, official Israeli estimates have leaked out concerning the surplus accrued from monies collected from Palestinians during 25 years of military occupation. Figures from a Knesset sub-committee in 1987 showed an annual surplus of between \$10-\$20 million, including the Keren Hanikuyim fund collected from compulsory 'contributions' from Palestinians working inside Israel (see Chapter 7 on Employment and Chapter 8 on Taxation).<sup>28</sup> Benvenisti estimates that in 1987 alone, at least \$80 million collected from Palestinians in the occupied territories was directed towards public expenditure in Israel.<sup>29</sup> And, Israeli Knesset Member Yossi Sarid estimated that in 1987, the Civil Administration spent only \$25 million on its development budget for that year, whereas it netted \$170 million in the form of income tax, VAT, customs dues and compulsory deductions from Palestinians working inside Israel.<sup>30</sup> As B'Tselem concludes: 'These figures provide further evidence that a surplus has accumulated in the Israeli treasury, a fact already known to members of the Knesset sub-committee in 1987. At the same time, however, the Israeli authorities have been claiming that a decrease in tax revenues during the intifada has obliged them to cut back on public services. For instance, this was the official reason cited for cutting down admissions of residents of the [occupied] territories to hospitals in Israel.'<sup>31</sup>

The Military authorities estimate and implement a secret budget without any input from the Palestinian population and without being accountable to that population. The majority of decisions are taken by an executive committee consisting of various appointed military officials. Their decisions are often subject to the approval of the Israeli security service (GSS - Shin Bet), and are not subject to appeal.<sup>32</sup>

## Restrictions on foreign aid

'Israel's control over [foreign aid in public expenditure and infrastructure] is virtually absolute'.<sup>33</sup> Infrastructural investment is either controlled directly by

the Civil Administration or indirectly by the Israeli-appointed municipalities. There has been no significant foreign investment in the infrastructure of the occupied territories because of Israeli conditions and restrictions. In the non-profit making development sector, which accounts for a large proportion of foreign aid being spent on consumption and recurrent expenditure, the Israeli military authorities' control is much less.

The Israeli authorities try to use foreign aid as an instrument to achieve their political goals. During the intifada, for example, an unnumbered military order (28 December 1988) reduced the amount of money that could be brought into the occupied territories from JD 500 to JD 200; this military order was clearly issued as a collective political punishment measure. As American analyst Sara Roy explains: 'Political goals are characterised by what they prohibit rather than by what they promote. One political goal of the Israeli government aims to prevent the formation of an independent Palestinian state. This, in turn, has resulted in official restrictions on a range of project activities perceived to decrease Palestinian dependence on the social and infrastructure established by Israel inside the occupied territories'.<sup>34</sup> Similarly, project approval seems to depend on one's attitude and friendliness towards the Israeli authorities; one director of a private voluntary organisation admitted that '... ninety-eight percent of the projects approved by Israel are for groups we do not want to work with'.<sup>35</sup> In addition, Sara Roy believes that the Israeli military authorities show a clear preference for projects that maintain the status quo and are production (including social service activities and public works), rather than investment (including agricultural and industrial development) oriented.<sup>36</sup>

Before 1982, there were few attempts to control the flow of funds into the West Bank and Gaza Strip to finance projects set-up by individuals, charities or development organisations. Policy changed in 1982 when the Israeli government decided to use financial controls as a means of controlling political influence. Because most international organisations are affiliated with church groups, non-governmental organisations (NGOs) or powerful interest groups, the Israeli authorities have not harassed them as much as local organisations. However, every attempt is made to ensure that no project is carried out without military approval. Although many foreign organisations refused to comply with these restrictions, those funded with USAID money were forced to submit to this requirement.<sup>37</sup>

Between 1979 and 1988, the Jordanian-Palestinian Joint Committee accounted for the largest amount of Arab foreign aid. Some \$400 to \$500 million was disbursed between 1979 and 1985 for agricultural, industry, infrastructure, housing and social welfare projects. Since the Jordanian

disengagement in 1988, however, the PLO has assumed majority responsibility for these projects.

Between 1978 and 1984, foreign aid amounted to an estimated \$65 million per year. Of this, about \$13 million was for development-related activities.<sup>38</sup> The largest contribution, approximately 80 percent of non-Arab aid, comes from UNRWA, which is responsible for the education, health and relief needs of around 900,000 refugees in the West Bank and Gaza Strip.

While foreign aid can help to alleviate some problems, it can only be expected to supplement national and government efforts to mobilise domestic resources and undertake infrastructural investment, and not replace them. Israel has often prevented capital flows from abroad from reaching the Palestinian economy. Foreign aid from Arab countries, the US and Europe (public and private) has 'frequently' been redirected by the Israeli authorities.<sup>39</sup> It is usually directed towards Israeli interests, and not used for the purposes it was intended.

One of the major problems with current aid and development assistance is '...the absence of any development criteria against which to assess the attainment of program goals and evaluate program outcomes. It is not currently clear against what measures projects and programs are being formulated [and implemented].'<sup>40</sup> Development has not been defined for political reasons; as one official from the US Embassy in Tel Aviv said: 'If we define it, we'd have to commit ourselves to a political solution'.<sup>41</sup> Similarly, the extent and nature of local participation has not been clearly defined; 'As far as the local economy is concerned, control over development aid does not rest with them but with external Israeli and American actors and begs the question "local participation towards what end?"'.<sup>42</sup> In addition, the lack of infrastructural facilities, especially banking facilities, has hindered the work of foreign aid and development organisations; banks usually play a significant role in facilitating the transfer of foreign funds and offering credit facilities as part of development programs.

If foreign economic aid is to be successful, donors have to be willing to resist Israeli interference. Experience shows that there has to be popular acceptance of the donors, and that donors must be willing to protect local recipients. One analyst believes that the EEC and the PLO have, until now, best met these criteria - resisting Israeli 'security' controls and coordinating with local recipients.<sup>43</sup> In addition, European NGOs have a good record of working in the West Bank and Gaza Strip; they successfully manage to administer significant amounts of financial resources without being restricted by the Israeli authorities, and they work closely with local partner organisations. The US, which is in the best position to challenge official

Israeli policy, '... has consistently demonstrated its unwillingness to do so'.<sup>44</sup> By allowing direct Israeli participation in its assistance program, the US has '... succeeded in reshaping individual PVO [Private Voluntary Organisation] programs in a manner that serves Israeli political and economic interests over all others. As a result local development priorities are subordinated to the priorities of maintaining Israel's military occupation.'<sup>45</sup> As Sara Roy explains: '... by providing services that should be the responsibility of the occupation authorities, the US program has saved the Israeli government significant amounts of money, and, in effect, is subsidising the occupation'.<sup>46</sup>

### Consequences

The most striking consequence of Israel's financial policies has been the extremely low level of investment in the occupied territories. Private or family sources, predominantly external to the Palestinian economy, have accounted for over 90 percent of total investment.

External finance is the classic symbol of a traditional dependency relationship. Over the years, more than 40 percent of Palestinian GNP has come from external financial flows (in the form of remittances from Palestinians in exile, and aid from foreign governments and international organisations). In contrast, the Israeli government's contribution to capital formation has been insignificant and recently, zero.

The Israeli government's argument has been that until the final status of the occupied Palestinian territories is decided, they are reluctant to invest in the occupied territories. Their 'investment' on Jewish Israeli settlements in the West Bank and Gaza Strip, however, suggests otherwise.

In conclusion, Benvenisti explains, '... there is no promotion of investment ... aimed at encouraging growth. This is only one example of the deliberate freeze characterising government policy as regards the Arab productive sector'.<sup>47</sup> In contrast, the Israeli government's contribution to Israel's industrial sector, for example, is approximately 50 percent of gross capital formation.<sup>48</sup>

The absence of investment and finance has resulted in an almost total dependence on outside resources. The occupying military administration estimated that in 1980, the PLO was injecting eight times more money into Palestinian development than the Israeli government.<sup>49</sup> Since the Gulf War, remittances from abroad, including PLO funds, have decreased dramatically. The total cost to the West Bank and Gaza Strip is estimated to have been \$200 million by February 1991.

## Conclusion

The Israeli authorities' regulation of the financial system in the occupied territories amounts to an extreme form of *financial repression*; '... nowhere in the economy has the effect of [Israeli] measures been more detrimental than in the financial sector, which normally serves as the backbone of any economy.'<sup>50</sup> Very little money is generated in the Palestinian economy, and high taxes, coupled with foreign currency restrictions, mean that very little money is available for investment. The result has been the almost total dependence on informal, uncertain and expensive credit institutions, and on outside aid which has partially compensated the drain of savings to Jordan.

New indigenous organisations are needed to provide financial services that meet the needs of the local economy. And, a central monetary authority is needed to oversee and coordinate policies and organisations involved in economic activity and development in the occupied territories. The opening of one Arab bank and the lifting of restrictions imposed on the flow of money from outside are moves in the right direction. However, unless substantial improvements are made to financial services in the occupied territories, the finance and management of economic development will continue to be stifled.

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- 4 S. Roy, *From Hardship to Hunger ...*, *American Arab Affairs* (Fall 1990), p.122.
- 5 See the Israeli government's response to the International Labour Organisation's *Report to the Director-General 1992*, International Labour Office (Geneva, 1992), p.92: "Limitations on the import of money to the areas [sic] through Ben-Gurion International Airport or over the bridges have been removed. Every resident is entitled to bring in any amount of money without limitation".
- 6 S. Roy, *From Hardship to Hunger...*, *ibid.*, p.122.
- 7 S. Roy, *From Hardship to Hunger...*, *ibid.*, p.127.
- 8 See R. Shehadeh, *ibid.*, p.15., for a definition of 'transaction'
- 9 R. Shehadeh, *ibid.*, p.15.

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- 34 S. Roy, *Development Under Occupation?*, *ibid.* p.73.
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- 36 S. Roy, *Development Under Occupation?*, *ibid.*, pp.76-77.
- 37 S. Roy, *From Hardship to Hunger...*, *ibid.*, p.129.
- 38 R. Shehadeh, *ibid.*, p.13.
- 39 C. Rubenberg, *ibid.*, p.49.
- 40 S. Roy, *Development Under Occupation?*, *ibid.*, p.78.
- 41 S. Roy, *Development Under Occupation?*, *ibid.*, p.78.
- 42 S. Roy, *Development Under Occupation?*, *ibid.*, p.79.
- 43 The EEC, for example, established direct trade with the occupied territories. In order to achieve this, the EEC threatened the Israeli government by refusing to ratify three important trade protocols (worth some \$30 million) that Israel very much wanted (see S. Roy, *From Hardship to Hunger...*, *ibid.*, endnote 75, p.132.)
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# CONCLUSION | 10

That no significant economic development has occurred during the past 25 years of Israel's military occupation of the occupied Palestinian territories is not surprising or unintentional; economic and political development are inseparable and part of the same processes. Economic development is a precondition for an independent state, and Palestinian self-determination is a precondition for significant and sustainable economic development. Israel's economic policies, exemplified through the military orders, have intentionally curbed economic development. At the same time, political developments are influenced by the Israeli government's continuing activities in the occupied Palestinian territories, especially their land confiscation and settlement activities; although these activities have slightly decreased in the West Bank and Gaza Strip in the last couple of months, they are continuing at an ever increasing pace in illegally-annexed East Jerusalem. Israel is rapidly changing the facts on the ground while all eyes are on the current peace talks. Israel's illegal annexation of East Jerusalem creates fundamental economic problems because of the consequent separation of the Palestinian capital (where major Palestinian and international institutions are located) with the rest of the West Bank, and the division of the West Bank into two parts.



## ISRAELI OBSTACLES TO ECONOMIC DEVELOPMENT

And, while there has been no development, there has been 'de-development'; a process whereby Palestinians are being dispossessed of their means of production and are being forced to work as migrant workers inside Israel, where a lack of investment in infrastructure is strangling investment in other economic sectors, and where economic activity is increasingly focused on servicing local demand.

The current economic situation is desperate. All attempts at economic activity, let alone development or investment, are almost inevitably strangled by Israel's 'legal' and other restrictions designed to suppress Palestinian economic activity and retain the current dependence on, and integration with, the Israeli economy; a situation Israel creates for its continuing occupation of Palestine. If it benefits the dominant economy, i.e. Israel, the Palestinian economy is integrated into it; when it does not suit Israel's needs, the Palestinian economy is excluded. The Israeli government's policies are designed to increase the structural integration of the Palestinian economy into that of Israel at the expense of all indigenous economic development initiatives so as to prevent the possibility of any economic competition. What exists, then, is a high degree of fragmentation reflecting the distorted structure of Palestinian output and income.

The occupied Palestinian territories are thus captive repository markets for Israeli goods against which they have no protection. Israeli restrictions are designed to work for the benefit of the Jewish Israeli state and exclude the Palestinian economy from world markets. The majority of Palestinian workers are dependent on external demand for their cheap, flexible labour, and Palestinian industrialists and manufacturers are restricted to local markets and demand lest they compete with their Israeli counterparts. The result is the transformation of the occupied Palestinian territories into the largest single importer of Israeli (non-military) products with an ever-increasing trade deficit.

This *structural dependence* and decline can be seen most clearly in the Palestinian labour market where tens of thousands of Palestinian workers are totally dependent on daily uncertain cheap employment in Israel because of a lack of local alternatives. There are currently hundreds of young well-educated graduates who, unable to find work in their homeland, are forced to migrate abroad so draining the Palestinian economy of its educated workforce. Those who stay are forced to accept jobs well below their educational and skill level. Perhaps most disturbing is the fact that Palestinians are increasingly being dispossessed of their means of production, especially their land, and are becoming more dependent on migrant work inside Israel. The consequence is a strengthening of economic dependency on Israel.

## CONCLUSION

Productive investment has been negligible. The old land owners and the merchant class, the people with funds to invest, have preferred to invest in speculative activities including land, commerce and housing, rather than in industry and commodity-producing sectors, because of the uncertain political situation. Even aside from all the uncertainties, Israeli restrictions and the complete lack of infrastructural facilities (especially the bottle-neck created by the financial service sector), mean that in any case returns would be minimal. And, foreign aid (both governmental and non-governmental) is focused on the consumption and service sectors rather than productive sectors of the economy.

Coupled with the complete lack of public financing on infrastructural facilities, including in human resources, the ability of the Palestinian economy to create the necessary infrastructure required for sustained economic growth has been impossible. Very little money is generated locally. Even money earned in Israel makes its way back into the Israeli economy through consumption expenditure on durable goods, usually made in Israel. Remittances from outside, which have fallen significantly since the Gulf War, are not sustainable or productive and result in almost no long-term significant changes or development.

Those improvements that have occurred cannot be said to amount to economic development, but rather to 'improving the standard of living' as the former US Secretary of State, George Schultz, described it. Economic activity has expanded horizontally rather than vertically; while the number of small businesses may have increased, they are predominantly subcontracted businesses with low levels of technology and low prospects for growth and development. The Israeli authorities have allocated next to no resources on infrastructural or other investment in the occupied West Bank and Gaza Strip during the past 25 years. Roads, telecommunications, sewage systems, water supplies, etc., have all been neglected for political reasons. What investment occurs is directed at consumption activities (as the Israeli authorities call it, improving the 'well-being' of the local population) which barely keeps the society and economy functioning and ticking-over. That certain economic and social improvements have occurred is undeniable but this has resulted largely from money earned in Israel, remittances sent from abroad and foreign aid, rather than from economic development inside the occupied territories.

Although other external factors have also contributed, some quite significantly, to the economic decline and stagnation in the occupied Palestinian territories, the occupying Israeli military authorities' policies constitute the main obstacle to any significant and sustainable economic development. It is not difficult to see why. If productive resources had been

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developed, this would create independent producers who would be more able to exert their political independence. The combined effects of the aftermath of the Gulf War and the loss of significant amounts of remittances and foreign (especially Arab) aid, the sanctions against Iraq, the devaluation of the Jordanian dinar, and the devaluation of the Israeli shekel in 1989, all contributed to the steady worsening of the Palestinian economy.

The choice for future development is clear. Foreign donors need to be aware that unless their financial and other aid is accompanied by political lobbying for Palestinian independence and self-determination, their aid will do no more than 'improve the quality of life' for some Palestinians, thereby *de facto* accepting Israel's occupation. Development need not wait for the establishment of an independent Palestinian state. Bold measures are needed, and only through a conscious policy, coupled with political and financial commitment, can the Palestinian economy move out of the stagnation it is in after 25 years of Israeli military occupation. Certain aspects of the framework for development are already in place. Many good institutions currently exist which are capable of accepting, using and absorbing assistance directed at the productive base of the economy in a sustainable manner. These institutions can help form the basis of a coherent economic assistance programme which is productive rather than consumptive in nature (the current consumptive situation creates the dependency on the Israeli economy), and directive rather than responsive in approach.

The transition from the current state of dependence on Israel will not be quick or easy; a viable alternative to the current dependence, for example, for thousands of Palestinian workers dependent on wage labour inside Israel will be a lengthy process until the workers can be absorbed into the local labour market. In addition, economic assistance should complement current relief efforts to achieve productive capital formation while sustaining the population through productive endeavors. It must be a development approach suitable and applicable to the local economy and based on the requirements and nature of that economy. Significant resources should be focused on practical and vocational training, and where necessary, new social and economic institutions should be established to respond to, and cater for, new realities. Local participants should be engaged as equal participants in all projects using foreign aid, free from external political conditions. Those groups often left out of the development process and decision making, including women, handicapped people, the poor, refugees, and youth, should be targeted and encouraged to actively participate.

Without a political voice, long-term economic development is impossible. Israel's political repression has meant that while Palestinians have

## CONCLUSION

been denied the possibility of making economic decisions for themselves, the Israeli authorities have had a free hand in reshaping the Palestinian economy as they choose. Israel has no development plan for the West Bank or Gaza Strip, and even their claims of improving the quality of life for Palestinians living under occupation cannot be justified given the significant transfer of funds from the occupied territories to the Israeli treasury over the last 25 years. The lack of appropriate institutions to safeguard the interests of the local economy through the use of various policy instruments has been one of the main reasons for negligible economic management.

Whatever measures the Israeli authorities have and continue to take to suit their own interests, it is political considerations which will determine the final status of the Palestinian economy. If a political settlement is reached, there will be more possibilities for economic circumstances and realities to change. However, the longer current Israeli policies are allowed to continue, the options for economic change will narrow and diminish. Foreign aid should be used to reduce the structural dependence on Israel and create the basis for independence in the Palestinian economic sphere. Donors need to be made aware of the difference between making the occupation more tolerable for Palestinians or to what degree Palestinians will become more independent of the occupation. Much-welcomed and needed foreign aid must be accompanied by political pressure to ensure that current restrictions facing Palestinians, in exercising their right to use foreign aid as they wish, are cancelled. The longer an economic assistance programme is delayed, the more difficult it will be to make it successful. Increasingly Palestinian development efforts and initiatives are being overtaken by both local and international political events. The link between the political and economic future of the occupied Palestinian territories can no longer be ignored. Experience has shown, over the last 25 years, that money and motions are not enough; both have to be accompanied by the political will to accept the challenge of the Palestinian right to self-determination and of bringing about an end to Israel's military occupation of Palestine.



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# APPENDIX | 1

## POLICY RECOMMENDATIONS

### **1 Land 'acquisition' & Jewish Israeli settlement**

- 1 UN Security Council Resolutions 242 and 338, regarding Israel's occupation of the occupied Palestinian territories, i.e. the West Bank, Gaza Strip and East Jerusalem, should be used as the basis for a political settlement of the Palestinian-Israeli conflict (based on the implementation of UN Resolution 242). International pressure must be put on Israel to adhere to the principles and conditions governing belligerent occupation under international law;
- 2 The colonisation of Palestinian land, continuing as it is under the new Israeli government, must stop immediately. The legal system facilitating this process of land acquisition should be critically reviewed and dramatically altered to ensure that it complies with internationally accepted standards laid down under international law. In addition, all financial and other incentives offered to Israeli Jews to settle on occupied Palestinian territory should stop immediately;
- 3 All Palestinian land in the West Bank, Gaza Strip and East Jerusalem, whatever pretext it has been acquired under, should be returned to its rightful owners. An international adjudicating body should facilitate this process to ensure that all settlements are adequate and fair;
- 4 Land registration records should be made public, and the process enabling Palestinians to register their land should be restarted and facilitated, with all restrictions removed;
- 5 Israeli restrictions on land use, whereby land theoretically owned by Palestinians is effectively removed from their control and use, should be removed to allow Palestinian's to control and use their own land.



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### **2 Land use & planning**

- 1 The fundamental point concerning planning in the occupied Palestinian territories concerns the continued settlement of Palestinian land by Jewish Israeli settlers. The immediate cessation of settlement activities on Palestinian land must be accepted and instituted before any significant policy changes aimed at removing current discriminatory policies;
- 2 All activities concerning expanding infrastructural and other facilities (including continuing land acquisition, road building, electricity, 'security' installations, waterpipes, bus-stops, etc.) for Jewish settlements must cease;
- 3 Information concerning planning and land use should be made public and freely available. Access to land registration records, the British Mandate plans (RJ5 and S15, with all existing maps and information), Road Plan No.50, Regional Jerusalem Plan 1/82 and current and planned Jewish Israeli settlement plans, should be made available for all interested parties. Current Israeli policy, designating this information as 'classified', must be changed;
- 4 Planning institutions responsive to, and representative of, Palestinian needs should be reinstated at both the local and regional levels, and a body set up with responsibility for co-ordinating these activities. They should be adequately funded and facilitated with all the required expertise and information. These newly-established Palestinian institutions should be encouraged to prepare plans, taking into account recent development, both economic and social, in the municipalities, towns, villages and refugee camps. Development strategies should be allocated to each town and village in the light of local needs, opportunities and aspirations. Particular attention will have to be paid to land ownership and if necessary, land should be acquired for public purposes to facilitate these development strategies. This will also help to stimulate the land market;
- 5 All 'legal' restrictions preventing access to, and use of, seized Palestinian land, should be abolished;
- 6 Attention will have to be given, by the new Palestinian planning authorities, to archaeological and historical sites, and preserving landscapes, protecting nature reserves, wildlife areas and other natural resources, with steps taken to avoid pollution and environmental degradation.

### **3 Stealing the water**

- 1 The fundamental principles of water use and management governing the law of belligerent occupation should be upheld. Palestinians must be given immediate access to the water supplies currently reserved for the Jewish

**Israeli settler population in the occupied West Bank and Gaza Strip;**

- 2      Water prices and supplies should be equalised on a per capita basis (including for Jewish Israeli settlers) and should reflect true economic and environmental costs;
- 3      Frank and accurate information concerning all aspects of water supply and consumption must be provided on request. Notifications concerning well restrictions, destruction, etc. should be made public, i.e. in newspapers, and not, as happens now, where farmers often first find out about well destruction or restrictions after the event has occurred or where notification is posted at the Civil Administration headquarters in Beit El to which Palestinians have no access;
- 4      Written, as opposed to oral, notification on permit applications for wells and irrigation systems should be given to ensure that an accurate record is kept;
- 5      Advisory (eg. technical, educational, etc.) and financial assistance should be given to Palestinian institutions working on issues connected to water to ensure the sustainable and efficient use and management of the region's limited water supplies;
- 6      The establishment of a regional water authority, with Palestinians as an equal partner, should monitor and distribute the region's water supplies in a sustainable and equitable manner.

#### **4      Agriculture**

- 1      Immediate international action must be taken to stop the confiscation and illegal 'acquisition' of Palestinian land by the Israeli authorities, whatever pretext it is done under, and the consequent establishment of Jewish Israeli settlements on what is often the most fertile Palestinian land. This is one of the most serious consequences of Israel's policies in the occupied Palestinian territories, and has a severe impact on Palestinian agriculture;
- 2      Restrictions on land use, including declaring land a closed military zone, 'state' land, a combat zone, or a nature reserve, etc., should be removed to enable Palestinians to use their land as they wish. Land registration should be facilitated and the conditions restricting and regarding proof of ownership, including proving continuous cultivation, should be removed. Although these policies do not change the ownership status of the land, they effectively prohibit Palestinian owners from using their land, including for agricultural purposes;

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- 3 Military orders preventing Palestinians from digging new wells, extending existing wells and extracting increased amounts of water should be removed and an overall, equitable and sustainable method of distribution introduced;
- 4 Palestinians should be allowed to, and assisted in, establishing a central coordinating body covering all aspects of agriculture, including overall planning and the provision of a 'political' voice to lobby in farmers' interests;
- 5 Modern training, technology and equipment should be promoted as part of an extension service programme available to farmers and agriculturalists. Funds and advice should be made available for these projects;
- 6 Institutions offering credit supporting Palestinian agriculture should be encouraged to expand their work, and additional funds made available to them. The most important point, however, is to make donors aware that their support will, in effect, be meaningless unless they are prepared to accompany their financial support with political support to enable Palestinians to use this aid as they see fit;
- 7 Israeli-imposed production restrictions aimed at suppressing Palestinian production of agricultural produce, in which they have comparative advantage should be removed, regardless of whether they compete with Israel's production of the same goods;
- 8 The Israeli government should be encouraged to lift all restrictions on exports to Jordan and abroad. Restrictions on marketing, including security checks, export taxes and transport restrictions, and on collective organised lobbying should be removed to enable Palestinian farmers to export abroad and adopt integrated production and marketing policies to suit the development of their agricultural sector. Palestinian marketing organisations for direct marketing abroad should be encouraged and assisted, and the Palestinian agricultural sector should have the right to import and export according to its needs;
- 9 Current restrictions which effectively force Palestinian exporters to export their produce air freight to Europe on the Israeli airline El Al should be removed. Efforts should be made to find alternative means of air transport to Europe, if necessary chartering planes specifically for Palestinian exports;
- 10 The Israeli authorities should adhere to international law for a belligerent occupier and not levy taxes on agricultural supplies and products;
- 11 Israel's policy of widespread curfews, especially prolonged curfews, has serious consequences for Palestinian agriculture. This curfew policy is illegal under international law, especially as a policy of collective punishment directed against Palestinian productive sectors including

agriculture. Similarly, restrictions on the movement of produce by setting up checkpoints and closed military areas should be lifted;

- 12 Restrictions on the fishing zone allocated to fishermen in the Gaza Strip should be lifted, and the discriminatory licenses, taxes and fees levied on fishermen removed. The construction of a commercial port in Gaza should be assisted and encouraged to provide independent facilities for direct export and import;
- 13 The Palestinian agro-industry should be allowed to develop and expand, including hatcheries, dairy farming, dairy-product processing, packing, food processing, etc. regardless of Israeli interests.

## **5 Industry & 'de-development'**

- 1 Policies must be adopted to protect Palestinian industrial products, as well as encourage better quality products through competition. Trade with countries relevant to, and suitable for, Palestinian products (in terms of quality and price, i.e. Eastern Europe, the rest of the Middle East and other developing countries), should be encouraged and special attention given to Arab markets which should be encouraged to adopt favourable trade conditions for Palestinian products. It is hoped that trade partners will adopt preferential treatment policies, similar to Israel's free trade agreements with the EEC and the USA. Special trade arrangements could be made for trade through Jordan, Palestine's major exit point to the rest of the Arab world, and other neighbouring countries, to facilitate export to and through these countries;
- 2 The allocation of resources should be distributed between large private enterprises and small workshops and co-operatives;
- 3 Palestinian industrialists should be encouraged and assisted in upgrading their products to comply with international standards, regulations and health standards monitored by an independent body;
- 4 Attention and resources should be targeted at improving vocational institutions and training in order to provide skilled and well-trained graduates for Palestinian industry;
- 5 The local production of specific machines vital to industrial production in many sectors, eg. air compressors, should be encouraged so as to reduce dependency on expensive foreign-made goods;
- 6 A national industrial council comprising of major industrialists, representatives from Chambers of Commerce and some academics should

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be formed. Even before any significant political or economic changes, this council could formulate an overall development strategy for Palestinian industry, and be responsible for directing foreign aid and other financial resources according to this strategy. In addition, this council would act as an arbitration board in the face of industrial disputes. This council could also be responsible for monitoring the quality of Palestinian products and protecting consumers and producers rights;

- 7 The Chambers of Commerce should co-ordinate industrial exhibitions to promote local Palestinian products, both locally and on the international market;
- 8 In addition, a centre should be established to protect patent rights so as to encourage innovative research and development;
- 9 As required by international law, a budget must be published and made freely available to enable industrialists to plan future investment based on current economic circumstances;
- 10 The Israeli government's preferential treatment and policies supporting and financing industrial estates in the occupied Palestinian territories, often attached to Jewish settlements, should stop immediately;
- 11 Labelling regulations which restrict and limit the marketing outlets for Palestinian products should be relaxed. In addition, Israeli products being sold in the West Bank and Gaza Strip should be required to display instructions and expiry dates, etc. in Arabic, as is required of Palestinian products sold in Israel;
- 12 Palestinian industries must be allowed to freely market their produce anywhere in the occupied territories - the West Bank, Gaza Strip and East Jerusalem;
- 13 An industrial development bank should be established with funds from both inside and outside the occupied Palestinian territories. This bank could co-ordinate funding and investment for the Palestinian industrial sector;
- 14 Arab investors should be encouraged to invest in the occupied territories; this would also serve to strengthen trading ties between Palestine and the rest of the Arab world;
- 15 Efforts should be made to encourage and promote the sale of local Palestinian products; a mark could be put on all Palestinian products, as happens in many other countries, to encourage people to 'buy local';
- 16 Significant investment will be required on infrastructure which has suffered severely as a result of the Israeli military occupation. Infrastructural

investment, currently controlled by the occupying military authorities, should be controlled by Palestinian authorities with financial assistance from abroad. As a result of negligence by the Israeli military authorities, resources will have to be targeted at certain sectors: communications, electricity, roads, transport (including trains for cheap freight transport), industrial zones, a port in Gaza and an international airport;

- 17 As part of the new industrial strategy, attention and resources will have to be focused on industrial development estates, especially the provision of land and other infrastructural facilities, including office space for small businesses.

## **6 Trade activity**

- 1 Trade restrictions imposed on countries with which Israel has no political ties should be removed (including China, Malaysia and Bulgaria), as well as the restrictions on certain goods from certain countries;
- 2 Imports should be allowed to flow without restriction into the occupied territories, including those products which, because of Israel's monopoly, are currently prohibited from import (including fish, certain vegetables, oil, milk and other dairy products);
- 3 Restrictions should either be removed on goods, which it is alleged, do not meet official Israeli quality standards, or, an independent body with specific standards should monitor this trade so as to remove the possibility of 'political manipulation' of this quality control;
- 4 The free trade agreements Israel currently enjoys with the United States and the European Community should either be expanded to include the occupied Palestinian territories, or similar favourable trading terms should be negotiated and introduced for Palestinian trade with the US and the EEC;
- 5 The system of security checks on Palestinian imports and especially exports should be reviewed and eased, especially the high fees imposed for security checks and the time spent on these security checks, particularly on perishable produce;
- 6 The incredibly complicated system of taxation imposed on import and export should be reviewed to ensure that goods are only taxed once;
- 7 Restrictions on movement, including roadblocks, curfews, closed military zones, etc., affecting marketing and trade should be stopped.

## **7      Employment, unemployment & emigration**

- 1      The Israeli authorities and employers should respect the rights of Palestinian workers in Israel. If necessary, new inspectors should be appointed for this specific task. Because they financially contribute as much as Jewish Israeli workers do to the Histadrut's funds, Palestinian workers should either be entitled to all the Histadrut's benefits, instead of the 3 out of 12 they are currently entitled to, or, their contributions should be reduced to the amount which equals the benefits and services they receive;
- 2      In order to help eliminate some of the daily harassment that Palestinian workers face in Israel, the daily contract basis on which all Palestinian workers are employed must be replaced with a more permanent contract. The current situation has obvious negative effects for the worker's wages and calculation of benefits. It is also degrading for workers who, especially in the Gaza Strip, must wait each day, often in vain, for their Israeli employers to pick them up. A treaty or protection agreement between the Palestinian and Israeli authorities needs to be drawn up to regulate Palestinians working in Israel, to protect their rights. It should also not contradict the position of the Palestinian economy; the number of Palestinians working in Israel could decrease as the capacity of the Palestinian economy increases;
- 3      The Israeli authorities should not use 'security' as an excuse to deny Palestinians the right to work in Israel, as happens through its policy of issuing green identity cards and magnetic cards in the Gaza Strip. The relevant authorities should improve the process and ease restrictions for Palestinian workers to obtain work permits to work in Israel. Palestinian workers should be treated with full respect and fairness;
- 4      The minimum wage should be legally enforced, and serious efforts should be made to crack-down on current practices by employers whereby they wrongly state the number of days worked by Palestinian workers so as to avoid paying the correct benefit amounts;
- 5      Details concerning the Histadrut's development fund, the Keren Hanikuyim, made up of deductions from Palestinian workers inside Israel must be made public. The whereabouts, amount and use of these funds must be properly documented and public accounts of the funds kept. Palestinian workers from whose wages these funds are deducted should have a say in how the funds are spent. Until this happens, Palestinian workers will continue to refuse to accept official Israeli government claims that monies from the fund have been transferred to the occupation's civil administration and used for 'development' in the occupied Palestinian territories;

- 6 Those responsible for racist and other attacks on Palestinian workers in Israel, including unfair dismissals and degrading treatment of 'Arab' workers, should be brought to trial by the Israeli authorities and punished. The Israeli government's complacency towards (and at times, encouragement of) those who attack or mistreat Palestinian workers contradicts its claims that it is concerned about the rights and interests of Palestinian workers, especially those working in Israel;
- 7 Clear regulations should be introduced and monitored to stop the phenomenon of child labour. The relevant authorities should take action to punish the employers and not the children;
- 8 Greater respect and freedom for Palestinian trade unions should be guaranteed. The Israeli authorities' harassment of Palestinian trade union officials and members, including the deportation of trade unionists, should stop immediately. Those trade unionists who have already been deported should be allowed to return to the occupied territories. In addition, restrictions on trade unions, including office closures, disruption of elections and intimidation and threats to union officials and their members should immediately stop in accordance with the Israeli authorities' pledge to allow the free exercise of workers' rights in trade union activity and freedom of expression. In addition, new trade unions should be allowed to register, and those currently unregistered should be allowed to register officially.

## 8 Taxation policy

- 1 The occupying military authorities should be pressured to publish a budget for the occupied territories. They should declare how much has been collected from Palestinians over 25 years of military occupation, how much has been spent, and on what;
- 2 Pressure should be put on Israel to adhere to international regulations regarding taxation under belligerent occupation. All current tax policies should be published and made freely available and the arbitrary and haphazard nature of current policies should be stopped. All changes which have been made to taxation laws during the Israeli occupation should be critically analysed to ensure that they comply with international law and internationally accepted practices and standards, including the 'test of motivation';
- 3 The Israeli authorities should publish the accounts and whereabouts of the Keren Hanikuyim deduction fund, in which millions of shekels from the wages of Palestinians working in Israel are kept. The administration of these funds should include Palestinian representatives. If any of the funds collected in the past are missing, full compensation will have to be made;



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- 4 Tax collection practices must adhere to internationally accepted practices. Military orders giving carte blanche power to tax collection officials and soldiers should be cancelled immediately. Any violations should be followed up and significant pressure exerted in case of violations. Tax raids, confiscations, tax policy changes, etc. should be stopped and violations examined by an independent body. This independent body should monitor changes to ensure that proper accounting is made of all funds. Demands for the illegal advance payments of taxes must be stopped immediately, and those Palestinians who have been affected by this policy should be fully compensated;
- 5 Israeli tax officials should be competent and properly trained and able to speak and write Arabic when dealing with Palestinians;
- 6 Efforts should be made, and resources directed towards, training Palestinian lawyers and accountants to enable them to be in a better position to advise their clients on their rights concerning tax policies;
- 7 The advance tax on trade between Palestinian and Israeli industrialists should be equalised and should be properly accounted for;
- 8 Export and import taxes levied on Palestinian goods being exported and foreign goods imported by Palestinians should be re-examined to ensure that they encourage rather than stifle Palestinian trade;
- 9 Land tax, including land registration tax, which was raised to prevent Palestinians from registering their land, should be removed to prevent it from being yet another obstacle facing Palestinians in their attempts to hold onto control and ownership of their land;
- 10 Income tax policies should be critically examined to ensure that a regressive and equitable income tax system exists, related to people's ability to pay;
- 11 Palestinian exporters should be given additional time to pay export taxes, as happens in many countries;
- 12 The abuse of the system whereby interest is charged on outstanding tax debts must be stopped;
- 13 Written tax orders should be issued, and any money or goods collected or taken should be properly accounted for and a receipt issued;
- 14 Taxes, including the bridge-crossing tax, permit taxes, etc. should be levied in line with the services received, and not as a means of raising funds, excluding the costs of security which should be paid for by the military occupier;

- 15 VAT should be reassessed and its legality determined by an international independent body.

## **9 Financial sector**

- 1 All restrictions on banks and other national financial institutions should be removed. Restrictions on the flow of foreign currency should be removed so as to attract Palestinian, Arab and other foreign capital. In addition, those restrictions currently imposed on existing banks (the Cairo-Amman and the Bank of Palestine) should be removed, including restrictions on foreign currency dealings and loans;
- 2 Current and future tax policies should encourage investment by removing taxes on short and long-term loans. In addition, businesses and entrepreneurs should be given more time to pay taxes (they need time to start making profits). Future financial policies should be aimed at attracting foreign investors and industrialists, and to facilitate this, a favourable investment climate should be initiated, including the removal of restrictions on capital flows from abroad;
- 3 Foreign aid and resources should continue to be directed through the existing financial and credit institutions to the basic sectors of the Palestinian economy: industry, agriculture, housing and infrastructure development. All Israeli restrictions and interferences should be removed, and in instances where they are not, foreign donors should be encouraged to maintain their independence and follow-up financial aid with political lobbying, including refusal to be subject to the Israeli military authorities conditions;
- 4 A development strategy should be established with the participation of foreign donors to ensure that aid and resources are directed to the most useful and productive sectors. Development criteria will have to be established against which projects can be assessed and evaluated. Local participation and decision-making should be encouraged to ensure that projects are suitable and have realistic projections and aims. Within this, donors should make sure that policy and project objectives are not subject to the approval and control by the Israeli military authorities, and that recipients are properly protected;
- 5 In the light of increased economic decision-making, a central monetary authority will have to be established to coordinate monetary policies, the lack of which results in a significant waste of resources and instability in the current multi-currency Palestinian economy. It is to be hoped that once the process towards Palestinian independence has begun, significant amounts of foreign and international financial assistance will be forthcoming to facilitate substantial investment in infrastructure, a field of investment almost

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completely neglected by the occupying Israeli authorities. Until this time, the Israeli military authorities should be encouraged to publish and make available a budget, and other relevant financial information, for the occupied territories to facilitate financial development strategies currently under discussion as part of self-determination for the Palestinians;

- 6      An overall financial policy and development strategy should be adopted with the participation of banks and other financial institutions, including money changers, credit institutions, cooperatives and development organisations;
- 7      Efforts should be made to encourage Palestinians to deposit their savings locally, by, for example offering attractive investment returns and not taxing savings. Efforts should also be made to keep the interest rate low to encourage investment;
- 8      Regional coordination will be necessary between financial institutions, including banks, because of the interdependent nature of the regional economies and currencies.

# APPENDIX | 2

## **PALESTINIAN ORGANISATIONS WORKING ON ECONOMY**

### **Arab Economists Association**

POBox 91196  
East Jerusalem  
Tel: (02) 894063

### **Arab Studies Society**

POBox 20479  
East Jerusalem  
Tel: (02) 273701

### **Arab Thought Forum**

POBox 19012  
East Jerusalem  
Tel: (02) 289126

### **Besan**

POBox 725  
Ramallah  
West Bank  
Tel: (02) 956769

### **Land & Water Establishment for Studies and Legal Services**

POBox 20873  
Shufat  
Jerusalem  
Tel: (02) 812364

### **Palestinian Hydrology Group**

POBox 565  
Ramallah  
West Bank  
Tel: (02) 823354

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