

ECONOMIC POLICIES

1) Settlements

Can this be  
back up by valid economic  
indicators?

1. The occupation has continued to have a profound effect on the process of economic development in the territories. (The West Bank population is witnessing a decrease in its economic development in general, and agricultural development in particular.) This is coupled with an acceleration of land acquisition which is leading to an increasing emigration from the land and a gradual impoverishment of the rural communities 1/. On the general situation in the West Bank, an internal office memorandum in the Jordanian National Planning Council points out the continuous appropriation of lands for settlements, the expansion of such settlements to become "cities", and thus the increase of the Jewish population in the West Bank (especially inside and around Jerusalem) 2/. In fact, the Jewish population in the West Bank was expected to more than double in 1983, according to the World Zionist Organization (WZO) 3/. The WZO said that the number of Jews in the West Bank would reach 70,000 by end 1983, from the then present 30,000 Jews in 108 settlements in the area. The WZO master plan envisions 1.3 million Jews in the West Bank by the year 2010, which would equal the Arab population projected for that year (WZO claimed the 1983 Arab population was 700,000 as opposed to Arab sources claims for 900,000-1,000,000). Such a master plan entails government spending on settlements of \$1.5 billion, up to the year 2010.

Pop. of Arab  
- in  
Living land.  
Report

What does  
- in me  
(internal book in the...)

2. Raanan Weitz, head of the Jewish Agency's Settlement Department, said that settlement of the Occupied Territories is "like cancer in the state's body" 4/. The government has already undertaken the building of the largest housing

project in Jerusalem. Comprising 10,000 housing units, it is built as a physical and political barrier against the city's redivision, and is already in high demand because of the convenient loans given to buyers by the Housing Ministry 5/. Attempts are made by the Israeli authorities to encourage settlements in the West Bank. *(How? Effect?)*

3. Such a policy also has economic grounds, as Israel's economy has performed poorly in the last years. The occupied territories loom all the larger in Israeli political perceptions. Any relinquishment by Israel of the occupied territories has immediate implications - either a serious loss in income or an even greater dependence on foreign assistance. In fact, inflation rates run in excess of 100%, the currency has fallen to 1/500th of its value since 1948, trade deficits increase, and out-migration exceeds immigration as 1/5th of the Israeli population lives abroad 6/. It has been estimated that the value of the territories conquered in 1967, calculated in 1982 dollars, totals about \$4 billion, which is nominally equivalent to about 20% of Israel's GNP.

*Relevance?* *What does an oilfield do here?*  
 However, because oilfields were returned under the Sinai agreement, these are worth \$2-3 billion now, or somewhat more if the diverted waters from the Jordan basin are valued at their full replacement cost. The actual economic value is still greater. If lost revenues were not compensated by offsetting amounts of additional foreign aid, the downward shock to Israel's economy would be increased by a multiplier effect that could almost double the direct loss 7/.

4. Within this broad context, specific economic policies are carried out by Israel to achieve the Israeli base in the West Bank. *Why?*

The Secretary General's 1983 report highlighted some of these specific occupation policies. The present report, upon request of the General Assembly (Resolution 38/114), attempts to expand the 1983 report.

#### A. Framework of Economic Development

5. A March 1983 report prepared for the ILO's annual conference states that the economy of the occupied Arab territories and the livelihood of its labour force are now almost completely dependent upon Israel 8/. In fact, Palestinian migration from the West Bank is between 15,000 and 20,000 a year due to the difficulties of finding work and the hardship of life under Israeli occupation 9/. In effect, the Israeli occupation has entailed the introduction of Israeli norms and the exercise of far-reaching decision-making powers which determine the character of institutions upon which commercial transactions within the occupied territories are based. However, the result is a dual and unequal character of economic and discriminating policies against Arabs.

- In Nazareth, hundreds of families live in dilapidated apartments because they have no money to acquire new houses. Arab villages are excluded from the Project Renewal Scheme on the basis of it being financed by Jewish donors abroad 10/.
- Two Arab women were fired from a textile plant after demanding management the official 21,7% rise in salary 11/.
- All possible administrative obstacles are raised to prevent Arabs from buying apartments in Nazareth. When these do not succeed, physical violence is used. A fine of IS 150,000 is imposed on anyone selling his apartment in Nazareth, to an Arab 12/.
- A law was proposed at Parliament to increase large-family allowances to "army veterans" only, thus entitling only Jewish citizens 13/.

? It is reported that

good: Use of (check + having nice)  
"army veteran" concept to  
discriminate

4.

- Arab students are disqualified: for student loans since they do not belong to a family eligible for an army's veteran grant; and for discount preferential conditions for scholarships and loan eligibility since they are not from "development towns" (Arab towns, no matter how backward, are not considered "development towns") 14/.

? - Of the 75,000 Arabs from the occupied territories working in Israel, at least one-third are recruited by contractors and middlemen and are denied some rights enjoyed by other workers, such as being paid one-half of the wage paid to an Israeli doing the same job 15/.

Arabs? 1983/84 ICA Dept

6. Arabs of the occupied territories are subjected to Israeli law, to specific restrictions concerning the use of land and water, investment capital and incentives, importation and exportation, the transfer of funds and the availability of credit and of hard currency, and to unequal fiscal policies.

(evidence?)

#### B. Agricultural Policies

### Role of Settlements

7. The establishment of Israeli settlements in the occupied territories has brought about considerable changes in the field of agricultural production. Such changes have been made possible by large amounts of investment on the part of the Israeli government for the benefit of Israelis.

The Jewish Agency has invested \$ 12 million in the period 1980-1983 to develop Israeli agricultural projects in the Jordan Valley. An additional amount of \$ 15 million will be needed for the following five years in order to continue to develop agricultural programs in the region 16/. Such investment efforts are accompanied simultaneously by unequal policies and restrictions which are mainly related to the question of land and water use.

(evidence?)

Israel has not made any effort  
to provide emigrants' activities

(in fact: countries Gulf jobs are  
more difficult to find)

Arab sources point out that in the light of the importance of these two elements - land and water - in the stability of man, and in his attachment to the land as a homeland and as a source of living, the Israeli occupation authorities have resorted to various methods to transform the farmer into a hired labourer in order to make it easier for him later on, to emigrate.

(Section C. on Industrial Investment makes reference to the cheap labour provided by Palestinians to Israel). These facts are confirmed by the recession which struck the agricultural sector regarding its contribution to the Gross National Income of the West Bank, which dropped from 35% during early 1966 to about 26% in 1979. It also resulted in a continuous drop in the ability of the agricultural sector to absorb the labour force which reached 21% in 1979 while it absorbed 46% of the total labour force in early 1967 17/.

According to the same Arab sources, the  
8. / agricultural area utilized by Arab residents has been reduced from 2.6 million dunums in 1967 to 1.7 million dunums in 1979 (1 dunam = 1,000 m<sup>2</sup>), at the expense of erecting settlements in the area 18/. Furthermore, vast areas in the northern parts of the Jordan Valley together with other areas were closed on security grounds. The closed areas in the northern Jordan Valley located above the Nablus-Damia line are estimated at 80,000 dunums most of which were irrigated lands 19/. Many farmers were forced to trade their lands with other properties belonging to absentees for security reasons, but most farmers rejected the measure and had to abandon their lands in search of other jobs 20/. Moreover, the Civil Administration has decreed that farmers will be allowed to cultivate only 8,400 acres of land in the Jordan River Valley, instead of the 12,500 acres they were previously allowed. This will mean a great loss to local farmers who depend on crop cultivation for their livelihood

21/. One more policy concerns the occupation authorities removing wide forest areas to create settlements on them. This is also meant to facilitate the flow of surface and underground waters from the West Bank to the coastal areas of Israel 22/.

Really? {

9. Restrictive policies on the use of water can be pointed out as the occupation authorities prevented Arab residents from drilling new irrigation wells, particularly in the Jordan Valley, while she herself drilled 25 wells in the same area, at depths ranging between 200-750 metres to supply its settlements in that area 23/.

Is this capacity put? {

Available figures show that Israel exploits 40-50% of the West Bank waters annually through the West Bank's water basin inclination westwards, in addition to quantities consumed by Israeli settlements established in the West Bank through pumping wells owned by Israeli settlements or by the Israeli Mekorot National Water Company 24/.

The Israeli authorities prevented Arab farmers from using the Jordan River waters when they blew up 140 pumps installed on the west bank of the river when they first occupied the area. Much later, in the early summer days of 1979, the Israeli military authorities destroyed irrigation canals alongside citrus and banana planted areas in Jiftlik, and fenced them as a security belt thus exposing vast areas to drying and damage 25/.

10. Arabs of the occupied territories are also subjected to restrictions on the cultivation of lands. The Civil Administration has forbidden Arabs to plant agricultural produce without special permits. Order No. 1015 states that no resident of the West Bank is allowed to plant fruit trees without written permission from the occupation authorities. Order No. 1034 states that Order No. 1015 also applies to vegetables 26/. As pointed out by lawyer

Avigdor Feldman, the orders have two aims: first, they force Palestinians into confronting the occupation authorities; second, they force West Bank residents into proving the land they want to cultivate is, in fact, theirs. If an inhabitant is unable to prove this, the land might be taken away as "state-owned". In the case of the production of melon and squash, we assist to a type of farming reaching the zero point under occupation, as a result of Israeli competition, which urged farmers to transform to synthetic plants which in turn were subjected to Israeli monopolies 27/. After occupation, the poultry industry (eggs and meat) declined due to Israeli competition advantaged by a production subsidized by 15-20% of the cost of production, in addition to government subsidy to chicken feed in Israel. Livestock production is also restricted by levies of high fines and confiscation of livestock grazing in confiscated lands 28/.

According to Arab sources, weakened  
 11. agricultural research and guidance has hampered the advance of agricultural development. The Israeli occupation has minimized services and capabilities of agricultural guides in order to obstruct their work and to deprive farmers from agricultural services and guidance. Out of seven agricultural stations in the West Bank before occupation, the 'Arroub and Fari'a stations were converted into observation centres for agricultural guidance purposes only, and three stations (Jericho, Qabatya, Bireh) were closed down on April 1, 1960 29/. Furthermore, we assist to an obstruction of works by foreign philanthropist societies rendering services to Arab farmers in the occupied areas and preventing them from carrying out their projects. Such societies are: Anira, Quakers, Sira and Mennonites 30/.

Some policies concerning agricultural trade, and lending for agricultural projects are discussed below in the subsequent sections.



### C. Industrial Investment

12. The policies bringing about industrial development have to be seen within the context of land, building, tariff and trade, finance and investment regulations. For example, Arab sources point out to the restrictions on granting construction permits to Arabs 31/ which could affect the setting-up of new factories. However, detailed information on these regulations would have to be collected by an in-depth study of Israeli regulations and economic policies. The section on Credit and Financing points out to the scarcity of credit and of hard currency brought forth by Israeli economic policies.

13. The scarcity of human resources affects the state of industrial development in the occupied territories. An economic advantage to Israel derives from the cheap labour in the occupied territories which is available to Jewish entrepreneurs both in Israel itself or in newer ventures on the West Bank. Arab labour from these areas has become increasingly important to Israel's economy because it commands low wages, requires few or none of the fringe benefits that make Israeli workers much more costly, and necessitates minimum social infrastructural investment. Some 75,000 Arabs from the occupied territories are estimated to work in Israel. Of these, there are recorded estimates of only 25,000 who earn salaries from the occupation's labour office, 12,000 who work independently, and 11,000 who work illegally with no social security benefits 32/. An appreciable fraction of the registered agricultural labour force is Arab, and the real share of Palestinian labour in both the agricultural and construction sectors is understood to be significantly higher than shown by the official figures because of systematic underreporting. The "black" or unregistered West



Bank labourers being paid even less, form an important financial incentive for Israeli employers to bypass the official labour exchange. A further source of cheap labour for Israeli industry has emerged on the West Bank itself where Israeli firms have established light assembly or small textile plants. Since both wages and fringe benefits are very much lower than within Israel, the economic advantages to these operations are quite real, over and above which, working hours and conditions are much more favourable to the employer than in Israel proper. The net gain is believed to be about \$ 250 million per year, and the social gain to Israel is still yet higher because it frees Israeli labour for the higher paid, less arduous functions 33/.

#### D. Trade Regulation Policies

11. Whereas prior to 1967 the West Bank and the Gaza District had no trade relations whatsoever with Israel, the latter has become the main trading partner. A recent survey conducted by the Israeli Ministry of Defence (Nov, 1983) confirms that: approximately 90% of goods imported to both the West Bank and to the Gaza District come from Israel, while only 2% is from Jordan and the remaining 9% from other countries. Since 1968, imports from Israel have increased at the expense of imports from Jordan (mainly in the West Bank) and other countries. Exports from the West Bank to Israel are claimed to have increased paralleling the rise in imports from the same source. 57% of exports from the West Bank are to Israel, 42% to Jordan and 1% to other countries. The situation in the Gaza District is similar, with exports divided between Israel (81%), Jordan (15%) and other countries (3%). In 1968, exports from the Gaza District to Israel constituted only 28.5% of its total exports, as compared with 81%

today 34/. A less recent report (Nov. 1982) made by Amman's Ministry of Occupied Territories Affairs, points out the West Bank's agricultural trade balance from 1967 to 1978. Whereas the West Bank has a net surplus of 1009 million Israeli Liras with regards to the East Bank in its agricultural trade balance, it is in deficit of 1238 million Israeli Liras with Israel. This is of special strategic importance to the Israeli economic development 35/.

15. Policies underlying these developments contain restrictions concerning both importation and exportation. The same Arab source mentioned above points out that with regard to agricultural trade with Israel: opening West Bank markets before Israeli production makes it impossible for the West Bank farmer to compete with the Israeli farmer who is more capable of production and who receives subsidies. Furthermore, the absence of basic marketing facilities and other relevant facilities, mainly sorting of products, packing and freezer storage, cause serious problems to West Bank farmers. The source also claims that West Bank farmers are prevented from selling their products in the Israeli markets on security grounds and for protecting the Israeli production against dumping. The figures available about exports from the West Bank to Israel are ~~very~~ far from representing potential exports. As to agricultural trade with the East Bank, Israel adopts the policy of "open bridges" between the East and West Banks of Jordan and permits West Bank products through, but at the same time places obstacles before East Bank products entering the West Bank, such as imposing customs fees and long, complicated procedures 36/. By August 1983, ~~the duties on the export of agricultural products from the West Bank to Jordan were raised by the Israeli military authorities for the second time in that year~~ 37/.

E. Credit and Financing Policies

16. The availability of sufficient credit and other forms of financing - equity investment, loan guarantees - is an essential component of the framework for economic development. The need for development capital for the West Bank agricultural, handicraft, and light industry sectors, stems from the lack of any financial institution that could provide medium-term credit at reasonable interest rates to these sectors. The war of 1967 and the resulting occupation terminated the activities of the Agriculture Credit Corporation and the Industrial Development Bank in the West Bank. These institutions were providing supervised credit to farmers for the development of agriculture and to small entrepreneurs in order to increase the productivity of the manufacturing sector. Under the present circumstances, only individuals who can finance projects from their own resources are able to embark on new enterprises. These individuals form a small minority of the population of the West Bank. Since the 1967 occupation, the West Bank Palestinians have been a society without any credit from Arab sources 38/. As of Nov. 1982, there was no official or semi-official Arab agricultural lending body to take care of agricultural development. The occupation authorities did not agree to the establishment of any local financial corporation for the mobilisation of internal resources and for investing them in agriculture or other development. At the same time, they opened branches for Israeli banks which collect high interest rates which the farmer cannot bear. The occupation authorities even place obstacles before international development establishments for investment in the occupied areas

39/.

d. TW-83  
Proposed

17. At the 1979 Baghdad Summit Conference, the amount of funds pledged by Arab states to the occupied territories was made public, and it turned out to be much higher than the total Israeli defense budget. The Israeli Civil Administration then started to limit the amount of funds allowed to come in via Jordan, alleging that part of it came from the PLO. It also began to require that residents of the occupied territories put all the money they received from abroad into a development fund 40/. In effect, all donations to Arab residents are required to be reported by law. And so, on Sept. 10, 1982, a government source denounced the fact that Christian Arab villages in northern Israel received \$ 100,000 in donations from institutions in Western Europe whose identities were unknown by the authorities 41/. The military authorities have even issued an order preventing residents of the occupied territories from transacting business with checks issued by Arab banks. This is meant to control money coming in from Arab countries and to prevent this money from being used against Israel 42/. The Israeli military authorities on the West Bank have also tightened the supervision and control of all funds entering the region from Jordan through the bridge. At the same time, the Civilian Administration is demanding a detailed report on the amount of funds brought into the West Bank and the manner of their distribution. This step will affect former Jordanian government employees living on the West Bank, who receive their salaries through special courriers 43/. In fact, it was reported that West Bank Arabs employed by the United Nations Relief and Work Agency (UNRWA) were facing financial trouble since Israel banned them from receiving their paychecks from Amman, Jordan 44/.

18. Beside the restrictions on the mere transfer of funds as such, Israeli

authorities also require the conversion of any eventual funds in the hands of Arabs, into the soft Israeli Shekel. And thus, there is a net inflow of foreign exchange from the territories into Israel. For exports from the territories to the Arab world, mostly agricultural products, the Palestinian exporters are paid in convertible currencies - Jordanian Dinars, Saudi Rials, or U.S. \$ -. Under the currency regulations, they then must convert the hard currencies into Israeli Shekels, which in turn finance their obligatory imports from Israel. Such conversions from trade alone, amount to over \$ 300 million per year. All remittances from relatives working abroad must be converted upon receipt into the soft Israeli currency. Payments made by Jordan to all pensioners or civil servants who were on the government's rolls as of the Israeli occupation in 1967 must also be converted 45/.

19. Within this context, it is noteworthy to mention the constant decrease in the value of the Israeli Lira compared to the Jordanian Dinar. In 1967, the JD = 7.5 Israeli Liras, and in accordance with Oct. 1982 prices (exchange rates), the JD = 84.15 Israeli Shekels = 841.15 Israeli Liras. (1 IS = 10 Israeli Liras). This has resulted in inflicting a loss to the Arab resident regarding the value of his financial possessions due to the fact that he is forced to deal with banks in Israeli currency, and due to the speedy deterioration of the value of Liras which he gets when he sells his production or when he purchases his needs 46/.

#### F. Fiscal Occupation Policies

20. The legality of the collection, use and imposition of new taxes by the occupying forces has been a subject of considerable concern to international

*or*

law on military occupation. The Israeli authorities raised the fee for travel permits via the bridge to Jordan, as well as the fee for transportation permits for drivers as of Sept. 15, 1982. The customs authorities impose taxes even on mere personal belongings when crossing the bridge 47/.

21. On the Value Added Tax (VAT): The Israeli High Court of Justice ruled on April 10, 1983 that the military government is allowed to collect the Israeli VAT from residents of the occupied territories. The Court said there were no prohibitions on the imposition of new taxes in a conquered territory, and that is permissible when economic and security reasons called for it and if the money levied is used only for the welfare of the residents of the conquered territory 48/. In fact, the imposition of the 15% VAT on small Arab enterprises has undermined their already fragile economic vitality and aimed to shift the burden of Israeli occupation to the local population 49/. Simultaneously, the VAT Department imposed a retroactive tax of IS 100,000 on each dentist in Ramallah and El Bireh for their work during the past five years, while lawyers must pay IS 25,000 50/.

22. The Jenin Chamber of Commerce complained to the local military governor about i) the exorbitant dues and taxes imposed on its members as they have been hit with escalating costs in the wake of hikes in income tax, VAT payments, and the price of licenses; ii) the excessive tax on travel permits. The same merchants are also being asked to make large downpayments on their 1984 tax assessments. The "advances" range from IS 6,000 to IS 120,000 51/.

23. No detailed information is available on the volume and the use of the taxes

*P. Han nes  
t. - extent like? How is it now →*

collected in the occupied territories and from Palestinians working in Israel, nor is any precise information available on the tax situation of the Israeli settlements, for example on taxes or fiscal incentives.

↓  
follow up



FOOTNOTES

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