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אל: כל הנוציגויות

דע: כלכלית 2, תפוצת הסברה

מאת: מחלקת מידע - אגף תקשורת

הנדון: כלכלת השלום - מסע'ת האוצר

להלן קטעים מתוך מסע'ת שוערכה אתמול 18.10 ע"י שר האוצר אברהם שוחט ומנכ"ל האוצר אהרון פוגל בנושא כלכלת השלום:

EXCERPTS FROM SHOHAT BRIEFING

(Communicated by Government Press Office)
Jerusalem, 18 October 1993

THE FOLLOWING ARE EXCEPTS FROM THE GPO ECONOMICS DESK BRIEFING WITH FINANCE MINISTER AVRAHAM SHOHAT AND FINANCE MINISTRY DIRECTOR-GENERAL AHARON FOGEL ON ECONOMIC ASPECTS OF THE PEACE PROCESS AND THE 'GAZA-JERICHO FIRST' ARRANGEMENT AT BEIT AGRON ON 18.10.93:

MINISTER SHOHAT: In order for this agreement to succeed, there must be agreement on economic issues between us and the Palestinians. Therefore, in the Declaration of Principles (DOP), there was a decision about establishing an economic committee that will deal with all issues concerning the economic agreement between Israel and the Palestinians.

In our opinion, what has to happen in the Gaza Strip and Jericho, and afterwards in the West Bank, is that a lot of money has to be invested in these areas. We believe that in order for there to be a real agreement and real peace, there must be a change in the GNP of the Gaza Strip and the West Bank. We believe that the international

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community has to raise quite a lot of money to invest in the infrastructure of these areas. Foreign Minister Shimon Peres and I participated in a Conference in Washington a little over two weeks ago, where money was raised and pledges given by quite a number of countries in order to invest in these areas.

I cannot go into details about the relationship between us and the Palestinians. We will start negotiating in a few days. (...) Generally speaking, we believe that there is a formula about which both sides can agree. The formula will say that we are not going to patronize the Palestinians. We don't want to tell them how to live. We don't want to tell them that they have to do this or that. But we think that we can help them a lot, and we think that there is a mutual interest that there be successful economic development in the Gaza Strip and Jericho, and then in the territories.

This will be the axis of the conversations between us and the Palestinians. I am not sure what their reaction will be, but I believe that once we suggest a certain form of relations between ourselves and the Palestinians that is reasonable from an economic point of view, that we will be able to reach an agreement dealing with all problems that will result from the changed situation.

I want to mention again two things that we want to see happen. First, that there be economic development in these areas. We believe that in order to reach a peace that the population of these areas will support, they have to have the feeling and they have to see that something is changing from the standpoint of economics, investments, job creation, and their standard of living. Secondly, we don't want to decide about their lives. They have to decide in what kind of atmosphere they want to live and what kind of relations there will be between us and them. We will propose a certain arrangement. We are looking for cooperation between us and the Palestinians and do not wish to patronize their way of life.

DIRECTOR-GENERAL FOGEL: I'm still excited about the meetings we had in Washington about taking a very important part in establishing what one may call the UPA - the United Palestinian Appeal. More than 20 countries sat together in order to declare and decide upon the operating methods of donations. The total amount for 1994, we believe, is about \$600 million. Most of it consists of grants, with the remainder, of course, as credit. Some very important principles have been approved. We expect to continue negotiations at the beginning of November, maybe in Paris.

First, the immediate needs of the autonomy will be part of the priorities of the allocation of the funds. Regarding immediate needs, everyone should be aware that basic public services such as education, health, and welfare programs should go on and even develop faster when we are out. The new regime should, for example, collect taxes. But we expect that at the beginning, tax collection will decrease. It is natural for anyone to try to avoid paying taxes. So, while the new regime gets in place, services should be supplied, without the needed resources necessarily being at full volume.

Second, there will be very important infrastructure projects. Meanwhile, every country likes to deal separately with the various projects. We hope that full coordination will be achieved through a steering committee in order to avoid investments in projects that may serve the interests of the project's sellers and not those of the Palestinian autonomy. We think that everyone will cooperate through the steering committee and use the World Bank, and maybe the European Community banks, as the vehicles through which project evaluation and management will take place.

A third element, which is also very important is the behavior of the private business community. I believe that that will show the relative success of the whole issue, from an economic point of view. We think the various governments should establish a type of political insurance coverage for those in the private sector who decide to invest in the territories. Eliminating the political risks, we believe, will be the best incentive for the international business community to come and participate in the whole process.

So, if the establishment of the international resources, i.e. grants, credit, political risk insurance coverage, will emerge, we are very optimistic about the future of economic life in the territories. We think that that will, maybe, be the most important parameter, mainly for the domestic Palestinian population to judge whether or not the process is a success from their point of view.

Q: The United Jewish Appeal is controlled by Jewish people. Is the United Palestinian Appeal under the control of Palestinians? Who is running it?

Minister Shohat: The United Jewish Appeal is run by Jews living all over the world. What was established in Washington was actually the donations of countries, not communities, in order to invest money in the Gaza Strip and West Bank. It's not the same thing. I believe that

also the Arab communities from all over the world will give grants for certain activities in the Gaza Strip and the West Bank. What was established in Washington is the collection of pledges and the steering committee, in which we and the Palestinians will be advisors, not members, that will decide on the allocations. Mr. Fogel said that there is a tendency by some of the countries to operate on a bilateral basis. We believe that it's better that things be coordinated in order to prevent chaos in the areas. Quite a lot of money is going to be invested and we believe that somebody, at least a group of delegates, including professionals from the World Bank and European banks, should control the investments.

Q: What would happen if the Palestinians decide to use the money, say, to build a seaport in Gaza and Israel decides that there's no need for it?

Minister Shohat: We don't have a veto over the decisions. We are part of the steering committee team. I believe we cannot veto anything.

Q: What type of relationship do you envisage, and specifically, whether there would be relaxation in granting permits for Arab workers to work in Israel and whether Israel would lift restrictions on Palestinian agricultural produce?

Minister Shohat: I won't go into details because we have to negotiate with them and have yet to decide on the individual items. There is a committee of the Directors-General of all the Ministries led by Mr. Fogel. They are discussing the details. Just to give an outline of our intentions, we believe that these two economies have to live together, and there is a mutual interest in not closing everything off hermetically.

Q: Could you clarify about the \$600 million. What time period is this for? Is this money separate from the World Bank money and the project aid? Is this money supposed to fund the problems of the transition, for example, as you mentioned, the possibility that there may be a fall in tax collection? How is this particular money going to be administered?

Minister Shohat: The \$600 million is the budget for 1994. Maybe some of the money will be allocated before for special needs. It has to cover investments in the Gaza Strip and Jericho. It has to cover administrative financing problems that will exist. We are going to phase out in mid-April. Until then, we shall continue to finance all the services as we did before. But the Palestinians may have special

needs. They may want to start organizing the police force, and will need some money for this. We think that money from the pledges should go to this. Nobody else can give the money for it.

I would say that the money is for three purposes: First, for special needs that didn't exist before. Second, to keep the level of services at least as it was when we were responsible for them. And thirdly, for investments in infrastructure in these areas. (...) The \$2 billion announced in Washington is for four years, not one. Regarding the pledges, some countries said that they're going to give a few hundred million dollars, but over four to five years. The \$2 billion is over three to five years. When we spoke about \$600 million, we didn't go into detail, it will be allocated from January 1994.

Q: Could you explain more about the political risk insurance? What are you offering? Is Israel going to offer political insurance?

Minister Shohat: We said that we would give \$75 million, with \$25 million in grants and \$50 million as political insurance to Israelis who will be ready to enter into joint ventures and to invest in Gaza and the West Bank. This is over five years.

Q: Do you have any estimates on how the Palestinian economy might impact the Israeli economy? Do you have any estimates in terms of financial figures or job losses in textiles or agriculture?

Minister Shohat: We still have to see the details, but generally speaking, we believe that the peace agreement will positively affect our economy. We believe that a lot of factors which caused us problems in the past, such as the risk factor of investing in Israel, will be reduced if the peace process will continue and we reach peace agreements with the Arab countries. We want the Arab boycott to vanish, even though it's not part of the DOP. We also believe that trade connections between us and the Arab countries will develop and contribute to our economy.

I believe that the peace agreement is not only economically good for Israel, but that it will influence the entire region. I don't want to exaggerate the expectations. I think that there is a kind of euphoria about investing money in the territories and the area. I think that people are overestimating the possibility of doing it very soon. I want this vision to become a reality, but it will take more time than we think.

Q: The Palestinians are very concerned about being swallowed up by

the Israeli economy. What assurances do you have for the Palestinians that their tiny economy won't just get completely lost?

Minister Shohat: It's a fact that our GNP per capita is something like 10 times that of the Gaza Strip and the West Bank. But we believe that there's going to be a change over there. The investing of \$600 million per year is something that hasn't happened for a long time in these areas. We don't want to patronize them. I believe that the investments there along with the creation of jobs and the upgrading of the infrastructure will naturally increase their GNP and standard of living. If we suggest that certain numbers of Gazans will continue to work in Israel, I believe that they'll continue to do so until they'll have jobs in their areas. I don't think that there is any risk.

Q: The economic protocol talks about water is one of the issues to be discussed during the economic negotiations. Is that going to be an issue that will be dealt with in Paris in November?

Minister Shohat: The steering committee will deal with the money. But in the economic committee, I guess that everything will be discussed. It will include water, energy, communications. Everything that is mentioned in the DOP will be discussed.

Q: When will the economic committee start meeting and where?

Minister Shohat: We don't know exactly. We have to get the names from the Palestinians, but it will be very soon.

Q: How will this \$600 million be distributed to the Palestinians? Who accepts it and distributes it?

Minister Shohat: It's not finalized yet. It will be discussed in Paris on November 5. But I can imagine that, for example, there is a decision to invest \$50 million in the sewage system. Let's say that the World Bank or a European bank will send experts to check the plans, will decide on the details, will allocate the money for design, and they will coordinate it with the PLO's economic people who will be on the steering committee and will know about the project. The World Bank will put out the tenders and will do the job.

Q: Could you give us an example regarding private investment in the territories?

Minister Shohat: I know that there are certain initiatives about

organizing a company that will deal with tourist operations, including Israelis, Palestinians and people from other countries in the area. There is an initiative about establishing a combined Moroccan, Spanish, and Israeli investment company with the participation also of Palestinians from England. There are quite a lot of initiatives.

Q: Where is the \$25 million that Israel is giving in grants coming from?

Minister Shohat: It will come from the Israeli budget over the coming five years.

Q: When will there be Palestinian currency?

Minister Shohat: This is part of the answer which I don't give.

מחלקת מידע - אגף תקשורת

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