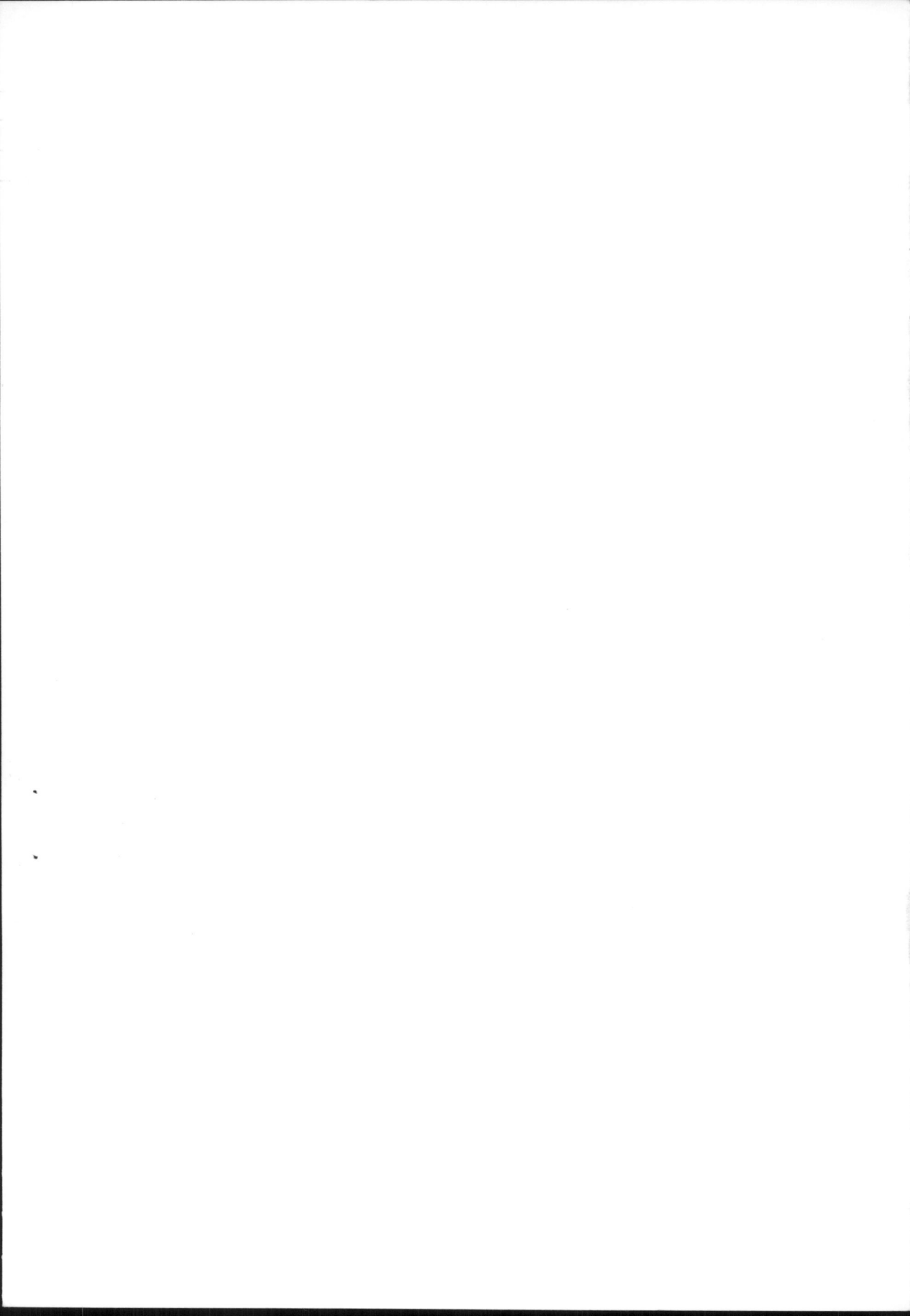


*Development Study Center
Department for Renewal and Development
Jewish Agency*

***ECONOMIC DEVELOPMENT STIMULI
FOR THE URBAN GALILEE***

SUMMARY

*Raphael Bar-El
Aliza Fleischer
Daniel Felsenstein*





המרכז ללימודי הפיתוח

DEVELOPMENT STUDY CENTER (D.S.C.)

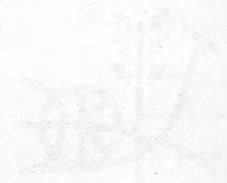
CENTRO DE ESTUDIOS REGIONALES URBANO-RURALES (C.E.R.U.R.)

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ECONOMIC DEVELOPMENT CENTER
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**Strategy for Developing the Galilee:
A Comprehensive Spatial Perspective**

The recent waves of immigration are likely to effect significant changes in the existing economic structure of the Galilee. These changes are likely to be felt in terms of population distribution across the cities in the region, quality of the labor force in various sub-regions and the intra-regional allocation of economic resources. As a result, conditions are likely to arise that will allow for the development of a more dynamic and less peripheral economy.

Efficient exploitation of these changes is likely to create potential economic advantages for the various towns and settlements in the Galilee and to transform the pattern of small, weak settlements generally characteristic of a peripheral economy. A strategy for implementing these changes submitted to the Department of Renewal and Development in an earlier report was based on the development of urban growth centers in the heart of the Galilee and their integration with the surrounding peripheral areas.

A distinct strategy is necessary for each sub-region in the Galilee and for the creation of an integrated regional system. This report is dedicated to the outlining of these strategies.

The strategy for each sub-region is based on two basic criteria.

The first is that economic activities must suit the conditions that characterize the area. These characteristics are: a) geographic location within the Galilee region, b) existing population size and projected population growth, c) quality of the labor force, d) existing infrastructure such as roads, industrial land availability etc, e) regional economic structure in terms of existing economic activities and institutions.

The second criterion is that economic activities serve as impulses for the development of each sub-region and for its integration within the regional economy. Thus, the growth strategy needs to be based on the following conditions:

- a) the exploitation of existing local comparative advantages or of potential, but as yet unexploited, local comparative advantages and
- b) the integration of the individual economic activities within the whole regional economic system in order to facilitate the economic transformation of the Galilee.

Operationally, an economic development policy for each sub-region is formulated, in terms of types of economic activities to be developed, appropriate technological levels, types of markets and structure of economic ties within the sub-region and between sub-regions. This is based on the specific conditions characterizing each sub-region.

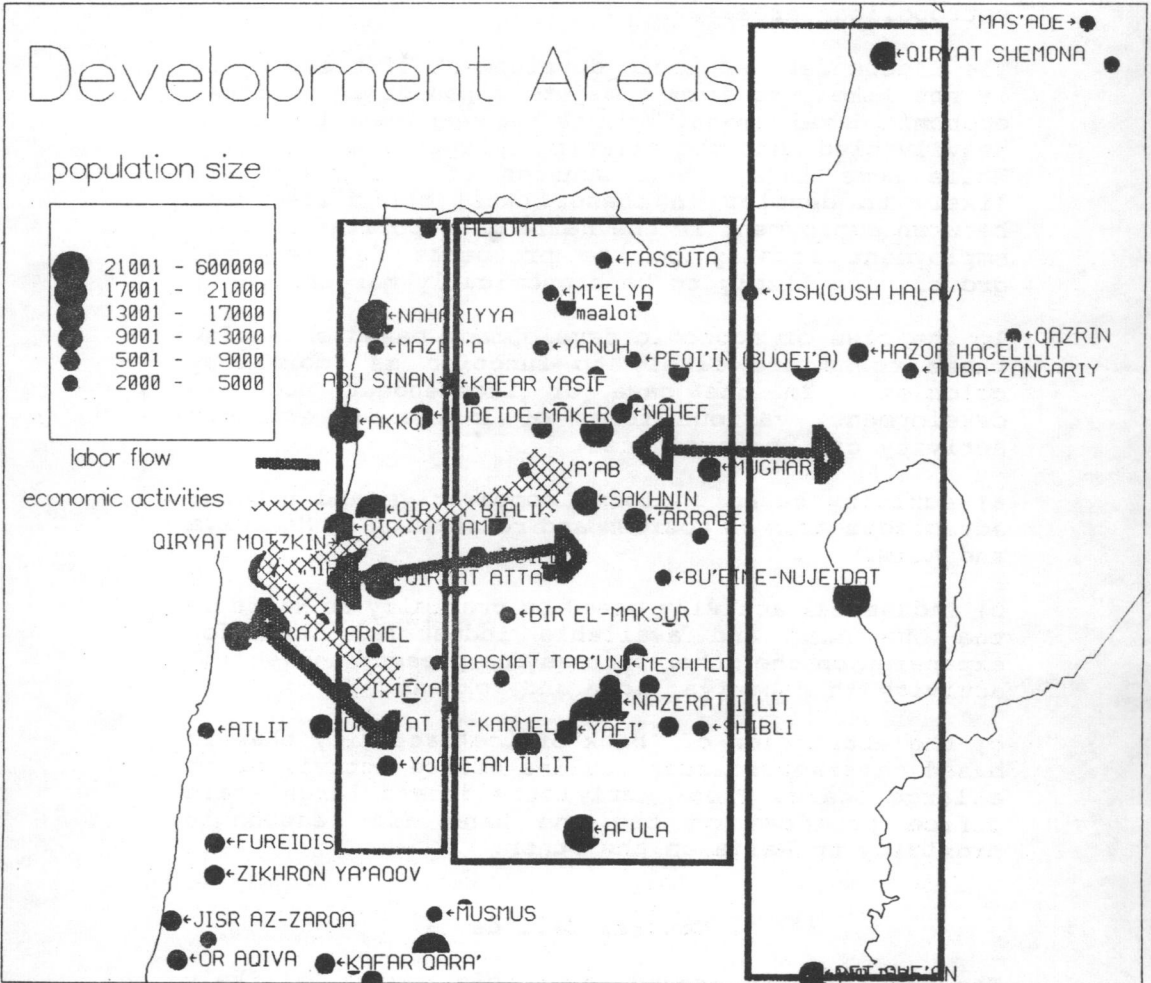
As a result of the analysis of the conditions which prevail in each of the specific regions of the Galilee, a general spatial system is devised, which considers three main zones. The sub-division of the Galilee for this purpose is depicted on the accompanying map. This division is based on partitioning the Galilee into three vertical zones:

The first is the coastal strip that is basically part of the economy of Haifa metropolitan area.

The second is the central Galilee district in which the main bulk of the population is located and which is likely to serve as the nucleus for industrial growth. This area is likely to attract industrial activity relocating from the center of the country. Employment opportunities are thus likely to emerge on this basis and on the basis of inter-regional commuting to the Haifa bay area.

The third zone is the eastern strip whose economic development is likely to be based on unique, place-specific advantages and on a certain measure of employment linkage with the central Galilee area.

Map



The Coastal Strip

This zone, aligning the coast, includes the towns stretching from Nahariya to Yokneam, all within commuting distance of Haifa. The economy of this sub-region is thus heavily linked to that of the Haifa metropolitan area.

The independent economic development of these towns is not likely to form a major component in regional economic development. This is because these towns are heavily tied into the existing metropolitan economy. While some independent sources of employment are likely to develop in these towns, the differences between employment in the Haifa metropolitan area or employment locally on the prospects for regional growth, are likely to be economically marginal.

In the case of economic development based on Haifa, these towns are likely to function as 'dormitory colonies'. In the case of independent economic development, various forms of indigenous economic activity can be considered:

- a) activity based on local comparative and natural advantages such as tourism and recreation in Nahariya and Acre.
- b) industrial activity based on proximity to Haifa on the one hand and available industrial land for expansion on the other such as the present industrial activity in Nahariya, Acre and Yokneam.
- c) the attraction of 'back-office' activity that is based on standardized, routine office activities on a large scale. These activities demand large scale office premises on the one hand and reasonable proximity to Haifa on the other.

Central Galilee

The central axis around which this region is likely to develop runs north-south from Maalot (with the completion of the road link to Karmiel) in the north, down to Migdal HaEmek and Afula in the south. The qualitative and quantitative demographic growth

projected for this area coupled with infrastructure improvements are likely to set the area up as a natural growth pole, second only to metropolitan Haifa. In contrast to the classic case of peripheral cities that are constantly dependent on central government support, the growth centers in this area are likely to develop an urban growth dynamic that is not dependent on external intervention.

The regional integration of this area is likely to be expressed in both inter-regional and intra-regional linkages.

Inter-regional integration relates to the linkages between the central Galilee region and metropolitan Haifa. These linkages are likely to be reciprocal but not necessarily symmetrical. Regional integration will thus take on one of the following forms:

(1) Improving the regional road infrastructure will extend the accessibility of the labor force of the central Galilee to new labor markets. This will promote greater employment mobility, avoid mis-match between labor supply and demand, improve professional adaptation and therefore allow for increased output and wage levels.

(2) Infrastructure improvements will also allow for a greater labor flows between regions facilitating the separation of residence from work place. Thus labor would be able to work in central Galilee and live in Haifa and vice versa (Some Haifa residents may even chose to live in Karmiel while keeping their jobs in Haifa). This employment mobility will not necessarily be symmetrical. At present, the commuting flow from central Galilee to Haifa is much greater than the flow in the reverse direction. With the development of central Galilee as an urban growth center, this gap is likely to be reduced, although total equality of flows is unlikely.

(3) Infrastructure development in central Galilee is also likely to promote the mobility of economic activity and not just employment mobility. Economic theory and empirical evidence show that the dispersal of economic activity (especially industrial activity) to secondary urban centers is most successfully

executed when the latter offer high-level basic operating conditions (large labor pool, reasonable levels of human capital and infrastructure). These conditions exist in part in central Galilee along with further attractive features such as the availability of industrial land and government incentives. The firms most likely to be attracted on this basis are branch plants of multi-locational organizations.

In sum, the locational integration of the growth center in the central Galilee sub-region is likely to occur in two ways; the first relates to the increased accessibility of the central Galilee labor force to new labor markets as a result of road improvements (such as accessibility to the Haifa metropolitan area labor market). The second relates to the attraction of economic activity to central Galilee from the Tel Aviv and Haifa areas.

Intra-regional integration is likely to stem from projected urban growth and from physical infrastructure and public transport improvements in the area. These developments are likely to create territorial continuity (or proximity that will enhance mobility) between two centers of urban growth. The first is likely to be the Upper Nazareth, Nazareth and Migdal HaEmek bloc (perhaps encompassing Afula as well) and the second is the Maalot-Karmiel-Segev-Sakhnin axis.

The economic structure of the proposed urban growth centers is expected to be a direct function of the basic spatial conditions existing locally. These conditions include a critical population mass, the availability of skilled labor with diverse occupational skills and based on an influx of new incomers, the existing Jewish and Arab labor force, proximity to major urban centers and physical and transportation infrastructure improvements. These conditions will permit:

- (1) The existence of large scale industry and not just small firms. Examples of this kind of development are the large plants already operating today in Migdal HaEmek and Karmiel and serving national and international markets. These operations are likely to be based on non-local investment and on inputs and

outputs that emanate from and flow to, extra-regional markets.

(2) The existence of a broad variety of service firms (often acting as subcontractors) on a small-scale basis and serving the large industrial concerns. These activities are likely to be centered on the smaller settlements of the area (Jewish and Arab alike) and are likely to offer a variety of levels of skill. These can range from simple maintenance services through to software and sophisticated printing and publishing services. In these areas, networks of small firms can easily develop based on 'niche' markets such as serving large firms and working in close interaction with them. Physical proximity between the large and small firms is likely to allow for fast service supply (contracting, components supply, etc...) and thus enable the large firms to respond rapidly to market signals.

(3) The existence of industrial and service activities based on advanced technology. These are likely to develop on the basis of the projected labor force increases based on skilled and technologically trained manpower that are likely to occur in the sub-region.

(4) The existence of expanded building activities. These are expected to arise as a result of increased local market demand due to population increase and are likely to be based on the availability of local skills in this field. Opportunities for economic development on the basis of niche markets and services to the building trade are also expected to develop. The smaller Jewish and Arab towns and villages of the area are likely to fill some of the niches developing in this sector.

(5) The development of financial, commercial and public services as a result of population expansion in the sub-region. The growth of these sectors is expected to be particularly pronounced in those places where service infrastructure already exists, such as Upper Nazareth and Afula.

(6) The development of high-level, urban (public) administrative services that serve the district

level. These include district law-courts, government district offices and specialized public medical services. Urban scale economies are expected to facilitate the provision of these services and these scale economies are likely to arise through the operation of the Nazareth-Afula-Migdal HaEmek bloc as an integrated urban 'functional area'.

The Eastern Strip

This area comprises all the towns in the eastern Galilee from Kiryat Shmona in the north, through Hazor, Zefat and Tiberias and down to Bet Shean in the south. These cities face much greater objective constraints than the urban centers in central Galilee and the coastal strip. These barriers result from:

- a) more limited absolute population totals and growth prospects
- b) geographic isolation from the main population centers and from each other

On the other hand, these areas are endowed with natural features that are likely to serve as a base for the development of unique, place-based economic activities. The main natural features are:

- a) natural resources on the basis of which tourism and recreational activities are expected to develop
- b) a well-developed agricultural hinterland
- c) geographic isolation which is likely to protect those operating in local markets and 'seal in' local demand.

On the basis of these starting features, we can outline the main components for the economic development of the towns in this sub-region, as follows:

- (1) development based on the unique economic characteristics of the area and on local comparative advantage. This is likely to lead to an economy with a low level of inter-regional integration and a high level of intra-regional interaction.

(2) intra-regional integration for the purpose of reaching economies of scale and for the purpose of limiting the scale diseconomies associated with the small size of the local population. The expansion of intra-regional integration can be achieved in the following ways:

a) improving the road network within the region (for example the Zefat-Rosh Pina and the Zefat-Hazor roads, the Kinneret ring road, etc...). This will improve accessibility and extend regional labor markets.

b) the creation of functional areas with as wide a population base as possible, again for the purposes of creating scale economies. An example of such an area is the "Zahar" bloc (incorporating Zefat, Hazor and Rosh Pina).

(3) The agricultural hinterland of the sub-region cannot be considered as an industrial employment generator (for example via the processing of agricultural produce). Its employment absorption capacity cannot be significantly stretched beyond its present extent.

(4) On the other hand, the natural resource endowment of the area would seem to allow for the development of employment in tourism beyond the level existing today. The existing infrastructure is likely to act as a base for the development of additional tourism activity. This activity should be directed towards extending the length of individual tourist visits to the region, extending the length of the tourist season and attracting foreign tourism. The growing demand for rented tourist accommodation points to the potential in this field. In view of the tourism and recreation potential of most of the settlements in this area, the recommendation above relating to increasing intra-regional integration, is likely to lead to the development of recreation 'packages' available to the tourist. The development of these packages and the increased economic activity that they imply, is only likely to come about with an improved transportation infrastructure. Other recommendations for encouraging this activity are:

a) assisting local as well as national initiatives in this field. This could be done by establishing revolving loan funds targeted at the tourism sector, assistance for improving the fixed stock in the sector such as up-grading existing hotel rooms, converting farm buildings into rooms for rental and so on.

b) assisting the development of regional co-operation in creating tourism and recreation packages.

c) considering the possibility of the construction of an international airport in the region.

(5) The development of locationally-insensitive (footloose) services that are based on academic labor and that can exist in remote locations. These are likely to include; certain research activities (such as 'Migal' in Kiryat Shmona), college-level education in fields related to the area and specialized medical services (in Zefat and Tiberias). These activities are generally insensitive to exogenous regional conditions with the exception of the availability of local (high level) labor and services. In some instances (such as academic and college-based education), geographic isolation may even be an advantage.

(6) Despite the above recommendations for intra-regional economic development, improving transportation linkages with the central Galilee sub-region might very well improve the prospects for the development of an industrial center in the latter sub-region. The increased interaction between these regions is likely to be two-way. On the one hand, it is likely to extend the regional labor markets that are open to the labor force of the eastern strip. On the other hand it is likely to encourage tourism and recreation-seekers to the area. Thus the spatial system of the Galilee region can be seen as a hierarchy that is centered on the Haifa metropolitan area, continuing through the central Galilee to the eastern strip. The prospects of this latter sub-region acting as a direct sub-region of the Haifa area do not seem feasible in view of the topographical and demographic constraints to such a structure.

In summary, absorbing immigration in the Galilee can transform the region into a growth economy. In this economy, the three sub-regions (the coastal strip, central Galilee and the eastern strip) will all be integrated and will each contribute, individually and collectively, to regional growth. Regional integration will be expressed in terms of inter-regional commuting and in the harmonious and complementary division of economic activities between the sub-regions.

In summary, the present investigation in this area can be considered as a preliminary step in the study of the relationship between the social and economic conditions of the population and the development of the country. The data obtained in this study will be used to determine the extent of the social and economic conditions of the population and the development of the country. The data obtained in this study will be used to determine the extent of the social and economic conditions of the population and the development of the country.