
Dissertation Series [2]

**Economic Growth and Development under Conditions of
Stress:**

**The Agriculture Economy of the Occupied Palestinian
Territories and Israeli Occupation**

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The Development Studies Programme

The Development Studies Programme (DSP) at Birzeit University was established in 1997 as a specialized policy and research-oriented programme for development issues which link the academic and policy-making communities. The DSP grew out of the university-affiliated Human Development Project which produced the first Human Development Profile on Palestine in 1997.

A committee of university academic and administrative personnel supervises the Programme's activities. In addition to its own programme goals, DSP coordinates with local institutions and international agencies on projects requiring research expertise in the development field. The Programme currently receives funding support from the Government of Japan through the United Nations Development Programme (UNDP).

Context

In the wake of the signing of the Declaration of Principles and subsequent interim agreements, the Palestinian people are undergoing rapid and sweeping changes in their political, economic and social life. Many of these changes have been externally initiated by a large number of donors and parties with varying levels of input or Participation by Palestinians. At the same time, Palestinian society continues to be constrained by the prolonged foreign occupation which has remained in control of most of its land and water resources and negatively affects basic aspects of daily life such as travel, trade and free expression. Thus, the "Right to Development", an inalienable right guaranteed by the United Nations, operates in Palestine within very narrow parameters.

In this context, the conceptualization and planning of development take on added dimensions. The fast and, in many cases, uncontrollable and unpredictable changes create a highly fragile environment in which to envision a comprehensive development framework. Despite these difficult circumstances, Palestinian society has shown a high degree of commitment to and engagement in the development process through its governmental and non-governmental institutions, although resources, both human and natural, are still underutilized.

By using suitable conceptual frameworks and integrative approaches for viewing the current and future state of development, a common ground for debate and consensus over direction can emerge. A whole-society development perspective can assist the setting up of effective mechanisms to incorporate, coordinate and unite wide community and institutional participation in the development process.

Mission

The DSP endeavors to provide and interpret developmental concepts and frame works which will aid in understanding the political, economic and social changes now taking place in Palestinian society and in promoting sustainable development planning. The Programme also aims to raise public awareness of development issues in order to improve individual and institutional capabilities, to enable and empower the community to contribute effectively to the development process.

Objectives and Activities

To achieve these goals, the DSP:

1. conducts academic and policy-oriented research and studies;
2. prepares and publishes the Human Development Report on Palestine;
3. provides library and outreach services through the DSP resource center;
4. encourages academic institutions to integrate development concepts into their curriculum by preparing an academic programme in the field of development studies;
5. organizes a diversity of community outreach activities, including conferences, workshops and symposia which bring together various sectors concerned with development issues.

1. Research

The DSP conducts academic, theoretical and applied studies in the main areas of the development field. The Programme is committed to employing both rigorous scientific research methods and participatory approaches to obtain the most reliable quantitative and qualitative data.

2. Human Development Report

One of the DSP's main tasks is to undertake responsibility for producing the Human Development Report on Palestine as part of UNDP's international project of annually-produced country reports. The Palestine Report is produced in close consultation and coordination with a technical advisory group from PNA ministries, Palestinian NGOs and expert consultants.

3. Resource Center

The DSP has established a special unit for development resources which includes an up-to-date library and information center. The unit is being expanded to be a repository for written and audio-visual references, reports and documents which examine development issues on the local, regional and

international levels. When fully operational, the resource center will be capable of providing research information and data to governmental and non-governmental organizations and individuals.

4. Academic Programme

The DSP cooperates with the Palestinian universities and academic centers to integrate and improve the curriculum related to development studies in their educational programmes. The DSP is currently designing an academic programme in development studies for the benefit of academics and practitioners in the university, government and non-government community.

5. Community Outreach and Training

Due to its neutral university setting and non-partisan role the DSP provides an ideal forum for informed critical debate of Development policies. Such debate raises community awareness of development issues, and current institutional policy, and interventions, and leads to a deeper analysis of the impact of development on society.

The main activities of the outreach unit will be two-way: working with local communities through meetings, workshops, and publications, and providing government and non-government Institutions with data and analysis on a community level.

The DSP publishes a monthly newspaper specialized in the field of development and works with the Palestinian media to raise awareness.

The DSP also cooperates with relevant departments in the University by contributing specific development components to training programmes.

The DSP coordinates with regional and international development organizations as a national partner in various projects and organizes conferences and symposia in the field of development.

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To my mother,
daughters and my wife

Summary

The lack of stability and uncertainty are the main obstacles to the development of the Palestinian economy. Since the early years of nineteenth century different regimes and occupations have controlled Palestine, accompanied by several and comparatively long history of economic boycott and closed borders. The main theme of the dissertation is to look at the impact of twenty seven years of prolonged Israeli occupation from 1967 to 1994, on the economy of the occupied Palestinian Territories (OPTs) in general and in the agriculture sector in particular. There is very little literature written about the OPTs economy. The very limited data available about OPTs is from the Israeli Bureau of statistics and since 1987 based on estimation.

In order to understand and analyze the impact of the Israeli occupation on the economy of the OPTs, one has to understand the theories and the various definitions of economic growth and development. Development is not synonym to growth, but it is a dialectical process tending towards improving the living standard of the people and reorganising the economic and social systems.

The Palestinian economy in the OPTs has been affected severely from the policies and measures imposed by the Israeli military forces. The numerous constraints imposed by Israeli occupation not only halted balanced development, but have led to “de-development” and have resulted in a net decline of development in general and of the agricultural sector in particular which has historically been the major productive sector in the Palestinian economy. The contribution of the agriculture sector to Gross Domestic Product (GDP) has been decreasing in the first twenty years before it started to recover paradoxically, as a result of the Intifada in 1987. Employment in agriculture had declined steadily and substantially in the same period, until the beginning of the Intifada.

The PLO-Israel Protocol on economic relations between the PLO leadership and Israel maintains the dependent and vulnerable Palestinian economy under the direct control of the Israeli economy in terms of import, export and employment. The advanced or industrialised Israeli economy (compared with the other Middle East countries) may give the opportunity for the Israeli economy to benefit from the current exploratory proposals for a middle East Common Market floated by the USA and Israeli policy makers. The dissertation raises questions over the future prospects for the Palestinian economy in the post-Protocol situation.

CHAPTER 1

INTRODUCTION

Economic development policy has increasingly placed people at the centre of planning objectives, and not cold economic abstractions such as the annual national product, national income, per capita income, etc., figures which are really pointers to assessing results rather than the ultimate objective of planning. A good illustration of this 'people-centred' approach is the United Nations Development Programme's Human Development Report (also, see Babo, 1981:54).

1.1 BACKGROUND AND STRUCTURE OF THE STUDY

Samara argues that, (1989:7) "the economic relations between countries are relations of exchange, rather than of production. The exchange relations between Israel and the West Bank are not standard 'centre-periphery' relations despite the fact that both are integrated into the world order". Furthermore, Sayigh (1986:52) wrote that, "the evidence shows that Israel has attempted with determination to tie the economies of the Occupied (Palestinian) Territories (OPTs) to its own economy, and has largely succeeded". The first chapter will be the introduction of the dissertation. In the second chapter the dissertation will, discuss theories of economic growth and development and their various definitions. It will also discuss the role of agriculture in economic development. The third chapter will discuss Israel policies and strategies towards the OPTs. The fourth chapter will review, discuss and examine economic growth, development and underdevelopment of the Occupied Palestinian Territories (OPTs) economy throughout the period of Israeli occupation, focusing on the agricultural sector of the economy. The reasons for this are firstly, because of the importance of this sector in the OPTs economy, and secondly the greater availability

from both Israeli and Palestinian sources of more data and information on this sector than any other sector of the economy. In general, however, there is a lack of information, data and studies about the OPTs economy. The main reason for this has been the restrictions placed by the Israeli occupation on the establishment of research centres in the OPTs and the publications relating to the Palestinian economy; such restrictions were made more extensive during the Intifada uprising (1987-1994). The absence of Palestinian bodies inside the OPTs to monitor economic conditions is a general problem. In chapter four, the dissertation will also examine the role of the Non-Governmental Organisation (NGOs) in the development arena and will examine the work of two agricultural NGOs and their role in the development of the agricultural sector in the OPTs. The fifth chapter will briefly and critically review the analyses and recommendations of the Palestine Liberation Organisation (PLO) and the World Bank for economic development in the OPT in general and in particular the agricultural sector and the PLO-Israel protocol on economic relations. Finally, the concluding chapter will discuss the term 'Middle East Common Market' as an option for regional development and the potential future role of the Palestinian economy after the peace accord. The conclusion will also draw on future outlook and make a few recommendations.

1.2 THE HYPOTHESIS OF THE DISSERTATION

Since 1967, the date of the Israeli occupation of West Bank, East Jerusalem and Gaza Strip (the remaining area of Palestine), there has been a deterioration of the agricultural economy and an underdevelopment of the economy as a whole. The Israeli occupation, its policy and strategy have tried to keep the OPTs economy underdeveloped and totally dependent on the Israeli economy for various political and economic reasons. This hypothesis challenges conventional Israeli thinking which argues that the impact of the Israeli policies and strategies upon the socio-economic conditions and structure of the OPTs has generally been favourable.

The Israeli government and its side argue that Israeli policies and strategies have had a positive impact upon the OPTs agricultural sector. Increases in per capita income GNP achieved after 1976, for example, are cited by Roy (1986) as indicators of the greater prosperity generated under Israel occupation. Increased levels of income have, in turn, resulted in higher rates of consumption expenditure. The government of Israel points to these indicators of economic growth as evidence of improved standards of living. Advancement in education and health, including higher levels of school enrolment and the eradication of certain diseases are similarly cited as additional indicators of enhanced living standards attained since 1967. That specific economic and social benefits have accrued to the people of the OPTs under Israeli occupation is undeniable. However the benefits must be viewed within the wider social, political, and economic context of the occupation itself in order to determine the nature and extent of their impact.

Szentes (1976:17) writes that, "we cannot successfully fight any phenomenon without knowing its roots! Descriptions, surveys or even preference graphs may be useful in assessing the measure of the phenomenon in question, but they do not tell us any thing about its causes and so, in consequence, they are unsuitable for any practical policy of change". The economy of the OPTs is an example of how certain indicators of economic growth can be improving with little, if any, generalised economic development. The study will challenge conventional Israeli thinking and present the reasons for lack of development inside the OPT economy, despite increased levels of economic output achieved since the Israeli occupation to the remaining parts of Palestine in 1967. Furthermore, it will be argued that not only is economic development difficult if not impossible to be achieved in the OPTs, under existing conditions, but may in fact be precluded by a steady process of "de-development" as Roy, (1987) and the Jerusalem Media and Communication Centre (JMCC) (1992) convincingly argue. Roy, (1987:56) defines de-development "as a process which undermines or weakens the ability of an economy to grow and expand by preventing

it from accessing and utilizing critical inputs needed to promote internal growth beyond a specific structural level".

1.3 THE METHODOLOGY OF THE STUDY

The study will depend on the use of secondary sources on the OPT agricultural economy from Israeli and Palestinian official and non- official sources (Arabic and English), international institutions such as the World Bank, the United Nations Relief and Works Agency (UNRWA), United Nations Development Programme (UNDP) and both local and international non-governmental organisations documents and reports and other studies. I will also draw from my own experience as an economist and field researcher working with the United Nations Works and Relief Agency (UNRWA) in the OPTs.

CHAPTER 2

ECONOMIC GROWTH AND DEVELOPMENT

2.1 THEORIES OF ECONOMIC GROWTH AND DEVELOPMENT

In the literature on economic growth there are numerous theories of economic growth and economic development available. Some of them are often referred to as theories of development as distinct from theories of growth. Adelman (1962) and Brenner (1966) classify these theories into different categories or groups within political economy. For example Adelman (1962:25) classification includes (1) the influence of Adam Smith, for whom dynamic questions of growth and development, capital accumulation, population growth, and labour productivity were linked to the size of the market. (2) Ricardo, who like Smith, postulated the existence of three factors -land, labour, and capital but in contrast to Smith's function, pointed to diminishing marginal productivity, which stems from the fact that land is variable in quality and fixed in supply (p43). (3) Karl Marx's theory based upon a particular set of assumptions concerning the nature of the productive relations in any mode of production and the particular methods of appropriation of surplus value under the capitalist mode of production. (4) Schumpeter's, attempt to explain the process of economic development showed an interest in the origin, operation, and evolution of capitalism with a focus on explanation in the twin notions of " bunches of innovation" and entrepreneurship undermined by corporate capitalism (p94). Lastly, Adelman (1962:109) pointed to (5) A New-Keynsian, model which combined certain features of classical Marxian and Schumpeterian dynamics with more recent contributions to the analysis of economic growth and the need for intervention.

Brenner (1966), classified the theories into, (1) Early, Theory or the age of mercantilism; as the expression of a striving after economic power for political purpose. Mercantilist statesmen wanted to "use the resources of a unified State for

strengthening the power of the same in its competition with other states (p26)". (2) The Classical Economists, including economists such as Adam Smith, David Ricardo, Thomas Malthus and John Stuart Mill. The basic views of Smith, Malthus, Ricardo, and Mill do not differ very considerably from those of some modern writers on the subject of economic growth. (3) Karl Marx and Friderich Engels, who assumed that, "under all systems other than socialism, humanity is kept subject to socio-economic laws and is unable to control them". And furthermore, that "only when balanced proportions between the various branches of the economy, between consumption and accumulation, between the production of consumer goods and the income of the population, can be achieved and are no longer subject to anarchic capitalist competition that economic growth be free from the evils of the oscillations of prosperity and depressions" (p76-106). (4) The Neo-classical Economists (s-1920s), whose contribution to the understanding of economic analysis consisted of the addition of the concept of *utility*, and the introduction of the idea *maximisation* as an integral part of analyses. In this way the neoclassicists provided an alternative to the classical 'labour-cost' theory, opposing it and/ or supplementing it with a 'scarcity-utility' theory. The most important members of this school were W.S. Jevons, K. Menger, A. Marshall, V. Pareto, and A.C. Pigou (p107-149). (5) The Theories of the Stages of Economic Growth, which saw that the object of a growth theory was to explain how factors like population, natural resources, organisation of labour and technological know-how combine to produce economic progress. This school had a particular influence on post-independent countries economic development policies. Two modern stage theorists were Simon Kuznets and W.W. Rostow (p158-174).

Todaro (1989:63) noted, that the literature on economic development over the past 40 years has been dominated by four major and sometimes competing strands of thought: (1) the linear stages of growth model, (2) theories and patterns of structural change, (3) the international dependence revolution, and (4) the neoclassical, free market counter-revolution. The thinking of the 1950s and early 1960s focused mainly

on the concept of stages of economic growth. In 1970s the structural change approach replaced the linear approach. Finally, throughout much of the 1980s, a neoclassical counter-revolution in economic thought took place. According to Todaro (1989:83), the central argument of the neoclassical counter-revolution is that underdevelopment results from poor resources allocation due to incorrect pricing policies and as due to too much state intervention in the Developing Countries. Further, Todaro (1989:100) presents a brief exposition of the neo-Marxist (or as Nigel Harris sees them) Nationalist views on economic development which rested on two foundations; the *theory of monopoly capitalism* and the *theory of imperialism*. The fundamental thesis of the neo-Marxists (such as Baran, Amin, Sweezy, and Magdoff) regarding the relationship between rich and poor countries is that the centre is actually inimical to development of peripheral countries and that capitalist development of Developing Countries is *impossible* today. The relationship between the centre and the periphery is, by virtue of the nature of structural needs of the centre, necessarily one of *exploitation*.

Nigel Harris, (1986:18-29) used the experience on the newly Industrialised Countries (NICs) to challenge dependency theory's claim of the impossibility of capitalist development. He pointed to six variations in the theory of development economics that spanned the political spectrum in the world. (1) Classical and Marxist, (2) the Conservative reformers, (3) the Radicals, (4) the revolutionary Nationalists, (5) Revolutionary Internationalists, (6) the Neo-classical School. Four variations are identified here, with inevitable arbitrariness. The other two, the first and the last, which fall outside the terms of reference of development studies, are included to highlight their contrast with the main four variations.

In the 1960s and 1970s, neo-Marxist or nationalist frame works of analyses gave rise to dependency theory. As Colman argues (1978), it became commonplace in the literature on economic development to describe or characterise Developing

Countries as dependent economies. This view largely originated in Latin America and the Caribbean, (see Girvan 1973, O'Brien 1975 Frank, 1967, and Farmar, 1988). Szentes argues (1976:14) that "the theories related to underdeveloped countries can in fact be distinguished to some extent from those related to the advanced capitalist or the former socialist countries. Political economy or pure economics is certainly concerned with different problems in the case of the underdeveloped countries. Consequently, the methods applied will also differ".

2.2 DEFINITIONS OF ECONOMIC GROWTH AND DEVELOPMENT

"Economic growth is necessary but not sufficient for human development; human development is critical to economic growth".

(Human Development Report, 1991:2)

Thomas (1992:6) points out that development "is a positive word that is almost synonymous with progress". Although it may entail disruption of established patterns of living, over the long term, development implies increased living standards, improved health and well-being for all, and the achievement of whatever is regarded as a general good society at large. Hall (1983:4-19) sees development and growth as linked; or as "the vehicle for allowing an increasing realization of human potential. Without growth there cannot be development. Development is more than just growth". Farmar, (1988:29) considers development "either as a process of improvement with respect to a set of values or, when comparing the relative levels of different countries, as a comparative state of being with respect to such values." Todaro, (1982:87) defines development as " a multi-dimensional process involving the reorganisation and reorientation of entire economic and social systems." Streeten (1972:30) describes, development as an objective and development "as a process both embrace a change in fundamental attitudes to life and work, and in social, cultural and political institutions" and also as "a dialectical process in that every change in the economy brings with it new problems and adjustment- to paraphrase".

While clarifying the meaning of development is by no means a simple matter, and involves a considerable amount of controversy, there is broad measure of agreement about its desirability. An adequate definition of economic development and underdevelopment is more difficult to define than the economic growth indicators. Frank (1967:9) argued that whilst development and underdevelopment are regarded as opposite sides of the same coin, "the development of some countries actively led to the underdevelopment or distorted development of others, and that underdevelopment is thus a normal part of the development of the world capitalist system". Szentes stated (1971:132), that "the socio-economic state of developing countries is not merely economic underdevelopment, not just sign of not having participated in development, of their having fallen behind in progress, but it is the product of a specific development, which is most closely connected with, moreover derived from, the development of capitalist world economy." Jordan and Nixon (1986:9-16) defined economic growth "as an increase in the productive capacity in an economy over time, giving rise to an increase in real national income and economic development means growth plus structural and institutional change which involve the move towards certain normative goals or objectives". Santos (1973) argued that, conventional economic development meant progress towards certain well-defined general objectives, usually corresponding to the specific conditions found in the advanced (capitalist) countries and pointed to the informal sector in Developing Countries in order to show how their economies differed. Adelman (1962:1) defined economic development "as the process by which an economy is transformed from one whose rate of growth of per capita income is small or to one in which a significant self-sustained rate of increase of per capita income a permanent long-run feature".

Using the level of per capita gross national income(GNP) as the exclusive basis for categorization may be an inaccurate description. For example some oil- exporting countries have a high GNP per capita incomes such as Libya, Saudi Arabia, Kuwait

and the United Arab Emirates in 1985 saw incomes of/ , \$7,170, \$ 8,850, \$ 14,480 and 19,270 (see World Development Report, 1985). These countries will be classified as belonging to the developed countries' group, and the United Arab Emirates (UAE) has to be classified as the first developed country before the USA, Japan and UK because the Gin 1985 for UAE was more than USA (\$16,690) Japan (\$11,300)and UK (\$8460). Clearly, in this instance, per capita income between different countries, is an unsatisfactory measure of the development gap between them. It is import, to note Thirdlwall's, argument (1989:20) that " while there may be an association between poverty and underdevelopment and riches and development, there are a number of reasons why some care must be taken in using per capita income figures alone as a criterion of development". As Myint (1964:10) points out, " low income per capita, however important, is only one aspect of the complex problem of underdevelopment and a definition of the underdeveloped countries relying solely on the per capita income criterion is bound to be arbitrary".

Attempt to move beyond the comfortable economic indicators, in measuring development, is continued by the work of the United Nations Development Programme(UNDP) and the South Commission. Their people-centred approaches argue that, the world can never be at peace unless people have security in their lives. Future conflicts may often be within nations rather than between them -with their origins buried deep in growing socio-economic deprivation and disparities. Moreover the UNDP Human Development Report (1991:1) further argues that, it will not be possible for the community of nations to achieve any of its goals- not peace, not environmental protection, not human rights or democratization, not fertility reduction, not social integration- except in the context of sustainable development that leads to human security.

Sustainable human development is presented by the UNDP as "development that not only generates economic growth but distributes its benefits equitably; that regenerates the environment rather than destroying it; that empowers people rather

marginalizing them. It is development that gives priority to the poor, enlarging their choices and opportunities and providing for participation in decisions that affect their lives. It is development that is pro-people, pro-nature, pro jobs and pro-women". Previous and current Human Development Reports (HDR) (1991:1, 1994: iii) have argued that, "the peace agenda and the development agenda must finally be integrated. Without peace, there may be no development. But without development, peace itself is threatened ".

The first Human Development Report (1990) introduced a new way of measuring human development- by combining indicators of life expectancy, educational attainment and income in a composite Human Development Index (HDI). The report acknowledged that no single index could ever completely capture such a complex concept. The Human Development Index is considered to be a more comprehensive and broad socio-economic measure and measures more broadly (HDR, 1991:2). Furthermore, the HDI has been improved through desegregation in terms of gender, spatial location (town or country) as well as change over time, (see Human Development Report 1994). This change will permit more meaningful comparisons across and within countries over time; a priority in the years ahead is seen as the need to improve human development statistics and to take into consideration the differences between males and females and other social categories.

Todaro (1989:88) argued that, development must be conceived of as a multidimensional process involving major changes in social structure, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of absolute poverty. The South Commission (1990:11) defined development as a process which enables human beings to realize their potential, build self-confidence, and lead lives of dignity and fulfilment. It is a process which frees people from the fear of want and exploitation. It is a movement away from political, economic, or social oppression. Development can

be considered either as process of improvement with respect to a set of values or, when comparing the relative levels of development of different countries, as a comparative state of being with respect to such values. Colman, (1978) pointed out, that development as a process it is not synonymous with economic growth but may be sensitively linked to growth. It is conceivable that, in a particular country, average GNP per capita might have risen, while at the same time income inequality increased. Conversely, it is possible to envisage social development with negative economic growth as was perhaps, the case of Mozambique and as the cases of Cuba and North Korea might suggest.

2.3 The Role of Agriculture in Development

During the process of economic development the agricultural sector is transformed, both internally and in its relationship with other economic sectors. The dimensions of this transformation are not only economic, but include formal and informal institutional changes which are sociological or political in character. Colman (1978:130) wrote that one universally recognised feature of structural economic change is that, as countries develop, the proportions of GDP and employment accounted for by agriculture must decline. As an example employment in the agricultural sector in USA, UK, Kenya and Central African Republic were 4.0, 2.8, 80.4 and 87.2 percent respectively of the total labour force in these countries (UN, National Account Statistics, 1973 and 1974).

The centrality of the agriculture sector is seen by Francis Balanchar, Director-General, International Labour Organisation,

In developing countries, the main burden of development and employment creation will have to borne by the part of the economy in which agriculture is the predominant activity; that is the rural sector.

(quoted from Todaro 1989:290)

At the same time however, Todaro (1989:290) has noted that over 2 billion people in the Third World make an often inadequate living in agriculture pursuits. Over 2.7

billion people in the world lived in rural areas in the late 1980s. Estimates indicate that this figure will rise to almost 3.1 billion by the year 2000. The vast majority (almost 70%) of the world's poorest people are located in the rural areas.

Traditionally, based on the experience of the capitalist Western countries, the role of the agricultural sector in the development arena has been viewed as supportive for the industrial sector. In the two-sector theoretical model applied to `modernising agriculture (see Ranis and Fei, 1961; Jorgenson, 1970) large-scale commercial agriculture had been classed as part of the capitalist industrial sector, and the term agriculture is applied generally to the non-capitalist, subsistence sector. In a different context Colman, (1978) noted, that the terms agricultural and rural are often used interchangeably, while a similar tendency is followed in equating industrial with urban. Todaro (1989:296) noted, a major reason for the relatively poor performance of the Developing Countries agriculture has been neglect of this sector in the development priorities of most of their governments. However, Todaro (1989:291) argued, that the 1970s and 1980s witnessed a remarkable shift in development thinking one in which agricultural and rural development came to be seen by many as the sine qua of national development. Without agricultural and rural development, it was now argued, industrial growth either would be stultified or, if achieved, would create severe internal imbalances in the economy. This view has become as Lipton (passim) argued, linked to theories and previous policies of 'urban bias'.

Todaro (1989:313) pointed out, that in most traditional societies agriculture is not just an economic activity; it is a way of life. It is a way of life which as Thirlwall, (1989:87-88) argues, that the development of the agriculture sector, owing to its initial importance in a country's economic and social structure, must play a crucial role in establishing the framework for industrialisation. The agriculture sector, for instance, must in large measure, provide the factors needefor industry; it must provide food for

an urban industrial population and it must contribute to the market for industrial goods if demand for goods is to be sufficient to justify their production domestically. Overall, agriculture productivity in developing countries is less than one-tof the level in developed countries, and in many countries output per head is barely enough to meet subsistence needs. Thirlwall,(1989:95) further argued, that the agricultural sector provides an outlet for industrial goods from rising real income, and makes a factor contribution to development through the release of resources if agricultural productivity rises faster than the demand for commodities.

Todaro, (1982:226) described conventional thinking on agriculture, as that one in order to avert massive starvation and to raise levels of living for the average rural dweller, agricultural production and productivity of both labour and land must be rapidly increased throughout Asia, Africa and Latin America. Third World nations need to become more self-sufficient in their food production. But unless some major economic, institutional and structural changes are made, their dependence, especially on North American food supplies, will continue.

CHAPTER 3

ISRAELI'S POLICIES AND STRATEGIES

"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
(UNCTAD, New York, 1989 p.148)

3.1 INTRODUCTION

Before we begin to examine the economic conditions of the Occupied Palestinian Territories (OPTs) throughout the period of the Israeli occupation, discussing the agricultural sector as an indicator for the affects of the occupation on the Palestinian economy in general, it might be useful to point out some of the features of the past economic condition and compare them with the current situation in order to extrapolate what the impact of the occupation may have been.

Palestine before 1948 (the setting up of the state of Israel) was one of the most developed of the countries in Arab the world. Sayigh (1993:4) pointed out that, "the Arab economy in Palestine just before the end of the British mandate stood at a level of economic performance which allowed it a national income per capita 14 percent higher than that of Lebanon in 1950 and 32 percent than that of Syria (also in 1950), but 254 percent than that Transjordan in 1948."

During the period 1948 to 1967, the West Bank and East Jerusalem were cut off from the rest of historical Palestine (see maps P:73-4). They were isolated and prohibited from access to the other part of Palestine (workplaces, markets, and ports) and were

placed under Jordanian control. The West Bank as Lang (1990:9) wrote " became an agricultural hinterland for the East Bank of Jordan, and industrial development was restricted by Jordan". The same dislocation took place in the 365 square kilometre (136 sq mile) Gaza Strip, where the influx of large number of refugees increased by two times the population of the Gaza Strip. Gaza became even more isolated from other parts of Palestine and fell under Egyptian control.

After the Six Day War of June 1967, the remaining part of Palestine (East Jerusalem, West Bank and Gaza Strip) with a combined area of 6,000 square kilometres (2316 sq mile) and population currently estimated by the ILO (1993:574) at about 2.1 million, including Jerusalem, came under the Israeli occupation. An ILO Report (1993:574) mentioned that, an estimated 3.5 million Palestinian live outside the Occupied Territories, some of whom have retained residence rights and are, in principle, free to return. The recent estimation of residents in the Gaza Strip, by the United Nations Relief and Work Agency for Palestinian Refugees in the Near East (UNRWA) is about 780,000, including 550,000 refugees from various parts of Palestine who are registered with UNRWA; of these, 280,000 live in refugees camps, and 55 per cent are under 16 years of age (UNRWA 1994: 25). Per capita GDP according to the International Labour Office (1993: 573) is in the Gaza Strip \$800, as compared with \$1,700 in the West Bank and \$11,000 in Israel itself.

Since the establishment of Israel, the conditions of the Palestinian has generally worsened. They lost much of the fertile cultivated land, became refugees in some cases two times or more, lost their identity, became dependent on UNRWA for relief assistance and their occupier for work, and most of their economic sectors de-developed as it will become clear further in the study. This deterioration was in spite of limited Palestinian attempts to improve the economy. The absence of an independent Palestinian government and the Israeli policies and strategies toward the Occupied Territories in general and specifically towards the economy, have

resulted in negative impacts on the different sectors of the Palestinian economy. A report of a study group convened by the American Academy of Arts and Sciences (1992:102) notes that "all policy-making and long-term planning are in the hands of Israeli officials and the economy immediately following the occupation has been modelled at many levels to serve Israeli's interest". Lang wrote (1990:10) that "the employment situation deteriorated further and trade was restricted. In the West Bank, the Jordanian bridges were destroyed and routes to other Arab countries were closed. Agricultural products therefore had no outlet for sale. In the Gaza Strip, trade with Egypt ended. Roads and the railway to Cairo were severed and the port of Gaza was closed". This resulted in a narrowing of Palestinian and other Arab neighbouring countries economic indicators.

It is strongly arguable that the evident lag in economic performance of the occupied territories, over the period of the occupation, compared with that of the neighbouring countries, is essentially and largely a direct result of constraints and distortions created and caused by the Israeli occupation. There has been an increase of per capita income in the OPTs. How far per capita income can be a real indicator to development is debatable, because in practice, this increase is largely a result of the volatile remittances of Palestinians from the Gulf States. According to a study by Babbah released in April 1991, estimates that the Gaza Strip lost \$120 million per year in remittances coming from Kuwait only (At-Tali'a, April 19, 1991), chiefly as the result of the expulsion of Palestinians from Kuwait in the post-Gulf war situation.

Since the Israeli invasion of the remaining Palestinian land in 1967, the Palestinian economy has systematically deteriorated, been undermined and manipulated by the Israeli Occupation Forces (see Appendix 1). Alawna (1991) wrote that, Israel had no clear economic policy towards the OPTs in the first few months of occupation. This was because Israel was busy with political and security issues. The realisation that, the Israeli economy might *benefit* from the Palestinian economy saw the indication of

a range of policies, measures and strategies.

Israeli analyst David Kahan (1987:117) explains: "the Israeli policy objective was to orient production from the OPTS towards the needs of the Israeli market, outlined by the Israeli Ministry of Agriculture as the development of agriculture 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". The JMCC,(1992:55) argued that, "the purpose of Israeli measures is to prevent Palestinian produce from competing with Israeli agriculture products. Rubenberg (1989:40) points out that, "this policy accentuated the dependency relationship- a policy through which Israel gradually engineered a virtual restructuring of the Palestinian agriculture sector to suit its own interests".

The JMCC (1992:vii) points out , the main obstacles facing economic development in the OPTs are related to the structural restrictions generated by a complex network of military orders that have the power of law in this area (OPTs). These military orders cover and control all facets of economic activity in OPTs. Israeli laws are inherently designed to serve the objectives of the occupier in manipulating and transforming the Palestinian economy into a state of dependency. The JMCC (1992:2) noted that "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 and Egyptian law in the West bank and Gaza Strip". Most importantly, as the JMCC (1992:2) suggests "the military orders are intended to prevent independent economic activity and development since this may lead to political independence". Alawna (1991) & the JMCC (1992) point out, that the 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 Israeli agriculture where strong farm lobbies influence agricultural economic policy (JMCC, 1992:56). Sara Roy (1987) and the JMCC (1992) argue, that the occupation attempted to de-develop the OPTs with Israel creating a situation whereby the OPTs are dependent on, and subservient to, Israel.

3.2 ISRAELI POLICIES AND STRATEGIES TOWARDS LAND AND WATER

The JMCC (1992:1) pointed out that, in the predominantly land-based economy of the OPTs, control of land water resources is the basis for political and economic control, and vice versa. Shadid (1988:128) points to, control of the land as the most vital issue in the development of the OPTs. As competition over resources (specially, land and water) and marketing outlets became more acute, especially with increased Israeli settlement, Israel has tightened its control over Palestinian agriculture. Israeli laws and policies have been instrumental in tightening Israel's absolute control over land and water, restrict permits for industrial projects for agricultural inputs and creating a situation where more than half the Palestinian workforce have become cheap migrant labour working for the Israeli industrial, agricultural, and service sectors. Benvenisiti (1985:51) reported that by 1984 52 percent of the West Bank land, including the most fertile land, had been confiscated from the Palestinian farmers. Shehadeh (1992:4) estimated that, by 1991 Israel had expropriated an estimated 65 percent of the West Bank and nearly 50 percent of the Gaza Strip. Khadar (1991:vii) estimated that, "over the last 24 years Israel has confiscated 67% of the land of the West Bank and 50 % of the Gaza Strip, have been confiscated, in order to control water, energy, trade, and the market and to change the demographic structure of Palestine."

Shadid (1988:129) notes that, immediately after the 1967 war, the water resources of

the newly OPTs were placed under the control of Israel's national water company, Mekorot. The Mekorot authority in particular has been a major impediment to any expansion or intensification of agricultural production in the West Bank. Abu-Amr (1988:119) pointed to how, water resources, always scarce in the Gaza Strip, have come under even greater pressure since the occupation. Kan'ana (1985:11) estimated that, in 1984, between 30-60 million cubic meters of local water was put at the disposal of 2,110 Israeli settlers in the Gaza Strip by Mekorot. In contrast, more than 500,000 Palestinian consumed 100 million cubic meters in the same year (irrigated agriculture takes up to 85 percent of this amount and the rest is used for domestic consumption). Thus, settlers consumed between 14,218 and 28,436 cubic meters per capita while each Palestinian was allocated less than 200 cubic meters.

3.3 ISRAELI POLICIES AND STRATEGIES TOWARDS EXPORT AND TRADE

The JMCC, (1992:53) has argued that, Israel's policy towards Palestinian agriculture has been, and continues to be, geared towards complimenting Israel's own production and market 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. This policies and measures imposed on the Palestinian market were initiated during the early days of the occupation in 1967. Sayigh pointed out (1986:47), that trade is perhaps the most obvious and measurable area of dependence which, together with the employment of Palestinians labour in the Israeli economy, has drawn the widest attention. This is because the West Bank and Gaza Strip constitute virtually a `captive market' for Israel's exports. The JMCC (1992:55) noted, that agricultural production has been directed towards the development of Israeli import substitutes. Hazboun (1986:45) wrote that, "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". Rubenberg (1989:43) points out, that since 1982 however, the balance of agriculture trade between the OPTs and Israel has changed for two reasons. First, there has been a general trend in the Middle East of a decline in agriculture production, and secondly, the occupation has further restricted Palestinian agriculture production which, given that this is the traditional base of the economy, illustrates the extent to which the Palestinian agriculture sector has been successfully downgraded to a state of dependence and decline. Benvenisti & Khayat (1989:50), estimated that in 1968/69, 25 percent of Palestinian agriculture 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. The JMCC (1992:55) argue, this increase in Palestinian purchasing power with regard to Israel, deepened the dependence of the OPTs as Israel's client state. In addition, the increasing dependency on Jordan as an export market actively encouraged by Israel for political and economic reasons acts as reflection of the de facto partition between Israel, Jordan and the Palestinian in the OPTs of Palestine. Israel attached a significant role for Jordan in this partition.

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 Gaza Strip to Western markets. Gaza farmers now had to apply for permits to plant new trees, the issuance of which 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 analysts Benvenisti's words, "the Soweto of the State of Israel" (Benvenisti, quoted from Murray, 1991:52). One result as Rubenberg (1989:45) wrote, was that by 1977 citrus yields had begun to fall below their previous levels and enter a downward trend; from 243,700 tons in

1975, production fell to 164,000 tons in 1984 a crisis which is analyzed "primarily" the result of a series of Israeli measures enacted against Palestinian citrus growers.

The JMCC (1992:54-55), points to Israeli restrictions which prohibit Palestinian from exporting abroad, except to Jordan. During the of 1990s, direct export to Europe have increased, in part due to efforts by the EEC to trade directly with the OPTs. In practice it is usually not cost-effective to export to 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 total amount of money received, with receipts. And with a cost of one shipment across the bridge of approximately \$1,000, any competitive edge the goods may have had in the first place is usually removed."

(JMCC 1992:54-55)

Goods produced for export, in effect, have to be marketed through Agrexco, an Israeli state marketing company because there were, until the end of 1980s, no other independent marketing companies with export facilities. Fruit which has to be exported to Europe has to be airfreighted by El Al, the Israeli airline company, which costs an estimated 55 percent of the selling price (JMCC, 1992:54). The result is that 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. By the beginning of 1990s, two marketing companies have been established in the Gaza Strip, in Khan Younis and Beit Lahiya, which export Gaza produce directly to Europe. For exports from the West Bank, it is still cheaper to export agriculture 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" (JMCC,1992:55). 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. Touma (1992) as with other commentators conclude, that as a result, Palestinian farmers have found that exporting to Europe is often not effective, due to the above sort of bureaucratic price distortions.

Marketing is one of the main problems facing Palestinian farmers. Palestinian economist Gharaibeh (1985:137) points to normal procedure as one where the Israeli authorities inform their officers in the marketing section in the military government of the weekly amounts of produce allowed to enter Israel who in turn allocates them among the different districts of the West Bank for issuing permits. Planning in such haphazard circumstances makes marketing agricultural production uncertain at best, and disastrous at worst. It is not unusual for Palestinian produce attempting to cross the Allenby bridge to Jordan to be routinely searched and to be often held until the produce is rotten and unsealable (Adu Sbeih, 1991:100). Transport of goods between the Gaza Strip and West Bank requires a travel permit. These permits take an average of 45 days to be issued (Touma, 1992:8; JMCC, 1989:10-11). Farmers transporting their produce, from Hebron to Nablus or via versa, have to obtain a special permit to pass through Israel. Similarly, the main north-south road in the West Bank goes through occupied East Jerusalem and requires special permits. These permits are issued for a particular day, and if for some reasons the produce is not delivered on that day, for any reason such as a curfew in a certain transit area (which became a more frequent act in the OPTs during the Intifada) then, a new permit is required. If Palestinian farmer tries to take a risk by transporting the produce on a different day to that of the permit, the truck can be confiscated, its contents sold without compensation, and the farmer detained, and later released on bail, pending a court case.

Sara Roy (1987:68), points to how restrictions on the export markets are also extended to the Israeli market itself. Presently, Gaza's farmers are prohibited from marketing most fruits and vegetables inside Israel, a measure designed to avoid competition with Israeli products. Israeli produce, on the other hand, have unlimited access to Gaza markets, exporting substantial quantities of fruit and vegetables at prices with which Gaza farmers are unable to compete. In 1984, Israel exported 60,908 tons of fruits and vegetables to the Gaza Strip; no figures exist on Gaza's exports to Israel for that same time. This one-sided structure of trade has effectively turned the Strip into a dumping ground for Israeli produce. Sayigh (1986), suggests that commodity imports from Israel constitute just over 90 percent of total imports. While stringent quotas determine what can and cannot be marketed in Israel, Israeli agriculture products flow freely into the OPTs without restrictions, especially in the winter months when Israel fruit and vegetables grown in green houses in the Jordan valley, monopolise the West Bank and Gaza Strip market . During 1986, 20.4 percent of Israel's total agriculture exports went to the OPTs (JMCC, 1992:54).

3.4 CURFEW AS AN ISRAELI POLICY

Curfews are frequently used by the Israeli authorities as a method of collective punishment. Though Israel's policy of curfew is not necessarily aimed at destroying the Palestinian economy, it causes economic and social dislocation and hardship, thereby affecting the economy as a whole. The following two examples typical. As result of its active part in the Intifada, the town of Halhoul, near Hebron, was unable to export its grapes and peaches in the 1988 season because of curfews imposed on the town as collective punishment. During the Gulf War, 100,000 dunums of irrigated cultivated land in the West Bank was destroyed during the first 10 days of a 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 agriculture sector as a direct result of the curfew were put at \$45 million per week in the West Bank, and \$15 million in the Gaza Strip (Aruri, 1991:5; JMCC

1992:63). Some areas were totally devastated. In the Tulkarem region, for example, thousands of dumums of citrus fruit rotted, resulting in a total loss of approximately \$4.5 million per week and misery to many households (Aruri, 1991:6).

3.5 CONCLUSION

Khader, (1991:vii) argues, that the Israeli policies aimed not only to destroy an entity which could be understood as the 'Palestinian economy' and perpetrate its dependence on Israeli economy but also to obliterate through these economic measures a meaningful Palestinian cultural identity which itself is very closely linked to land, water and the agricultural sector generally. However, through nearly 30 years of occupation, the Palestinian economy has "developed" in a manner albeit under exceptional conditions of stress and has taken particular features. The result is an inward-looking economy, producing, under heavy restrictions, for the local market. That foreign exports are permitted on a small scale is largely insignificant in practice due to the current system which forces production for local demand and effectively prohibits Palestinian farmers from utilising any benefits from foreign trade. Wherever Palestinian and Israeli interests compete -in resources, marketing, etc-Palestinian efforts are controlled and suppressed (JMCC,1992:53). In this respect, Israeli paramountcy as policy differs little with other settler regimes, where the interests of the settlers were also seen by policy at the time as equally paramount (Rhodesia, Kenya, Algeria and South Africa).

A meagre local market and weak purchasing power, coupled with restrictions on exports, have restructured the production infrastructure of the OPTs making it dependent and complimentary to Israeli production requirements. 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 Palestinian planting tomatoes to not

publishing a budget for the OPTs in 25 years. Discriminatory practices abound, from prohibiting the picking of wild thyme, to restrictions on setting up, or exports to Europe.

The dimensions of Israeli policies, were summarised by Alawna (1991:119) as: the confiscation of land and water which resulted in a decrease of Palestinian farming land and employment and scarcity in financial resources, and marketing problems caused by Israeli bureaucratic obstacles. The Society for Austro-Arab Relations (1993:17) noted that Israel, "has severely restricted the primary resources vital to the development of Palestinian agriculture, namely land and water". Worm (1994:7-8) pointed out that, "the Gaza Strip has been denied most of what is needed for sustainable economic development". In this context Roy (1987:58) argued, that preconditions of dependent development exist to such a lower degree in the relationship between Israel and particularly the Gaza Strip. Not only is basic economic development suppressed inside Gaza, but also by default, so is dependent development itself to a considerable degree.

CHAPTER 4

AGRICULTURE SECTOR: CURRENT EXPERIENCE AND FUTURE

PROSPECTS

"The economy in the West Bank and Gaza is under sever strain. The prolonged effects of the occupation, vulnerability of the economy to external shocks, and the inadequate of public services have acted to depress living standards".

(World Bank, 1993:7)

4.1 INTRODUCTION

The OPTs are considered part of the developing countries and as such faces the same problems such as the high share of agriculture in national economy and limited financial resources, in addition to the prolonged military occupation. Given the discussion in the previous chapter, it becomes impossible to disengage 'normal' agricultural development in the OPTs from the effects of occupation itself. Saigh (1986:47) wrote, that most of the surveys and analyses of economies of the West Bank and Gaza Strip assert -by implication, if not explicitly- their heavy dependence on the economy of Israel. The World Bank (1993:v) notes that, agriculture is operating in a sectoral framework of major constraints that, the current situation is not sustainable, and reflects distortions in the labour markets, external markets and trade arrangement: The impact of such policies act as regulatory constraints. UNCTAD (1989:12) noted that, agricultural output began to decline in the 1980s, after over a decade of growth which had come about largely as a result of increase in production efficiency, a shift away from traditional subsistence crops and concentration on a range of cash-crops with potential for export to Arab and other traditional markets. From a peak of \$356 million in 1980, the total value of agricultural output fell to \$216 million in 1984.

Since 1967 agriculture's importance in the OPTs has received special attention. Partly this is because it contributes between one fourth and one third of the OPTs' GDP and contributes a substantial part of employment. Agricultural development

also has a sensitive impact on the question of self sufficiency in the OPTs under occupation. In addition to these factors, agriculture commands a much greater significance in terms of the conflict over land and water use, both of which play very important part in economic development and Palestinian self-identity. The chapter will explore the dynamics of agricultural development, paying special attention to the importance of the contribution of GDP, employment, land and water use. It will discuss the rule of agricultural NGOs and review the changes which occurred to the sector during the Intifada. It will conclude by making comment on the future outlook for agriculture in the OPTs.

A rapid summary of Palestinian agriculture prior to the Israeli occupation of the remaining land of Palestine in 1967, shows that agriculture according to the World Bank (1993:v), accounted for one third of GDP and 40 percent of total employment in 1966. Since then, both the structure of the agricultural sector and its importance in terms of GDP and employment have oscillated significantly, reaching a historic low of 24 percent in 1984/85. According to the Israeli Central Bureau of Statistics (1968-86), the share of agriculture in the GDP in West Bank and Gaza Strip, declined in the first, from 39 percent in 1968-69 to 26 percent in 1982-83 and in the second, from 32 percent to 23 percent in the same period. In the early 1990s the share of agriculture in the GDP and employment started to recover from its decline in the 1970s and 1980s largely as a result of the Palestinian measures of self-sufficiency during the Intifada, and Israeli restrictions on Palestinian workers from the OPTs entering Israel.¹ There is no or little alternative employment for these Palestinian workers except working in agriculture.

¹ Owing to expanding employment opportunities inside Israel, (before the current restrictions) salaries earned in Israel are a larger part, of increases in GNP after 1967. Contributing only 2 percent to GNP in 1968, this factor rose to 31 percent in 1973 and 44 percent in 1984 (Statistical Abstract of Israel, no. 37 (Jerusalem: Central Bureau of Statistics, 1985, 1986). This fact highlights the weakness of Gaza's internal economic base and its dependence on externally generated sources of income. Income derived from work outside Gaza (either Israel or other Arab countries) grew by 9 percent year in 1983-84

4.2 Agriculture And Gross Domestic Product (GDP)

Roy (1987:62) argued, that during the occupation period, agriculture's position in Gaza's economy weakened in relative terms. Between 1967 and 1970 the average annual rate of growth in agriculture was 8.8 percent and between 1979 and 1981 it dropped significantly to 0.9 percent, substantially as a result of the shift of labour into employment in Israel. Furthermore, between 1968/70 and 1983/85 the percentage contribution 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 (Kahan, 1987:14; UNCTAD,1990:105). Roy (1987:25) pointed out, that between 1948 and 1967, agriculture was the largest single economic activity in the Gaza Strip, contributing more than one-third of the GDP. Table 1 (p:60), shows that the share of agriculture in the GDP has declined steadily from 1968 to 1985 and then increased considerably from 1985 to 1992. Indeed by 1992 agriculture's contribution to GDP had surpassed the 1968 level.

4.3 AGRICULTURE SECTOR: LAND AND WATER

The 1967 Occupied Territories covered an area of 6,200 square kilometres or 2,266 sq miles (6.2 million dunums (one dunum = 1000sq. meters) or 620.000 hectares), of which 5.8 million dunums or 580,000 hectare are in the West Bank, and 0.36 million dunums in Gaza Strip (UNRWA 1991; World Bank 1993). Kahan, (1987:129) and Roy (1987:62) pointed out, the percentage of Palestinian land under cultivation reflects the general trend of declining amount of land under Palestinian control. The total percentage fell from 2,080,000 dunums in 1966 to 1,951,000 in 1980, and to 1,700,000 by 1986 an overall decline of 18 percent. Murray, (1992:16) estimated that, Israel has expropriated 65 percent of the West Bank and nearly 50 percent of the Gaza Strip. Moustafa, (1986:16) estimated, a decline of 23 percent in the area of cultivated land in the West Bank. Roy

(1987:62) argued and estimated that, competition with Israeli settlers over land and water rights has led to the loss of and one -third of the Strip's total area forcing many Gazans out of the agricultural sector, as well as reducing the level of Arab cultivated land. Between 1968 and 85, the number of dunums cultivated inside the Gaza Strip fell from 198,000 to 100,000, a decline of almost 50 percent.

Other estimates on land loss range from Benvenisti (1985:21-22), who estimated that, by the end of 1984, 52 per cent of the total West Bank land had been confiscated and 30 per cent of the Gaza Strip. Palestinian attorney Raja Shehadeh, estimated that by 1991, 65 per cent of the West Bank land and nearly 50 per cent of the Gaza Strip has been seized (JMCC, 1992). Military order 378 (20 A1970), for example, declared one-quarter of the West Bank closed military areas. Farmers were forced to apply for permits to graze their animals or cultivate their own land (Al Quds, 26 December 1991). Similarly, Israeli acquisition of land under the pretext of state land (Military Order 364, 29 December 1969) prohibits Palestinian from using land previously under cultivation, affecting 80,000 dunums of land in the West Bank (Benvenisti,1989:60). Shadid, (1988:129) noted that, in the irrigated regions of the Jordan Valley restrictions had been particularly harsh. Early in the occupation, the army destroyed 140 water pumps in the Gaza Strip and along the Jordan River and closed 30,000 dunums of agricultural land. In 1979, the Israeli authorities and military forces bulldozed the irrigation canal in the village of Jiftlik. Table 2 (p:60), indicated that, the actual area of land under cultivation in the West Bank is smaller in 1981 than before the 1967 War the beginning of the Israeli occupation to OPTs.

Given the predominance of agriculture in the OPT's economy, current Israeli water policy amounts to the most concrete attack on Palestinian economic and political integrity. As argued control of land and water is the basis of economic control, and vice-versa; Israel's water policy provides good evidence of this. Access to the

water facilities supplies is critical, and as Israeli analyst David Kahan suggests an ongoing issue given the current heavy demand for water from Israeli agriculture, and planned future water use. As result, limits have been imposed by the Israeli authorities on the drilling of water sources in the West Bank and Gaza Strip (JMCC, 1992). In terms of per capita distribution in the area of the West Bank, by 1990 Benvensti (1988) predicted that approximately 100,000 Israeli settlers will be earmarked 100 million cubic meters, whereas the Palestinian population, (totalling one million people) would be allocated 137 million cubic meters. Annually approximately 80 per cent of the West Bank water supply is either deflected to Israel, or used by Israeli settlers in the Occupied Territories (Shahak, 1989).

Murray (1991:62) believes that Palestinian residents of the West Bank currently use between 5-15 percent of the water from own territorial supplies. During 25 years of military occupation, the amount of water available to Palestinian has declined. The JMCC, (1992:49) noted that, the pumping of water from the Jordan River-before the Israeli occupation the principle means of irrigation for most fertile areas in the West Bank -is now forbidden for security reasons. It has been impossible to obtain permits to construct 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" (Shehadah, 1985:154). Murray, (1991:62) argues that, until today, not a single permit has been granted to Palestinian to dig deep wells for irrigation purposes; only three permits have been granted to dig shallow wells for irrigation purposes. The result has been the almost total dependence of Palestinians agriculture on precarious rain fed farming.

The drilling of new and deeper wells by 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 Services (1977-78) settlers were permitted to dig 17 new wells in Jordan Valley, with a

combined total extraction of roughly 14 million cubic meters per year (i.e. about 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 meters per year. If Palestinians exceed their quotas they are subject to heavy fines (Sahliyeh, 1982:26), 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 (JMCC,1992). Whilst Palestinian land under irrigation has decreased under these conditions, sometimes improved techniques have resulted in higher yields from this land. Nevertheless, whole areas of land now lie uncultivated because of lack of water. The proportion of irrigated land farmed by Palestinian in the West Bank has fallen from 27 percent before 1967 to 13.2 percent in 1992, largely due to water denial and also land seizures and confiscation policies (JMCC,1992; Guardian Weekly, 16 February 1992).

The results of restrictions on access to water supplies for irrigation is illustrated in the following: the proportion of land under irrigation increased from 4.8 percent of the total land under cultivation in the West Bank in 1966, to 6.4 percent by 1986 (UNCTAD, 1990:19; Kahan, 1987:45). In comparison, by 1987, 69 percent of land in Jewish Israeli settlement and 43 percent of the cultivated land in Israel was under irrigation (Kahan, 1987:114). While Israeli agriculture enjoys subsidies for irrigation of 50 percent of the total cost, Palestinian are subject to the full cost of water supplies (Rubenberg, 1989:41).

A UN Report quoted in Samed Al-Iktisadi (1991), pointed to in Al-Ouja village, north of Jericho, where three-quarters of the population were severely affected by water scarcity when near by settlers dug three wells which drained their water source. As result, 13,000 dunums planted with banana trees and 150 dunums of citrus dried out and the villagers were unable to support themselves. Often

Palestinian farmers complain of so-called water traps erected by the Israeli water authorities which redirect run off water to aquifers used by Israeli settlers (Touma, 1992:8). Mahmoud Salleh, the head of the Al-Ouja Agricultural Co-operative, is quoted by Touma (1992:8), as saying that whereas the co-operative's 12,000 dunums of cultivated land used to go dry once every 20 years, it now goes dry every year. The reason, Salleh explains, is because the Israeli settlers water company (Mekorot) were extracting underground water that used to feed into their spring. In 1991, in the same village, 1,500 dunums of bananas were destroyed because of a water shortage. The farmers asked Mekorot, the Israeli water company, to sell them more water. They were told that there insufficient supplies. At the same time, (Gerner, 1991:173) estimated that, according to a 1989 study by Professor Israel Shahak, a total of 213 billion gallons of water were expected to be drawn from West Bank sources in 1990, with 135 billion gallons to be allocated for use within pre-1967 Israel and 42 billion to Jewish settlers in the West Bank. Only 36 billion gallons -about 17 percent of the water was to be allocated for West Bank Palestinian. Table 3 (p:61), indicates the wide gap of about 80 million cubic meters for the West Bank and 1,389 million cubic meters for Israel with per capita consumption of water of 131 for the Palestinian in the OPTs and 450 for consumers in Israel.

4.4 AGRICULTURE AND EMPLOYMENT

Sayigh, (1986) points to one impact of the expropriation and confiscation of land and water by Israel over the years as having forced a substantial proportion of the agricultural labour force out of Palestinian agriculture. The structural deviations and distortions introduced have resulted in the loss of work opportunities for roughly one -half of the work force. The larger part of the shortfall- about two-fifths of the work force- has been absorbed as work-in live-out labour in Israel. Consequently, the agriculture labour force has declined dramatically as economic circumstances have forced people in the OPTs generally, and Gaza Strip specially, (in a manner similar to Soweto), to act as labour reserves for Israel. Roy

(1987:61) argued that, access by the Israeli economy of Gaza labour after 1969, led to a restructuring of Gaza's labour force, a development most clearly seen in the relative and absolute changes in numbers of employed persons in Gaza. Those employed in Gazan agriculture as a percentage of all employed declined from 32 per cent in 1970 to 18 per cent in 1981. Kanovsky, (1970:174-75) noted that, in the Strip's rural, agrarian sector only 14 percent of all households in it had land as a source of income compared to 42 percent in the West Bank. According to the ILO (1993) in 1967, 60 per cent of the labour force was employed in agriculture. According to the World Bank (1993:1) between 1969 and 1985, the agriculture labour force, as a percentage of the total labour force, fell from 46 to 27.4 percent in the West Bank and from 32 to 18 percent in the Gaza Strip (also see, Kahan, 1987:14; UNCTAD 1990:105). Employment statistics, can however be misleading. 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 agriculture workforce in the West Bank and 13% in the Gaza Strip (Fishman, 1989:10-11). According to Table 4 (p:61), registered employment in agriculture has declined steadily and substantially. The number of workers employed in agriculture, whether hired or self-employed, has dropped from 49,000 in 1969 to 28,000 in 1985, a decline of 42 per cent in the West Bank and from 17,500 to 10,600, a decline of about 39 per cent in the Gaza Strip. In relative terms, the size of the labour force employed in agriculture in the West Bank has dropped from 44.8 per cent of total employed labourers in 1969 to 18.7 per cent in 1985 and from 33.1 per cent in 1969 to 9.7 in 1985 in the Gaza Strip.

4.5 AGRICULTURE AND EXPORTS

UNCTAD (1989:46) noted that, in 1977, the OPTs imported \$89 million worth of agricultural commodities, and \$130 million in 1986. The World Bank (1993:12) argued that, trade of agricultural products between the OPTs and Israel is

governed by the unconstrained entry of Israeli products into the OPTs whilst reciprocal entry is selective, and based on permits issued by Israeli occupation military forces. Murray, (1991:52) noted that, by 1979, after ten years of occupation, West Bank agricultural imports, 90 percent of which came from Israel, exceeded exports by 11 percent.

The JMCC (1992:93) points out that, before the occupation the West Bank had a trade surplus and exported a third more than it imported- 80 percent of its vegetable and 45 percent of its fruit production was for export. By 1987, exports to Israel from the OPTs amounted to \$305 million, as opposed to \$1 billion's worth moving the other way . In 1985, the OPTs trade deficit was the second largest market for Israeli exports, after the USA. In 1986, for example, 20.4 percent of Israeli agricultural exports went to the OPTs (UNCTAD, 1990:26): produce that Palestinian are quite capable of producing themselves, but which, as a result of Israeli policies, they are either directly or indirectly prohibited from doing so.

The most severe problem confronting agriculture and citrus producers and historically all exporters, lies in the changing area of export market. Between 1967 and 1985, markets for Gazan citrus products steadily declined. Prior to 1967, Gaza traditionally marketed its produce to parts of Western Europe including England, Holland, and Germany through Port Said in Egypt. Agriculture was clearly the primary economic activity (Roy, 1987:59-67). In February 1991, total citrus production in the Gaza Strip was estimated at 140,000 tons. Of this, only 15,000 tons were successfully exported, (Al-Fajr English, 4 March 1991). There are as noted, 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 produce being ruined. The Jerusalem Post the leading Israeli newspaper reported in 1991 that Gazan citrus farmers faced even more obstacles to the usual one sat every stage of marketing their produce through Israel, as the

result of curfews during the Gulf War (Jerusalem Post, 4 Feb. 1991).

The demise of agriculture's contribution to exports, was summarised by UNCTAD (1989:46). In this way: the OPTs have not only failed to address self-sufficiency in respect of some cereals and basic food items but also that, the growth in food imports has been so great that the surplus in agricultural trade that the OPTs enjoyed until 1982, has since turned into a large and growing deficit. In 1977, the OPTs generated a \$18 million surplus in agricultural trade, but by 1986 OPTs required \$55 million worth of food imports to cover growing domestic demand.

4.6 AGRICULTURE DURING THE INTIFADA

"Go to the land and plant it. Many of our needs can be fulfilled by domestic production which will raise your income and your steadfastness. Grow plants at home, get hold of livestock. Vietnam beat US not only by guns alone but also by investment in its peasantry."

(Communiqué, No.8 on Feb. 1988)²

Robinson, (1993:313-314) pointed out, that agricultural self-sufficiency was a goal of the Intifada leadership and was repeatedly encouraged in a number of bayanat (leaflets and songs) issued periodically by Unified National Leadership of the Uprising (UNLU). As early as bayan 4 (issued in Jan. 1988) the UNLU called for "concentrating all energy on cultivating the land, achieving maximum self-sufficiency".

The problems that have confronted the dependent nature of the Palestinian economy under Israeli occupation have acquired fresh urgency and significance since the beginning of the Intifada during December 1987 in the OPTs. The World

² Communiqué 8 explains the philosophy of self-reliance which underlines the long-term strategy of the Intifada.

Bank (1993:1) reported that the share of agriculture to the GDP over the 1987-91 actually rose from about 22.5 up to about 33 per cent. UNCTAD (1989:2) noted that, in 1988" the main concern of Israeli official sources and other commentators regarding the economic effects of the Intifada was the damage to the Israeli economy (mainly agriculture, construction, and industry) as a result of Palestinian labour absenteeism and the reduced markets". Samir Huleileh quoted (from Sandler (1991), noted that the failure to address wider issues specifically related to Palestinian agriculture in Israeli analysis was not surprising. That would force Israel to discuss issues of land and water and by implication, the entire occupation policy itself.

Agricultural self-sufficiency was one of the most important goals of the Intifada leadership. There were three primary reasons for promoting such self-sufficiency. Firstly, by consuming local products, Palestinian would disavow capital to Israeli interest, and deepen the economic crisis in Israel. Secondly, growing some of their own food enabled them to lengthen their savings in difficult times. Thirdly, and the most important, by producing backyard crops they experienced a sense of self-empowerment that they were as individuals and household capable of helping to hurt the military occupation (Robinson 1993). One result was the growth of Palestinian community organisations such as The Palestinian Agricultural Relief Committees (PARC) and the Union of Agricultural Work Committees (UAWC) and the establishment of hundreds of grass-roots voluntary associations. The establishment of a wide network of the grass-roots voluntary organisations saw the distribution of seedlings as well as follow up and extension visits. In 1989 for example, PARC estimated that, they distributed 500,000 vegetable seedlings and in the same year, they carried out over 2,500 extension visits by PARC staff to 122 villages in the OPTs (PARC, 1989). The UAWC estimated that, they distributed 615,000

vegetable seedlings 7,200 egg-laying chickens and 28,500 game hens during 1988-1989 (UAWC, 1989).

During the Intifada, there was a successful attempt at agriculture disengagement from Israel. These grass root agriculture activities in the occupied territories with varying degrees of success from area to another, were a move as Robinson (1993) noted, not only threatening the structures of the dependent relationship of the occupied territories on Israel, but were also to quickly become the symbolic centre of the Intifada. The Israeli authorities responded forcefully by imposing a number of measures that undermined Palestinian agriculture, including the uprooting of trees (Middle East Affairs May 1991), further land confiscation, and impounding the transport of agriculture products and destruction of farm machinery.

4.7 THE ROLE OF NON-GOVERNMENTAL ORGANISATIONS (NGOs) AND AGRICULTURE DEVELOPMENT

It is in response to the above conditions of agriculture that concerned Palestinian tried to help the small farmers and to develop this sector. Various Palestinian Non-Governmental or Voluntary Organisations have been established since 1979. In addition the international agencies, such as Save the Children, Co-operative for Development and United Nations Relief and Work Agency for Palestinian Refugees in the Near East (UNRWA) have provided support. The growing importance of NGOs in grass-roots development in the OPTs operating under stress is part of a global recognition of their role. Havers, (1991) and Garilao, (1987) point out that, the last two decades have witnessed a tremendous increase in the number of NGOs working in the Developing countries. Herbert-Copley, (1987) noted that, over this period NGOs have become prominent actors in the development field. Heijden (1987: 103) pointed out that, the Official Development Assistance transfers helped to ensure that NGOs became a significant factor in

development financing: the global dependency of NGO programme on government-provided funds in 1985 reached close to 30% for the Development Assistance Committee of the OECD as a whole, up from less than 10% in the early 1970s. The UNDP (1993 :88) reported that total funds transferred through NGOs increased from \$1.0 billion in 1970 to \$7.2 billion in 1990.

The World Bank (1993:48) points out, that in the OPTs local and foreign Non-Governmental Organisation (NGOs) are active in the field of extension and that foreign NGOs appear to make a limited contribution. The Palestinian Agricultural Relief Committees (PARC), and the Union of Agriculture Work Committees (UAWC) have the most extensive organisations, and are the most experienced, while several others have a more minor role. The World Bank, (1993:48), pointed to the role of PARCs specific agricultural extension units, guided by regional farmers committee's. Such units are established in various regions of the OPTs, and cover plant production and animal husbandry. This is supported by a modest joint credit programme run jointly with the UAWC. The UAWC conduct their activities through small local committee's. Both have initiated modest research activities.

The Palestinian Agriculture Relief Committees (PARC) was established in 1983 in the Jordan Valley and extended its work to the West Bank and Gaza Strip subsequently. The Union of Agriculture Work Committees (UAWC) was established in 1984 in the Rammallah (West Bank) area by a number of agricultural engineers, and volunteers and spread throughout the occupied territories. PARC (1991) and UAWC (1991) see themselves as Palestinian Grassroots Non-governmental Organisations established to undertake development work and provide extension support in the agricultural sector of the OPTs. Their philosophy is that without the full participation of those involved in agriculture, there can be no meaningful development. They believe that their role

is to help the rural communities to establish or maintain their own self-help structures as the basis for solving problems related to agricultural development. The two community organisations /local NGOs were and are inspired precisely by a desire to halt the downward trends of the Palestinian agriculture production and implicitly by ideological and class concerns (Robinson, 1993). They attempted to intervene in the agricultural sector in order to eliminate the impact of Israeli domination policy and to improve the socio-economic condition of the small farmers in the Occupied Territories of the West Bank and Gaza Strip, in an effort both to improve the declining agriculture sector and to encourage Palestinian agricultural self-sufficiency. The hope was to curtail agricultural dependency on Israel and thereby to enhance national disengagement from the Israeli occupying authorities.

Their programmes are targeting and give priority the small peasant farmers. PARC (1991:7) writes that, at village level PARC has worked with small farmers to establish farmers committees, which are elected by the community. In total there are 130 farmers committees in West Bank and Gaza Strip which is divided into 12 administrative regions. Their concerns are with promoting co-operatives among small scale agriculture enterprises for groups such as livestock farmers and greenhouse horticulturists. The two community organisations work as an agriculture extension network to give technical assistance in co-operation with local farmer's committees in the villages. They seek to promote development through a participatory approach inside the Palestinian community in the occupied territories of West Bank and Gaza Strip . One programme is oriented towards rural women which are seen as the most productive group within the agricultural sector (PARC 1988, UAWC 1991).

One product of the Intifada is the widespread view amongst Palestinian NGOs that it may be necessary to merge all the local agricultural NGOs into single institutions or organisations. Such a unified institution will lay the basis for a future agricultural

extension section in the public sector of a future Palestinian state. Such an endeavour will not work, unless clear development objectives based on the reality are drafted, which engage the creative development capabilities of this country. Whilst there are dangers of losing diversity in unification, the perception by most involved in OPTs NGOs, is that they must lay the basis of comprehensive range of scope in partnership with a future Palestinian government.

4.8 CONCLUSION: FUTURE PROSPECTS

The establishment and subsequent expansion of the state of Israel since 1948 left the Palestinian Arab economy battered, dismembered, and severely handicapped. The 1967 war and the conquest by Israel of East Jerusalem, West Bank and Gaza Strip brought the remaining Palestine under Israeli military occupation. Roy wrote, (1987:59) that the "small, unorganised, and largely agricultural, economy possessed few means to withstand the effects of a highly industrialised and technologically advanced economy such as Israel's."

Through 25 years of military occupation, Israel has created in the OPTs an agricultural economy dependent on, and subservient to, its own. The system of Israeli military orders has created a structure which is an obstacle for any significant future development. Most of these military orders were developed to serve the purpose of the occupation. They facilitate the appropriation of vast amounts of Palestinian land, and are designed to serve the interest of Israeli settlers at the expense of indigenous Palestinian interest. 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 co-ordinated 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. Palestinian Co-operatives are forced to buy all supplies at market prices whereas Israeli farmers are subsidised and, for example, are reimbursed for the 18 percent VAT payment on supplies. The

general impact is that it completely removes any competitive edge Palestinian products may initially have had over Israeli produce.

The future contribution of agriculture to economic development is highly uncertain, as it is dependent upon many factors, most of which themselves are difficult to predict. These factors are subject to the current negotiations between the PLO leadership and Government of Israel (see chapter 5). On the demand side key factors include future income and population growth in the OPTs, and the future trade relations, including access to external markets. On the supply side important aspects concern a reduction of regulatory constraints, improved access to natural resources, and the continued availability of cheap labour. Water is likely to be the key binding constraint, suggesting a relatively modest long term outlook about the potential of the sector. Nevertheless, in the short term to medium term the sector will remain critically important for the local economy, not only in terms of income, but particularly from an employment point of view.

CHAPTER 5

TOWARDS NEW POLICIES

The current agreement between the government of Israel and the PLO leadership, opens up a new agenda for the 1990s. This chapter will review the PLO perspectives for agricultural economic development, and the World Bank's

proposals for agricultural development and will also discuss the current PLO and Israel protocol for economic relations and draw out the likely implications of these proposals on the agricultural economic development in the OPTs.

5.1 PALESTINIAN LIBERATION ORGANISATION PERSPECTIVES

The Palestinian Liberation Organisation (PLO) perspectives have been embodied in the "Programme for Development of the Palestinian National Economy for the Years 1994-2000" or the Palestinian Development Programme (PDP) for short. The components of the PDP, and its main objectives and priorities, are the rehabilitating the OPTs economic and social condition by adopting emergency measures in the early stage. At a subsequent stage they are to promote a market economy to encourage the private and foreign investment in the OPTs in collaboration with the public sector. The share of agricultural rehabilitation and development in the whole budget is about only 9 percent comparing with about 43 percent to construction and building. The PLO's blueprint for the economic development of the OPTs up to the year 2000- calls for \$13.4 billion in external aid to cover seven years (PDP 1993:30). The PDP document, prepared by Palestinian economists in 1993, assumes that all the OPTs held by Israel since the 1967 war will return eventually to Palestinian control either through self-government or independence from Israel. The PDP perspective proposes to develop the Palestinian economy in two stages. The first, covering the period 1994-95, will concentrate on establishing the necessary legal frame work and adopting development emergency measures to promote the development of in particular housing which is allocated \$1.7 b. Agriculture and Water Resources are allocated a small share of \$296.0 m or 8% of the total of \$3,727 b. of the first stage. Industry is allocated \$186.0 m, tourism \$77.0 m, and expenditure on vocational training and basic infrastructure is \$958.0 m. (see Table 5, p:62). The second stage (1996-2000) would then focus on further infrastructure improvements and economic diversification through private sector activity. During the second stage of the PDP, Agriculture and Water Resources will be allocated \$902 m or about

11.5% of the total. Construction and Housing will continue to take the lion share at 51% of the total.

The PLO Proposals may be seen as essentially a pro-business oriented programme which adopts the language of the new world order and free market fundamentalism. The PDP has been framed so as to attract foreign private capital to invest in the West Bank and the Gaza Strip. As the PDP (1993:31) put it,

"Basically, the PDP envisages the promotion of a market economy. What the PDP represents is not central, comprehensive, and mandatory planning... Instead, what is considered acceptable in the PDP is suggestive or indicative programming, under which factor and product allocation and pricing would be determined by market forces."

5.2 REVIEW OF WORLD BANK PROPOSAL FOR AGRICULTURAL DEVELOPMENT

The World Bank in 1993 published a six-volume series, 'Developing the Occupied Territories, An investment in Peace'. Volume I (p.1) notes that, "the economy of the OPTs is currently in turmoil. Income levels have stagnated over the past decade; unemployment and underemployment are rising rapidly particularly in the Gaza Strip; public infrastructure and social services are grossly over stretched; and the fragile natural resource base is threatened with irreversible damage. Above all, the economy remains highly vulnerable to external developments, as shown vividly by the economic hardship being experienced in the aftermath of recent border closure with Israel". The World Bank (1993: Vol. IV, P.v) further noted, that the "current situation is not sustainable, and reflects distortions in labour market, external markets and trade arrangements, the impact of policies and regularity constraints".

Furthermore, the report of (1993:7) pointed out, that "the growth potential of the

agricultural sector, rather modest in any case, has remained constrained by a stagnating or shrinking land and water resource base and by asymmetric trade exports to Israel, where they are generally quite competitive". Production has seen a modest growth. The sector's paradox of growth in a highly constrained environment can only be explained by the counterbalancing effect of distortions in the labour markets, reflecting limited opportunities in the rest of the economy and growing unrecorded exports to Israel.

Acknowledging the primacy of the private sector in the future production and marketing of agricultural products, the sector strategy argues, that investment should in principle be left to private investors, and the past practices of supporting and subsidizing farmers through semi-public schemes, funded by external donors, should no longer be encouraged (World Bank, 1993:34). The overall objective of the World Bank's Emergency Investment Programme would be to provide the maximum impact on broad segments of the population as soon as possible. As such, the programme should provide an effective framework for the channelling donor assistance to meet the emergency needs of the Palestinian for the next 24 months. While a comprehensive structural and financial adjustment strategy would be undertaken to address the imbalances of the economy, these should be addressed later as part of different investment modes (World Bank, 1993:20).

The World Bank assistance for the agriculture sector in the first three years of the Emergency Assistance Programme is a mere \$28 m out of \$1,200 m, which is less than 0.5% of the total emergency assistance for the OPTs (The New York Times, May 3, 1994). The figures shows that the agriculture sector (as with the PLO's PDP) has been neglected in the World Bank Emergency Assistance Programme, particularly when compared with the \$300 m in other private sector investment which makes up 40% of the total governmental start-up budget for the same period.

5.3 REVIEW OF PLO -ISRAEL PROTOCOL ON ECONOMIC RELATIONS

In April 1994 the Palestinian and Israeli representatives have signed the Protocol on Economic Relations, which solidifies and legitimizes the economic relationships with the occupation forces. The main points of the Protocol are summarised below. The response of some commentators and economists was critical. Abel-Shafi (1994:13) argued that " by accepting the agreement , the PLO has given up any notion of developing a genuinely independent Palestinian economic sector. Usher believes (1994:1) that, the Israeli Foreign Minister, Shimon Peres, " was both more honest and more cyptic when he said that what the entire Oslo package portends between Israel and the Palestinians *a political divorce and an economic marriage*". It is not clear what achieving economic independence, or at least as the World Bank (1993) advised, "interdependence with a range of economies, including Israel." means. Ozanne reported in the Financial Times (2.8.94) that, Palestinian agricultural negotiators complained that Palestinian exporters will continue to be subject to a myriad licenses and inspections. "We want the trade to be more free," one Palestinian official said. "Let Palestinian and Israeli producers compete freely on price and quality. There is still too much bureaucracy.". While fostering Palestinian dependence, Israel has reserved for itself the right to impose collective economic punishment by closing its border to Palestinian workers. The experience of July 1994 when Israel closed the border denying access to work for workers is a reflection of the continuing of the Gaza Strip and West Bank as Israeli labour reserves. Under the agreement, the Palestinians will adopt, Israel's existing import policy and the continuation of discrimination against Palestinian agricultural produce. The varying dimensions of the Protocol are listed below:

AGRICULTURE

Agriculture produce from the autonomy will enter Israel freely, except for five goods on which agreed import quotas have been imposed for five years: these goods are, tomatoes, cucumbers, potatoes, eggs and broilers.

LABOUR

The two parties agreed that, work in Israel is essential for the Palestinians in expanding their employment opportunities. The guiding principle in this sphere is to enable mutual movement of labour. The rights of Palestinian workers employed in Israel will be preserved according to arrangements existing in Israel, a social security system being established in the meantime by the Palestinian Authority.

IMPORTS

Israel and the Palestinian Authority will have an import policy basically similar in all respects regarding imports and customs. Nonetheless, the Palestinian Authority will be able to import mutually agreed goods at customs rates differing from those prevailing in Israel following jointly agreed import procedures. Moreover, it will be able to import goods from Arab countries, in agreed, limited quantities. Arrangements will be made for the two customs authorities to jointly operate the border crossing in Jericho and Gaza.

DIRECT TAXATION

The Palestinian Tax Authority will establish its own direct tax policy, including income tax on individuals and corporations, property taxes and municipal rates and fees, according to the policy and the rates determined by the Palestinian Self-Rule Authority. The two parties will collect income taxes on economic activities in their respective areas. Israel will transfer to the Palestinian Authority 75 percent of the revenues from the income tax collected from Palestinians working in Israel.

INDIRECT TAXATION

A VAT system similar to that operating in Israel will be operated also by the Palestinian Authority. The VAT rates of the Palestinian Authority will be between 15 and 16 percent about 1 per cent less than the Israeli's VAT.

MANUFACTURING

There will be free movement of goods manufactured in the area.

5.4 CONCLUSION

In reviewing projected policy in the PDP, World Bank and Protocol documents the suggestion is that, the accumulated effect of the occupation in the housing sector (graphically illustrated by the refugee camps of Gaza) will continue to dominate policy. In this sense, and the low spending priorities in agriculture (and industry), the new Palestinian entity will continue (even at the second 'development' stage) to be substantially addressing the problems of the previous occupation. Thus the Palestinian entity will continue to be dominated by rehabilitation issues on a long term prospect.

CHAPTER 6

CONCLUSION AND FUTURE OUTLOOK

6.1 Beyond the OPTs: The Middle East Common Market Option

As the World Bank (1990:142) in a special World Bank Development Report on Poverty noted, "the prolonged regional conflicts in the Middle East have been extremely costly and have diverted resources from investment and the needs of the poor. Until these conflicts are fully resolved, prospects for the poor will remain bleak. Assuming that peace comes to the region in the 1990s and that structural adjustment programmes are put in place, growth in per capita GDP should average 2.1 percent a year".

A social and political analysis of the Middle East and Palestinian prospects should look beyond empirical data, to discover the forces that sustain and nurture systems of national oppression and how these may influence sectoral performance. It is only by analysing the structure of the world economy, the new world economic order after the collapse of the Centrally Planned Economies (Socialist Countries), the resurgence of military intervention by the USA, in for example its role in the Gulf War, that we can situate the position of the Middle East generally and Palestine specifically and their role today in international relations and the world economy. Lewis (quoted in Said 1979:234) wrote, that "a peaceful resolution of the Arab-Israeli conflict can safeguard basic U.S.A. strategic interest in the region, as well as Israel's national future". The USA is committed to the region as William (1988:388) argues, due to the strategic interest of the West (including the USA) in the unimpeded export of oil from the region, the guarantee of the safety of international shipping the pursuit of multifaceted relationship with countries of the Middle East.

One way in which LDCs can overcome structural weakness, has been seen in term of "South-South" trade generally. The South Commission (1990:144-211) pointed out that, the crucial challenge that face LDCs is how to shift and diversify South-South co-operation. South-South co-operation will be of very great importance to developing countries in the years ahead as economies diversify. The LDCs will need to agree on a global strategy for South-South co-operation. Such strategy should serve as a basis for elaborating more specific regional, sub-regional and national programme of co-operation. The LDCs so it is argued must work together to multiply the impact of their domestic effort through solidarity, co-operative, and collective self-reliance. Ideas for Middle East Common Market (MECM) have been conversed in the region. Unusually, the push has come from the USA and Israel, rather than South-South partners. The MECM is seen as a way of further stabilising the region and is in line with Western strategic interests. Palestinian commentators such as Said (AL Hayat 10 August 1994) suggest that the MECM option as canvassed, will continue (by other means) the dominance of Israel over the new Palestinian entity.

6.2 THE ROLE OF THE PALESTINIAN ECONOMY IN THE COMMON MARKET

Shadid (1988:121) argued that, the problem of economic development in the LDCs are considerable under normal circumstances; the economic development of a people subject to prolonged foreign occupation presents a far greater challenge. The Israeli occupation detached Palestinian from the economy of the region and brought to bear upon the Palestinian economy a host of pressures which adversely affected its development process, resulting in a steady decline in traditional branches without parallel encouragement for real growth in modern sectors.

UNCTAD (1989:1) pointed out that:

"these pressures were profoundly felt by the small and unsophisticated Palestinian economy, in unequal and unprotected terms with the articulated, highly capitalized and technological advanced economy of Israel".

The Palestinian economy in the OPTs even after the peace agreement will not recover at least in the near future from the effects of the Israeli measures during the period of the occupation. The economic agreement between Israel and PLO leadership puts the vulnerable Palestinian economy under the indirect control of the Israeli economy. A vulnerable Palestinian economy within a Middle East Common Market will not be as competitive as the neighbouring countries and in particular Israel, neither in industry nor in agriculture. Therefore, the MECM will not be in the interest of the Palestinian economy given its present position. It may well however be in the interest of Palestinians who work as agents and sub-contractors for Israeli firms. This is an important area for future research.

6.3 Future Outlook

The choice of agricultural development strategy often depends upon the desired contribution of this sector to the development of one economy as a whole. It is equally the case as Colman, (1978:144) notes that, the detailed nature of this desired contribution will vary from one country to another depending upon the state of modernisation, resource endowments, and the prevailing politico-economic philosophy. Todaro, (1989:313) saw, agricultural modernisation in developing mixed-market economies in terms of a gradual but sustained transition from subsistence to diversified production. The conflict between marketed output strategy and employment creation generally appears to have been resolved in favour of the former. Suffice it to say that at this stage of the Palestinian entity it is not possible to be assertive about what the balance should be or can be achieved between these objectives in the short run. It is possible to do no more than evaluate potential strategies with regard to their impact upon agriculture. Whatever the output, employment and resource transfer objectives set for agriculture in national

development plans, a number of broad classifications of agricultural development strategy can be discerned each of which places different emphasis on the various objectives. The objectives of maximising the marketed surplus and creating jobs in agriculture constitutes a serious dilemma in planning agricultural development.

Todaro, (1989:322) pointed out that, there is widespread agreement among economist and other development specialists on the need for land reform. Land reform was seen as hold the key to agricultural development in Latin America. The Economic Commission for Latin America (ECLA) has repeatedly identified land reform as a necessary precondition for agricultural and rural progress. A 1970s FAO report concluded that in many Third World regions land reform remains a prerequisite for development. Colman, (1978:156) argues, that the land reform is potentially the most powerful weapon in the armoury of institutional reforms for adjusting the pattern of technological change. The more sweeping the reform the greater its impact upon the chosen agricultural technique and upon the distribution of incomes from agriculture. As Henle (1974:127) shows with the example of China, following the end of Civil War in 1949, an Agrarian Reform Law was published in 1950 and policy was directed towards the elimination of landlords, land distribution and creation of mutual aid teams as operational units in the agriculture, with farmer's associations as the political and social channels for rural reorganisation. At the same time, "the state abolished private money-lending and took firm grip on the trade and the rural credit system". This had the impact as Todaro, (1982:245) agues, of increasing agricultural output and employment through labour-intensive activities supported by publicly provided economic and social services.

Although one key element of most land reform programmes is the redistribution of land, a successful outcome requires the adoption of ancillary measures. The objectives of reform aim at achieving a redistribution of power and income which

will only be attained, if the new holdings provide incomes adequate to support their new occupiers and to induce them to remain and develop as farmers.

Whilst the dissertation had pointed to the relation between the OPTs and the state of Israel, there are also important tensions (which will increase) amongst Palestinian. Inside the OPTs, for example, Palestinian landlords control about 78 percent of the whole land in Biet Hanoun village in the Gaza Strip (Ali, 1987). Kanovsky, (1970:175) pointed out, that a significant portion of Gaza Strip land (20-25 percent) during the late 1960s was concentrated in the hands of few wealthy families and was devoted to citrus production, Gaza's largest source of foreign exchange during this period. A co-ordinating body has to be established between the government agencies, NGOs and people's organisations on the village level to facilitate credit schemes and to take a firm grip on the trade system, in order to assert and meet the needs of the poor people and the small farmers. This cannot be achieved by mere transfer of title alone, but requires that the new farmers have access to inputs and credit, have opportunities for the sale of their products, and access to technical advice. The full benefits of small-scale agriculture development cannot be realised unless government or NGOs support systems are created which provide the necessary incentives, economic opportunities and access to needed inputs to enable small cultivators to expand their output and raise their productivity. Colman, (1978:158) argues that, because land reform may be creating a large number of small new farms in areas where only a few large ones previously existed, it is unlikely that existing market and advisory institutions are adequate to supply the new farmers' needs in these respects; and therefore public policy intervention may be required to create new institutions. Todaro, (1989:313) argues that, without structural change affecting the entire social, political, and institutional structure of the societies, agricultural development will either never get started or , more likely, will simply widen the already sizable gap between the few wealthy large landholders and the masses of

impoverished tenant farmers, smallholder, and the landless labourers.

In identifying the priorities and strategies for agriculture's future development, land reform, rather than a difficult to specify Middle East Common Market, may be the most notable need of Palestinian agriculture. In this project it is also necessary to create structures, elected from the farmers, mandated to take responsibility for agriculture development, and strengthen local farmer institutions (also elected) at the village level. A co-ordinating and accountable body needs to establish the support structures for a thriving agriculture sector. The priorities are therefore concerned with achieving some level of co-ordination centralisation and therefore prioritisation in the areas of planning and programming, infrastructure, human resources, and crop insurance and farm support.

RECOMMENDATIONS

The development of agriculture in the OPTs should be given a high priorities for both economic and political reasons. Any proposed strategy for agriculture development of the OPTs should aim at addressing the constraints that hinder effective and meaningful development of the sector. The following recommendations are seen as critical as for agricultural development.

1. Land reform in order to make more productive use of the land,
2. Reduce as much as possible the dependence on Israel for agricultural products,
3. Strengthen and diversify agricultural production,
4. Establish agriculture research centres,
5. Promote effective popular participation in the agriculture development strategies,
6. Strengthening of human resources development,
7. Encourage water modern techniques in agriculture and facilitate stores for winter water,
8. Establish credit and extension services for agriculture.

APPENDIX 1

EXAMPLES OF THE IMPACT OF ISRAELI POLICIES ON PALESTINIAN AGRICULTURE

1. The case of Palestinian watermelons illustrate how one crop has been affected by Israeli measures. The sale of Palestinian watermelons in Israel and East Jerusalem 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. Palestinian farmers find themselves unable to sell their watermelons in Israel and East Jerusalem; 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 large Israeli market. Figures illustrate the effects of these policies: the total area planted with watermelons fell from 71,000 dunums in 1966 to 3,000 dunums in 1975, and rose to 22,000 dunums in 1985, an overall decline of 69 percent (Benevenisti & Khayat, 1989:117).
2. 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 Asdoda 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 pro, shipped 300 tons of citrus fruits to Norway, half of the original amount. Martajeh was forced to sell the remaining fruit, which was not rotten, at half-price to an Israeli juice factory (Al-Ittihad, 7 Februray 1991).
As result of the curfew, the head of Citrus Producer Union, Hashem al-Shawa, deemed the citrus season the worst since 1967. Only 12 percent of the fruit had been picked from the trees. Al-shawa also said that the curfew had prevented

the export of fruit and destroyed local marketing possibilities (Atallia, 21 February 1991).

3. Citrus farmers are not alone in experiencing these difficulties. In 1989, the United Agriculture Company (UAC) exported 5.5 tons of olive oil; they ended up losing \$1,500. The reason was that the oil remained in the Israeli port for nearly two and half months. The Israeli port authorities created several justifications for delaying the oil shipment to Liverpool. A company official explained, "this two month delay and improper storage conditions affected the quality of the oil, which affected the chance of marketing it". Storage containers stored which would have kept the oil fresh for long enough cost more than the oil stored inside them (Touma, 1992:9). In the end, the poor quality oil was sold at very low price to a baby food factory in England. Far from being a profitable export venture, the UAC lost substantial amounts of money (JMCC, 1992:62).

APPENDIX 2

Tables

Table 1. OPTs, contribution of agriculture to GDP:1968-1992, (in million New Israeli Shekle (NIS) and percentage)

Year	GDP	Agri. share NIS	Percent
1968	654.1	230.4	35.2
1971	928.3	312.3	33.7
1975	1290.4	352.3	27.3
1979	1634.9	371.0	22.7
1985	1923.5	441.6	22.8
1989	2217-2282	674.8	30.4
1992	3188-3303	123.5	39-40

At factor cost and at 1986 prices. Sources: Statistics Abstract of Israel: 1970 -1992.

Table 2: Area under cultivation in the West Bank in selected years: 1966-81 (in thousands of dunums).

Type	1966	1973	1976	1980	1981
Irrigated	100	82	89	92	98
Rain-fed	1,980	1,941	1,931	1,859	1,909
Total	2,080	2,023	2,020	1,951	2,007

Source: Meron Benvenisiti, The West Bank Data Base Project (1984:13).

Table 3: Water consumption in Israel and the West Bank: 1985 (millions of cubic meters)

	Israel	West Bank
Agriculture	1,389	80
Industry	109	5
Domestic	422	20
Total	1,920	105
per capita consumption	450	131

Sources: Statistical Abstract of Israel, (1986:8), and Hisham Awartani, Water Resources and Policies (1980:10).

Table 4: Employment in Agriculture in the West Bank and Gaza Strip: 1969, 1985.(*)

Area	West Bank	Gaza Strip	Total
1969 all employment 1000s	109.9	52.9	169.8
1969 agriculture employment 1000s	49.2	17.5	66.7
1969 agricultural employment(%)	44.8	33.1	40.7
1985 all employment 1000s	151.3	90.6	240.9
1985 agricultural employment 1000s	28.3	10.6	38.9
1985 agricultural employment (%)	18.7	9.7	16.2

Notes: Emp. Employment, Agri. Agriculture, 69 means 1969 and 85 means 1985.

(*) The people employed in agriculture only within OPTs and the total include Palestinian workers in Israel.

Sources: Statistical Abstract of Israel, (1971:634) & (1986:705).

Table 5: Investment Allocations per Sector Between Rehabilitation and Active Phase
(\$ million at 1991 prices)

Sector	Rehabilitation 1994- 1995	Active Devt. 1996-2000	Total 1994- 2000
Water & Agriculture	296.0	902.0	1,198.0
Industry	186.0	219.0	405.0
Energy	258.0	367.0	625.0
Construction & Building	1,730.0	4,059.0	5,789.0
Infrastructure & Services	958.0	1,948.0	2,906.0
Other Services	299.0	426.0	725.0
Total	3727.0	7921.0	11648.0

Source PDP 1993, Tunis. P 91-92

EXPLANATORY NOTE

INTIFADA

Popular Palestinian uprising against the Israeli occupation which started in Jabalia refugee camp in the Gaza Strip in the 9th of December 1987.

WEST BANK

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 Jordan River and the Dead Sea. It includes East Jerusalem. Approximately 130Kms long and 50kms wide with population of around 1 million Palestinian. 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 five largest towns in the West Bank are east Jerusalem, Nablus, al-Khalil, Rammallah, and Biet Lahim.

EAST JERUSALEM

The Palestinian capital, annexed unilaterally by Israel in 1967 and formalised by the Israeli Knesset in 1980. East Jerusalem now includes Kalandia airport, and the lands of several Palestinian villages and municipalities, an area currently covering around 20% of the West Bank.

GAZA STRIP

Part of Palestine administered by Egypt between 1948-67. It is an artificial entity with one of the highest population densities in the world; 85% urban population, 70% refugees registered with UNRWA of whom the majority live in 8 refugee camps. The Strip is roughly 45kms long and 8kms wide bounded in the north, east by the green line, the west Mediterranean Sea, and the south Sini desert of Egypt.

OCCUPIED PALESTINIAN TERRITORIES

The collective name given to the West Bank, East Jerusalem and Gaza Strip, invaded and occupied by Israel in 1967.

GREEN LINE

The April 1949 Israel-Jordan armistice demarcation line, now the border between the OPTs and Israel.

MILITARY ORDERS

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 VAT and sometimes income tax. 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 refunded VAT payments on materials. 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 co-operatives, do not automatically receive the rebate; they are either debited the balance, in some cases, have gone to court to force the authorities to issue the rebate they are entitled to. 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 OPTs. 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 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 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 settlements of disputes regarding water invalid, thereby increasing the already considerable jurisdiction of the officer. (JMCC, 1992)

LABOUR FORCE AND EMPLOYMENT

The labour force in the Gaza Strip constituted 19 percent of the total population

prior to 1967, 15 percent in 1968, and by 1974 reached a level of 18 percent where it has remained ever since (Garaibeh,1985:33). As a proportion of the total population (14+) years (278,000), the labour force has fluctuated around one-third and in 1985 was 33 percent or 92,000 people(Roy, 1987:60). In 1960, it was estimated that 55,975 people of working age (14+) were employed inside the Gaza Strip and 88,750 were unemployed (Ali Khulusi, 1967:61-64 & Abu-Amr, 1985). By 1966, employment was estimated at 71,000. Agriculture engaged one-third of the labour force, and services and construction provided employment for over 60 percent (Gharaibeh, 1985:40).Industry accounted for a very small share. After the 1967 war, the number of working Gazans declined to 45,000 in 1968 (Gharaibeh,1985:38). The number of unemployed increased by 20,000 above its highest pre-war level resulting in a 17 percent unemployment rate among Gaza's labour force in 1968 (Gharaibeh, 1985:38 & Kanovsky, 1970:179).

EMPLOYMENT IN ISRAEL

Access to the Israeli economy after 1969 led to a restructuring of the Gaza's labour force. Between 1970 and 1985, Gaza's labour working inside Israel grew from 5,900 (10 percent) to 42,700 (45 percent), an increase of over 600 percent. In 1985, the number of Gazan workers employed in Israel was equivalent to 85 percent of the number employed inside Gaza itself. However, these figures are based on the number of labourers registered with the Israeli Employment Service and do not reflect the large numbers of black market labourers who work inside Israel unofficially, among whom are children between the age of 8 and 15 (Roy, 1987:61).

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