Plenary session II: Dimensions, tools and repercussions of Israeli Apartheid

Title: Policies of Impoverishment and Economic Dependency for Control and Domination in Palestine

By Dr. Mohammed Samhouri

For over fifty-two years now, and since the occupation of the West Bank, East Jerusalem, and the Gaza Strip in June 1967, the Palestinian economy has been operating under the Israeli military strict control; directly, through a series of thousands of military orders that touched all aspects of economic activities; and later as a result of the very restrictive territorial and security setting produced by various Oslo agreements between Israel and the PLO.

Over this long period of time, a whole host of Israeli restrictive measures have stymied private businesses, suffocated the Palestinian economy; and deepened its dependence on Israel. Today, as a direct outcome of the Israeli destructive policies and practices, the West Bank is territorially fragmented and relentlessly colonized, the Gaza Strip is besieged and subject to repeated Israeli military assaults, and East Jerusalem is isolated and economically marginalized.

These occupation policies have virtually eviscerated the Palestinian economy, deprived it from its immense potential, and, by so doing, consigned the five million Palestinians in West Bank and Gaza to high rates of unemployment, poverty and food insecurity, and rendered the Palestinian Authority (PA) chronically dependent on international financial assistance for its fiscal survival, and on the Israeli governments to transfer, on time, the tax money it collects on Palestinians' behalf.

This outcome after five decades of colonizing military occupation is largely inevitable. As an UNCTAD report in 2016 puts it: “military occupations typically involve the exploitation, impoverishment, marginalization and displacement of the occupied people, as well as the destruction of their assets and appropriation of their resources. Equally damaging,” the report continues, “are measures and policies by the occupying power that undermine the capacity of occupied people to access and utilize their resources, move freely within their homelands, and conduct normal trade, economic and social transactions with neighbors and trading partners”.

For the past 52 years, the policies and practices of successive Israeli governments have been doing just that, both before and after Oslo.

Before Oslo, Israel implemented an assortment of policies that deliberately aimed to thwart the development of OPT, transform it into a captive market, and maintain it as a reservoir of cheap labor. Three major areas in particular were affected by these policies: (1) investment climate, (2) basic infrastructure, and (3) access to natural resources. Few examples of these policies in each one of these three areas, along with their destructive impact, are enough to illustrate the point.

Investment climate in the West Bank and Gaza before Oslo was highly regulated and very discouraging to domestic private sector. A complex system of permits and licensing, entailing a lengthy bureaucratic process, hindered local efforts to open new businesses or to expand existing ones. The absence of a functioning Palestinian financial sector, and tight restrictions on imports of machinery and raw materials were also among the factors that constituted serious impediments to industrial growth and, consequently, led to increase dependence on Israel.

Basic infrastructure, also, was neglected, and spending on public investment was trivial and limited only to direct taxes collected by Israel from local population. Indirect taxes on Palestinian imports, which could have been used to finance expenditure on infrastructure, were, instead, transferred to Israeli treasury. This underinvestment left OPT infrastructure in a state of utter disrepair.

More damaging still, and as more and more of OPT land was expropriated for the building of Israeli settlements, Palestinian access to land was restricted, and economic activities in agriculture were suppressed. Likewise, access to, and development of, water resources were also restricted, and Palestinian water was diverted to Israel and to Israeli settlements. This has led to a decline in per capita water consumption in OPT, and hindered irrigated agriculture.

As a result of these Israeli policies in the above three areas and their cumulative detrimental impact, and by the time the PA was established in May 1994, the Palestinian economy was largely dysfunctional, with distorted productive structure, debilitated physical infrastructure, and was highly dependent on Israel for wage employment, trade, and the provision of public goods.

That was the state of the Palestinian economy which the PA inherited from Israel, and was tasked with the intricate mission to turn it around with the help of financial and technical assistance from the international community in order to help the PA build its public institutions, rehabilitate basic infrastructure, and jump-start the Palestinian economy. As post Oslo record shows, however, very little of this was achieved.

Today, 25 years after the signing of Oslo accords, and despite the disbursement of over $40 billion of donors' money since 1994, the Palestinian economy is weak and in a state of stunt growth; public institutions are far from efficient or properly run; and the Palestinian private sector remains incapable of creating badly needed jobs for the young and burgeoning OPT population.

More importantly, the Palestinian economy, whose future potential hinges crucially on expanding its manufacture base and on its active engagement with the rest of the world, finds itself today substantially de-industrialized, with its capacity to generate high and sustained growth eroded.

Furthermore, living standards in OPT did not show marked improvement over the entire Oslo years, with GDP per capita income in 2019 is little over twice what it was in 1994. Meanwhile, over a quarter of the Palestinian workforce is currently unemployed; and another quarter of the population is languishing in poverty; one third of OPT households are food insecure; and over half the population are in need of some form of humanitarian assistance. For all these socioeconomic indicators, the figures for the Gaza Strip are much higher – more than twice as high – than the West Bank.

On the financial front, 25 years after its establishment, the PA is still highly reliant on international aid for its fiscal survival. Yet, external budget support has been significantly falling since 2012, leading the PA to accumulate increasing amount of public debt to local banks, government pension fund, and to private sector suppliers. All this have exposed the fragility of the PA financial position; and raised serious questions about its fiscal sustainability.

Such a dismal economic and fiscal record, however, need not be surprising, and should not be difficult to explain. More specifically, and over the entire post-Oslo period, the Palestinian economy operated under an extremely restricted political, territorial and security setting produced by the Oslo agreements. This damaging context was made worse by the unabated Israeli colonization of the West Bank; the continued exploitation of Palestinian natural resources; the imposition of draconian constraints on movement of people and trade through what is known as the "permit regime"; the building of the separation wall, mostly *inside* the West Bank, and the tight economic blockade of Gaza which resulted in a near total destruction of Gaza private sector and Gaza already crumbling civilian infrastructure.

To summarize …

Under the heavy weight of over 50 years of the Israeli colonizing military occupation, the 5 million Palestinians in West Bank, East Jerusalem, and the Gaza Strip, are still denied free access to their national resources; lack the freedom to reach regional and global markets, and are deprived from the freedom to exercise their basic economic rights to make the choices they want concerning their future. The inevitable outcome of all this is continued economic and social decline, de-development, and pauperization.

As long as the occupation continues, no amount of foreign aid will be able to make a sustained positive economic impact in OPT; and no initiative, national or international, to strengthen the Palestinian economy and its institutions will have the chance to succeed. The failure of PA's donor-supported *State Building Project* of 2009-2011, and the failure of John Kerry's *Initiative for the Palestinian Economy* that was introduced in 2013, are strong reminder of this utter impossibility. (Note: the PA's project of state building reached a dead-end, and Kerry's initiative was never implemented).

The implication, thus, is very clear: only by ending the half century long Israeli domination over OPT, and only by instating Palestinian full sovereignty over the land occupied in 1967 can the Palestinian economy regain its lost ground, restore its ability to function and grow, and have the necessary requisites to embark on the path of sustainable development.

Nothing less will work.

Thank you.