Israeli and Palestinian Experts Draw Up Road Map to Save Palestinian Economy

Allow movement between the West Bank and Gaza, reopen the airport, build a port and let the Palestinians develop tourism in the Jordan Valley. These are just a few of the recommendations in two new studies.

Amira Hass | Mar 25, 2017 6:07 PM

Children in northern Gaza taking shelter in the remains of a vehicle during a rainstorm, February 2017. Credit: MOHAMMED SALEM/REUTERS

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- Glass ceiling? Women in Gaza are facing concrete

Around 2 million Palestinians are packed into the Gaza Strip's 365 square kilometers (141 square miles). In the Jordan Valley, which covers about 1,600 square kilometers, there are 65,000 Palestinians (and another 10,000 or so Israeli settlers). Theoretically, the Oslo Accords could have enabled many Gazans to move to the Jordan Valley – to do infrastructure work and work in agriculture (even if only seasonally), construction, tourism and industry.

But in reality, these two Palestinian areas are key "contributors" to the deteriorating Palestinian economy as a whole. In both areas, the main reason for the decline lies in Israel's draconian restrictions on movement, access to resources and possibilities for trade, construction, farming and development.

Such assertions are nothing new, yet last week a group of 11 activity in the Jordan Valley and rescue the Gaza economy (before 2020, by when if nothing changes this isolated enclave will be uninhabitable, as the United Nations warned two years ago).

For courtesy's sake, and perhaps because the studies were written in collaboration with the World Bank, the authors address in earnest Israeli politicians' statements about a desire to see an improvement in the Palestinian economy. In fact, the two editors – Saeb Bamya and Prof. Arie Arnon, who, together with Dr. Shanta Devarajan, chief economist at MENA of the World Bank, launched the papers Wednesday at the Jerusalem-based Truman Institute – are well aware that the current situation isn't just the result of a random series of human errors.

But it was the moderator of a panel discussion, former Israeli ambassador to South Africa Ilan Baruch, who minced no words. "There has been a deliberate Israeli policy to create deficiency," he said. "The international community has to get involved — not as a donor but to exert pressure."

The day before, the studies were first introduced at the World Bank offices in Jerusalem's Dahiyat al-Barid neighborhood in the shadow of the separation barrier. Some speakers told the officials: Huge sums have been donated to effect change, not to perpetuate the status quo. But it looks like taxpayer money from your countries actually reinforces the status quo of deterioration. And this has to change.

For those who've come to think of the Gaza blockade as a given and gotten used to thinking that the Jordan Valley belongs to Israel, the elementary reconstruction measures proposed by the economists will seem surreal. Allow the regular movement of people and trucks directly from Gaza to the West Bank? Reopen the Gaza airport? Supply the Strip with water and more electricity? Rebuild the fishermen's marina and build a port? Let the Palestinians farm another 40,000 dunams (15.4 square miles) in the Jordan Valley? Let them build and develop tourism there?

A different approach than Oslo

It sounds inconceivable. But according to Arnon, the studies' recommendations are actually very near the approach advised by top Israeli military and security-serving officials, who understand the security dangers inherent in a struggling Palestinian economy. So such recommendations are another attempt to find Israel's responsible adults who will take steps to avert the disastrous prophecies.

The Aix Group, named for the French university where it was founded in 2002 (Université Paul Cézanne Aix-Marseille III), was established to sketch out socioeconomic scenarios for the final-status stage — two states. This approach is the opposite of the one taken by the Oslo Accords, where interim stages were laid out in tremendous detail as a path to implementing a vision that was not defined.

Therefore, for the Aix Group, the two studies are a new exercise that proposes concrete steps to save and revive the economy for the immediate and medium terms, independent of the situation of final-status negotiations and aware of the low likelihood that such talks will resume anytime soon.

A girl wading through floodwater in northern Gaza, February 2017. Credit: MOHAMMED SALEM/REUTERS

Each study uses figures and charts to illustrate the economic trends. For example, in the 20 years since the establishment of the Palestinian Authority in 1994, annual gross domestic product per capita in Gaza averaged $1,200 (based on 2004 prices). In the peak years of 1998 and 1999 it was $1,450. The low point was 2007 and 2008 at just $900. By comparison, in Jordan the figure at the time was $4,200; in Israel it was $20,000.

GDP per worker further illustrates the decline – from $24,000 in 2005 to $10,000 today. This is also the way to calculate productivity in the economy.

This dramatic decline is mainly due to the blockade of Gaza, say the authors, citing a Bank of Israel study that found that from 2006 to 2009 employment in the manufacturing sector dropped 33 percent, compared with a 24 percent rise in the service sector. Meanwhile, in 2015 unemployment among young people in Gaza stood at 57.6 percent; the overall unemployment rate was 41 percent.

Another way to see the decline is by looking at the value of imports per capita. In 1997 this figure was $800 in Gaza and $1,000 in the West Bank. In 2015 it was $400 in Gaza and $1,400 in the West Bank.

And exports per capita? This has always been low. But even this small sum has shrunk. In 2000 exports were 10 percent of GDP, with 15,255 trucks leaving Gaza. This dropped to 6.8 percent in 2005 (and 9,319 trucks) and to zero between 2008 and 2010. A minuscule increase was recorded in 2015 and 2016, with 1,400 trucks departing Gaza each year (thanks to the Netherlands, which pressed to let Gaza export some of its agricultural produce abroad).

Low PA support for Gaza

The Israeli blockade prevents the Gaza economy from benefiting from the mobility of goods and people. The growing costs lower productivity and scare off investors, amid Gaza's deteriorating infrastructure. Investors are also deterred by the military and political risks, say the authors, who do not ignore an internal factor: the dual Palestinian governments and the rivalry between Hamas and the PA.

The authors refute a common claim by the PA that 40 percent of its budget is invested in Gaza. By the authors' calculations, only 15 percent of the budget that is not covered by customs and VAT anger, which fuel extremist groups and ideas. Easing the blockade, the authors say, will ultimately reduce support for Hamas.

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The Jordan Valley isn’t cut off from the rest of the West Bank, but according to the second study, for 50 years, and especially in the past 20 years, Israel has blocked the Palestinians from access, construction and development in about 75 percent of the area on a variety of pretexts: military firing zones, nature reserves, security zones, state lands. About 90 percent of the land in the Jordan Valley falls within the jurisdiction of 24 settlements. About 85 percent of the territory is in Area C, which is under exclusive Israeli control.

Of the 160,000 arable dunams in the Jordan Valley, the Palestinians only farm about 42,000. The settlers farm between 30,000 and 50,000 dunams, and all the rest is blocked off to the Palestinians. In terms of access of water, this one figure adequately illustrates the situation: The average amount of water used by a settler is nearly 10 times larger than the amount used by a Palestinian.

The result, according to the paper: “This underdevelopment is manifested in limited rural development and poor economic growth, occasioning an increase in poverty, poor health and sanitation conditions, and physical and environmental deterioration. This is the consequence of many challenges and obstacles including inequitable distribution of water resources, destruction of vital water infrastructure, lack of wastewater management and high water losses.”

Here’s another figure that says a lot: The average life expectancy for Palestinians in the Jordan Valley is 65 years, compared with 71.8 percent in the entire West Bank.

The authors discuss the security issue and the restrictions on mobility that are attributed to it. Security is achieved not only by military means, but by reducing the other side’s motivation to fight against you, they say. The situation of increasing poverty and declining living standards creates a hotbed of anger and despair that might lead, sooner or later, to more rounds of violence.

The authors do not discuss the absence of security for the Palestinians, who are often attacked by the army and police, or settlers.

In fact, these very days, residents of new unauthorized yet thriving outposts in the northern Jordan Valley are using intimidation and violence to chase Palestinian shepherds and farmers off a wide area of land. So the authors would do well to add a recommendation: Adopt methods to foil attacks by settlers, which are liable to increase if the responsible adults allow the Palestinians more access