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**Sustaining the Palestinian economy under
occupation: The role of Arab cooperation**

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Summary prepared by the UNCTAD secretariat

Sustaining the Palestinian economy under occupation: The role of Arab cooperation

1. A panel discussion on the role of Arab cooperation in sustaining the Palestinian economy under occupation was held in Doha, Qatar, on 19 April 2012. The panel reviewed the research and policy analysis by the UNCTAD secretariat undertaken since the UNCTAD XII Conference, with the aim of contributing to the future work of UNCTAD's programme of assistance to the Palestinian people. Panellists shed light on the issues from the perspectives of academia, government, international organizations and civil society.

2. A number of issues were discussed. These included the unfulfilled hopes of the Oslo Accords and the stalemate in efforts leading to the establishment of a viable Palestinian State, the Israeli blockade and closure policy in the occupied Palestinian territory, the forced erosion of the productive base, a restrained economy operating below its potential and a lack of policy space for economic recovery and sustained growth. In addition, attention was drawn to the chronic bilateral trade deficit with Israel; structural deformation and a distorted tradable goods sector; challenges facing economic policy reform under occupation; and public revenue losses, instability and uncertainty. Other points raised were the Israeli measures to separate East Jerusalem from the Palestinian economy, the confiscation of land and natural resources, the demolition of Palestinian homes, the construction of illegal Israeli settlements and the separation barrier in the West Bank.

3. Enhancing the Palestinian agricultural and manufacturing productive capacity was stressed as key to mitigating the impact of Israeli measures. The Palestinian Authority could attempt to strengthen productive capacity by improving regulation and directing resources, including aid, to agriculture and manufacturing, enhancing human capital and engaging youth. This, however, would require expanding policy space, which could enable the Palestinian Authority to implement such plans. The international community should advocate and lobby for enhancing Palestinian national economic interests, which were undermined by Israeli occupation.

4. Historically, East Jerusalem had been the hub of economic, social and cultural affairs for the Palestinian people. However, its isolation from the rest of the occupied Palestinian territory was perpetuated by Israeli policies of closures, confiscation of land and expanding settlements, in and around, the city. Restrictions on the entry of goods and people from the rest of the occupied Palestinian territory significantly undermined the development of the city's Palestinian economy. Therefore, significant financial resources were required for investing in tourism, including renovating the old city, its shops and hotels. Encouraging business start-ups by providing credit, training opportunities and linkages with the remaining occupied Palestinian territory could contribute significantly towards reviving the economy. Investment in education and health institutions, both in terms of the quality and the quantity, were necessary to enhance human capital and the well-being of Palestinians of Jerusalem.

5. While international aid could help the Palestinian economy in the short run, it did not set the foundations for long-term sustainable development. The occupied Palestinian territory was in need of revitalizing and expanding its productive base and improving the investment climate. The Palestinian Authority should continue forming strategies, policies, and legal and regulatory frameworks. However, the occupation continued to be the main impediment to sustaining the Palestinian economy. A contiguous and an independent Palestinian State, with East Jerusalem as its capital, was a prerequisite for sustained growth and development. Until this goal was reached, the international community should intensify its efforts to mitigate the dire economic situation created by occupation. This would

encompass the removal of restrictions on the movement of goods and people, allowing free trade with the rest of the world, and enabling the Palestinians to access and utilize their own natural resources.

6. The role of Arab cooperation in sustaining the Palestinian economy called for upgrading financial assistance to include massive developmental projects. These could include building a modern seaport in Gaza with shipping routes to major Arab hubs; rebuilding the national airport in Gaza; establishing a large-capacity airfreight company; building transport trunk lines to re-establish connectivity between towns and cities, production centres and border points; and re-connecting East Jerusalem, the West Bank and the Gaza Strip. Furthermore, trade with Arab countries should be based on policies that supported the occupied Palestinian territory by providing essential imports at favourable terms as vehicles of subsidies to Palestinian production that offset the cost of closures and various obstructions imposed by the occupation. Additionally, setting up support programmes to mobilize and best channel foreign direct investments was necessary, including the establishment of an investment guarantee agency to compensate investors for non-commercial risks. The situation unfolding on the ground, however, rendered such a project unachievable. Israel had altered the demographic composition of the occupied Palestinian territory, taking control over land, water, and other natural resources, and thus further constraining the Palestinian productive base. Arab cooperation should include concerted action reflecting Palestinian national economic priorities as well as strengthened support for the economic, social and other human rights of the Palestinian people.

7. As for the role of the Arab civil society, a strategy was needed to highlight violations of Palestinian human rights committed by the occupying power by actively participating in relevant international forums. Arab civil society should also support the efforts of the global boycott, divestment and sanctions campaign against institutions that supported or dealt with the Israeli occupation system. The Arab civil society should coordinate with its Palestinian counterparts to engage in advocacy campaigns addressing the donor community, the League of Arab States and Arab governments to ensure enhanced financial support to the occupied Palestinian territory; channel investments to the productive sectors and small and medium-sized enterprises and promote Arab trade with the Palestinian economy, as this would help create jobs and generate income.
