

**Trade and Development Board, 65<sup>th</sup> Session – Part II**

**UNCTAD's Assistance to the Palestinian People**

**Item 6, Tuesday 02 October 2018, 03:00 PM**

Introductory statement by the representative of the Secretariat

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السيد الرئيس، السيدة وزيرة الاقتصاد الوطني الفلسطيني، السادة المندوبون المجلون،

يشرفني مرة أخرى أن تتاح لي الفرصة لأقدم لمجلس الأمم المتحدة للتجارة والتنمية تقرير الأونكتاد عن مساعدته للشعب الفلسطيني، بادء ذي بدء أود أن ارحب بدولة فلسطين كعضو كامل العضوية في مؤتمر الموقر.

أسمحوا لي سيدي الرئيس أن اتحول إلى اللغة الانجليزية.

Mr. President, I am disappointed to say that the economic situation in the Occupied Palestinian Territory has gone from bad to worse especially in the shadow of the deadlock in the political process.

This year UNCTAD's report focuses on four main issues: recent economic development in the occupied Palestinian territory; the condition in the Gaza strip; the declining donor support; and the potential negative impact of providing the wrong policy prescription. We end the report with UNCTAD technical assistance to the Palestinian people.

With regard to the economic conditions, in 2017 economic growth in the occupied Palestinian territory was 4%. However, as in the previous year, the growth was without significant impact on employment. As a matter of fact, the OPT has the world's highest unemployment rate, 27.4% in 2017 (18% in the West Bank and 44% in Gaza). What is more distressing is that women and youth are the most affected by the ongoing high unemployment. A very telling indicator in this regard, is that half of the Palestinians under 30 years of age are unemployed.

Mr. President, mobility restrictions continue to negatively impact the Palestinian economy. Some of the Israeli mobility restriction measures include: the permit system, roadblocks, flying road checkpoints and of course on top of this the separation barrier in the West Bank and the prolonged blockade of Gaza. Another negative factor is the list of dual-use goods which the Palestinian are not allowed to import. This list include fertilizer, pesticides, chemicals, equipment and many other products needed as intermediate inputs in the manufacturing sector. The Palestinians are not allowed to import goods from this list for their civilian use because as

declared by the government of Israel they may have potential military use. Some studies have found that mobility restrictions and other trade barriers (including the dual-use list) have resulted in 34 – 45 % drop in the productivity of the Palestinian agricultural sector.

Another inhibiting factor is the continued expansion of the Israeli settlements on Palestinian land. Despite the 2016 Security council resolution 2334 which states that Israeli settlements represent a flagrant violation of international law, Israel continues to build its settlements in the West Bank. In 2017 and early 2018 plans were approved for 15,000 housing units in existing or newly established settlements. In contrast, over 4,000 Palestinian structures have been demolished in area C in the West Bank between 2009 and mid-2017, in addition to the mass destruction which Gaza suffered in the three major military operation in the last 10 years.

Mr. President, let me focus a bit more on the conditions in the Gaza strip. Over 2 million Palestinian human beings live in this 365 sq. km. strip. For 11 years they have lived under an almost complete blockade. Not only that, but they have endured 3 major military operations between 2008 and 2015. The 2008 – 2009 military strike wiped out 60% of Gaza's capital stock, while the 2014 strike destroyed 85% of what was left. Of course, the result is severe poverty where half of the population, is food insecure even though 80% of the 2 million Palestinians in Gaza receive social assistance.

Not only that the reconstruction in Gaza is very slow, but also the population continue to suffer from sever water and electricity shortage. In early 2018 an average households in Gaza received only 2 hours of electricity per day. Safe drinking water is a scarce commodity in Gaza. In 2014 only 10% of the Gaza population had access to safe drinking water, back in 2000, 98% of the population had safe drinking water.

Unfortunately, the conditions in Gaza are expected to get worse because of the severe cut in the funds available to UNRWA. UNRWA serves 1.2 million refugees of the 2 million living in Gaza.

Mr. President, the Palestinian policy framework and the custom union associated with it have also taken their toll on the economy. This custom union is shaped by the outdated Paris Protocol which was supposed to last for only 5 years after the establishment of the Palestinian National Authority in 1994. However, it has continued to be the name of the game till today. The result is a forced Palestinian dependence on the Israeli economy. A very telling indicator of this dependency is the fact that between 1972 and 2017 Israel absorbed almost 80% of Palestinian exports and the source of more than 80% of Palestinian imports.

Therefore, UNCTAD recommends replacing the outdated custom union by a new framework that provides the Palestinian government with sovereign control over its customs territory, borders, and trade and industrial policies. This is essential for breaking the cycle of the on-going de-development of the Palestinian economy.

Mr. President, despite extremely difficult economic and political conditions the Palestinian government continues to implement very stringent fiscal reforms. These brought down the public deficit from 27% of GDP in 2006 to 8% in 2017. But some international agencies continue to recommend fiscal austerity as the prescription for the Palestinian budget and trade deficits, as if the OPT is a normal developing country not under occupation. Our analysis does not support this policy prescription. Empirical analysis also demonstrates that in the last half century there is no statistical evidence to support the view that the Palestinian trade deficit was driven by a budget deficit. The report therefore warns that inappropriate fiscal austerity prescription may add pressure on the already fragile socio-economic conditions without any impact on trade deficit.

Mr. President, both Israel and the international community have a responsibility and obligations not only to avoid action that impedes development in the OPT but to take affirmative steps to foster Palestinian development. There is a need to completely lift the physical and non-physical restrictions on the Palestinian economy. The donor community should enhance the scope and quality of international aid. It is very distressing to know that the total international support to

the Palestinian people has dropped by two-thirds from \$ 2 billion in 2008 to \$ 720 million in 2017. Without any doubt, this hinders the ability of the Palestinian government to carry on with state-building activities and the provision of vital public services.

Mr. President, let me close by urging the distinguished delegates to constructively work with UNCTAD to fully implement paragraph 55 (dd) of Nairobi Maafikiano which states that UNCTAD "should strengthen its programme of assistance to the Palestinian people with adequate resources". UNCTAD is in urgent need of securing additional resources to sustain the third professional post of its Assistance to the Palestinian people Unit. This is essential for barely maintaining UNCTAD's support to the Palestinian people and to partially fulfil the substantial and relevant additional responsibilities mandated by the Nairobi Maafikiano and UN General Assembly Resolutions 69/20, 71/12, 71/20, 72/13, which request UNCTAD to assess and report on the economic cost of the Israeli occupation for the Palestinian people.

We also urge member states to extend predictable extra-budgetary resources to allow us to implement technical cooperation projects in the area of Customs modernization and public debt management. This would contribute to building the capacity required for the effective management of the economy of the Palestinian state called for by the relevant UN Resolutions.

Mr. President, we look forward to benefiting from your thoughtful and constructive deliberations.

Thank you.