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Recent economic developments in the occupied Palestinian territory

Report by the UNCTAD secretariat

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SUMMARY

(i) The major influences on economic processes in the occupied Palestinian territory during the period under review were related to a wide range of Israeli policy measures aimed at ending the Palestinian uprising (*intifada*), preventing the disengagement of the Palestinian economy from its growing dependence on Israel and avoiding the loss of benefits accruing to Israel from its close economic association with the territory under conditions of occupation. The continued application of such measures has brought about a growing crisis in the economic activities and living conditions of the Palestinian people in the territory. In response to these policy measures, Palestinian economic initiatives were designed primarily to safeguard domestic economic sectors and institutions, ensure a minimum level of Palestinian domestic economic activity and promote a self-reliant production base. This entailed absenteeism from work in Israel and a concomitant reduction in factor income, boycott of Israeli imports and non-payment of taxes on grounds of their illegitimacy and reduced levels of economic and social services in the occupied territory. While these measures may signal the beginning of a far-reaching reorientation of the domestic Palestinian economy, serious structural readjustment would be needed, along with policy reforms to ensure their long-term effectiveness.

(ii) These trends have also emerged parallel with other policy developments that have affected Palestinian economic relations with the Arab hinterland and other markets. The most important of these were Jordan's decision to relinquish legal and administrative links with the West Bank, the commitment by the League of Arab States, at its Summit Meeting in June 1988, to assist the Palestinian people in coping with the damage sustained since the uprising, and the gradual opening of new export markets on preferential terms. These developments have certainly added to the challenges confronting the Palestinian economy, while at the same time serving to provide better prospects for its self-reliance. International assistance would need to be intensified in order to provide the necessary support to the local Palestinian efforts.

(iii) Data on recent economic performance in the occupied Palestinian territory indicate sharp declines in activity in 1988 as compared to the preceding years. This is not an altogether unexpected development given the severe restrictions imposed by the occupation authorities on the local Palestinian economy since the uprising. Yet the contrast between developments in 1988 and those of the preceding period highlights the vulnerability of the Palestinian domestic economy after 22 years of Israeli occupation and its inability to withstand the effects of volatility in the external and domestic economic environment. Its distorted and inarticulated structure has left it unprepared to face the pressures that confronted it during 1988.

(iv) A review of developments in the Palestinian economy, prior to and since the uprising, reveals clearly differing trends in sectoral economic activity and the recent emergence of crisis conditions in the economy. It is observed that a brief period (1986-1987) of relative recovery in most sectors ended abruptly, and economic activity in 1988 retreated to the levels of the late 1970s, amidst the severe restrictions and sanctions imposed on the Palestinian economy by the Israeli occupation authorities. Output in major

sectors experienced sharp declines, ranging from 40 to 90 per cent of the 1987 level. Coupled with sizeable reductions in factor income, the decline brought a drop in GNP of up to 35 per cent in 1988. These developments have been manifested in low levels of real per capita income, consumption, savings and investments.

(v) At the sectoral level, agriculture has borne the brunt of recent Israeli economic measures aimed at quelling the Palestinian uprising. It has experienced losses in a wide range of branches. Nevertheless, the sector has witnessed a trend of Palestinians "returning to the land" to compensate for losses to income and to maintain basic subsistence, while household and village economies have also emerged in different areas of the occupied territory. Within the context of Palestinian economic "self-protection" during the uprising, new trends in Palestinian industry in 1988 were characterized by innovative and feasible measures of "import substitution", a strong orientation towards, and articulation with, domestic Palestinian demand, and emphasis on absorption of Palestinian labour.

(vi) Palestinian initiatives and Israeli measures have resulted in Palestinian labour absenteeism in Israel at levels not previously known among the Palestinian migrant labourers who have been increasingly obliged to seek employment in Israel. These and other steps towards "disengagement" of the Palestinian economy from domination by Israel created new challenges for Palestinian productive sectors, whose labour-absorptive capacity had already been stretched by the losses sustained during the uprising, leading to growing unemployment during 1988. The flow of all financial transfers from outside, including international aid, has been increasingly subjected to strict restrictions, while vigorous and arbitrary collection of heavy taxes, duties and fines, and cutbacks in expenditures on social services have created great pressures on all sectors of Palestinian society. In the context of the generally reduced level of economic activity during the uprising, Palestinian external and domestic trade, transport and tourism witnessed further setbacks in 1988, owing to increased restrictions on an already inadequate distribution and marketing system. Urgent measures are recommended in various sectors to halt the deterioration in the Palestinian economy and reverse the declining trends in its performance recently witnessed under severe conditions of occupation.

Part I

RECENT DEVELOPMENTS AFFECTING THE PALESTINIAN ECONOMY

A. Israeli policies and practices

1. Authority with regard to regulating and controlling economic activity in the occupied Palestinian territory was immediately assumed by Israel in June 1967 under a military Government which has been partially transformed in recent years into a "civil administration". 1/ This authority has since been strengthened through the periodic issuing of military orders and decrees, some of which have continuously amended and/or updated Jordanian or Egyptian laws in force in the occupied territory of the West Bank and Gaza Strip up to 1967, while most represent new regulations enforced since the occupation. 2/ These have subjected to severe constraints a wide range of functions and facilities vital to the survival of the Palestinian economy. On the whole, the main thrust of these measures reflects Israel's basic policy considerations and above all ensures that Palestinian economic activity does not conflict with or harm Israeli economic interests. 3/ It has been noted that continuation of such a policy "created a partial integration which tied the occupied areas to Israel. This was an unbalanced relation, as there was no equality between the two economies. Israeli allocations were not made or encouraged in projects in those areas. No large-scale development projects were established, nor were the conditions created for establishment of an infrastructure for employment and expansion of the local economy". 4/

2. The restrictive impact on the economy of the occupied Palestinian territory of various Israeli policies and practices since 1967 has been examined in previous reports and studies by the UNCTAD secretariat. 5/ None of the numerous and complex Israeli regulations governing Palestinian economic activity has been relaxed in the period under review. Indeed, in many areas, they have been further tightened and applied more strictly. Economic policies and measures imposed by the Israeli occupation authorities since December 1987 were, inter alia, aimed at quelling the Palestinian uprising and preventing the "disengagement" of the Palestinian economy from its chronic dependence on Israel. "At a certain stage, and after failed attempts at restoring order in the areas and at suppressing the uprising through purely military means, it was decided - by the Israeli defence apparatus - to introduce methods of economic pressure as well...". 6/

3. The Israeli occupation authorities are aware of the deterioration in Palestinian living conditions caused by such practices. Justifying their application, the Israeli Minister of Defence has said: "We have to strike a balance between actions that could bring on terrible economic distress and a situation in which (the Palestinians) have nothing to lose, and measures which bind them to the Israeli administration and prevent civil disobedience". 7/ More recently, restrictive economic measures have been officially proposed as a way of compelling Palestinian acceptance of Israeli political plans. The Minister of Defence has said that "if, as now seems likely, [the Palestinians] still oppose" Israel's plan for elections in the territory, some of the measures intended would be to "reduce [Israeli] dependence on [Palestinian] labour in Israel and take other economic steps" such as preventing the sale of Palestinian products in Israel. 8/

4. The measures introduced have been mostly in the form of collective or selective punishment of localities, regions or the whole territory. They have been implemented by the military authorities, as well as the "civil administration", which was described by an Israeli official as having "taken on more the character of a military Government" since the uprising. ^{9/} In addition, various coercive actions have been attributed to Israeli settlers in the occupied territory, including the destruction of Palestinian crops, vehicles and equipment. The implications of continued arbitrary application of such restrictive policies indicate a growing crisis in economic activity and living conditions of the Palestinian people in the occupied territory.

5. The various measures applied by the Israeli occupation authorities have lasted for different periods since December 1987, and have included: ^{10/}

- Comprehensive or selective bans on the entry of basic food supplies to Palestinian communities under curfew or siege in the occupied territory;
- Interruption of electricity, water and fuel/petrol supplies to Palestinian towns and villages;
- Destruction of crops, livestock, and industrial and agricultural infrastructures, equipment, premises and warehouses;
- Selective and arbitrary bans on sowing, irrigating, spraying, harvesting, processing and marketing of major crops, especially melons, bananas, figs, grapes, plums and olives;
- Measures to prevent sale of Israeli livestock to Palestinian farmers to prevent competition in dairy production;
- Bans on vital exports to/through Jordan of fruits, olives and olive oil, building stones and other goods and further reduction in amounts of goods Palestinians are permitted to export to Israel;
- Restrictions on the movement of Palestinian residents and agricultural and manufactured goods between the West Bank, Gaza Strip and East Jerusalem;
- Sealing off the occupied territory from Israel, thus preventing Palestinian labourers from reaching workplaces in Israel and interrupting Palestinian trade flows through Israel;
- Banning the activities of a network of Palestinian charitable institutions and popular committees providing local services, including efforts to establish marketing associations and to expand household economies;
- Arrest and harassment of Palestinian merchants, especially in East Jerusalem, for participation in commercial strikes;
- Withholding Palestinian identity cards, vehicles and property, import/export licences, permits for travel abroad and for local movement and marketing of goods, pending "security clearance" and proof of payment of outstanding taxes, utility bills and fines;

- Imposing disproportionate and increasingly unbearable tax estimates on businesses and individuals;
- Cut-backs in expenditures on a range of services (including social welfare, health, local authority and other expenditures of the civil administration, as well as reduced payments of limited national insurance, welfare and medical treatment benefits), officially justified as necessary owing to reduced tax collection; and
- Strict controls on the flow of funds into the territory, including assistance of the United Nations organizations and limitations on amounts that institutions, businesses, exporters and individuals may bring into the territory or receive from abroad.

B. Palestinian economic initiatives 11/

6. From the outset of the uprising in the occupied territory, the Palestinian people designed a range of measures to safeguard domestic economic sectors and institutions. This was also viewed as a way of ensuring the structural prerequisites of an economy that emphasized domestic production and self-reliance. By mid-1988, Israeli measures and Palestinian initiatives had become enmeshed in a dynamic which continues to unfold. "The Israeli actions seemed designed to destroy totally the agricultural and other economic infrastructures of the Palestinian community. The ensuing frustrations forced the creation of further incentives on the part of the Palestinians". 12/ The different spheres of policy innovation in the occupied Palestinian territory can be grouped under two major themes: "disengagement" from Israel and its economic control, and promoting alternative "self-reliant" forms of economic activity to help withstand the impact of reduced dependency on Israel.

7. To effect a "disengagement" of the Palestinian economy from Israel, three types of measures have characterized developments in the occupied territory since 1987. The earliest and perhaps most influential move came in the attempt to reduce reliance on factor income from Israel, through voluntary absenteeism of Palestinian workers from jobs in Israel and in its settlements in the occupied territory. A related step involved resignations by Palestinian employees from their positions as police and tax collectors in the Israeli "Civil Administration". This trend was effectively facilitated by other factors, such as the practical difficulties of reaching workplaces in times of unrest and Israeli measures to limit or totally stop the flow of Palestinian workers to Israel.

8. A second effort to reduce dependency on Israel has involved wide-scale boycotts of imported agricultural and manufactured goods from Israel, especially where locally produced substitutes are available. While this has been primarily a voluntary movement to limit the penetration of Israeli products into local markets, it has also arisen from awareness of the need to reduce conspicuous consumption during the uprising. Another important factor in this process has been the sharply reduced level of disposable private income in the occupied territory.

9. Another step taken towards the disengagement of Palestinian economy from Israeli economic domination has been the attempt to minimize the drain on Palestinian financial resources constituted by Israeli financial policies in the territory. This involved refusal to pay income tax, value added tax and

other Israeli imposed levies. "Tax resistance" was a function of a number of factors, especially low levels of Palestinian personal income since the uprising, the inability of most people to pay any taxes, lack of corresponding levels of public expenditures in the territories and the fact that a number of taxes were arbitrarily assessed, thus placing an unjustified and excessive burden on Palestinian taxpayers.

10. The above-mentioned trends created new challenges for the Palestinian economy, which was already overburdened by the effects of restrictive occupation policies. It became particularly necessary to generate alternative employment for the "returnee" workers and to provide for some minimum level of subsistence. In addition, domestic agricultural and industrial production required the fullest possible encouragement in order to cover reduced levels of imports of Israeli goods and to correct structural distortions in the economy. Identifying new local and export market potentials became imperative, and the development of indigenous institutional mechanisms for economic management acquired increased urgency. Meanwhile, the damage sustained by productive sectors and human resources required prompt compensation and protective measures.

11. In these varied spheres as well, significant efforts were undertaken by the Palestinian people, encouraging new and qualitatively different domestic economic trends not witnessed before under Israeli occupation. "A key economic goal of the intifada is to move toward self-sufficiency, and especially to produce a greater share of the food consumed in the occupied areas." 13/ Emphasis on commodity production was seen as a way of: re-establishing a degree of balance between the components of domestic products; stimulating rural development through an increase in cultivated areas, land reclamation and irrigation; increasing production of basic food crops; and enhancing interregional equilibrium in food production. This has taken the form both of a "return to the land" by peasants who had in recent years worked in Israel and of the encouragement of household, village and district agriculture. This trend has helped to enhance "self-sufficiency" in some items while absorbing part of the unemployed labour force.

12. Similar efforts were mounted in the domestic industrial sector, with the introduction and/or expanded production of some consumer goods for local markets and attempts by entrepreneurs to provide jobs for as many unemployed Palestinians as possible. This spontaneous "import-substitution" policy has been successful in several industrial branches and has spawned further related steps. Palestinian industrialists have informally co-ordinated decisions regarding pricing, marketing and product specialization, while also trying to achieve economies of scale among producers of similar goods. Businessmen in industrial and commercial sectors have been willing to accept much lower profit margins, while maintaining running costs. These trends, while encouraging, have clear limitations under prevailing circumstances, given the relatively low levels of domestic capital and natural resources and the continued dependence on external markets and imported raw materials. Other potential problem areas related to the inability to maintain low costs of production (i.e., secure capital, labour and raw materials at low costs) and to expand the market share to benefit from economies of scale.

13. Most sectors of society, especially women, young people, businessmen, rural inhabitants and urban workers, took a prominent role in elaborating and implementing these new trends, including attempts to create appropriate institutional frameworks capable of responding to the new requirements.

"Popular committees" were set up in most communities in the territory early in 1988. These were engaged in providing certain social services (education, health, social welfare and relief to distressed sectors of the population) and assisting farmers and families with training in production techniques, provision of inputs and local marketing of agricultural produce, a movement described as creating "a very strong network that goes beyond the extended family into the community as a whole". ^{14/} As these committees and a number of charitable societies were closed down by the Israeli authorities in mid-1988, other efforts were mounted to strengthen the economic role of Palestinian institutions in the occupied territory. A Palestinian view of this process is that the uprising "has sown the seeds of a trend to a new national economic system, based on self-reliance as the main avenue to break the enforced engagement of the Palestinian economy with that of Israel...". ^{15/}

14. Since early 1988, Israeli officials have become increasingly preoccupied with the economic implications of the continuation of the Palestinian uprising. This is due to the growing impact of Palestinian initiatives on the Israeli economy, especially the absenteeism of Palestinian workers from jobs in Israel, decreased exports of Israeli goods to the occupied territory, the sharp fall in tourism, and increased Israeli expenditures on security operations. The overall cost of these initiatives to the Israeli economy was estimated by one official source at around \$80 million per month, or a total of just under \$1 billion in 1988 alone. ^{16/} It has been reported that "prior to [1988], economic growth [in Israel] of at least 3 per cent was expected. In actuality, 1988's growth was considerably lower than that - and the intifada accounts for the major difference between expectations and reality". ^{17/} The impact of the uprising accounted for a reduction in the output of the Israeli business sector in 1988 by around 1.5 to 2.5 per cent, as compared to an expected growth of 4.5 per cent. ^{18/} As a consequence, growth in the Israeli GDP was estimated at some 1.5 percentage points less than had been expected. ^{19/} The Israeli Minister of Finance declared recently that "ending the uprising is one of the top priorities for the Israeli economy". ^{20/} Some of the Israeli measures affecting the Palestinian economy were thus designed to contain the damage to the Israeli economy resulting from its reliance on Palestinian labour and markets. These include reorienting production processes and product lines, more closely controlling the flow of Palestinian workers to Israel by instituting a strict pass/permit system, and ensuring the maximum possible extraction of financial resources through increased tax and other revenue.

C. Other developments affecting the Palestinian economy

15. Several significant policy reorientations were effected in 1988 at the regional and international levels which had a direct bearing on the economy of the occupied Palestinian territory. The most significant development was the decision, announced by Jordan on 31 July 1988, to "dismantle the legal and administrative links" with the West Bank with the aim of "enhancing the Palestinian national orientation, and highlighting the Palestinian identity". ^{21/} This historic decision, entailed, inter alia, the cancellation of Jordan's Five-Year Plan for the Economic and Social Development of the Occupied Territory and ending payment of salaries to some 21,000 civil servants and other employees in the West Bank who had been supported by Jordan since 1967. Official Jordanian aid to the East Jerusalem Religious Trust (Waqf) and Higher Islamic Committee was not affected by the Jordanian decision.

16. The economic effect of these measures was countered by transitional arrangements to ensure that government employees (in health, education, and local authority services) continued to receive salaries and pensions. 22/ Similarly, industries, co-operative and charitable societies, professional associations and local authorities established under Jordanian laws maintain their legal status and continue to function accordingly. Jordan has affirmed that these policy developments have in no way diminished its continuing commitment to supporting the Palestinian people and their steadfastness in the occupied territory. Jordan has also urged "friendly Governments and international institutions, which had expressed their wish to contribute to the Plan... to continue financing development projects in the occupied Palestinian territories, through the relevant Palestinian quarters". 23/

17. An important outcome of the Jordanian disengagement decision was the restructuring of Palestinian exports to/through Jordan in accordance with new regulations. Most of the administrative procedures for exports that had prevailed prior to the disengagement decision remain in effect. The Jordanian Co-operative Organization and the Gaza Charitable Society continue to issue certificates of origin for West Bank and Gaza Strip agricultural exports respectively. The Jordanian Ministries of Agriculture, Industry and Foreign Affairs (Department of Palestinian Affairs) issue the necessary permits for entry of goods to/through Jordan. The major change in regulations concerns the quantities imported: whereas in the past these were estimated according to a certain fixed proportion of West Bank production, Jordan will henceforth allow entry of products "in the light of requirements" of the domestic market. This reorientation was in line with Jordanian efforts to protect domestic producers of similar commodities, especially in view of growing surpluses in Jordanian agricultural production and the impact of declines in the value of the Jordanian dinar in 1988/1989. While the initial period following the Jordanian decision witnessed some confusion as to the quantities of citrus, olive oil, melon and banana output expected to be exported to/through Jordan, the situation was clarified and by early 1989 exports had resumed. 24/

18. Since 1988, the critical economic situation in the occupied Palestinian territory has received increasing attention at the Arab regional level, with several new policy orientations emerging. 25/ In June 1988, the Extraordinary Arab Summit Meeting, held in Algiers, declared in a resolution its commitment to provide all types of assistance and support to the Palestinian people in the occupied Palestinian territory. This was to include immediate assistance of \$128 million to Palestinian institutions to cover shortfalls in requirements since the beginning of the uprising, in addition to a monthly sum of \$43 million to face urgent needs and stop the deterioration in living conditions.

19. Subsequently, the forty-sixth session of the Economic and Social Council of the League of Arab States, held in February 1989, devoted special attention to Palestinian economic needs since the uprising. 26/ A resolution adopted at the session called, *inter alia*, on Arab States to speed up the implementation of the Algiers Summit resolutions and to encourage imports of Palestinian agricultural goods according to prevailing legislation in each State. The Council also decided to consider adopting a Palestinian certificate of origin for exports from the occupied territory, and expressed its support for efforts to renew and license the fleet of aging trucks used to transport Palestinian exports. It also recommended that transit arrangements be applied to

Palestinian products exported to other Arab markets through neighbouring States. Arab, Islamic and international financial institutions were called on to examine the possibilities of providing financial, credit and guarantee facilities to exports from the occupied Palestinian territory.

20. These encouraging regional policy developments were echoed by policies adopted at the international level. Following the decision of the Council of the European Communities in October 1986 to extend autonomous tariff arrangements to imports into the Community of products originating in the occupied territory, 27/ negotiations continued for two years before a final agreement could be reached. An initial accord between Israel and the EEC Commission in December 1987 provided for direct Palestinian exports in transit through Israel. The Palestinian producers and exporters would have "a free choice to negotiate and establish direct links with buyers in the EEC market for the advancement of the commercial interests of the Arab producers...". 28/ Initial administrative complications were subsequently ironed out, as confirmed in a memorandum by the Israeli authorities in March 1988 which specified the conditions for effecting exports to Europe. 29/ In October 1988, an agreement was signed between the responsible Israeli inter-ministerial committee and two Palestinian exporting institutions for direct exports of Palestinian fruits and vegetables to the EEC countries. 30/

21. It was arranged that prior to each season, a plan for export crops would be prepared by Palestinian producers, to be agreed upon with the Israeli Ministry of Agriculture. On the basis of this plan, producers would request an export permit from the Israeli civil administration for each shipment of agricultural produce prior to the export season. The October 1988 agreement states that "the export permit will be granted expeditiously (1-2 days) without delay or rejection if the request is in accordance with the seasonal plan". 31/ While plant health inspection and phytosanitary control are to be carried out by Israel and the EEC Commission, other technical arrangements, including commercial agreements and transport, are the responsibility of producers. Commercial marks and labels would include the name of the town or region in the occupied territory where the produce originates. These arrangements were to be reviewed after the first export season "with a view to ensuring maximum benefit for all". 32/ Implementation of the accords encountered a number of difficulties owing to a lack of necessary infrastructural facilities in the occupied territory, as discussed in part III below.

22. Awareness of the need for increased economic and social assistance for the Palestinian people, and in particular for the trade sector of the occupied territory, was affirmed by the United Nations General Assembly in its resolution 43/178 of 20 December 1988. The resolution called for, inter alia, emergency assistance to the Palestinian people in the occupied territory, treating on a transit basis Palestinian exports and imports passing through neighbouring ports and points of exit and entry, and granting of trade concessions and concrete preferential measures for Palestinian exports on the basis of Palestinian certificates of origin. The General Assembly further decided to extend to the occupied Palestinian territory the same preferential treatment accorded the least developed countries, pending the elimination of the Israeli occupation. Meanwhile, international organizations, especially

the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), have stepped up the scope and delivery of assistance in the occupied territory, providing food relief and other aid on a wider scale than before, in response to the emergency situation in the occupied territory since the uprising. 33/

23. These welcome moves serve to highlight the continuing restrictive impact of Israeli occupation on the Palestinian economy. There is a growing need for international aid to the occupied Palestinian territory in light of the severe damage inflicted upon its economy through increasing losses sustained by its human and material resources, especially since 1988. The magnitude and effectiveness of such aid is contingent upon the existence of local institutions with the appropriate technical facilities capable of directing such assistance to priority economic and social areas in the occupied territory. In addition to immediate relief and emergency aid, the international community could consider new feasible efforts to encourage the Israeli authorities to permit wide-ranging economic policy reform and liberalization in the occupied territory, including the right to economic policy formulation and management by the Palestinian people, issues which have been adequately outlined in previous UNCTAD reports and studies. 34/

Part II

AN UPDATE ON AGGREGATE ECONOMIC PERFORMANCE UNTIL 1989 35/

A. Domestic product and the components of Palestinian national income 36/

1. A review up to 1988

24. Unfavourable domestic and external factors affecting Palestinian economic activity since the early 1980s resulted in uncertain and weak rates of growth in major productive sectors and in the gross domestic product (GDP) as a whole. 37/ The structure of the Palestinian economy has shifted gradually, with the once-predominant agricultural sector giving way to trade, transport and related services, while the shares of industry and construction in GDP have remained fairly constant. In 1981, agriculture accounted for 30 per cent of Palestinian GDP and the share of trade and related services was 29 per cent. By 1987, agriculture had contracted to 22 per cent of GDP, while trade and related services had grown to 38 per cent. In the meantime, industry slightly improved its position, with a tentative return to a share of 9 per cent of GDP by 1987, a proportion already witnessed in the early 1970s. Over the 1981-1987 period and until the uprising, the fluctuations in domestic economic performance resulted in an average annual real growth rate of 4 per cent in GDP. By 1987, Palestinian GDP, at current prices, amounted to \$1,687 million, as against \$1,537 million in 1986. In real terms, however, GDP registered a negative growth rate of 4 per cent in 1987, after reaching unusually high levels in 1986 associated with the bumper olive crop of that year.

25. During the 1981-1987 period, the sectoral value of agricultural output in real terms grew at an annual average rate of 1 per cent, despite the decline in its share of GDP. Improved performance after 1985 was due largely to the olive crop of 1986, significant growth in livestock production, and recovery in citrus and other fruit branches in the West Bank. Increases in field crop, vegetable and melon production in the Gaza Strip and successful diversification efforts in both areas also characterize the pre-1988 recovery of Palestinian agriculture. From 1981 to 1987, Palestinian industrial output in real terms grew at an average annual rate of 12 per cent. This is attributed mainly to growth, until 1988, in branches linked to serving the Israeli economy, especially industrial sub-contracting in the Gaza Strip, as well as to the ability of certain branches of consumer goods industry in the West Bank to penetrate the Israeli market. The performance of the two major productive sectors in 1986 and 1987 helped to generate corresponding growth in the value of output in the trade and related services sector, while construction activity also rose above the levels of previous years. Overall, developments in the economy of the occupied territory in 1986 and 1987 can be seen in the context of "recouping" losses suffered in 1981-1985, whereby the higher rates of performance reached in 1980 and 1981 were finally regained by 1986-1987 after several years of decline.

26. Performance of other aggregates until 1988 indicates a similar pattern, with external financial resources maintaining a prominent position in Palestinian national accounts. The growth path of GNP in the 1980s has not been steady, and it was only in 1986 and 1987 that it rose consecutively for more than one year owing largely to the rise in GDP as a result of a record harvest of olives and industrial output. As receipts from factor income,

i.e. wages of labour in Israel and abroad, surged to \$720 million in 1987 from \$530 million in 1986, so did GNP grow to \$2.47 billion (in current prices) in that year as compared to \$2.13 billion in 1986. Similarly, after five consecutive years of decline between 1981 and 1985 in net transfers (remittances and official aid) to the occupied territory, this component witnessed a remarkable growth from \$74 million (at current prices) in 1986 to \$130 million in 1987. Accordingly, by 1987 gross national disposable income (GNDI) had reached \$2.6 billion, manifesting a real annual rate of growth of 5.5 per cent during the 1981-1987 period. GDP's share in GNP has fluctuated annually, ranging between 67 and 75 per cent since 1981, and remained low at 68 per cent in 1987. Despite a relatively high level of external financial resources in overall sources of income, increasing restrictions imposed under Israeli occupation continue to prevent the Palestinian economy from inducing the allocation of such resources into productive investment for sustained growth and development.

2. Performance in 1988

27. Available data points to a rapid downward trend during 1988 in Palestinian domestic and national product. Though official statistics are not yet available, it is possible to arrive at some preliminary estimates of the scale of losses suffered in 1988 and the broad direction of aggregate economic activity during that year. Initial findings based on field observations point to a decrease in agricultural and industrial output by 40-50 per cent of the 1987 level, a 40 per cent fall in construction activity, a decline in merchandise trade (including domestic and foreign trade) of up to 65 per cent, and a contraction of as much as 90 per cent in tourism and somewhat less in related services. ^{38/} Decline of such magnitudes implies an overall GDP figure for 1988 of around \$1 billion - a magnitude characteristic of the late 1970s and the recessionary years of the 1980s. This level of domestic performance in 1988, coupled with the decrease in factor income receipts from Israel and abroad by as much as \$150 million in 1988, would cause a fall in GNP to some \$1.6 billion in 1988, or a 35 per cent decline from the 1987 level. ^{39/} It is difficult to gauge with precision the performance of transfer payments in 1988, though increases in international aid flows that occurred in response to the emergency situation may be viewed against the sharp fall in private transfers as a result of vigorous Israeli measures to prevent external assistance from reaching the occupied Palestinian territory. This implies a significant overall decline in Palestinian national income during 1988. The position of domestic output appears to have been further marginalized, with the share of GDP standing at less than 65 per cent of GNP, below any previous period.

28. Furthermore, material and human resource losses in the occupied Palestinian territory were estimated at no less than \$120 million in 1988 and were expected to reach \$160 million in 1989. ^{40/} These sums include, inter alia, the value of destroyed houses, expropriated or damaged property, industrial and agricultural equipment and vehicles, fields and orchards, and minimum compensation to the families of those who have been wounded, killed, imprisoned, unemployed, deported or impoverished since the uprising. ^{41/} As well as the abrupt reversals in domestic output and other sources of income since the uprising, serious damage has been inflicted on Palestinian human and financial resources, which were nurtured and accumulated over a long period.

29. Several important implications emerge from the preceding review of aggregate performance of the Palestinian economy. Notwithstanding developments since 1988 which point to the beginnings of disengagement from the Israeli economy and the efforts to emphasize economic self-reliance, Israeli policies and practices aimed at enforcing dependency have been vigorously applied. There is no evidence that Israeli policies will cease to oppose such trends. To the extent that Palestinian domestic and external economic activities are dominated by Israeli policies and interests and that work in Israel remains the only option facing a large proportion of the Palestinian labour force, efforts at effecting a structural transformation in the Palestinian economy cannot take effect spontaneously.

30. Developments in the economy, prior to and since the uprising, highlight the precarious situation of the components of Palestinian national income. The interplay of domestic and external sources of growth is haphazard, unco-ordinated and inconsistent. The Palestinian economy is locked in a situation whereby the potential positive impact of increases in domestic output and performance is undermined by the heavy dependence on external sources of income to supplement domestic resources. There appears to be no dynamic relation between domestic and external impetus to growth in the economy. Dependence on factor income and transfers has not led to an increased rate of domestic investment in productive sectors, nor to lasting benefits in terms of personal consumption and living conditions. 42/

31. The occupied territory's chronic incapacity to generate more than two thirds of national income from domestic sources continues to be a major cause for concern. This situation points to the urgent need for attention to be focused on domestic economic restructuring and reform, with increasing emphasis placed on local productive activities capable of absorbing the human resources presently devoted to serving Israeli economic prerequisites. The restructuring of Palestinian production and trade requires, inter alia, a comprehensive and dedicated effort by all concerned, to ensure that such trends are not isolated or piecemeal and that the transitional period is not turbulent and uncertain. The Palestinian people need to be increasingly permitted, indeed encouraged and helped, to shoulder the responsibilities of economic policy formulation and management and the mobilization and allocation of financial, natural and human resources for the revival and development of their economy. The issue of the appropriate level of economic relations with Israel can be determined in the context of mutual and equal economic interests between the two economies, as well as prospects for greater economic relations with the Arab hinterland, giving special consideration to the needs for structural reform in the Palestinian economy after 22 years of military occupation.

B. Income, consumption, savings, and investment 43/

1. Per capita income and consumption up to 1988

32. During the period 1981-1987, when the performance of major economic aggregates in the occupied Palestinian territory manifested fluctuations and uncertain trends, per capita indicators of output and income exhibited similar weaknesses. Despite a rise in the dollar value of per capita GDP and GNP, real growth was marginal and slow, especially in recent years owing to the rising population growth rate in the occupied territory. Real growth in per capita GDP between 1981 and 1987 registered an annual average rate

of 0.8 per cent. Real per capita growth of gross national disposable income (GNDI) during the 1981-1987 period averaged 1.5 per cent annually. By 1987, per capita GDP, in current prices, was registered at \$1,225 and per capita GNP at \$1,730, some \$70 and \$200 above their respective levels in 1986. The apparent increase in levels of personal income was significantly less pronounced in real terms. Real per capita GDP fell by 7 per cent from 1986 to 1987 as the economy returned to levels witnessed prior to 1986.

33. The divergences between growth in per capita indicators of domestic and external sources of income further illustrate ^{44/} how increases in "individual prosperity" in the occupied Palestinian territory are attributable largely to the availability of external sources of income, rather than the productive bases of the Palestinian domestic economy itself. ^{45/} Meanwhile, real growth in aggregate private consumption expenditure during the 1981-1987 period stood at an annual average rate of 5.5 per cent. However, in real terms, per capita private consumption expenditure grew by an annual average of only 2 per cent during the period. Most of the real growth registered since 1980 in the occupied territory in the different indicators of standards of living are attributable to the exceptional performance of the economy in 1986 which, as noted above, did not herald a significant change in the longer-term performance of the Palestinian economy.

2. Savings and investment up to 1988

34. Other important indicators, namely savings and investment rates, exhibit reduced performance in 1986-1987. Whereas private savings were characterized by relatively high rates in the first years of the 1980s, at above 30 per cent and 20 per cent of GDP and GNP respectively, by 1987 savings were down to 24 per cent of GDP and 17 per cent of GNP. In terms of current dollars, per capita savings fell from \$260 in 1981 to \$245 in 1987.

35. Meanwhile, the rate of investment has decreased somewhat in recent years, though not as sharply as savings. Gross domestic capital formation (GDCF) constituted an annual average of over 31 per cent of GDP during the period 1980-1983, as compared to under 30 per cent in 1984-1987. Real growth in GDCF during 1981-1987 was stronger than in some other aggregates, at an average annual rate of 4 per cent. This performance was, however, threatened by the exceptionally large fall in GDCF (in constant prices) in 1987, at a rate of -11 per cent, which was partially due to a reduction of olive oil inventories accumulated in 1986. Nevertheless, investment rates were still relatively high in 1987, constituting 30 per cent and 21 per cent of GDP and GNP respectively.

36. As has been the case for most of the period since 1967, Palestinian private investment remains heavily concentrated in residential construction. This trend is likely to be more pronounced in view of the increasing demolition of houses by Israeli authorities and growing needs. During the period 1980-1986, investment in machinery, transport and other equipment (non-social infrastructural investment) averaged 16 per cent of private investment and 14 per cent of total investment in the economy. The concentration of the balance of private investment in construction and so-called "social infrastructure" has been somewhat less pronounced since 1983, mainly owing to reduced availability of external financial resources since then. The overall trend in the economy has continued to disfavour

investment in directly productive activities. During the period 1980-1987, private investment in machinery, transport and other equipment averaged 4.4 per cent of GDP annually. Only in 1987 did the composition of investment indicate an increasing tendency towards productive investment, whereby GDCF in machinery, transport and other equipment constituted 21 per cent and 19 per cent of private and total investment respectively. This reflects, inter alia, the high "stockpiling" element of GDCF (olive harvest surplus), not to mention the impact of the "windfall" gains of 1986 and 1987 in certain sectors which encouraged a certain replenishment of capital and equipment that had seriously depreciated since the early 1980s.

37. The constantly rising cost of living in the occupied Palestinian territory is thus seen to demand that a growing proportion of income be devoted to consumption, with up to half spent on goods imported from Israel. A trend of reduced savings has thus emerged, with all that this implies in terms of jeopardizing long-term growth. This process is aggravated by the limited opportunities for domestic investment and the inadequate and distorted financial system in the occupied territory. The high rates and disproportionately large sums of taxation imposed on the inhabitants of the territory leave increasingly less net disposable income for allocation as private savings, while outmoded and restricted channels of financial intermediation render savings and investment less attractive. Despite the positive aspects of the 1986 recovery in income, the above-mentioned constraints constitute long-term disincentives to save and invest.

3. Developments in 1988

38. Available information on the performance of these indicators since the Palestinian uprising suggests major reorientations of consumption, savings and investment patterns in the occupied territory. Three main influences have affected individuals' behaviour. The most significant determinant is the reduction in the level of private income since the uprising, which has brought about a decline in private consumption, savings and investment. Though aggregate data on disposable private income are not available for 1988, a field survey conducted by the Ramallah Chamber of Commerce indicated that in 1988, per capita income in the city, one of the more advanced industrial centres of the West Bank, had declined from \$1,500 to around \$700. ^{46/} Other reports reveal even sharper falls in income in the impoverished Gaza Strip. A second dynamic relates to a fall in total household income (factor income, ~~remittances and domestic remuneration~~), which has led to a serious drain on private savings held both inside and outside the occupied territory. These swings are being diverted to cover urgent consumption requirements following the uprising. This threatens the role of savings and investment in Palestinian economic growth and development, as an already weakened capital base is further constrained and deprived of needed replenishment.

39. On the third level, spontaneous and conscious shifts in consumers' preferences since the uprising have altered the pattern and composition of consumption among the Palestinian people, both in terms of the type and sources of goods consumed. For example, retailers in the occupied territory reported large falls in sales of cosmetics, clothing, furniture and household appliances, while expenditures on leisure have been reduced to almost nil since the uprising. ^{47/} Similarly, the composition of households' "food basket" has altered considerably, with meat being replaced by other less expensive sources of protein, including eggs and dairy products and items such

as wheat, and other grains. "Conspicuous consumption and ostentatious festivity, when not precluded by a decline in income and the ever-present threat of curfew, are frowned upon now in the occupied areas." 48/ This trend in consumption patterns has been characterized as a shift from "consumerism" to "protectionism" among Palestinians in the occupied territory. 49/ Palestinian initiatives, which have promoted popular austerity, coupled with the realities of sharply reduced incomes, have encouraged tendencies towards "self-protection" in the present period of economic distress. This has entailed expenditures on necessities only, stocking of essential goods, and exploiting possibilities for household production of staples and subsistence goods. From an autonomous reduction in expenditures, out of necessity, Palestinian consumers have begun to adopt systematically changed patterns of consumption, in accordance with domestic policy trends since the uprising. 50/

40. The most recent developments in Palestinian private income, consumption, savings and investment since the uprising illustrate again the dire economic conditions prevailing in the occupied territory. The threat to Palestinian standards of living is linked to the ongoing confrontation in the occupied territory and continued Israeli policies to exert pressure on all sectors of the society as a means of quelling the uprising. It has been affirmed officially that Israel is not pursuing "a policy of impoverishment - but we definitely have a get-tough economic policy, so that (Palestinians) will have to decide whether it is really worth their while to continue the intifada. They will have to stop and ask themselves whether the price is not too high". 51/

41. With private income falling to as much as half of pre-1988 levels, and with less resources available for savings and investment, continued efforts to sustain the domestic economy are essential to any amelioration of the situation. However, to the extent that present restrictive Israeli policies and prevailing circumstances continue to limit the possibilities for domestic income generation and reduce the flow of external financial resources, living conditions will further deteriorate and the domestic economy will become increasingly incapable of generating adequate resources for growth and long-term development. Emergency household and community austerity measures taken by the Palestinians to adjust to the new circumstances have staved off absolute impoverishment. It is by no means assured that such efforts can be maintained for long without leading to even more serious ruptures in the fabric of Palestinian society and the structure of its economy. International assistance, in addition to humanitarian relief aid, could help compensate for losses incurred by the economy since 1988 and supplement the reduced levels of capital formation with the aim of promoting productive sectors in the occupied Palestinian territory.

Part III

SECTORAL PERFORMANCE - AN UPDATE WITH SPECIAL REFERENCE TO 1986-1988

A. Agriculture and water 52/

42. The resources vital to the development of Palestinian agriculture, namely land and water, have increasingly been placed under Israeli control. This renders marginal the longer-term benefits of improvements in output or productivity. In addition to expropriating and closing over half of the land, including arable land in the occupied Palestinian territory, the Israeli authorities have exercised firm control over Palestinian water resources. Diversion of the West Bank's water resources for use in Israel and its settlements in the occupied territory has entailed allocation of 120 million m³ for Palestinian use, as compared to 560 million m³ appropriated for use in Israel and its settlements in the occupied Palestinian territory. 53/ Since 1967, 36 deep-bore artesian wells (each with an average annual yield of 1,640 m³) have been drilled for use by Israel and its settlements, compared to only 5 new wells (each with an average annual yield of 115 m³) permitted for Palestinian use. Some 460 of the 720 Palestinian wells in existence prior to 1967 have been destroyed, have dried up or have been expropriated. As Israeli wells in the eastern Gaza Strip have diverted much of the area's natural recharge, the extracted quantities (of 100-110 million m³ annually) from some 1,700 Palestinian artesian wells on the coast have exceeded the natural recharge at a rate of 20-30 million m³ annually. This has led to a fall in the water table and an increase in salinity to critical levels incompatible with citrus cultivation. 54/

43. As of 1986, the agricultural sector in the occupied Palestinian territory began to reverse a declining trend observed in the value of output during the period 1981-1985. The restructuring of production which had taken effect by 1985 in the West Bank had entailed a steady decrease in the cultivation of field crops and fruit trees (except olives), coupled with a shift towards vegetables and melons. In the Gaza Strip, a similar trend emerged, with increased cultivation of vegetables and potatoes at the expense of the Gaza Strip's increasingly constrained citrus fruit branches. In 1985, the branch with the highest value of output in the West Bank (excluding olives, which in alternate years is the major earner in agriculture) was vegetables, followed by non-citrus fruits, citrus fruits, melons and field crops. In the Gaza Strip, citrus fruits constituted the dominant branch in 1985, followed by vegetables, non-citrus fruits and, recently introduced, melons. In the West Bank and the Gaza Strip, the value of livestock production accounted for 46 and 25 per cent respectively of agricultural output.

44. In 1986 and 1987 the value and composition of Palestinian agricultural output exhibited important shifts, reflecting, inter alia, exceptional performance in the olive sector and trends towards diversification in the West Bank, as well as improved production in Gaza Strip vegetable branches. Purchased inputs accounted for 28 per cent of the total value of output, a smaller proportion than in previous years and indicative of improved productivity. In 1985, every unit of labour (in terms of value) and other inputs to Palestinian agriculture produced 2.9 units of output. By 1987 the ratio had improved to 1:3.1, but this was still well below the stronger ratios (close to 1:4) reached in 1981.

45. Agricultural recovery prior to the uprising involved other factors, in addition to improved olive harvests. In the West Bank, while vegetable production continued to grow and its components diversify, cultivation of field crops also expanded noticeably, though without any change in the proportion of field crops in the total value of output. By 1987, the vegetable branch was still the major earner, followed by non-citrus fruits, citrus fruits, melons and field crops. In 1987, a poor year in the alternating yield cycle of olive trees, the olive crop constituted a small percentage of the value of output. In the Gaza Strip, the value of vegetable output in the same year was 52 per cent of the total, while that of citrus, the once-dominant branch, had fallen despite a growth in the volume of output. This reflects, primarily, the drastic transformation of traditional agriculture after 22 years of restrictive Israeli occupation.

46. Another important shift in the structure of agricultural output was noted in 1987, when livestock production in the West Bank had become a more significant component of total output than crop production, reflecting successful diversification and substitution of imports from Israel. In 1985, the value of livestock output in the occupied territory was equivalent to 41 per cent of total output; by 1987, this proportion had grown to over 47 per cent, with high growth in poultry, eggs and milk production. In the Gaza Strip, while milk and egg production grew, the once-lucrative fishing industry continued to languish. Gaza Strip fishermen are restricted to a narrow coastal area off the northern part of the Strip, and the resulting decline in fishing activity has led to increased unemployment and idle capacity in fishing boats and storage facilities.

47. Since 1988, agriculture in the occupied territory has borne the brunt of Israeli economic measures imposed to quell the Palestinian uprising. The value of agricultural output is estimated to have declined sharply, by between 40 and 50 per cent. 55/ Large losses were suffered by farmers as a result of Israeli practices, and the 1988/89 winter was characterized by severe cold which further contributed to the slump. The cultivation and harvest of some of the major Palestinian crops (olives, citrus, figs, bananas, grapes, melons and plums) was disrupted, while marketing and other bans effectively spoiled much of the crop. Case studies of eight West Bank villages, comprising a population of 53,000 and cultivating and growing a range of crops and livestock, reveal total losses of over \$8 million in agricultural activity in the first nine months of 1988. These were incurred as a result of Israeli collective punishments since the uprising, such as curfews, sieges, prevention of irrigation, spraying and harvesting, confiscation and destruction of goods and equipment, and denial of permission for exports and local marketing. 56/ By June 1988, before the most harsh Israeli measures had been imposed, 3,690 olive trees in 18 Palestinian villages, 4,175 fruit trees in six villages, and 450 citrus trees in three villages were destroyed by Israeli authorities and settlers in the occupied Palestinian territory. 57/

48. Israeli constraints on planting and marketing of citrus fruits have reduced this once primary branch to a secondary position in the occupied territory. This poses special problems in the Gaza Strip, where the economy has depended historically on citrus as a source of labour, income and export earnings. Rising salinity in many areas has impaired the productivity of citrus orchards in the Gaza Strip, from rates of 5-6 tons/dunum to 1-2 tons/dunum. The particularly turbulent conditions in 1988 did not spare Gaza citrus output, which fell from 190,000 tons in 1986 to 98,000 tons

in 1988. Up to 70 per cent of crops planted in hothouses and most of the uncovered vegetable crop were destroyed by the cold spell, 58/ entailing losses estimated at some \$10 million. 59/ Continued damage on such a scale places grave pressures on Palestinian agriculture, especially at a time when recovery has appeared after years of stagnation.

49. The declines experienced in 1988 have been partially compensated for by the initial successes of Palestinian initiatives to "return to agriculture", as well as to promote self-sufficiency in foodstuffs such as vegetables, poultry, livestock and dairy products, at the village and district level. The former move has helped to advance pre-1988 trends towards diversification and consolidation of the domestic market. Increased sales of agricultural inputs to Palestinian rural communities are reported, comprising agricultural implements, water pumps, electricity generators, seeds and fertilisers. 60/ The "household economy" initiatives, entailing small-scale cultivation of fallow urban and marginal rural lands, have provided means of subsistence in periods of siege, curfew and market closures and increased popular awareness of the feasibility of encouraging Palestinian agricultural production. 61/ Both trends have been instrumental in helping to transform Palestinian trade relations with Israel by providing locally produced substitutes for Israeli agricultural exports to the occupied territory. They have also helped to productively absorb part of the Palestinian labour force which had stopped working in Israel or had become unemployed due to prevailing conditions.

50. Recent trends in diversification and improved field crop and livestock production hold special promise for Palestinian agriculture. Considering that all of Palestinian livestock and field crop output has been destined for local market consumption and processing, the potentials for enhanced food security in the occupied territory appear more encouraging than ever before. However, a number of prerequisites for Palestinian agricultural development remain unfulfilled under Israeli occupation, in addition to the urgent need for relaxation of the constraints imposed on Palestinian agriculture since the uprising. These prerequisites include, inter alia, free access by the Palestinian people to their land and water resources; vigorous and well-planned crop diversification, with a balanced approach to encouraging cultivation for exports while at the same time safeguarding Palestinian food security; and ensuring full participation of Palestinian producers in decision-making regarding the choice of crops, setting cultivation-area quotas, provision of material and financial inputs, pricing and access to markets.

51. Conditions in the Gaza Strip indicate the need for special attention in several areas. While the decline in the citrus fruit branch needs to be reversed, increased livestock production calls for intensive efforts. Steps are needed to permit Gaza Strip fishermen to return to productive areas off the coast from which Israeli measures have all but excluded them. Feasible local efforts in these areas could benefit from international technical support measures, while also presenting an opportunity for constructive and positive action by the Israeli authorities through permitting comprehensive and effective policy-reform.

B. Industry 62/

52. The structure of industry in the occupied Palestinian territory has changed minimally since the 1970s, and growth in the sector from 1981 to 1985 was nil. The interplay of a number of factors has characterized the dismal performance of Palestinian industry in the 1980s. A major impediment to Palestinian industrial development, until 1988, was the "dependent integration" of many domestic branches into the network of Israeli industrial and commercial interests. A range of factories were squeezed out of business, proving incapable of either competing with Israeli industries or serving their interests in the occupied territory (through subcontracting). Since the 1970s, growth in the number of Palestinian industrial establishments in fact disguises the concurrent elimination of many factories which could not survive in the new environment dominated by the much more sophisticated Israeli industrial sector. 63/ At the same time, a second group of Palestinian branches which could be linked to Israeli production processes on a subcontracting basis experienced significant expansion, especially in the period following 1980. A third group of Palestinian industries continued to operate well below capacity, geared to meet the minimum levels of domestic demand or of exports to Jordanian and Arab markets. A fourth group of industries to emerge more recently in the occupied territory has been in those branches where improvements in quality and productivity enabled penetration of some parts of the Israeli consumer market.

53. Palestinian industry has been generally incapable of resisting the pressures and trends that appear in the Israeli economy. Thus, Israeli economic expansion since 1985 was accompanied by a strong rate of growth in average monthly revenues of many Palestinian industrial branches, especially those where subcontracting predominates. In both the West Bank and Gaza Strip, the highest expansion in revenue during the period was in the textiles, clothing and leather products branches. Industry in the West Bank also benefited, in 1986 from the processing of the olive crop into 17,000 tons of oil, almost as much as the combined output of the three preceding years. Industry employed 7 per cent of the total Palestinian labour force, or 17 per cent of the labour force employed domestically, in 1987. By 1987, there were 2,462 enterprises in the West Bank and 1,793 in the Gaza Strip employing 11,983 and 7,285 workers respectively. This implies slightly larger industrial units in the West Bank (4.9 employed workers/unit) than in the Gaza Strip (4.1 employed workers/unit). Fuller utilization of previously idle capacity has improved the performance in indicators of industrial productivity (i.e., average monthly revenue per employed person) in the occupied territory. Revenue/labour productivity (in current dollar terms) doubled in Gaza Strip industry in 1986-1987, as compared to 50 per cent growth in the West Bank.

54. Recently available data allows for an examination of some aspects of industry in East Jerusalem, which has been excluded from official Israeli statistics on the West Bank ever since its occupation in 1967. 64/ As the largest urban centre in the occupied territory, East Jerusalem's economy is dominated by commercial and other service-related activities, and industry has remained small scale and stunted since Israeli occupation. The structure of industry in East Jerusalem is similar to that of the West Bank as a whole. A total of some 370 factories employed 2,028 workers in 1986. 65/ This implies an average size of 5.4 workers/industrial unit, slightly above that for the rest of the West Bank. The food and tobacco branch comprises plant units with

an average size of over 12 workers per plant, as compared to fewer than 5 workers/unit in most other branches. The branches with the highest share of employment are metal and aluminium products, followed by footwear and textiles, food and tobacco products, wood products and building materials.

55. It has recently been observed that Palestinian "industrial development ... in [East] Jerusalem has been very limited. For the most part, this sector can be characterized by small workshops engaged in rather small-scale production processes ..." 66/ In addition to the general constraints operating against Palestinian industry, a significant impediment to Palestinian industrial development in East Jerusalem has been the absence of industrial zoning to accommodate Palestinian industry. Israeli industries in Jerusalem benefit from four new, well-equipped industrial zones established since 1967, two of them in Palestinian-dominated areas of occupied East Jerusalem. However, only one pre-1967 zone is designated for Palestinian industry, in addition to a zone for vehicle repair-shops. Otherwise, the distribution of manufacturing zones in East Jerusalem has remained the same. "Most of the manufacturing continues to be concentrated within the walls of the Old City, in dozens of small, scattered units ..." 67/ Palestinian industry in East Jerusalem also suffers from a number of anomalies. It is denied government grants, unable to raise the needed finance for expansion, largely dependent on imported raw materials, faced with relatively high municipal tax rates and dwarfed in the local market by Israeli industries. This unfavourable environment forced many Palestinian enterprises to relocate outside the city limits, allowing operation at lower overhead and other costs.

56. Since 1988, new factors have influenced the performance of Palestinian industry in the occupied territory, namely Israeli measures and Palestinian initiatives to strengthen the productive base of the domestic economy. Industrial activity in 1988 continued despite the practical difficulties in implementing subcontracting arrangements, curfews and bans on transport which impaired supply to Israeli and export markets, and Israeli collective punishments which hampered the harvesting and processing of another good olive crop. Palestinian industrialists reported that, early in 1988, many Palestinian companies "were almost wiped off the market, because better quality Israeli products flooded the markets, many being sold under Arabic brand-names." 68/ The intensified Israeli tax-collection campaigns throughout the occupied territory brought especially severe pressure against Palestinian industrialists, who cannot avoid payment of levies imposed by the authorities for fear of being closed down or denied import and export permits. The owner of a large factory in the Gaza Strip explains that "in the past, we used to submit our yearly balance-sheet, signed by an accountant, and the authorities accepted it. Now, they charge us with sums which they determine and with which we cannot argue; and if we don't pay, the interest jumps to NIS 500 for each NIS 100, each month." 69/

57. Another dynamic has also been in operation since the beginning of the uprising, involving strong consumer preference for available Palestinian products instead of imports from Israel. 70/ By helping to eliminate the effects of unequal competition in the domestic market, this initiative would directly encourage Palestinian industrial production and allow producers to establish themselves in domestic markets, with potential sales of several hundred million dollars.

58. Many Palestinian industries, especially those producing handicrafts, construction-related materials, clothing and goods, are dependent on close production or marketing links with Israel and encountered severe difficulties in maintaining their operations in 1988. Meanwhile, others achieved some successes, a trend which was manifested in the rapid expansion of production and employment in many relatively "large-scale" Palestinian factories producing foodstuffs, soft drinks, tobacco, cleaning products and utensils, cosmetics, pharmaceuticals, batteries, paper and sanitary products, as well as some garments. Some Palestinian factories reported increased sales of up to 50 per cent, concurrent with falls on the same scale in sales of similar Israeli goods in the occupied territory. In some cases, new factories were established to meet domestic demand previously covered by Israeli products, and others worked three or four shifts a day or purchased used equipment from Israeli companies that had gone bankrupt, while local technological innovation resulted in new competitive product-lines for domestic and export markets.

59. Despite rising raw material prices in the wake of recent Israeli currency devaluations, Palestinian manufacturers maintained price levels or increased them only marginally. Salaries rose in line with the devaluation of the Jordanian dinar and workers received full salaries, regardless of strike and closure days which reportedly brought average monthly work days down from 26 to 14 during 1988. Consequently, industrial profit margins were sharply reduced. "Palestinian factory-owners, however, seem content with the shift in market trends, arguing that an irreversible major breakthrough into the Palestinian market has been achieved." 71/

60. However desirable, these new departures in Palestinian marketing patterns, which signal the beginning of an independent approach to dealing with the problems of the Palestinian industrial sector, should be viewed within the broader context of economic performance and its varied prerequisites. While such departures are certainly construed as important elements of Palestinian "self-protection" policies since the uprising aimed at helping to re-establish a much-weakened domestic productive base, a number of limitations impose themselves on the process. These include the relatively small size of the domestic market for some products, the inability to produce a range of goods which are presently imported, domestic raw material shortages, obsolete equipment and low investment in many branches, limited profits which discourage new investment, limited financial and credit facilities, inadequate transport and marketing arrangements, insufficient quality control and attention to packaging in some branches, and the generally weak policy co-ordination within the sector and the economy as a whole.

61. Notwithstanding these problem areas, there remains much room for elaboration and consolidation of the feasible and positive trends which have characterized Palestinian industrial performance since 1988. International assistance could help Palestinian industry and entrepreneurs in the occupied territory to deal effectively with these problem areas. In particular, such assistance could be focused on building up the institutions and expertise needed to rationalize and prioritize investment and expansion decisions in industry in a co-ordinated manner within the overall framework of economic policy. The identification of new export markets for Palestinian goods and technical assistance in marketing and improved production techniques remain important additional prerequisites for the development of the potentials of Palestinian industry. Issues such as industrial zoning, financial facilities, energy and physical infrastructure also call for urgent attention.

C. Population, labour and employment 72/

62. Reduced rates of emigration from the occupied Palestinian territory since 1983 have been the major factor in recent increased Palestinian population growth. Since 1982, the population of the West Bank has increased at annual rates of 2.4 to 3.0 per cent, compared to rates well below 2 per cent in the preceding years. In the Gaza Strip, population growth since 1983 has been well over 3 per cent annually, above the growth rates prevailing prior to that. In East Jerusalem, population growth has differed somewhat, with rates well above 3 per cent until 1980 falling to below 3 per cent since. This trend may be related to a falling Palestinian birth rate in the urbanized environment of East Jerusalem, in addition to a move by Palestinian residents of East Jerusalem to nearby areas outside municipal limits, where land for residential construction is easily available and less costly and where municipal tax rates are relatively low. In 1987, the Palestinian population in the occupied territory numbered at least 1,560,000, of whom 55 per cent lived in the West Bank, 9 per cent in East Jerusalem and 36 per cent in the Gaza Strip. Official Israeli projections for the year 2002 estimate total Palestinian population in the West Bank, East Jerusalem and Gaza Strip at 2,275,000. Given present population growth rates, in addition to the jobs required to absorb the vast number of unemployed, 16,000 new jobs were needed for new entrants to the labour force in 1988.

63. In 1987, the Palestinian labour force in the occupied territory (excluding East Jerusalem) totalled 284,000. This implies a crude activity rate of 38.5 per cent, as against 34 per cent in 1980. The rate is generally stronger in the West Bank than the Gaza Strip, a discrepancy which arises from the existence of fewer employment opportunities for women in the latter area and consequently a lower crude activity rate. The Palestinian labour force in East Jerusalem in 1986 numbered 25,000, exhibiting a crude activity rate of 32.8 per cent, which is lower than the rest of the occupied territory. The overall increase in Palestinian labour force participation since the early 1980s appears to reflect the impact of decreased migration abroad in search of work, more than increased female participation in the labour force. In fact, whereas women constituted 16 per cent of the total labour force in 1970, this proportion had declined to 9.5 per cent by 1987, and female crude activity rates fell from 11 per cent in 1970 to 7 per cent by 1987.

64. Israeli estimates show a decline between 1985 and 1987 in the total number and proportion of Palestinians in the occupied territory officially registered as unemployed (2.2 per cent in 1987), though other sources indicate a greater level of open and disguised unemployment in the occupied territory. 73/ Unemployment of Palestinians in East Jerusalem was officially registered at over 4 per cent, a rate which is higher than that given for the rest of the occupied territory.

65. In 1987, only 61 per cent (or 169,000) of employed Palestinians resident in the occupied territory (excluding East Jerusalem and those who had emigrated abroad in search of work) were able to find work in the domestic economy. Of these, 23 per cent were employed in agriculture, 17 per cent in industry, 11 per cent in construction and 49 per cent in public services, trade, transport and related services combined. As the share of agriculture in employment has declined steadily since the Israeli occupation of the Palestinian territory, employment in construction and services increased notably, with industrial employment gaining only marginally.

66. The remaining 39 per cent of those employed travelled on a daily, seasonal or irregular basis to places of work in Israel and its settlements in the occupied territory. This rate of employment in Israel, the highest ever reached, allowed migrant labourers to secure sufficient work to maintain subsistence levels but did not provide full employment for them throughout the year. In addition, Palestinians employed in Israel contribute regularly to Israeli national insurance schemes without enjoying the benefits extended under similar circumstances to Israeli workers. Of the 109,000 Palestinians employed in Israel in 1987, 14 per cent were in agriculture, 18 per cent in industry, 46 per cent in construction and 22 per cent in services, proportions which have changed minimally since the 1970s. Palestinians resident in East Jerusalem are mainly employed in trade, transport and personal and other services (42 per cent in 1985), public services (29 per cent), industry and electricity (15 per cent) and construction (14 per cent). These proportions, which differ notably with the labour force composition in the rest of the occupied territory (especially as regards the total absence of agricultural employment), are representative of an urban labour force, mainly devoted to commercial and related activities.

67. The major transformation in employment patterns since 1988 has been in the size and composition of the Palestinian labour force working in Israel. Though comprehensive data are not available, the levels and impact of labour "absenteeism" have been significant. By mid-1988, at least 20 per cent of Palestinians (excluding Palestinians from East Jerusalem) who previously worked in Israel had fully withdrawn from jobs there. 74/ Other more recent estimates, both Israeli and Palestinian, have set a higher rate of absenteeism, namely between 22 and 40 per cent. 75/ A differential sectoral impact of absenteeism can be noticed, with the highest rate of some 40 per cent in Israeli construction, followed by 32 per cent in industry and 20 per cent each in agriculture and services. 76/ Accordingly, it may be calculated that by the end of 1988, under 70 per cent (75,000) of the Palestinian labour force employed in Israel continued to work there, a level last witnessed in 1980. For most of the largely unskilled "returnee" labour force, domestic alternatives for remunerative employment are at present virtually nil owing to Israeli restrictions on the expansion of production sectors. Job opportunities in the Arab States have also contracted. Preoccupation with the irregular flow of Palestinian labour supply has been an important factor in trends to further reduce the influx of Palestinian labour. The Israeli authorities recently adopted measures to selectively import Palestinian workers from the occupied territory by applying strict controls including passes, employment permits and restrictive transport arrangements to channel their flow to, and movement inside, Israel. 77/ Such practices are likely to further reduce the number of Palestinians working in Israel by ending "irregular" labour arrangements.

68. The recent Palestinian labour force structure indicates an increase in the domestic labour force in 1988 of 34,000 "returnees", plus some 16,000 new entrants, equivalent to an overall growth in the domestic labour force of some 50,000 (30 per cent) above the 1987 level of 169,000. This constitutes a serious challenge for Palestinian domestic sectors, whose labour absorption capacity, however much strengthened by initiatives in agriculture and industry, is certain to be strained above its limits by such an influx, especially in the critical economic situation that has emerged in the occupied territory since 1987. Already, widespread unemployment has been reported, though local employers are trying to avoid dismissals under the growing

economic pressures. Barring any significant improvement in gross domestic product as a result of increased domestic employment and production in 1989, the mounting absenteeism alone could cause a net loss in Palestinian GNP of some \$180 million in terms of factor income. 78/

69. These developments reaffirm the relevance of the recommendations contained in previous reports and studies of UNCTAD which call, *inter alia*, for the vigorous creation of local employment opportunities to reduce dependence on external sources and productively utilize labour in priority domestic sectors. The special hardships faced by the more impoverished sections of the labour force, especially those in the Gaza Strip and other persons unemployed since the uprising, deserve special attention. The lack of a system of social security and insurance benefits in the occupied territory for Palestinians employed in Israel also constitutes an important area of concern to be seriously dealt with in the reform of the financial system in the occupied territory in order to ensure the welfare and improve the working conditions of the Palestinian labour force.

D. Finance: money, banking and fiscal developments

70. The deterioration in Palestinian economic conditions in 1988 was accompanied by growing financial pressures in the occupied territory. The functioning of the inadequate financial system was further constrained by the devaluation of the major currencies in circulation in the territory, new limitations on financial flows and intermediation, and the heavy taxation of an already overburdened population. While most of these measures were part of Israeli policies pursued in the context of the Palestinian uprising, others reflected developments in the neighbouring economies with direct bearing on the economic situation in the occupied territory. This has again highlighted the vulnerable nature of the financial sector in the occupied territory and its exposure to external factors with few, if any, means at its disposal to protect the interest of the Palestinian economy and its institutions.

71. As of mid-1988, the Jordanian dinar, which is the major currency used in the occupied territory for transactions and savings, began to lose value against the Israeli shekel (the other major currency in circulation in the occupied territory) and the United States dollar. This came as an unexpected development for the population of the occupied territory, which since 1948 has depended on the stability of the Jordanian currency for most commercial and personal dealings. The early declines in value were in the order of 10 per cent, though subsequent falls until early 1989 brought the dinar's value down by some 40 per cent of its pre-1988 level against the shekel and dollar. 79/ By March 1989, action by the Jordanian monetary authorities appeared to have succeeded in halting the decline and stabilizing the dinar exchange rate. In addition to the generally uncertain economic climate of 1988, the decline in the value of the dinar was also related to factors in the occupied territory. These included a flow of dinars into the territory as dwindling local sources of income necessitated drawing on savings held locally and elsewhere, exchange of dinars into dollars and even Israeli shekels, and speculation by moneychangers and others which aggravated the shekel-dinar-dollar-shekel exchange process that had prevailed previously. Palestinians also suffered reduced shekel purchasing power after the Israeli currency was devalued by 15 per cent in early 1989 and prices of basic foods and other imports from Israel rose.

72. Meanwhile, Israeli restrictions on the flow of funds into the occupied territory and on indigenous banking facilities further strained the already depleted Palestinian financial resources. In early 1988, the authorities limited the amounts of monthly transfers into the territory to \$1,000 per person; at the end of 1988, this limit was further reduced to \$400. For sums exceeding these limits, a special permit must be requested from the military authorities, specifying the source and purpose of the transfer. These restrictions apply equally to individuals, businesses and institutions, and international organizations have been required to submit to close supervision by the Israeli authorities of their transfers to the territory. 80/

73. Other Israeli restrictions have further limited the minimal banking services available in the territory. Though the recently reopened Cairo-Amman Bank was allowed to open its second and third branches in the occupied territory in 1988, permission to open another branch was still pending in mid-1989. Despite these developments, the Bank has not been able to extend all its services to its clients and cannot deal in foreign exchange transactions. The Bank of Palestine in the Gaza Strip is similarly restricted by Israeli measures. The West Bank offices of the Arab Bank Ltd., which had provided limited endorsement services for local clients (though not accepting deposits), were closed down indefinitely by Israeli military order in October 1988. In response to the financial crisis in the occupied territory, a number of moneychangers also closed their businesses. The difficult conditions attached to the operation of these local institutions render them incapable of meeting the vast credit and other financial requirements of the rapidly deteriorating Palestinian economy in the occupied territory. Meanwhile, many of the 22 branches of Israeli banks have withdrawn from the occupied territory.

74. At the same time, the Israeli authorities escalated efforts to force the Palestinian people in the occupied territory to pay taxes and fines. This was prompted by the "tax-revolt" among Palestinians since the uprising. Payment of taxes to Israeli authorities was avoided to the extent possible, given the harsh Israeli tax collection measures. This move was rooted in the view that these levies were not legitimate and were incompatible with reductions in an already low level of budgetary expenditures on Palestinian economic and social sectors. Estimates by the authorities of assumed income in 1988 have been based on tax returns for previous years, in which levels of actual income earned far surpassed those of 1988. At the same time, taxes were imposed on businesses that had already gone bankrupt under the prevailing conditions. Since 1988, strict tax-enforcement procedures have been instituted by the Israeli authorities, including spot-checks and "tax-raids" on businesses by military and tax authorities. Most official documents, permits, and travel passes are now issued only upon presentation of a "tax clearance certificate" issued by the Israeli tax authorities to confirm payment by the applicant of income and property taxes, value-added taxes, import duties and various other levies imposed by the occupation authorities. 81/

75. It is expected that the fall in revenues caused by non-payment of taxes will be compensated for by more vigorous tax-collection measures by the occupation authorities. While these were officially explained as necessary to cover the budget of the civil administration, the latter has cut back on some basic services since the uprising, including health, education and administrative expenditures. It has been recently reaffirmed by Israeli observers that Israeli revenues from the occupied territory since 1967 have consistently outstripped expenditures. "The areas are not a burden on the

Israeli taxpayer; against the sums collected by the Israeli Ministry of Finance monthly and annually, from the residents of the areas, the latter receive nothing in return in the form of general services or social benefits. 82/

76. The impact of these new restrictions has already been felt by most sectors of the Palestinian economy and population. Palestinian financial resources have been stretched by the drastically reduced purchasing power of incomes and savings, the price rises of major commodities, reduced levels of external financial support coupled with stepped-up extraction of more revenues through taxes, levies and fines, and reduction in budgetary expenditures. As a result of recent rapid depreciation of the currencies in use, Palestinian exports often embodying raw materials or production costs paid for in dollars could either become more expensive and thus less competitive, or else incur losses to producers and exporters if prices are not adjusted or other compensatory measures are not instituted.

77. Meanwhile, exporters are severely constrained by the restrictions on, and conditions attached to, the return of export proceeds to the territory. Small and large businesses and individuals have seen the real value of income, savings and profits cut by almost half since mid-1988, whereas compensatory arrangements in Israel and neighbouring countries have protected local consumers from part of the effect of currency devaluations. "Without jobs or savings, and having to pay higher prices, the residents of the territories will have to contend with a 50 per cent drop in the standard of living ..." 83/

78. Some Palestinian institutions and businesses have been forced to close down and dismiss employees due to the present financial crisis. Confidence in the Jordanian currency, once preferred over the dollar, remains strong, notwithstanding recent shifts in preference towards other assets and the impact of speculative practices. Given the inadequacy of the banking system, the closure of West Bank moneychangers has impaired the once-significant role of informal financial intermediation in the territory. These constraints, coupled with the inherent inadequacies of the existing financial structures, point to the urgent need for a relaxation of the growing Israeli measures and the reform of the Palestinian monetary and fiscal systems as elaborated by UNCTAD in recommendations contained in its previous reports presented to the Trade and Development Board. 84/ The recent developments accompanying the Palestinian uprising and the rapidly deteriorating economic situation in the occupied territory reiterate the significance and continued relevance of these recommendations.

E. Balance of payments, trade and related services 85/

79. By 1987, the Palestinian balance-of-payments position had become especially precarious. A large current account deficit (\$210 million) was covered in the capital account by increased net transfers (\$130 million) and net capital movements (\$80 million) to the territory. The deficit entailed the largest-ever Palestinian merchandise deficit (\$655 million), which was partially compensated for by a surplus in labour, tourism and other services (\$445 million). Trade with Israel accounted for 95 per cent of the deficit in goods and most of the surplus in services. The total value of Palestinian goods and services transactions with Israel in 1987 surpassed \$2.1 billion, equivalent to 85 per cent of total Palestinian trade transactions. The

territory's external sector, once diversified and enjoying relatively wide export market potentials, had fallen under the overwhelming influence of the Israeli economy.

80. Developments in 1988 confirmed the trends and accentuated the problems noted in the secretariat's examination of the performance of and constraints on Palestinian external trade. 86/ In the context of reduced economic activity during the uprising, Palestinian external trade witnessed setbacks in 1988 owing to new restrictions on an already inadequate distribution and marketing system. Related services, especially tourism, domestic commerce and transport, were particularly disrupted during 1988 as the burden of sharply reduced activity and income, heavy taxation, commercial strikes and Israeli curfews and restrictions on movement took their cumulative toll. 87/ The impact was strong in the East Jerusalem business districts, which in 1986 comprised 1,572 commercial establishments, 136 professional and personal service offices, 97 tourism enterprises and 24 car repair garages, together employing some 9,000 people or some 40 per cent of the city's Palestinian labour force. 88/ The steep fall in visitors from abroad and regular disturbances contributed to the sharp decline in tourism activity, estimated to have fallen by 90 per cent of 1987 levels. 89/ This was reflected in the closure of restaurants, travel agencies, handicraft workshops, small souvenir and retail outlets and at least seven of East Jerusalem's 39 hotels, which reported vacancy rates during the peak 1988/89 tourist season at over 65 per cent. 90/ Palestinian public transport services were curtailed by Israeli measures, including requirements to renew licenses, registration and insurance of vehicles as part of escalated tax collection procedures.

81. There were significant transformations in Israeli-Palestinian trade patterns in 1988, most notably a decline of 30 per cent in imports from Israel (from \$930 million to \$650 million), 27 per cent in merchandise exports to Israel (from \$304 million to \$222 million) and 4.5 per cent in service export proceeds (from \$670 million to \$640 million). The decline in service exports though not on the same scale as the decline in merchandise trade, is best viewed against (pre-1988) official Israeli expectations of an increase in Palestinian service exports to \$750 million in 1988. The resulting current account deficit with Israel fell from \$175 million in 1987 to \$56 million in 1988, a level characteristic of the mid-1970s when Palestinian economic performance was at much lower levels. Data are not available on the performance of the Palestinian balance of payments with the rest of the world, though the deficit could be large owing to decreased receipts for Palestinian merchandise, labour service exports and tourism, notwithstanding reduced payments for goods and services imported from abroad.

82. While much of the fall in merchandise imports from and labour service exports to Israel may be attributed to Palestinian initiatives to reduce dependence on Israel, other factors noted above also contributed to the developments in 1988. Reduced income and purchasing power brought about self-imposed "household austerity" measures and generally lower levels of consumption in all sectors of the Palestinian economy, thus encouraging trends to decrease imports. In addition to the impact of reduced domestic production, the export of industrial and agricultural products was seriously hampered by the restrictions and policies discussed earlier.

83. Decline in agricultural exports was not restricted to trade with Israel, which in any case imports relatively small quantities of Palestinian commodities. Of greater concern was that Palestinian exports to/through Jordan and to the rest of the world would be impaired by Israeli restrictions on trade and the associated circumstances during the uprising. Available data indicates that exports of agricultural produce to/through Jordan decreased in the second part of 1988, owing to the various factors (discussed in part I) which affected domestic production and the movement of goods across the Jordan river bridges. 91/ Furthermore, the serious inadequacies in Palestinian trade infrastructures (institutional, physical, technical) noted recently by the secretariat continue to handicap the economy and its potentials for improved export performance. 92/

84. One area of external trade which held special promise for Palestinian agricultural producers involved the preferential tariff arrangements benefiting Palestinian exports to the EEC. Gaza Strip citrus exporters were the first to take advantage of this important breakthrough in Palestinian export prospects. In the summer of 1988, the first direct export agreement between Palestinian producers and European importers was concluded, followed in October 1988 by an agreement between Palestinian producers and the Israeli authorities. 93/ The agreement covered a total quantity of 16,000 tons of grapefruit and oranges to be transported in three shipments between 15 October 1988 and April 1989 via the Israeli port of Ashdod. The citrus was to be marketed under the brand name GAZA TOP. The agreement stipulated that the growers would deliver f.o.b. at Ashdod, while the importers would arrange for port handling, chartering of vessels and the financing and supply of the cartons needed for delivery, the cost to be deducted from the sales account. Subsequently, the Gaza Strip exporters were granted an export license by the Civil Administration, and the first shipment of Gaza Strip grapefruits to be directly marketed in EEC countries under a Palestinian brand name for over 20 years left Gaza in December 1988. 94/ Soon after, exporters in the Jericho region of the West Bank signed a similar contract for export of Jordan valley aubergines and received the relevant export licenses. 95/

85. However, subsequent developments proved disappointing for Palestinian exporters. A number of factors were cited by exporters to account for the unsatisfactory results of these first shipments. These included delays in loading goods owing to transport problems via Israel, strict security checks at Ashdod port by the Israeli authorities, delays in sea transport and damage to goods caused by tampering with refrigeration facilities on the Israeli ships, unwarranted delays in unloading goods at their destination and distribution to wholesale markets within the period specified in the agreement, and a fall in prices by the time the goods reached markets. 96/ The losses to Gaza Strip citrus exporters as a result of these factors and unforeseen transport and storage costs were estimated at \$300,000. 97/ The West Bank exporters requested compensation from the Israeli shippers for damages due to improper cold-storage, 98/ while Gaza Strip exporters appealed to the EEC to salvage the export deal, asserting that they were mistaken to have failed to agree on minimum prices for the goods. While the EEC delegate in Israel stated that the EEC had established the legal and political framework for the export process and could not "enter into the details of commercial deals", he added that Gaza Strip producers had affirmed "that they are as keen as the Community is to see the flow of exports continue". 99/

86. These developments reaffirmed, inter alia, the urgent need for the provision of necessary infrastructures to promote and develop Palestinian external trade. At the forefront of feasible action is the establishment of a Palestinian marketing facility in the occupied territory capable of effectively promoting exports and helping to rationalize imports and patterns of domestic trade. This proposal responds to priority Palestinian development needs and is an area where UNCTAD could intensify its efforts at extending operational assistance to the Palestinian people, in conjunction with related efforts by the international community and the competent organizations such as ITC. The annex to this report provides a brief account of the measures taken by the UNCTAD secretariat in this regard. On the other hand, the recent report and study prepared by the secretariat 100/ comprise comprehensive policy measures to develop the Palestinian trade sector. These can provide further feasible guidelines for action by the international community and the relevant authorities in the occupied Palestinian territory. The measures proposed include, inter alia, the development of quality and health control facilities, improved packaging procedures and materials, enhanced access to markets, better transport and storage facilities, a more prominent role for chambers of commerce, co-operatives and research facilities, and the provision of adequate financial and credit facilities capable of serving the Palestinian trade sector.

Notes

1/ In its resolution 43/176 of 15 December 1988 on the "Question of Palestine", the General Assembly uses the terminology "Palestinian territory occupied since 1967 ..." to describe the area previously referred to as "Occupied Palestinian territories". Unless otherwise stated, the designations "the territory" and the "occupied territory" in this report refer to the occupied Palestinian territory (West Bank, including East Jerusalem, and the Gaza Strip).

2/ For an examination of the legal implications of Israeli policies and practices, see R. Shehadeh, Occupiers' Law - Israel and the West Bank (Washington D.C., Institute for Palestine Studies, 1985); A. Qasim (ed.), The Palestine Yearbook of International Law, (Nicosia, Al-Shaybani Society of International Law, 1985); United Nations, The Legal Status of the West Bank and Gaza, (New York, United Nations, 1982).

3/ See, S. Gazit, The Carrot and Stick: Israeli Rule in the West Bank (Nicosia, Beisan Press, 1986) (in Arabic).

4/ Ibid., p. 191.

5/ See previous reports by the UNCTAD secretariat on this subject, namely "Review of the economic conditions of the Palestinian people in the occupied Palestinian territories" (TD/B/1065), 1985; "Recent economic developments in the occupied Palestinian territories" (TD/B/1102), 1986; "Recent economic developments in the occupied Palestinian territories; with special reference to the financial sector" (TD/B/1142), 1987; and, "Recent economic developments in the occupied Palestinian territories, with special reference to the external trade sector" (TD/B/1183), 1988.

- 6/ D. Seger, "Israel and the economy of the areas" Haaretz, 20/4/88-5/5/88 (in Hebrew).
- 7/ Jerusalem Post, 17/2/89.
- 8/ International Herald Tribune, 16/5/89.
- 9/ Jerusalem Post, 30/12/88.
- 10/ The Israel Economist, March 1989; Jerusalem Post, 7/7/88, 15/7/88, 17/7/88, 15/8/88, 28/8/88, 19/12/88, 30/12/88, 1/2/89, 12/2/89, 17/2/89, 20/2/89, 28/2/89, 15/3/89, 29/3/89, 17/4/89, 8/5/89, 17/5/89, 19/5/89; Al-Fajr, 18/9/88, 25/9/88, 11/10/88, 23/10/88, 30/10/88, 26/12/88, 23/1/89, 27/3/89, 15/5/89; Time Magazine 3/4/89; International Herald Tribune, 30/5/8. Also see United States, Department of State, Country Reports on Human Rights Practices for 1988 (Washington D.C., 1989), pp. 1383-1386.
- 11/ H. Shanar, Economic and social conditions in the context of the uprising (Jerusalem, Palestinian Academic Society for International Affairs, 1989) (in Arabic); A. Samara, The West Bank and Gaza Strip economy: from blocked development to popular protection (Acre, Dar al Aswar, 1988) (in Arabic); Jaffa Press and Documentation Centre, "Economic and social consequences of the uprising in the occupied territories" (Jerusalem, The Centre, November 1988) (in Arabic); A. Alawneh, "The effects of the uprising on the Palestinian economy and the Israeli economy" (unpublished, March 1989) (in Arabic); League of Arab States, Economic and Social Council, Forty-Sixth Session, Annex to Agenda Item 2, "Economic and social conditions in the occupied Palestinian territories" (Tunis, The League, 22-25/2/1989) (in Arabic); S. Ryan, "Economic dimensions of the uprising", Middle East Report, November-December 1988, pp. 38-41; J. Gabriel, "The economic side of the uprising", Journal of Palestine Studies, No. 69, Autumn 1988, pp. 198-213; A. Rigby, Economic Aspects of the Intifada (Jerusalem, PASSIA, 1988).
- 12/ Gabriel, op.cit., p. 203.
- 13/ Ryan, op.cit., p. 40.
- 14/ Meron Benvenisti, quoted in Gabriel, op.cit., p. 202.
- 15/ League of Arab States, op.cit., p. 30; for further information on Palestinian initiatives, reference can also be made to the periodic communiqués issued by the "Unified National Command of the Uprising", which may be consulted in Filasteen al Thawra (in Arabic) from December 1987.
- 16/ South Magazine, July 1988, p. 32.
- 17/ The Israel Economist, February 1989, p. 23.
- 18/ Jerusalem Post, 29/12/88.
- 19/ Jerusalem Post, 11/8/88.
- 20/ Al-Hayat, 2/6/89 (in Arabic).

21/ In Journal of Palestine Studies, No. 69, Autumn 1988, pp. 279-83.

22/ Ibid., pp. 286-300.

23/ Ibid.

24/ Financial Times, 8/2/89.

25/ League of Arab States, op.cit.

26/ Ibid.

27/ See "Recent economic ..." (TD/B/1183), para. 88, and "Palestinian external trade under Israeli occupation" (UNCTAD/RDP/SEU/1), paras. 279-288.

28/ "Joint European Commission/Israel Conclusions on Exports from the Territories", Brussels, 7 December 1987.

29/ "Memorandum regarding procedures for the export of agricultural produce by growers in the administered areas", Jerusalem, 31 March 1988, in M. van den Top et.al., "Export of agricultural produce from the West Bank and the Gaza Strip", Report of a second mission sent by the Netherlands Government, July 1988, Part 2, annex II.

30/ "Agreement between the Agricultural Cooperative Union and the Benevolent Society of Gaza, and the Israeli Government Inter-ministerial Committee", 10 October 1988.

31/ Ibid., item B.

32/ Ibid., item H.

33/ For a recent examination of UNRWA's humanitarian role in the occupied territory, see, B. Schiff, "Between occupier and occupied: UNRWA in the West Bank and Gaza" Journal of Palestine Studies, No. 71, Spring 1989, pp. 60-75.

34/ See "Recent economic ..." (TD/B/1142), paras. 104-121, and "Recent economic ..." (TD/B/1183), Part II.

35/ The periodicity with which data become available and the recent publication of time-series in constant prices allow for an update covering main statistical indicators for 1981-1987 in addition to information on developments since 1988. Unless otherwise mentioned, data presented below do not cover occupied East Jerusalem, which is excluded from official series on the occupied Palestinian territory.

36/ Unless otherwise indicated, data presented in this section for the 1981-87 period are calculated from: (1) Israel, Central Bureau of Statistics, "Judea, Samaria and Gaza Area Statistics" (Jerusalem, CBS, 1985), vol. XV, No. 1, pp. 168 and 175 for 1981-1983 GDP figures; (2) Israel, Central Bureau of Statistics, Statistical Abstract of Israel (Jerusalem, CBS, 1985), p. 711, for 1981-1983 GNP figures; (3) Israel, Central Bureau of Statistics, Statistical Abstract of Israel (Jerusalem, CBS, 1987), pp. 705 and 707, for GDP and GNP figures for 1984; (4) Israel, Central Bureau of Statistics,

Statistical Abstract of Israel (Jerusalem, CBS, 1985, 1986 and 1987), pp. 708, 688 and 706, for figures for factor income, transfers and gross national disposable income (GNDI) in 1981, 1982 and 1983, respectively; (5) Israel, Central Bureau of Statistics, Statistical Abstract of Israel (Jerusalem, CBS, 1988), p. 705, for all population figures (end-of-year estimates) (6) Israel, Central Bureau of Statistics, Judea, Samaria and Gaza Area Statistics (Jerusalem, CBS, 1989), vol. XVIII, No. 2, pp. 19-37, for all figures for 1985-1987. All figures originally expressed in Israeli currency have been converted into United States dollars using the average annual exchange rate as quoted in International Monetary Fund, International Financial Statistics (Washington D.C., IMF, 1988). Repeated devaluation of the Israeli currency has brought the exchange rate down from the equivalent of NIS 0.00035 = \$US1 in 1968 to NIS 1.4878 = \$US1 in 1986.

37/ "The Palestinian financial sector under Israeli occupation" (UNCTAD/ST/SEU/3), chap. I; "Palestinian external trade ..." chap. I.

38/ Shanar, op.cit., pp. 50-62.

39/ This estimate is close to that indicated in other sources, e.g. F. Collins, "The Economics of David and Goliath", in Al-Fajr, 23/1/89.

40/ Palestine Liberation Organisation, Department of Occupied Homeland Affairs, Economic and social conditions in the occupied homeland (February 1989), pp. 134-138 (in Arabic).

41/ These figures do not cover net losses in domestic economic activity or compensations to government and other public-sector-related employees, whose annual wage bill alone is at least \$65 million.

42/ "The Palestinian financial ..." chapter IV.

43/ Unless otherwise indicated, data presented in this section for the 1981-1987 period are calculated from: (1) Israel, Central Bureau of Statistics, Judea, Samaria and Gaza Area Statistics (Jerusalem, CBS, 1987), vol. XVII, No. 3, pp. 80, 84, 90, 94, for 1981-1984 figures on gross disposable private income and private savings; (2) Israel, CBS, "Statistical Abstract ... 1985", p. 710, for 1981-1983 figures on private consumption expenditure and gross domestic capital formation (GDCF); (3) Israel, CBS, "Statistical Abstract ... 1987", p. 708, for GDCF in 1984; (4) Israel, CBS, "Judea, Samaria ... vol. XVIII, No. 2", pp. 19-37 for all 1985-1987 figures.

44/ See, for example, "Recent economic ..." (TD/B/1183), paras. 26-28.

45/ See M. Yunis, Community Development Versus Personal Prosperity: Israel's Pacification Policy in the West Bank and Gaza Strip (Amman, Yarmouk University Centre for Hebraic Studies, 1987).

46/ Filasteen al Thawra, 19/2/89 (in Arabic).

47/ Al Quds, 20/10/88 (in Arabic); Filasteen al Thawra, 2/4/89 and 9/4/89 (in Arabic); also see, Alawneh, "The effects of the uprising ...".

48/ Ryan, op.cit., p. 41.

49/ A. Samara, quoted in Shanar, op.cit., pp. 38-39.

50/ Samara, quoted in Shanar, op.cit., pp. 30-31.

51/ The Israel Economist, March 1989.

52/ Unless otherwise indicated, data presented in this section for the 1981-1987 period are calculated from: Israel, CBS, "Judea, Samaria ... vol. XVIII, No. 2.", pp. 61-66.

53/ A. al-Jayyusi, Filasteen al Muhtalleh 1985-1987 (Amman, Karmel Publishers, 1988), pp. 135-136 (in Arabic).

54/ Hydrotechnica, "Jordan and the occupied territories - rehabilitation of irrigation wells and water" (London, 1987).

55/ Shanar, op.cit., p. 55.

56/ Jerusalem Media Centre, The Siege of Agriculture (Jerusalem, The Centre, October 1988).

57/ Ryan, op.cit., p. 40; heavy losses to Gaza Strip farmers are reported in "Memorandum, 30/12/88" (unpublished, in Arabic) of the Bank of Palestine, the Gaza Strip.

58/ Al-Fajr, 13/2/89.

59/ Jerusalem Post, 17/2/89.

60/ Al-Quds, 20/10/88 (in Arabic).

61/ See Palestinian Agricultural Relief Committee, "Household economy in the occupied territories - prospects for development" (Jerusalem, PARC, 1988); League of Arab States, op.cit.; Ryan, op.cit.; and Gabriel, op.cit.

62/ Unless otherwise indicated, data presented in this section for the 1981-1987 period are calculated from: Israel, CBS, "Statistical Abstract ... 1986, 1987, 1988", pp. 718-19, 735-36, and 740-41 respectively.

63/ See S. Haifa, Country Study on the Industrial Sector in Palestine, 1975-1987 (Bir Zeit University, unpublished, 1989) (in Arabic), for a recent in-depth examination of Palestinian industry in the occupied territory. Also see S. Bahiri, Industrialization in the West Bank and Gaza (Jerusalem, West Bank Data Base Project, 1987) and The Israel Economist, May 1988.

64/ A. Alawneh and Q. Abu Harb, Economic Conditions in Arab Jerusalem (Jerusalem, Arab Studies Society, 1988) (in Arabic). This unique study and its field survey results do not include data in time series, thus preventing any firm conclusions regarding growth trends and changes.

65/ Municipal tax records for Jerusalem in 1986 reveal a smaller number (269) of Palestinian industrial enterprises, including handicrafts; see Municipality of Jerusalem, Statistical Yearbook of Jerusalem 1986 (Jerusalem,

The Municipality, 1988) p. 285. This figure appears to be lower than the actual number of establishments due to the diversion of residential properties for industrial purposes and differences in definition between sources.

66/ B. Hyman et.al., Jerusalem in Transition: Urban Growth and Change, 1970s-1980s (Jerusalem, The Jerusalem Institute for Israel Studies, 1985), p. 28. Also, see Alawneh et.al., "Economic conditions.

67/ Hyman, op.cit., p. 30. See also the special issue, of Samed al Iqtisadi, No. 72, April-June 1988 (in Arabic), for an examination of different branches of Palestinian industry in East Jerusalem.

68/ Al-Fajr, 1/5/89.

69/ Jerusalem Post, 17/2/88.

70/ See, Filasteen al Thawra, 2/10/88, 6/11/88 (in Arabic); Al-Hayat, 28/2/88 (in Arabic); Jerusalem Post, 17/2/88; Al-Quds, 29/10/88; Shanar, op.cit., pp. 40-41; Jaffa Press, op.cit.; Al-Fajr, 1/5/88.

71/ Al-Fajr, 1/5/89.

72/ Unless otherwise indicated, data presented in this section for the 1981-1987 period are calculated from: (1) Israel, CBS, "Statistical Abstract ... 1988", pp. 705-07 for population, pp. 722 and 727 for labour force and employment in 1985-1987; (2) Municipality of Jerusalem, op.cit., for all figures on East Jerusalem. Alternative (higher) estimates of the population of the occupied Palestinian territory may be consulted in M. Benvenisti and S. Khayat, The West Bank and Gaza Atlas (Jerusalem, West Bank Data Base Project, 1988).

73/ See International Labour Office, "Report of the Director-General, Appendices (Vol. 2)" (Geneva, ILO, 1989), for a recent examination of the conditions of employment of Palestinian workers in the occupied territory. Also, see United States, op.cit., pp. 1373-1375.

74/ Jerusalem Post, 23/8/88.

75/ Jerusalem Post, 10/2/89; Shanar, op.cit., p. 50.

76/ Jerusalem Post, 23/8/88, 23/3/89; 23/5/89.

77/ Jerusalem Post, 17/5/89, 18/5/89, 19/5/89, 31/5/89; International Herald Tribune, 30/5/89; also see, Alawneh, "The effects of the uprising ..."

78/ Calculated according to average per capita rates of factor income from Israel in 1987 (\$580 million) and the total number of absentee workers in 1988.

79/ Jerusalem Post, 26/8/88, 10/2/89, 17/2/89, 24/2/89, 16/3/89; Al-Fajr, 28/8/88, 13/2/89; Al-Hayat, 24/2/89 (in Arabic); Filasteen al Thawra, 19/2/89 (in Arabic); The Israel Economist, March 1989; Alawneh, "The effects of the uprising ...".

80/ Al-Fajr, 21/8/88, 26/12/88; Jerusalem Post, 15/8/88, 19/12/88.

81/ Time Magazine, 3/4/89; See Alawneh "The effects of the uprising ..." for estimates of amounts of taxes collected since 1988. See "Data base extracts on economic issues and related Israeli practices in the occupied Palestinian territory (West Bank and Gaza Strip) July 1987-December 1988" (UNCTAD/RDP/SEU/3), for details of the application of these measures.

82/ Seger, op. cit., 28/4/88.

83/ Jerusalem Post, 10/2/89.

84/ See "The Palestinian financial ...", chap. V, and "Recent economic ..." (TD/B/1142).

85/ Unless otherwise indicated, data presented in this section for the 1981-1987 period are calculated from: (1) Israel, CBS, "Judea, Samaria ..." (Vol. XVIII, No. 2" for 1987 figures; (2) Israel, Central Bureau of Statistics, Monthly Bulletin of Statistics, Supplement, January 1989, pp. 69-80 for figures on 1987-1988 balance of payments with Israel.

86/ See "Palestinian external trade ..." and "Recent economic ..." (TD/B/1183).

87/ Al-Quds, 20/10/89; 15/12/89 (in Arabic). See the special issue of Samed al Iqtisadi, January-March 1988 (in Arabic), No. 71, on problems facing the Palestinian tourism sector until 1988.

88/ Alawneh, "Economic conditions ...", pp. 19-30, 49, 57 and 75-82.

89/ Al-Quds, 12/9/88 (in Arabic).

90/ Shanar, op. cit., pp. 61-62.

91/ Data obtained from Jordan, Ministry of Agriculture, Directorate of Agricultural Economy and Planning, Department of Statistics, Amman, 1989.

92/ See "Palestinian external trade ...", chap. III.

93/ "Agreement on direct exports of citrus from the Gaza Strip to the EEC", 3/7/88, and related correspondance, in van den Top et.al., "Export ... Part 2", annexes VII and VIII.

94/ Jerusalem Post, 31/7/88; Al-Fajr, 26/12/88.

95/ Al-Fajr, 16/10/88.

96/ Jerusalem Post, 1/2/89, 27/2/89; Financial Times, 2/2/89; Al-Fajr, 13/2/89.

97/ Jerusalem Post, 1/2/89.

98/ Al-Fajr, 13/2/89.

99/ Jerusalem Post, 1/2/89.

100/ See "Palestinian external trade ..." and "Recent economic ..." (TD/B/1183).

Annex

REVIEW OF THE WORK OF THE SPECIAL ECONOMIC UNIT
(PALESTINIAN PEOPLE), 1988-1989

(i) Pursuant to the provisions of Conference resolutions 146 (VI) and 169 (VII) and in line with the 1988-1989 work programme of UNCTAD, the work of the Special Economic Unit at UNCTAD during the period July 1988-June 1989 was concentrated in the following areas: (1) monitoring and analysing policies and measures of the Israeli occupation authorities that affect the performance of the economy of the occupied Palestinian territory: (2) investigating the impact of such policies on key economic sectors and examining feasible recommendations, including proposals for the provision of technical assistance, aimed at promoting the performance of these sectors and enhancing their contribution to the development of the Palestinian economy: (3) developing the data base of the Unit for the implementation of its work programme, as well as for dissemination and exchange of information on the economy of the occupied Palestinian territory: and, (4) contributing to the relevant activities of the organizations of the United Nations on the Palestinian economy in accordance with General Assembly resolutions. In carrying out these tasks, close consultations have been maintained with the representatives of Palestine a/ and other concerned authorities. Accordingly, the following specific activities were undertaken:

(ii) The 1989 report of the UNCTAD secretariat on "Recent economic developments in the occupied Palestinian territory" (TD/B/1221) was completed for submission to the Trade and Development Board at the first part of its thirty-sixth session. The document presents an analysis of major developments since the last report of the secretariat to the Board.

(iii) The in-depth study entitled "The Palestinian external trade under Israeli occupation" (UNCTAD/RDP/SEU/1) was issued in 1989 by the UNCTAD secretariat. It analyses the role and performance of external trade in the economy of the occupied Palestinian territory since 1967, investigates factors affecting its performance and examines the potentials for its development. The study is being distributed to a wide range of readers with a view to increasing the awareness of those concerned and providing substantive support for efforts made at various levels towards improving the performance of Palestinian external trade.

(iv) The trade sector study is, in particular, expected to contribute further towards the implementation of a main provision of Conference resolution 169 (VII) which, inter alia, calls upon UNCTAD to advise on the establishment of a marketing centre in the occupied Palestinian territory. The study provides the necessary information for elaborating the scope and orientation of the functions envisaged for such a centre. Further to the request of a number of States members of the Board during the thirty-fifth session (first part) of the Board, arrangements are being made with the UNCTAD/GATT International Trade Centre (ITC) to co-operate in the establishment of the centre. The United Nations Development Programme has been invited to collaborate with UNCTAD and ITC in efforts to ensure the establishment of the centre in the near future. Preliminary consultations were also held on the subject between the UNCTAD secretariat and UNDP in March 1989, with the UNDP expressing readiness to join on a tripartite (UNCTAD/ITC/UNDP) basis in the preparation of a feasibility study, including

the formulation of a project proposal for the establishment of the marketing centre. Consultations are under way between UNCTAD and ITC on the preparation of the terms of reference of the expertise required for completing the task involved at the earliest possible. UNCTAD will also co-operate with other relevant international sources of technical and financial assistance to ensure support for the eventual implementation of this priority development project in the occupied Palestinian territory.

(v) Preliminary discussions were also held with UNDP regarding the provision of technical assistance to the Palestinian people. As part of UNCTAD's contribution to the programme of economic and social assistance to the Palestinian people, as called for under General Assembly resolution 42/166, a project document was prepared to provide technical assistance aimed at strengthening and developing indigenous Palestinian technical capabilities in the identification, formulation, appraisal and implementation of investment projects and proposals, through an investment evaluation centre. The project document is under consideration by UNDP within the context of its programme of assistance to the Palestinian people. In a meeting which was held in Geneva between UNCTAD and a high-level team of UNDP on ways and means of ensuring collaboration between the two organizations in extending assistance to the Palestinian people, it was agreed that further consultations between UNCTAD and UNDP on this and other related issues should be held in the near future at the UNDP office in East Jerusalem.

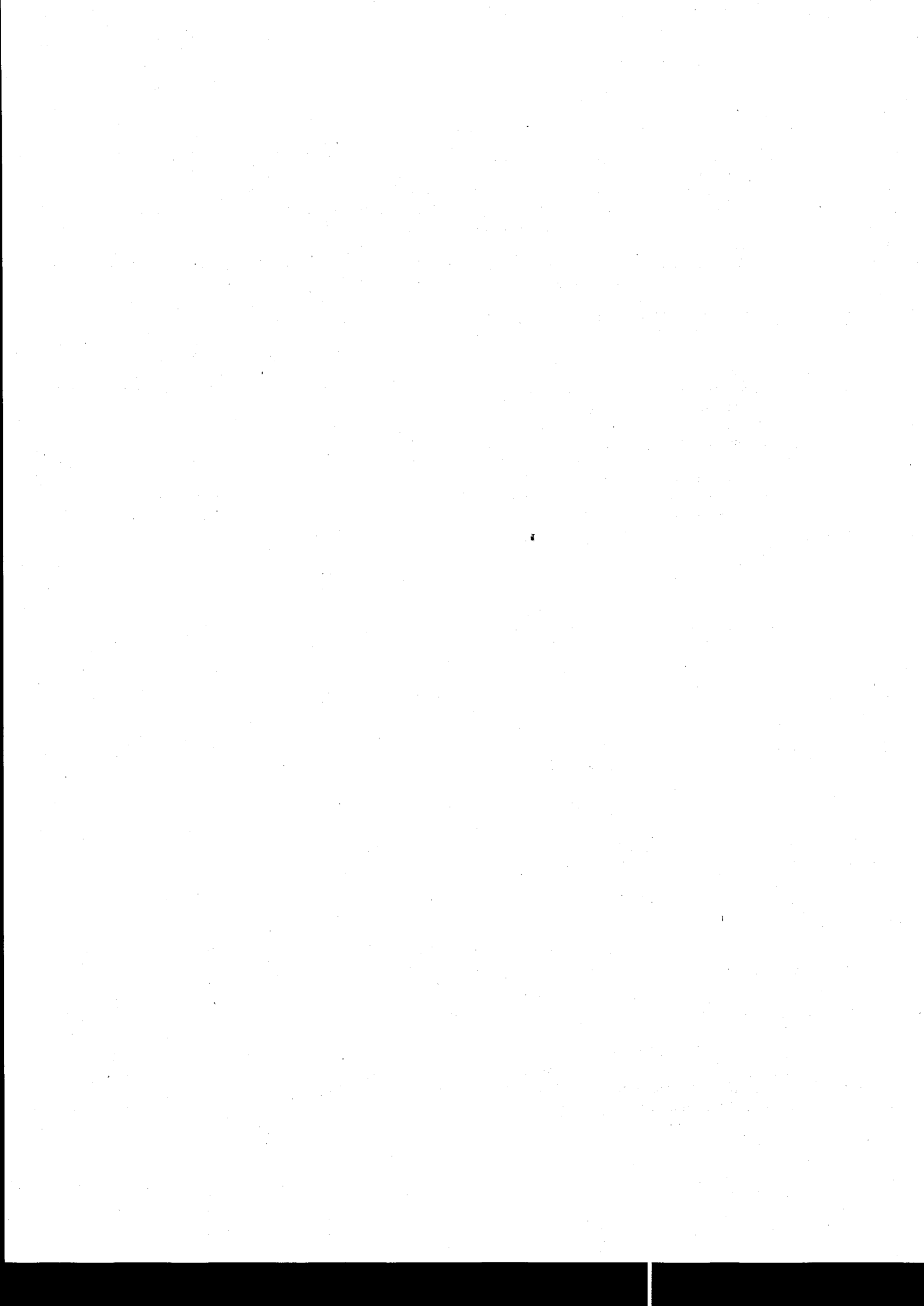
(vi) Preparatory work continued on the study, entitled "The occupied Palestinian territory (West Bank and Gaza Strip): prospects for sustained economic development". Substantive consultations have been held, so far, with the Palestine officials concerned and a number of Arab, non-Arab regional and United Nations organizations, including UNDP, with a view to co-ordinating efforts in areas of mutual concern and exploring the possibilities of their collaboration in the preparation of the study. In the light of substantive observations received from a number of these organizations, the provisional outline of the study has been revised accordingly and its scope elaborated. Substantive work on the preparation of the study is planned to commence in the fourth quarter of 1989 and to be completed by the end of 1990. Needless to say, the completion of the study within the specified time-limit is contingent upon external substantive inputs and contributions as extra-budgetary resources. It is expected that the initial commitments of support made for the preparation of the study will allow commencement in the fourth quarter of 1989, as planned.

(vii) The Unit also concentrated on the development of its data base on the economy of the occupied Palestinian territory, including the updating and revision of statistical series and a chronology of economic issues and developments in the occupied Palestinian territory during the period under review. The SEU data base now comprises consistent statistical series for the 1980s and much of the post-1967 period, in addition to a daily monitor of the economy since 1986. Accordingly, the related documents prepared and distributed by the UNCTAD secretariat in this area of its work since the last report to the Board comprise: (1) "Selected statistical tables on the economy of the occupied Palestinian territory (the West Bank and Gaza Strip)" (UNCTAD/RDP/SEU/2); and, (2) "Data base extracts of economic issues and related Israeli practices in the occupied Palestinian territory (the West Bank and Gaza Strip) 1987-1988" (UNCTAD/RDP/SEU/3).

(viii) As part of the consultation process, including field investigation, on substantive issues related to the implementation of the work programme of the Unit, the staff of the Unit undertook field missions to Egypt, Jordan and Tunis for meetings with officials of the Governments of Egypt and Jordan, as well as those of Palestine. Similarly, substantive consultations were held regarding the preparation of the intersectoral study with officials of the Secretariat of the League of Arab States, the Islamic Development Bank, the Arab Fund for Economic and Social Development, the OPEC Fund for International Development, the Arab Organization for Agricultural Development, the Arab Industrial Development Organization and the Arab Labour Organization, as well as with UNESCWA, ITC, UNCSDHA, UNRWA, UNICEF, UNIDO and UNDP.

(ix) During the period under review, the Unit participated in various intergovernmental and United Nations meetings related to assistance to the Palestinian people, including the Second General Meeting between the United Nations System and the League of Arab States, 24 June-1 July 1988; the second regular session of the Economic and Social Council, 6-29 July 1988; the UNCHS (Habitat) meeting on the programme of economic and social assistance to the Palestinian people, 15-17 March 1989; an informal inter-agency meeting organized by UNRWA on co-operation for an effective response by the United Nations system to the economic and social needs of the Palestinian people in the occupied Palestinian territory, 21-22 March 1989.

a/ In its resolution 43/177 of 15 December 1988, the General Assembly decided that effective 15 December 1988, the designation "Palestine" should be used in place of the designation "Palestine Liberation Organization" within the United Nations system.



SURVEY OF THE QUALITY AND USEFULNESS OF UNCTAD PUBLICATIONS AND OF THEIR END-USERS

The UNCTAD secretariat, in the context of its programme evaluation activities and in response to inter-governmental requests, is seeking the opinions of end-users in order to have basic data for assessing the quality, usefulness and effectiveness of *inter alia* its research reports and publications. As the success of such an exercise is critically dependent on an adequate rate of response we should appreciate it if you would take time to answer the questions below and submit any other comments that you may have concerning the current document.

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	<i>Outstanding</i>	<i>Excellent</i>	<i>Good</i>	<i>Adequate</i>	<i>Poor</i>
Presentation and readability.....	()	()	()	()	()
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Quality of analysis, including objectivity.....	()	()	()	()	()
Validity of conclusions.....	()	()	()	()	()
Clarity of recommendations.....	()	()	()	()	()
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6. Other observations (if any)

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