The Current Economic Situation of the Occupied Territories and the Prospects for the Future

A study prepared for UNCTAD
by Dr Bakir Abu Kishk

The Research Center
Birzeit University, Birzeit
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INTRODUCTION

The survey of the available data concerning the population and economic activities in the Occupied Territories is the result of a project requested by the Secretary of UNCTAD in accordance with relevance resolution.

According to the terms of reference for the project, the immediate objective is to make a survey of the available literature today, and to point out what type of information is needed for the working of a comprehensive development plan. To determine the gap that exists between what is available today and what should be made available in the future, will determine the size of work to be completed for the preparation of the final plan.

This report is made up of nine sections: the first two sections concentrate on the demographic sector, where the first includes estimation of the population in the Occupied Territories and the total Palestinian population up to 1980, then projection for the year 1985. Starting 1985, an estimation of the population in the Occupied Territories will include the proportion of the Palestinians who are expected to return to their homeland, over the years 1985-1994. Based on this the expected population of the state will be about 3.5 million. The second section is concerned with the labor force. It was found by the author and on basis of previous work that the labor force participation rate is about 19% of total population. The expected supply of labor was estimated on basis of 20% participation rate, assuming that more females will go to the labor market.

This supply of labor which will exceed 650 thousands in 1994 will

put a challenge on the different alternative plans[1], which should be capable of creating job opportunities to accomodate the future labor supply over the transitional or establishment period, during the 1985-1994. In addition to the estimation of total labor supply section two includes more information concerning distribution by occupation, education level and technical training.

Following the two sections on population and labor resources, the natural resources are presented. This includes land and water resources and the developmental potential of these resources. Discussion of labor, land and water resources in the previous sections, made it possible to discuss the agricultural sector in the fourth section.

Discussion of the agricultural sector involves the contribution of this sector to gross national product. The share of the agricultural sector in the economy, job opportunities in this area and the potential for growth. Industry is the second important sector in the economy, not in terms of its contribution to the gross domestic product today but in terms of the opportunities that development of the industrial sector may lead into the future. This sector is discussed in chapter five. Following the agricultural and industrial sectors of the economy, section six is devoted to foreign trade and balance of payment and the constraints on trade imposed by the occupying authority. The population of the Occupied Territories is suffering from the lack of housing facilities. This is illustrated in section seven, which shows the supply and demand for houses up to 1980 and makes a projection for the demand up to 1994, it also shows the total requirements for labor and capital during the transitional period.

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(1) Professor Sadler P. is working on these alternative plans and it is expected to be completed before the end of this year.

Survey of the existing infrastructure including education, health, electricity, transport, banking, money and finance, and finally the domestic and industrial water supply are presented in section eight. Summary of the major findings that were presented in the previous sections along with recommendations for follow-up plan are given in the last section.

Section I

The Demographic Sector

In undertaking any economic study of a defined area, a knowledge concerning the population, size, rate of growth and age destribution, is essential for the analysis. This type of information determines not only the demand for goods and services, but also their composition. Furthermore, destribution by sex and age group determines the potential labor force.

Since 1948 the Arab population of Palestine have been living as minorities in many countries, even in their own country, where they have the largest concentration within the boundary of mandate Palestine. This situation does not make it easy to get the needed data on the population.

Aruri in his article; Palestinian Communities and Arab Host Countries (ref.9 PP115-116) wrote the following:-
(Analysis of the Palestinians as a minorities is difficult because published and documented data-statistical and otherwise are at best incomplete, and at worst deliberately destorted or unavailable. Furthermore; the available data is not appropriate for comparative analysis). This is true because data on the Palestininans in many countries is collected, categorised, analysed and censured quite arbitrarely.

In addition to the geographical dispersion and the social differentiation, a second and more complicated problem in relation to demographic research emerged. Kossaifi (ref.10 PP13-44) identified two problems that complicate the demographic study of the Palestinians:- The first is geographical dispersion and the second is naturalization. The first compound the difficulties of finding statistical data on the Palestinian in each country, while the second creates difficulties in defining who the Palestinians are in each country. Owing to these difficulties or obstacles some of the analysis must, by necessity, be based on educated

guesses and educated impressions.

Several estimations about the Palestinian population in 1980 have been made. Some of these are as low as 3.6 million, some are medium to high ranging between 4.2-4.3 million. Janet (ref.11 p.29) used probable distribution by region and country for the year 1979 at 4.0 million. Allowing it to increase at 3.4% bringing the population for 1980 at an estimated level of 4.136 million.

Since the largest concentration of Palestinians are living within the boundary of mandate Palestine, where enough statistics concerning their total distribution by sex and age group and other demographic characteristics do exist for a fairly good period. This study will start an analysis of the palestinians within mandate Palestine and use this analysis and other related assumption to predict the population of the Palestinian state over the period 1985-1994.

The population within mandatory Palestine:-

The population within mandate Palestine is composed of two communities; The first one is the Palestinians living in Israel since 1948, and the second includes the population of the Occupied Territories in West Bank and Gaza Strip since 1967.

The similarity between the two communities is strikingly clear in spite of the fact that they have been separated from each other for about twenty years. They are particularly similar with respect to age distribution, family size, family formation and labor force participating rate. However, official statistics show differences in the rate of growth between the two communities. The first one grew at an annual average of 3.9% over the period 1972-1979 (ref.4 p.32), while it is about 2.1% increase for the second, with higher rate of growth in Gaza Strip compared to the West Bank

(ref.4 p.677). These statistics do not invalidate the similarity assumption, because differences in the rate of growth can be attributed to two external factors; namely out-migration from the Territories and higher mortality rate because of poor medical care in these Territories compared to Israel.

Based on this I am assuming that Palestinians demonstrate on the average the same demographic characteristics. Thus the population of the Territories can represent the rest of the Palestinins in the rest of the world. In the following, estimation of the total population and major features of this population in the Occupied Territories will be discussed.

The population of the Occupied Territories:-

1- Total: Official statistics on the Occupied Territories do not include East Jerusalem. To over come this, the author has developed an appropriate method (see 6 page 41) to give an accurate estimation about East Jerusalem. Table 1-1 gives the population distribution in the Territories by different regions.

Table 1-1[1]

Total population of the Occupied Territories and its distribution over the period 1967-1980

Year	Location			
	East Jerusalem	West Bank	Gaza Strip	Total
1967	65,900	595,900	389,700	1,051,500
1968	65,800	585,700	380,900	1,032,400
1969	67,900	581,700	355,900	1,005,500
1970	73,200	595,200	362,200	1,030,600
1971	81,000	603,900	367,700	1,052,600
1972	82,600	617,300	375,900	1,075,800
1973	85,600	629,200	383,500	1,098,300
1974	90,000	646,200	397,200	1,133,400
1975	93,500	661,200	408,500	1,163,600
1976	97,300	665,100	418,500	1,180,900
1977	100,100	670,900	429,000	1,200,000
1978	103,500	681,200	441,300	1,226,000
1979	107,000	690,400	420,200	1,217,600
1980[2]	110,400	699,600	431,500	1,241,500

(1) Source for the years 1967-1979 is ref. 6, page 41.

(2) Source Israel statistical abstract for 1981 p. 713 for the West Bank and Gaza Strip, but East Jerusalem was estimated to grow at the rate 3.2% between 1979 and 1980.

2- Distribution by age group and sex:-

The population of the Occupied Territories is young population because, on the average, 46% are under 14 years of age. The proportion of females is lower than that of male in this first age group, but a change occurs in the rest of the age groups; female is higher for the two age groups 30-44 and 45-64. Table 1-2 give a summary of population distribution by age and sex for the year 1979.

Table 1-2*

Proportional Distribution of Population
by Sex and Age Groups in 1979

Age group	West Bank			Gaza Strip			Grand Total		
	Total	of which		Total	of which		Total	of which	
		Male	Female		Male	Female		Male	Female
0-14	45.1	47.3	42.8	46.5	48.8	44.1	45.6	47.9	44.3
15-29	28.8	29.8	27.8	29.0	30.2	27.8	28.9	30.0	27.8
30-44	11.7	9.8	13.7	12.0	9.2	14.8	11.8	9.5	14.1
45-64	10.5	9.2	11.8	9.8	9.1	10.6	10.2	9.2	11.3
65+	3.9	3.9	3.9	2.7	2.7	2.7	3.5	3.4	3.5

* Source 4 page 678.

The age distribution indicates that the Palestinian Communities have a high dependency ratio, owing to the proportion under 14 years of age, which cannot be independent. Within the three following age groups 15-64, the proportion of females is higher than that of the males; 52.2% female to 48.7% males. The female participation in the labor force is low in these communities (about 9% of all female in the labor force age group). Thereby we can conclude that the labor participation ratio is low compared to developed communities, where 40% or more of the total population are

active in the economy, compared to less than 20% in the Territories.

3- Households:-

The average household size in the Territories is large compared to other communities. The size of a household unit in the Territories is just about twice that of the household size in Israel, and that of the latter is 3.45 persons (ref.4 p.44). Table 1-3 gives the distribution of households by size and location.

Table 1-3*

Proportional Distribution of House holds by Size and Location. (%) in 1979

Persons in House hold	West Bank			Gaza Strip		
	Total	There of:		Total	There of:	
		Towns	Villages		Towns	Refugee Camps
1	4.7	3.6	5.2	3.6	2.7	5.0
2	8.0	8.5	8.0	7.5	6.5	8.5
3	7.1	6.0	7.3	8.0	6.1	9.3
4	7.8	9.7	7.3	8.6	8.4	9.3
5	9.7	10.5	9.4	10.1	9.9	10.4
6	10.6	11.7	10.3	11.0	11.1	12.0
7+	52.1	50.0	52.5	51.2	55.3	45.5
Average person per house hold	6.8	6.7	6.8	7.0	7.4	6.5

* Source 4 page 688.

Table 1-3 shows that 62% of all households in the Territories include 6 persons or more compared to only 12.5% of Israeli Jewish households that are of the same size (ref.4 p.64).

4- Family Formation:-

Family formation is influenced by marriage and divorce rates. It was estimated that, on the average, the rate of family formation among Arabs in Israel is about 0.7%[1] and it was assumed that this rate is valid for the Territories.

This rate is needed to determine the total number of families that will be added every year and what demand these new families will put for houses and other services.

Estimation of the Palestinian population and their distribution in the year 1980:-

It was previously mentioned that the estimation of the total masses of Palestinians ranges between 3,6 million and 4.3. Meanwhile Janet (ref.11 p. 29) gave an average estimation of 4.0 million in 1979 and calculated at 3.4% increase in 1980; The total became 4,136,000 persons. In this study the total population was found to be more than 4.2 million as given in table 1-4.

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(1) This rate was tested by the author in Hebron through counting of marriages contracts and it was found that this rate is valid.

Table 1-4

Total Palestinian's Population and their Distribution in the year 1980

Location	Population
West Bank[1]	699,600
East Jerusalem[1]	110,400
Gaza Strip[1]	431,500
Israel[2]	510,600
Jordan, Syria, Lebanon and Kuwait[3]	1,930,400
Iraq[4]	19,950
Lybia[4]	23,000
Suadi Arabia[4]	127,000
Arab Amerates[4]	34,900
Rest of the Arab world[4]	108,000
Rest of the world[5]	226,150
Total	4,221,500

(1) Table one

(2) ref. 4 page 32 for the year 1979. The non Jewish community were estimated to be 620,400 in 1980, 4% growth above that of 1979. From this, total pupulation of East Jerusalem was taken off to leave 510,000 Arabs in Israel in 1980.

(3) Reference 3 page 3, estimated population in mandate palestine, Jordan, Lebanon, Syria and Kuwait to be 3,590,000 for the year 1979, subtracting palestinians in mandate palestine and allow it to grow at 3.4% we have this total for 1980.

(4) Ref. 2 and the relevant pages for each country.

(5) Rough estimation.

The expected population of the state during 1985-1994:-

Demographic studies are usually based on past trends which are used to predict the future. However, Palestinian's history has changed courses many times during the last thirty five years, making it difficult to

identify certain trends.

After the establishment of Israel in 1948, thousands of Palestinians became homeless refugees. Another wave of refugees came after the 1967 war, which led to the occupation of the West Bank and Gaza Strip, by the Israeli forces. The recent Israeli invasion to Lebanon has aggrevated the problem.

Owing to the realistically abnormal situation in which Palestinians are scattered all over, it is arduous to give an exact estimation of the expected population of the Palestinian's state. However, it is possible to put forward certain assumptions concerning the rate of growth between the 1980-1985 period. The following assumptions are made to facilitate the analysis:-

1) The annual rate of growth for Palestinians outside mandatory Palestine is assumed to be 3.1% annually during the 1980-1985 period.
2) The population of the Occupied Territories is assumed to grow at the same rate as that which prevailed before 1980.
3) Although the rate of return for all Palestinians is recognized by the United Nations resolutions,(ref.8 pages 11-16) it is assumed that only 50% or less of the total population outside mandate Palestine may return during the 1985-1994 period. Based on this 145,000 persons are expected to return annually.

   Based on assumption one, the total amount of Palestinians outside mandatory Palestine in 1985 will be 2,936,000, and the total population of the Occupied Territories is expected to be 1,372,460 in 1985.
4) Natural population growth for those in the Occupied Territories is 3.0% over the period 1985-1994.

Based on the above assumptions table 1-5 was constructed to give the expected population of this state during the 1985-1994 period.

Table 1-5*

Expected population of the state during the 1985-1994 period

Year	Population at the beginning of the year	Natural growth during the year at 3.6% annually	New comers	Total population at the end of the year
1985	1,372,460	41,174	145,000	1,558,624
1986	1,558,624	46,758	145,000	1,750,382
1987	1,750,382	52,511	145,000	1,947,893
1988	1,947,893	58,437	145,000	2,151,330
1989	2,151,330	64,540	145,000	2,360,870
1990	2,360,870	70,826	145,000	2,576,696
1991	2,576,696	77,300	145,000	2,798,997
1992	2,798,997	83,970	145,000	3,027,967
1993	3,027,967	90,839	145,000	3,263,806
1994	3,263,806	97,914	145,000	3,506,720

* Source: projected by the author.

Distribution of population by age groups:-

It is difficult to obtain statistics on the distribution of Palestinians by age groups because it is not available in most host countries.

It was assumed, by the author, that the age distribution of the population in the Occupied Territories is a representative distribution for all locations. Thus, based on this, the expected distribution by age in the state will follow the same distribution. Table 1-6 shows the expected distribution over the period 1985-1994.

Table 1-6*

Population Distribution by age groups
over the period 1985-1994

Year	Total	Age groups				
		0-14	15-29	30-44	45-64	65+
1985	1,372,450	625,838	396,638	161,948	139,990	48,036
1986	1,558,674	710,732	450,442	183,918	158,980	54,552
1987	1,750,392	798,174	505,860	206,146	178,539	61,263
1988	1,947,893	888,239	562,941	229,851	198,686	68,176
1989	2,151,330	981,006	621,734	253,857	219,436	75,297
1990	2,360,870	1,076,566	682,292	278,582	240,809	82,521
1991	2,576,696	1,174,973	744,665	304,050	262,823	90,185
1992	2,798,997	1,276,343	808,910	330,282	285,498	97,964
1993	3,027,967	1,380,753	875,082	357,300	308,853	105,979
1994	3,263,806	1,488,296	943,240	385,129	332,908	114,233

* Calculated by the author.

Section II

Man Power

Man power, in terms of quantity and quality, is an important factor for any development plan. This is particularly true in the Occupied Territories where other resources are very limited. The total population of any community reveals little about the available labor force. A better indicator is, the proportion of the population over 14 years of age which includes all potential workers in the economy, Table 2-1 gives a summary of the population over 14 years of age and their distribution in and out of the labor force by sex.

Table 2-1

West Bank, East Jerusalem and Gaza Strip
Population over 14 years of age and
Participation in labor force by sex
over the period 1970-1980

Year	Population over 14 years (000)			Not in the labor force (000)			In the labor force (000)		
	Total	of which		Total	of which		Total	of which	
		Male	Female		Male	Female		Male	Female
1970 (1)	560.4	263.9	296.5	363.8	98.9	264.9	196.6	165.0	31.6
1971	573.6	271.1	302.5	375.4	101.8	273.6	198.2	169.3	28.9
1972	585.0	276.8	308.2	376.6	100.1	276.5	208.4	176.7	31.7
1973	597.0	282.3	314.7	383.0	94.5	288.5	214.0	187.8	26.2
1974	621.1	296.3	324.8	390.1	98.8	291.3	231.0	197.5	33.5
1975	641.0	305.4	335.6	416.0	112.8	303.2	225.0	192.6	32.4
1976	653.7	312.1	341.6	427.2	118.5	308.7	226.5	193.6	32.9
1977	671.5	322.0	349.5	447.4	128.8	318.6	224.1	193.2	30.9
1978	693.9	333.4	360.5	461.5	134.1	327.4	232.4	199.3	33.1
1979	698.1	336.5	361.6	464.6	134.1	330.5	233.5	202.4	31.1
1980 (2)	703.4	340.0	363.4	468.7	136.6	332.1	234.7	203.7	31.0

(1) Source for the years 1970-1979 is reference 6 page 43.

(2) Estimated figures 7%.

The 2-1 table shows that female participation in the labor force has decreased over the specified period of time. This clashes with male participation which has increased by more than 23% over the years 1970-1980.

The distribution of labor by sex and the relative participation of each one in the labor force is given in table 2-2.

Table 2-2

Labor force participation by sex
1970 - 1979

Year	Population in the labor force		Male			Female			
	Total (000)	% of total population over 14 years	Active males as % of total population over 14 years	Male (000)	Male % of the labor force	Active females as % of total population over 14 years	Female (000)	Female % of the labor force	% of females over 14 years in the labor force
(1) 1970	196.6	35.0	29.4	165.0	84.0	5.6	31.6	16.0	10.7
1971	198.2	34.5	29.5	169.3	85.4	5.6	28.9	14.6	9.6
1972	208.4	35.6	30.2	176.7	84.8	5.4	31.7	15.2	10.3
1973	214.0	35.8	31.4	187.8	87.8	4.4	26.2	12.2	8.3
1974	231.0	37.2	31.8	197.5	85.5	5.4	33.5	14.5	10.3
1975	225.0	35.2	30.2	192.6	85.6	5.0	32.4	14.4	9.7
1976	226.5	34.6	29.6	193.6	85.5	5.0	32.9	14.5	9.6
1977	224.1	33.4	28.8	193.2	86.2	4.6	30.9	13.8	8.8
1978	232.4	33.5	28.7	199.3	85.7	4.8	33.1	14.2	9.2
1979	233.5	33.5	29.0	202.4	86.7	4.5	31.1	13.3	8.6
1980 (2)	234.7	33.4	29.0	203.7	86.7	4.4	31.0	13.3	8.57

(1) Ref. 6 page 44 for the years 1970-1979.
(2) Ref. calculated by the author on bases of table 2-1.

The above table shows that the proportion of active females in the labor force is declining. Which is contrary to all expectation, since

through increasing education more females should be encouraged to enter the labor market.

Since male labor force is the major participant in the labor market, the following tables 2-3 and 2-4, give the distribution of male labor by age group. Table 2-3 for the West Bank and Table 2-4 for Gaza Strip.

Table 2-3

Males aged 14 and over, by labor force characteristics, and age groups in West Bank, 1973-1980

Year	% in labor force	% of the age group in the labor force						
		14 to 17	18 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 +
1973 (1)	66.6	25.6	70.4	95.4	94.5	88.3	70.4	40.1
1974	66.1	28.3	65.2	92.1	93.5	88.0	73.0	41.3
1975	61.9	26.8	58.3	82.7	90.0	85.6	72.7	39.0
1976	59.7	26.7	52.9	80.6	89.4	85.9	71.6	39.3
1977	57.4	24.4	51.3	78.2	87.6	84.8	72.3	37.0
1978	56.8	24.5	51.2	76.9	86.3	84.4	76.0	37.8
1979	56.9	25.6	50.6	76.1	84.9	86.1	74.4	39.3
1980 (2)	56.2	24.2	48.4	75.0	86.0	84.4	73.6	39.7

(1) Ref. 4 page 693.
(2) Ref. 34 page 729.

Table 2-4*

Males aged 14 and over, by labor force characteristics, and age groups in the Gaza Strip, 1973-1980

Year	% in labor force	% of the age group in the labor force						
		14 to 17	18 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 +
1973	65.7	22.6	68.6	97.0	98.8	88.0	63.9	27.8
1974	66.6	25.6	67.7	95.4	95.9	88.0	64.9	28.9
1975	64.6	24.0	64.7	87.9	95.0	87.8	66.1	30.6
1976	65.6	27.0	65.2	85.2	94.7	89.3	74.2	33.3
1977	64.0	26.8	60.5	83.2	93.7	91.8	76.3	36.9
1978	64.1	28.0	62.0	82.3	94.2	91.1	77.8	34.8
1979	65.1	29.1	66.9	81.8	94.7	91.7	74.3	29.8
1980	64.8	26.6	64.5	82.0	92.0	91.2	77.8	34.0

(*) Source: the same as the previous table.

Tables 2-3 and 2-4 give three important relationships between age groups and labor participation rate; the first one concerns the age group 14-17 years. This group is of the high school age and participation of this age group in the labor force means a loss of educational opportunities for a large number of persons. This is particularly clear in the Gaza Strip where 29% of the population of this group participate in the labor force. The picture is similar in the West Bank, fluctuating around 24%(1). The second observation is that the participation of the age group 18-34 is declining in the West Bank and Gaza Strip. Owing to immigration of

(1) Compare this with Israel where the participation of this age group is declining overtime from 18.1% in 1970 to 10.7% in 1979. Ref.4 p.308.

members of their groups from the West Bank is greater than that of the Gaza Strip; this explains why the participation is decreasing faster in the West Bank, for both age groups (18-24 and 25-34). The third observation, concerning workers from the rest of the age groups, shows an increasing participation rate. Because these people search for stability and are less enthusiastic about leaving the Territories.

Distribution of labor force between the Territories and Israel:-

Since 1969 workers of the Territories started to cummute for work in Israel, at the beginning this was a small proportion of the total labor force, but gradually the rate increased and it is now higher than 34% of all the workers of the Territories. Table 2-5 shows this trend.

Table 2-5

Distribution of the labor force according to place of work 1970-1980

Year	Occupied Territories		Israel	
	Total (000)	%	Total (000)	%
1970(1)	152.5	87.9	20.6	12.1
1971	142.7	80.6	33.8	19.4
1972	136.3	72.2	52.5	27.8
1973	133.4	68.6	61.2	31.4
1974	141.2	67.5	68.7	32.5
1975	138.6	67.6	66.5	32.4
1976	140.9	68.5	64.9	31.5
1977	141.4	70.9	63.0	29.1
1978	142.7	67.3	68.2	32.7
1979	138.0	65.0	74.1	35.0
1980(2)	138.7	65.9	71.9	34.1

Source: (1) For the period 1970-1979 is reference 6 page 696.
(2) Reference 34 page 732.

Table 2-5 shows that the trend may change direction (as 1974 and 1978) but there is no doubt about it steadily increasing. Abu Elnamil (ref.21 page 83) made the following comment on workers commuting to Israel:-

The economy of the Occupied Territories suffered before 1967 from surplus labor (particularly unskilled labor) and shortages of capital. Simultaneously the Israeli economy suffered from over investment and a surplus in skilled labor. The available market relatively small in comparison to the capacity of the economy to employ and produce.

The highest unemployment rate was recorded in 1966 for engineers and skilled workers. This economic crisis was the result of poor coordination among the factors of production. On one hand, we had large investments in the economy and a surplus of skilled workers. On the other had, the market was incapable of consuming the output of the economy. In addition to this there was a shortage of unskilled labor. Therefore, prior to the 1967 war the Israeli economy was looking for two things; unskilled labor and a market. The Territories were able to supply both these needs to the Israeli economy.

The previous table shows the direction trend change in 1974. This change in the trend gave indication that the labor market in Israel became saturated with unskilled laborers commuting from the Territories. Abu Kishk (ref.6 p.59-60) found that wage differentials between wages in Israel and the Territories was narrowing down untill 1974. In that year the wage differential change direction and the gap between wages started to grow wider. This is the situation with respect to the labor market, later on, the commodity market will be discussed in the Trade section.

Distribution of labor force by economic sector and location:-

The distribution of the labor force through economic sectors differes according to the location. The Agricultural sector is second to services

in the Territories, while construction work is the largest absorber of the commuters from the Territories to Israel.

Employment in the agricultural sector is declining in both the Territories and in Israel, but the rate of decline is larger in Israel.

Table 2-6 give the distribution by location and economic sectors.

Table 2-6

Distribution of Labour Force by Economic Sectors in the Occupied Territories and in Israel 1970-1980

(Percentages)

Year	Distribution of Workers in the Occupied Territories by Economic Sector (1)				Distribution of Workers from the Territories Working in Israel by Economic Sector (1)			
	Agriculture	Industry	Construction	Other	Agriculture	Industry	Construction	Other
1970	38.7	13.8	8.4	39.1	24.4	11.6	54.3	9.7
1971	36.8	13.8	5.6	43.8	22.3	14.8	52.3	10.6
1972	33.5	13.9	6.2	46.4	23.1	17.1	49.5	10.3
1973	31.3	15.1	6.4	47.2	19.3	18.1	51.7	10.9
1974	33.8	14.0	6.2	46.0	19.1	17.5	52.5	10.9
1975	31.8	14.5	7.3	46.4	14.3	18.4	54.4	12.9
1976	31.4	14.4	8.2	46.0	15.4	19.7	50.3	14.6
1977	30.5	14.2	9.1	46.2	16.2	21.3	45.3	17.2
1978	29.8	15.2	9.5	45.5	16.8	22.2	44.8	16.2
1979	28.0	16.8	10.1	45.1	14.8	22.8	46.2	16.2
1980	28.4	16.4	9.5	45.7	13.6	20.9	47.7	17.8

Source: (1) Ref. 34 p. 732.

Education and Training:-

Industrial developement and economic growth and progress requires the utilization of modern technology where education is the central aspect.

The fact that the agricultural sector, along with construction accomodate for more than 60% of all commuters to Israel, implies that most commuters have little or no education at all. Tamari (ref. 25) concluded, from a study on the labor force, in the rural areas, that most of the workers in the above two sectors come from villages. This implies that their level of education and training is low, therefore, they are willing to accept low wages. Official statistics show a continuous decrease in the proportion of those with no education. Nevertheless, the proportion today is still high = 29% in the Occupied Territories, compared with non Jews (Arabs) in Israel for the same years. Table 2-7 gives the percentage distribution of the population over 14 years of age by the level of education and location. The table shows that the changes for the group with less than four years of education was insignificant in both the West Bank and Gaza Strip. Regarding those with five to eight years of school, the change was small in West Bank in comparison to the Gaza Strip. With respect to the group with more than nine years of school there is a clear increase in both locations. The distribution among Arabs in Israel is somewhat between the West Bank and Gaza Strip.

It is an encouraging sign to see that the proportion of the population with more than nine years of education is increasing. This increase will provide the raw material for training skilled workers in the future. But today, where about 50% of the population has not completed or gone beyond the sixth grade and with the existing poor training programs it is hard to differentiate between skilled and unskilled labor. In a survey of manufacturers in the Territories (ref.12 p.73) it was found that 33.9% of the workers consider themselves skilled labor, but the proportion of real skilled persons is much less than this. The entire training programms need

Table 2-7 *

Percentage distribution of population over 14 years of age by the level of education and location

Years of school completed	West Bank						Gaza Strip						Non Jews in Israel (3)	
	1975	1976	1977 (1)	1978	1979	1980 (2)	1975	1976	1977 (1)	1978	1979	1980 (2)	1975	1979
Total	366,9	371,0	379,4	389,7	398,6	400,9	225,0	231,5	239,3	249,8	243,0	242,9		
				percentage			of total							
0	37.0	34.4	33.3	32.2	30.1	28.5	39.0	36.8	34.3	32.4	31.6	30.2	22.9	19.8
1-4	10.5	10.9	10.9	11.0	10.9	11.1	7.0	7.2	7.6	7.3	6.9	6.3	12.9	10.7
5-6	15.2	15.8	15.7	15.8	16.0	15.7	11.5	12.4	12.6	12.7	13.3	13.8	38.0	34.6
7-8	12.1	12.6	12.8	12.8	12.8	12.7	8.5	10.0	10.2	10.0	10.1	10.2		
9-12														
13-15	25.2	26.3	27.3	28.2	30.2	32.0	34.0	33.6	35.3	37.6	38.1	39.5	26.2	34.9
16+														

* The percentage for each group were calculated by the author on basis of the information in the followings.

1) Source for years before 1977 is ref. 23 page 131.
2) Sources for the period 1978-1980 is ref. 28 page 145.
3) 98% of non Jews are Arabs, ref. 4 page 578.

to be modified in order to creat the required skills for concrete develop-ment. The existing programms are shallow and give training in areas such as building and other related activities that have a market in Israel.

So even when one third of the workers define themselves as skilled labor, the big question is to what extent these workers are really skilled labor. The training level in the Occupied Territories leaves a lot to be desired. Furthermore most of these workers obtained their skill through working in other establishment with no formal training, thus their capacity to improve is very limited.

Although we do not have official statistics concerning the distribu-tion of workers according to their educational level. The author was able to conclude from a sample which covered 4,597 workers in manufacturing, that the proportion of workers with technical training or university degrees is about 13% in the West Bank and 7.4% in Gaza Strip.

Table 2-8 summarize the result of this sample.

Table 2-8*

Distribution of workers by educational level in the manufacturing sector in the Occupied Territories

%

West Bank						Gaza Strip					
Total workers No.	% Distribution by school years and training					Total workers No.	% Distribution by school years and training				
	No School	up to nine years	9-12 years	Tech. training	Univ. graduate		No School	up to nine years	9-12 years	Tech. training	Univ. graduate
2696	12.4	56.4	18.1	8.7	4.4	1878	14.2	46.7	31.7	5.3	2.1

* Source: ref. 6 page 68.

Wages and wage differentials:-

Wages are a function of supply and demand for labor; the latter is a function of productivity. Because the majority of the workers of the Territories are unskilled worker, many of them commute to Israel searching for work.

The wages, on the average, are higher in Israel compared to the Territories. Hence it is expected that the workers will commute to Israel (evidence was given in the previous tables), and thereby reduce the wage differentials to minimum. But now and after fourteen years under occupation the wage differential did not vanish as was expected. In fact, the gap between the Territories and Israel concerning wages grew wider since 1974 as shown in table 2-9.

Table 2-9

Average daily wages in the Territories and Israeli labor market (I.L)

Year	West Bank (1)	Gaza Strip (1)	Israel (2)	Israeli wages as % of	
				West Bank	Gaza Strip
1970	7.9	6.5	24.7	312.0	380.0
1971	10.3	8.2	30.6	297.0	373.0
1975	39.6	38.7	60.0	150.0	155.0
1977	68.0	65.6	113.4	166.7	172.7
1979	199.0	222.0	333.0	167.3	150.0
1980	394.0	419.0	681.8	173.0	162.7

(1) Ref. 34 page 736.
(2) Ref. 6 page 60.

Table 2-9 shows that the wage differentials between the Territories and Israel did not behave as expected by the economic theory, following 1975 the gap grew wider in the West Bank and showed fluctuation over the period 1975-1980 in the Gaza Strip.

Per capita income and private consumption:-

Table 2-10 gives the per capita income compared to Israel over the period 1975-1980.

Table 2-10

Per capita income (I.L)
in real terms over the period 1975-1980
1969=100

Year	West Bank (1)	Gaza Strip (1)	Israel (2)	Israel income as % of	
				West Bank	Gaza Strip
1975	1381.0	840.0	5900.9	427.3	702.5
1976	1529.1	974.5	5800.2	379.3	595.2
1977	1488.4	985.6	6035.9	405.5	612.4
1978	1783.4	1083.3	6382.0	357.9	589.1
1979	1812.0	1256.5	6996.5	386.1	556.8
1980	1941.8	1060.2	6654.7	342.7	627.7

(1) Source 34 page 716 - The current income was deflated by the author on basis of the given CPI for that year.
(2) Source 34 page 164.

Table 2-10 illustrates the low per capita income in the Territories compared to Israel. On the average, Israel's per capita income is about 5 times that of the Territories. Between the West Bank and Gaza Strip it is clear that the average per capita income in the West Bank is higher than that of per capita income in Gaza Strip which is about 60% of the West Bank.

Estimation of expected total labor force over the period 1985-1994:-

An examination of the proportion of population by the author (ref. 1 p.33) indicated that the participation rate in the Territories is about 19%. In this study 20% ratio was taken to allow the plan to create more job opportunities in the economy, to provide incentives for the mew comers. Table 2-11 gives the total labor force expected over the 1985-1994 period.

Table 2-11*
Projected labor force over the
1985-1994 period

Year	Total labor force
1985	274,490
1986	311,725
1987	350,076
1988	389,579
1989	430,266
1990	472,174
1991	515,339
1992	559,799
1993	605,593
1994	652,761

* Calculated by the author and on basis of table 1-5 for total population at the beginning of each year.

But an increase in the labor force does not imply a higher productivity level, the latter is a function of education.

The author thinks that any development plan has to depend, to a larger degree, on the available labor force in the Terrritories, and suggest that a survey of the labor force in the Territories is needed to determine the size of skilled workers and distribution by different areas of specialization. Furthermore, a study of the standards of the available

training centers and their potential for development is needed in order to raise the standards according to the needs of the development plan. The exact labor mix between skilled and unskilled workees and the level of needed skill in different economic sectors will be determined by the planners of the comprehensive development plan.

The efeciency of this comprehensive plan is measured by the degree of providing job opportunities to accomodate the available labor supply at any given years.

Section III

Resources

Resources quantities, qualities and the ability to utilize them efficiently, determines to a certain degree, the path of growth and percapita income for any country.

Although resources can be classified as stock or flow resources, or can be classified on basis of exhaustability. In this study, the common usage of resources will be adopted:-

1) Natural Resources: These are irreproducible resources such as land, water and climate. These are the critical ones which must exist at an acceptable level, to guarantee the existence and survival of the state.
2) Live Stock: Live stock resources are reproducible, or can be imported from the outside. In this study we are going to make a survey of the live stock quantities, qualities, potential for development and the available land resources for live stock utilization.
3) Capital Resources: These are producible resources such as raw material, equipment. Since it is possible to aquire them through different arrangements no further discussion will be undertaken on the subject. The comprehensive plan and arrangements between countries can determine the size and quality of capital resources that will be available to any country at a certain point in time.
4) Human Resources: Here we are concerned with total labor force and the quality of this force. Since quality of labor is a function of education and training, it is not unusual to discuss this under the heading of human capital. This was covered in the second section of this study.

The above headings gave the general classification of resources, but only the first two of these will be discussed in detail in this section.

1) Natural Resources: This will cover three types of resources namely. Land, water and climate that will be presented in the same order.

A- Land Resources: Total land resources of the Occupied Territories is 6,124,000(*) dunams (about 1.5 million acres). Only 6% of this area is in the Gaza Strip and the rest is in the West Bank. About two thirds of the land resources are either uncultivable or idle. Table 3-1 shows the distribution of land by location and cultivability.

Table 3-1

Land resources of the Occupied Territories and distribution in each region

Total (000) dunams			Cultivable			uncultivable (2)		
Total Territories (1)	West Bank	Gaza Strip	Total (000)	West Bank	Gaza Strip	Total (000)	West Bank	Gaza Strip
6124	5755	369	2043	1850.0	193	4081	3905	178.0

(1) Different sources give close estimation. This was taken as an average for these estimation.

(2) This include grazing land, forests and idle land. The grazing land was estimated as 1.85 million dunams (ref. 27 page 3).

Land utilization:

The two regions utilize their land differently due to the water availability in each one. 96% of the cultivable land in the West Bank is on dry farming and only 4% under irrigation, but the picture is different in Gaza Strip where about 55% of the cultivable land is under irrigation.

(*) This is an approximate figure and it is an average for total area of the Occupied Territories given by different sources.

Table 3-2 shows the distribution of cultivable area on basis of irrigation.

Table 3-2

Land Distribution in the Territories 1980

Total (000) dunams			under irrigation			under dry farming		
Total	West Bank	Gaza Strip	Total	West Bank	Gaza Strip	Total	West Bank	Gaza Strip
2046	1853	193	189.5	87.5	102	1856.5	1765.5	91

Utilization of land under dry farming and irrigation:

This is about 96% of total cultivable land in West Bank and about two thirds of this is olive and fruits, where the first one is even more than two thirds of the horticulture area. Because of these two facts: high proportion of dry farming and olive areas. The agricultural production in the West Bank is largely determined by two indicators: annual rainfall and olive yeilds that fluctuate from year to year. In Gaza Strip the picture is different and fluctuation is less. Furthermore, citrus is the major crop, which is not subject to variation in yeilds as the case with olive. Table 3-3 shows the utilization of dry farming areas and Table 3-4 shows the utilization of the area under irrigation.

Table 3-3

Utilization of dry farming land by location

(000) dunams

West Bank							Gaza Strip						
Total	vegetables	Field Crops	Horticulture	of which			Total	vegetables	Field Crops	Horticulture	of which		
				olive	Almond	Grapes	other fruits					olive	Almond	Grapes	other fruits
						87.0	209	91	9	14.0	68	11.0	30.5	10.5	16

Table 3-4

Utilization of land under irrigation by location, 1980.
(000) dunams

West Bank					Gaza Strip				
Total	Citrus	Fruits	Field crops	vege-tables	Total	Fruits	Citrus	Field crops	vege-tables
87.5	26.0	3.0	10.0	48.5	102.0	4.0	72.0	3.0	23.0

B- Water Resources: Utilization of water resources in the Occupied Territories is restricted in the West Bank for political reason. In Gaza Strip the restriction where introduced to cut down the existing over pumping practices. These practices threat to lower the water table and increase the salinity of irrigation water.

Dr. Quiring (ref. 20 page 13) noted that the lack of developed water resources together with confiscation of wells on the absentee property, means that there are fewer wells providing less water for Palestinian agriculture in the Jordan valley today than were available on the eve of the 1967 war.

His conclusion is given below:-

(Israel's water policy in West Bank has a devastating effect on neighboring Arab springs and wells. Israel's have been drilling wells in close proximity to springs and wells that existed before June 1967. As a result of the Israeli drilling with powerfull drilling equipment(500 meters deep), and the use of powerfull pumps, Palestinian wells and springs are being depleted.

To illustrate the impact of Israeli deep wells, take the well of Badala village, the water level in this well is falling as a result of Israeli drilling near the village (Mahula Settlement). The pump capacity is 1600 cubic/meter/hr., compared to only 220 cubic meter in the

Arab village. The discharge capacity of Tel El-Biada which was 80 cubic meter in 1970 droped in 1976 to 5 cubic meters.

Israel's position concerning water resources was disclosed by Davis (ref. 19 page 4). Davis disclosed a report by the committee that was appointed by the government and headed by Dr. Ben Eliassar. The committee adopted a memorandam submitted by the water commission stating that, the water resources of the state of Israel inside the green line originate in the West Bank and their incorrect application of drilling in the West Bank could salinize the water reservoirs of the state of Israel. The meaning of this is that Israel should control the water resources of the Occupied Territories.

There are four sources for water in the Occupied Territories and they are:-

A) Rainfall:

The quantities of rainfall varies with geographical variations in the Territories. The range in the West Bank goes from less than one hundred mm/year near the Dead Sea and Jericho, up to more than 500 mm around Nablus, Jenin and Tulkarem. The second is called, relatively, the wet area of the Territories and cover about 60% of the West Bank(ref. 14 p.24). In Gaza Strip the rainfall is lower than that of the West Bank, ranging from more than 400 mm north of Gaza City and decrease as we go south, and drops to less than one hundred mm around Rafah City.

Previous studies during 1964 and 1965(ref. 18 p.98) gave estimation of the volume of available water in the West Bank as follows:-

Average rainfall/year	2800m.cu.m.
Evaporation	1900m.cu.m.
Balance (which goes to):	900

a) supply under ground water, 724 m.cu.m.

b) streams and springs, 114 m.cu.m.

c) surface runoff 62 m.cu.m.

So, we can see that under normal conditions, the West Bank has more than 800 million cubic meters, which is about 6,5 times the consumption level today(120 m.cu.m.). In Gaza Strip the picture is different because the annual supply of water through rainfall is about 50 m.cu.m. and water consumption is more than 100 m.cu.m. annually. This means that while we have surplus water for potential use in the West Bank we also have over pumping in Gaza Strip where farmers pump more than the supply and force the water table to drop from year to year, (ref. 14 p. 20).

B) Springs -

The larger majority of the existing 300 springs in the West Bank are seasonal with small discharge capacity. Official statistics estimated the total discharge of the largest 56 springs to be about 53.3 m.cu.m. ; 93% of this comes from the springs in the eastern side, and the rest from springs on the western slopes. (1)

C) Artisian Wells -

There are two types of wells in the West Bank, one type is the Arab wells and the second is the Israeli wells. According to official statistics (in ref. 13 pages 12-13), there were 214 Arab wells in the West Bank in 1977/78, and 86% of these were located in the western slopes around Jenin, Tulkarem and Qalqilia. These wells provide more than 53% of total water supply in the West Bank. This ammounts to 38 m.cu.m. (2)

(1) Hydrological year book of Israel 1967-77, Israel's water commission 1978 - Jerusalem.

(2) For more details see the annual report of monthly water discharge of wells in 77/78. Department of water in the West Bank, 1979.

These wells are mostly shallow wells and use old type pumps. In contrast to these shallow wells there are 17 Israeli wells with a total discharge of more than 14.1 m.cu.m.[1]. Further more we know from observation vation that since the publication of this report the Israeli authorities have drilled another six wells. This may raise the total supply from non Arab wells to more than 50% of the total supply provided by the 214 Arab wells.

The total number of wells in Gaza Strip was 1860 wells out of which 1754 are in operation. The water balance in Gaza Strip is different from West Bank because we have positive balance in the latter compared to negative balance in the Strip; over pumping in Gaza Strip creates problems. The water table level is dropping at the rate of 15 cmm/year and there is a serious threat that the water salinity is rising. The water salinity is now above 200 mg chloride/L. in most location in the Strip[2].

In summary of the previous information, we have seen that there is a potential water supply in the West Bank that can expand total supply by 6-7 times of the existing consumption level today. On the other hand, the water consumption in the Strip is twice as much as the total yearly supply through rainfall. It is important to cut pumping to the normal level of supply and increase the efficiency of utilizing the available water in the Strip.

Estimation of water consumption in the Occupied Territories:

Table 3-5 gives the total consumption in the Territories and type of consumption.

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(1) See ref. 13 pages 12-13.
(2) Unpublished report on water problems by water experts in Gaza Strip.

Table 3-5

Water consumption in the Territories
Million Cubic Meters 1977/78

Items	West Bank	Gaza Strip
Water Consumption:		
For Agriculture	90	78.3
For Domestic use	10	9.7(2)
Total	100	88.0
Gross Consumption/Capita(1)	142	205.0
Domestic Consumption/Capita(1)	13	22.6

(1) The Gross consumption and domestic consumption is very low compared to Israel where the first is 537 m^3 and domestic consumption is 86 m^3.
(2) Rough estimation by the author.

It is reliably estimated that there is a water surplus of about 630-775 million cubic meters per annum in the West Bank (ref.18 p.97). But it is not available for utilization by the West Bankers because of a number of measures that were taken by the Israeli authorities to divert the West Bank water and inhibit its use by the West Bankers. These measures include the following:-

1) Supervision has become extremely tight on all Arab drilling operations, and no drilling is allowed without permission and under no circumstances are wells to be drilled close to the borders of 1967.
2) Israel has drilled 24 new artesian wells in the West Bank for the exclusive use of the Israeli settlements, 17 of which are in the Jordan valley.
3) The authorities have, on occasions, drilled new wells closer to the existing Arab well, causing the latter to run completely dry.

These actions have resulted in a halt in new Arab investments in irrigation.

How to increase the efficiency of water utilization?

Improving the water efficiency requires development of water saving technologies.

Today we have three methods of water application, namely: Cutting furrow, sprinkler irrigation and drip irrigation.

The drip system is the most efficient of the three methods, because sophisticated use of drip irrigation can reduce water consumption by up to 50%. Also the reduced level of evaporation makes it possible to use much higher salinity levels in the irrigation water.

2) Live stock and live stock product: The general trend with respect to live stock in the West Bank is a continuous decrease in total local cows, with some stable number of non-local cows, gouts and sheep declined also. Unfortunately we do not have published material concerning the live stock in Gaza Strip for all years, but from what is available, we see that cows declined to about one third of what was in 1968, at the same time sheep rose to more than three times of what was in 1976/77. Table 3-6 shows the total for each type of live stock over the period 1976/77-1979/80.

Table 3-6

Live stock in the Territories over the period 1976/77 - 1979/80

Type of live stock heads	Years											
	1976/77			1977/78			1978/79		1979/80			
	Total	W.B.	Gaza Strip (3)	Total	W.B. (2)	G.S.	Total	W.B. (2) G.S.	Total	W.B. (2)	Gaza Strip (3)	
Local cows(1)	34019	22519	11500	12976			10913		13838	9838	4000	
Non local cows(1)	4419	4149	-	5153			4291		4160	4160	-	
Sheep (000)	268.6	257.6	11.0	220.5			235.4		262.0	227.0	35.0	
Goats (000)	189.6	189.6	-	149.8			156.3		135.8	153.8	-	

(1) This include mature cows, calves and bulls.

(2) Source ref. 28 page 195 for the West Bank.

(3) Ref. 30 page 4 and figures are given for 1968.

Section IV
The Agricultural Sector

The agricultural sector of the West Bank and Gaza Strip was subjected to deep strucral change under the Israeli Occupation. Most of these changes had a negative impact on the economy of the Occupied Territories particularly on the agricultural sector. For the last fifteen years Israel has governed an area inhabited by 1,250,000 palestinian Arabs. Inorder to compensate the Palestinians for the political strangulation, official spokesmen claim that the Occupation has improved the economic situation in the Territories.

Many western writers (i.e. Vivian Bull in her book "The West Bank Is It Viable") treats the above contention as a fact that does not need proving. This is contradictory to Dan Horitts claim that the Israeli contention is not an established fact backed by solid evidence and is in fact unprovable.

The agricultural crop production in the post 1967 period was 28% lower than in the immediate pre war period. The decrease in total agricultural output is the result of land confiscation by the authorities and restriction on water use for development. In addition to this the existance of nearby labor markets in Israel made it difficult for marginal agricultural sector to compete with. As a result of the last factor, a large area of agricultural land is now idle. This area was estimated at 728,000 dunams (ref. 14, p. 25)

Official statistics [1] show that this sector is important in terms of its share in gross national product and in providing employment, but its share is declining as can be seen from table 4 - 1.

(1) The author has his own reservation on these statistics.

Table 4-1

The contribution of the agricultural sector to gross national product over 1974-1980 in the West Bank - Million Israeli Shekel

Details	Years						
	1974 (1)	1975 (1)	1976 (1)	1977 (1)	1978 (2)	1979 (2)	1980 (2)
Gross National Product - Current	225.7	326.9	472.8	632.0	1,150.6	2,008.1	3,192.9
GNP in constant money 1969 = 100 (3)	88	89	100.5	98.8	119.5	124.0	133.7
The contribution of agricultural sector (constant)	31	19.4	26.4	21.6	33.0	27.4	39.1
Share of agriculture of real GNP (4)	35	21.8	26.3	21.9	27.6	22.1	29.2
Growth of GNP over period (5) Real	———	———	———	——— > 51.9 <	———	———	———
Growth of agriculture over period (6) Real	———	———	———	——— > 26.1 <	———	———	———

Source: (1) for absolute figures see ref. 23 page 69.
(2) ref. 24 page 70.
(3) calculated on basis of CPI for the respective years.
(4),(5) & (6) calculated by the author.

Table 4-1 gives the impression that the gross national product in the West Bank is growing very rapidly, but since most of this is an inflationary growth, the real growth over the period 1974-1980 was about 7% annually which is less than the rate of growth in Jordan during this period. Further more the agricultural sector did not show stability during this period and it is greatly influenced by one crop, namily olives. The growth of this sector is about 50% of that of the gross national product which means that this sector did not grow at the same rate as the gross national product ; The average growth is less than 3% per year and if we consider 2% rate of population growth we can reach the point where per capita income from agriculture did not change very much. The same can be said about the Gaza Strip where the real growth of the gross national product during the same period was 38.7 and the growth of the agricultural sector was negative in real terms during the same period, and

declined from 6 million Shekels in 1974 to 5.7 million Shekels in 1980(*). It was also noticed that the share of the agricultural sector in Gaza Strip declined and dropped from 31.2% in 1976 to 22.2% in 1979. The rate of growth of this sector was very low, around 2% annually during 1977, 1978 and then negative -14.5% in 1979. This was the effect of reducing the fishing area as a result of returning Sinai to Egypt.

Labor force in the agricultural sector:-

The agricultural sector is second to services in terms of the level of employment, but the proportion of workers in agriculture is declining over time. Table 4-2 gives the employment level in various economic sectors over the period 1970-1979.

Table 4-2

Employed persons by selected economic branches and place of work percentage in the sector

Year	Worked in the Territories(1)				Worked in Israel (1)				Total distribution by economic branches (2)			
	Agriculture	Industry	Construction	others	Agriculture	Industry	Construction	others	Agriculture	Industry	Construction	others
1970	38.7	15.8	8.4	39.1	24.4	11.6	54.3	9.7	37.0	13.5	13.8	35.7
1971	36.8	13.8	5.6	43.8	22.3	14.8	52.3	10.6	34.0	14.0	14.6	37.4
1972	33.5	13.9	6.2	46.4	23.1	17.1	49.5	10.3	30.6	14.8	18.2	36.4
1973	31.3	15.1	6.4	47.2	19.3	18.1	51.7	10.9	27.5	16.0	20.6	35.9
1974	33.8	14.0	6.2	46.0	19.1	17.5	52.5	10.9	29.0	14.8	21.3	34.9
1975	31.8	14.5	7.3	46.4	14.3	18.4	59.4	12.9	26.1	15.8	22.5	36.6
1976	31.4	14.4	8.2	46.0	15.4	19.7	50.3	14.6	26.3	16.1	21.5	36.1
1977	30.5	14.2	9.1	46.2	16.2	21.3	45.3	17.2	26.1	16.3	20.2	37.4
1978	29.8	15.2	9.5	45.5	16.8	22.2	44.8	16.2	25.6	17.4	21.0	36.0
1979	28.0	16.8	10.1	45.1	14.8	22.8	46.2	16.2	23.4	18.9	22.7	35.0

Sources: (1) ref. 4 page 696.
(2) calculated by the author on basis of information in the same source above.

Table 4-2 shows that employment in the agricultural sector of the Territories droped from 39.0% in 1970 to 28.0% in 1979. In terms of total employment (in the Territories and Israel), the total decrease was from 64,000 in 1970 to 50,000 in 1979. This decrease is a healthy phenomena because, on the average 6% of the total labor force in developed countries are employed in this sector. But the problem here, is not increasing efficiency in agriculture, it is decreasing resources or that resource utilization is not expanding to create job opportunities, even at the existing level of technology. Since 1967, the Israeli government has confiscated about 38% of the land in the Territories (ref.17 page 3) and limited water development to domestic purposes (ref. 13). For this reason, job opportunities did not increase in order to absorb a portion of the new wave of labor force. The final result is, more immigration outside the country or more commuting to Israel, another observation concerning the service sector. This sector can absorb on the average 60-70% of labor force in a developed economy "it is 63% in Israel on the average". This sector along with industry and construction can expand their employment to absorb more workers and allow the agricultural sector to increase its efficiency.

Output of the Agricultural sector:

Total agricultural output did not significantly increase over the period 1976/77-79/80. Excluding olive which is not stable and changes on a year to year basis, the rest of the branches behaved differently from each other ; vegetables and potato declined over the period 76/77-78/79 and only in 79/80 the total output exceeded the 1976/77 level. There is a clear increase in egg production in Gaza strip during the period under consideration. And simultaneously the fruit harvest declined during 1979/80. The amount of the agricultural output over the same period is given in table 4-3.

Table 4-3

Quantities of agricultural output
(000) tons over the period 76/77-79/80

Items	Years											
	1976/77 (1)			1977/78 (1)			1978/79 (2)			1979/80 (2)		
	West Bank	Gaza Strip	Total	West Bank	Gaza Strip	Total	West Bank	Gaza Strip	Total	West Bank	Gaza Strip	Total
Field crops	41.8	-	41.8	46.0	-	46.0	41.2	-	41.2	51.9	-	51.9
Vegetables & potato	149.4	50.8	200.2	156.3	53.4	209.7	141.4	51.4	195.8	145.2	61.3	206.5
Melons & pumpkins	8.9	2.9	11.8	11.4	2.8	14.2	8.0	3.6	11.6	19.6	4.3	23.9
Olives	17.0	-	17.0	85.0	-	85.0	21.1	-	21.1	120.0	120.0	120.0
Citrus	85.5	232.3	317.8	80.8	180.6	261.4	79.1	189.3	268.4	75.4	168.1	243.5
Other Fruits	78.8	21.1	99.9	95.4	24.8	120.2	87.0	19.5	106.5	89.3	21.7	111.0
Meat "all kinds"	20.5	4.3	24.8	19.8	4.8	24.6	23.5	5.1	28.6	23.1	5.2	28.3
Milk "all kinds"	39.6	12.0	51.6	39.9	14.8	54.7	39.4	16.2	55.6	36.7	15.2	51.9
Eggs "million"	40.0	35.0	75.0	44.5	40.0	84.5	44.5	47.5	92.0	44.5	50.0	94.5
Fish	-	5.1	5.1	-	4.5	4.5	-	3.5	3.5	-	1.2	1.2

(1) Ref. 4 page 701.
(2) Ref. 34 page 736.

Table 4-4*

Value of agricultural output
(000) I.L over the period 1977-1979
value in real terms and 1969=100

Items	Years								
	1977			1979			1979		
	West Bank	Gaza Strip	Total	West Bank	Gaza Strip	Total	West Bank	Gaza Strip	Total
Output-Grand Total	2709.4	1281.2	3990.6	3902.1	1184.9	5087.0	3505.5	1097.4	4602.9
Crops - Total	1787.7	980.6	2768.3	2925.3	857.9	3783.2	2175.0	776.9	2951.9
[illegible] products	894.4	293.8	1188.2	249.8	323.4	1273.2	1330.7	315.8	1646.5
Investment in new fruit plantation	27.3	6.9	34.2	27.0	3.5	30.5	31.8	4.7	36.5
Purchased input (-)	552.0	342.0	894.0	555.2	327.7	882.9	588.5	292.2	880.7
Income orginating in agriculture	2157.4	939.1	3096.6	3346.9	857.2	4204.1	2917.0	805.2	5722.2
Change in originated income over the whole period					20.2%(1)				
Change in live stock over the period					36.0%(1)				
Change in crops over the period					6.6%(1)				

(*) Source: Ref. 4 page 701 for absolute values. The real values were found through deflation by the consumer's index.

(1) Changes in real term were calculated by the author.

Table 4-4 shows an increase in income originating in the agricultural sector, where the live stock branch is the major contributor.

The share of purchased inputs of the total agricultural output is an indicator of the introduction of higher technology. This share did not increase as was expected and infact decreased from 20% in 1977 to 19.1%. Commenting on the share of purchased inputs in the agricultural sector of the Territories the authors of the Economic Development Model (ref 32 p.40) have concluded that:- Without a disproportionate increase in the share of purchased inputs, the judgement must be that no change in technique has occured.

[illegible] contrary to what the Israeli authorities would have us believe.

Local supply of agricultural products:

The three main branches of the agricultural sector, specifically live stock, vegetables and fruits will be illustrated here in the same order.

1) Live stock products:

Here we are concerned with three types of products namely meat, milk and eggs. Table 4-5 shows the total output of each one over the 1969/70-1979/80 period for both.

Table 4-5

Local supply of live stock products in the Territories over the period 1969/70-1979/80

Items		West Bank (1)				Gaza Strip			
Heading	Sub headings	69/70	77/78	78/79	79/80	69/70 (2)	77/78 (3)	78/79	79/80
Meat	Total	14900	19300	23100	22800	1920	4200	4900	5000
	Cows	1800	4300	4000	4000	300	1600	1700	1700
	Sheep	5000	5800	6200	6000	400	800	800	700
	Goats	2400	3400	3500	3400	620	1100	1100	900
	Poultry	5700	5800	9400	9400	600	800	1300	1700
Milk (000) liter	Total	37100	39900	39400	36700	7390	14800	16200	15200
	Cows milk	13400	18800	15300	15000	3800	8400	10500	10500
	Sheep milk	10100	11600	14100	13600	3590	3000	2700	2100
	Goats milk	13600	9500	10000	8100	-	3400	3000	2600
Eggs (000) units	Total	27000	44500	44500	44500 (4)	15.0	40.0	47.5	50.0
Miscella-neous		400	500	400	300	123	300	300	300
Camales		-	-	-	-	525	400	200	200
Fish		-	-	-	-	3420	4500	3500	(5) 1200

(1) Source ref. 28 p.190 (2) Ref. 29 p.74 (3) Ref. 28 p.192

(4) Comparing this with a survey in ref.33 p.126 it was found that the total output is 24.5 million. (5) The drop in fish product is the result of returning Sinai to Egypt.

Table 4-5 is some what inconsistant with table 3-6. The latter shows a decrease in total live stock. The prervous table, 4-5, shows an increase in the total live stock produce. This can be explained by the increase in productivity in this sector, but this is not an obvious fact for out side observers. Authors of the Economic model for the West Bank and Gaza strip made a comment on average yields estimated by Israeli sources and speculated that : (the estimates of improved yeilds refer to Israeli - run demonstration plots and not to the West Bank average production-) The previous statement can be extended to include live stock products in the Territories.

Supply of fresh vegetables and fruits:

The total supply of agricultural output has increased by more than the rate of population growth which reflects an increase in the consumption of agricultural output. The per capita consumption of agricultural output increased from 371 kg. in 1973/74 to 393kg. in 1979/80 and if this trend continues at the same rate, consumption per capita will be about 420 kg. annually (*). Table 4-6 shows the supply and distribution of fresh vegetables and fruits in the West Bank for the years 73/74 and 79/80.

(*) This per capita consumption can be used to estimate local consumption in 1985.

Table 4-6

Supply of fresh vegetables and fruits in the West Bank

by source and destination during

1973/74 and 1979/80

(000) Tons

Items	1973/74 (1)								1979/80 (2)							
	Total	Source			Destination				Total	Source			Destination			
		local supply	Israel	Gaza Strip	local consumption	Jordan	Gaza Strip	Israel and Jerusalem		local supply	Israel	Gaza Strip	local consumption	Jordan	Gaza Strip	Jerusalem
Vegetables	154.3	137.2	14.1	3.0	113.5	2.8	1.5	36.5	182.8	145.5	25.1	12.2	125.9	11.3	0.2	45.4
Watermelon	21.8	3.5	17.3	1.0	21.8	-	-	-	27.1	15.4	11.3	0.4	19.8	4.3	-	3.0
Sweetmelon	3.4	0.7	2.0	0.7	3.4	-	-	-	6.3	4.2	1.9	0.2	3.6	1.2	-	1.5
Fruits	153.7	132.5	11.0	10.2	95.1	39.1	2.4	17.1	19.4	165.1	24.0	4.0	121.6	51.5	2.9	18.0

Source: (1) Ref. 29 page 77.
(2) Ref. 28 page 194.

Table 4-7

Supply of fresh vegetables and fruits in Gaza Strip

by source and destination during

1973/74 and 1979/80

(000) Tons

Items	1973/74 (1)								1979/80 (2)							
	Total	Source			Destination				Total	Source			Destination			
		local supply	Israel	West Bank	local consumption	Jordan	West Bank	Israel and export		local supply	Israel	West Bank	local consumption	Jordan	West Bank	Israel and export
Vegetables	51.7	38.1	12.1	1.5	45.1	0.4	3.0	3.2	78.7	61.3	17.2	0.2	57.8	-	12.2	8.7
Watermelon	13.0	3.0	10.0	-	11.5	-	1.0	-	10.1	3.6	6.5	-	9.7	-	0.4	-
Sweetmelon	3.0	2.0	1.0	-	2.2	-	0.7	-	3.4	0.6	2.8	-	3.2	-	0.2	-
Fruits	240.8	233.6	4.8	2.4	31.9	74.5	10.2	124.2	201.7	185.9	12.9	2.7	33.7	110	4.0	54.0

Source: (1) Ref. 29 page 78.
(2) Ref. 28 page 195.

The per capita consumption in the West Bank is higher than that of Gaza Strip "Table [illegible]", shows that it was 228 kg in 1973/74 and rose to 249 kg in 1979/80. Based on this per capita consumption projected for 1985 can be about 270 kg/year. This increasing consumption of agricultural product (excluding live stock) give indication that the sector will be under heavy pressure to provide food not only for those who are in the Territories but also for those who are expected to come.

The potential of the agricultural sector.

Only 40% of the existing land resources, in the Territories, are cultivable. Nevertheless it is possible to increase this agricultural acutput through the following activities

1) Increasing the area under cultivation. Today we have 728600 idle dunams in the West Bank [illegible] can be exploitilized if we invest in land reclamation to protect it from soil erosion and improve its fertility.

2) The size of the irrigable land in the West Bank was roughly estimated at 16% of the total cultivable land. This means that we can increase the area under irrigation by four times the current size .

3) Developing water resources. The water storage in the aquifers of the West Bank have 700-800 m cu.m. potential dischange anually. Development of these quantities will secure enough water for domestic use, industry and agriculture for a population of about 4.0 millions.

4) A doption of modern irrigation methods may reduce the water consumption for irrigation by 50%. This method alone can allow us to double the area under irrigation with out increasing water supply. This is particularly important in Gaza strip, where the potential for developing water resources does not exist and only rational use of water can prevent increasing salinity of under ground water.

Needed information.

To be able to work a comprehensive plan for the development of this sector, the following studies are needed:-

1) General soil classification giving the distribution of land on the following basis:

a) Distribution of irrigatable land by regions.

b) Distribution of dry farming land by regions

c) Distribution of cultivable land that needs reclamation in mountainous areas.

d) Distribution of [illegible] region with estimation of carrying capacity.

Survey of the sxisting live stock by regions.

Estimation of average yields in different branches of the agricultural sector, and compare these yields with norms in Israel.

Estimation of input, output ratio for each branch in this sector.

Total water supply, that will be available during the 1985-1994.

Study of the reasons for the existing gap in average yields between the Territories and Israel.

Suggestions to close the gap in terms of improving extension service, investment, government incentives, infrastructure, and so on, and development of industries using agricultural products.

Section V
Industrial Sector

General Features

Industry in the West Bank and the Gaza Strip, with a few notable exceptions, consists largely of small scale enterprises which are little more than workshops; some produce the traditional handcrafted products of the Territories, such as carpets from Gaza, glass from Hebron, and wicker-work furniture. There are also enterprises which extract construction materials such as stone, gravel and marble.

The composition of the industrial sector in the Territories is the same today as it was before the 1967 war. Though it has expanded somewhat, the expansion reflects a primarily horizontal extension based mainly on the existing production processes. Apart from the postwar introduction of sub-contracting for Israeli firms, particularly in the clothing industry, the main characteristic of the industrial sector in the West Bank and the Gaza Strip has been the absence of substantial new industrial developments. Most industrial production remains focused on processing primary goods, such as food, beverages, tobacco, textiles and clothing.

Most of the industries that existed before the 1967 war, were of the small scale type and neither involved technologically complex processes nor much capital equipment. Today and after fourteen years of occupation, the manufacturing sector did not experience any significant change. Generally speaking, the composition of industry in the Territories is the same today as it was before the 1967 June war. The expansion was based mainly on existing production processes. One of the most essential factors that has delayed the rapid industrialization of the Territories is occupation. Occupation creates a feeling of uncertainety, which does not encourage investing in the economy and particularly in the industrial sector.

A study on the manufacturing sector in the Territories, which was published by The Economic Commission of Western Asia[1], concluded that several critical factors have delayed industrialization in the West Bank and Gaza Strip: political uncertainity, limited domestic markets for industrial products, strong competition from Israeli industries lack of experties, out of date technology, low level of education and vocational training. In addition to the absence of complementary services and developed infrastructure, including electricity, the lack of adequate natural resources and capital; further deplayed industrialization.

Some of the major findings of this study and suggested guide lines for the development of this sector are given below.

The Contribution of manufacturing sector to gross national product:

Tables 5-1 and 5-2 show the contribution of the various economic sectors in the West Bank and Gaza Strip. The two Territories differ with respect to the rate of growth in the manufacturing sector.

The growth of gross national product during the 1975-1979 period was 40.6% and 70% for West Bank and Gaza Strip.

During the same period the growth of the industrial sector was 13.2% in the West Bank and 81.5% in Gaza Strip. It is clear from the above mentioned tables that the growth of the industrial sector in Gaza Strip was faster than that of the West Bank.

The growth of industrial sector in Gaza Strip was higher than the growth of gross national product compare to West Bank where the growth of gross national product was higher than that of the industrial sector. These differences in the rate of growth in both Territories, have changed the share of the industrial sector in the gross national product.

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(1) Abu Kishk, Bakir served as Consultant for the Economic Commission of Western Asia in the preparation of this study.

In the West Bank the share of its contribution declined from 6% in 1975 to 4.4% in 1979, where in Gaza the manufacturing sector fluctuated over the period 1975-1979 but the upward trend is clear, and its share was always more than 6.7% of the 1975.

Table 5-1

Gross national product (at factor cost) by economic branch in the West Bank, 1975-1979 (million I.L. at current prices)

Item	1975	1976	1977	1978	1979
Agriculture, forestry and fishing	714	1243	1381	3222	4722
Industry	179	238	297	539	893
Construction (building and public works)	371	511	735	1225	2336
Public & Community services	311	399	576	1004	1680
Transport, trade & other services	816	1221	1760	2920	5485
Gross domestic product (total) at factor cost	2401	3612	4749	8910	15116
Factor payments from abroad	884	1123	1572	2633	5177
Less factor payments abroad	24	30	36	50	99
Gross National Product Total at factor cost	3261	4705	6285	11493	20194
Share of industrial sector%	6.0	5.06	4.73	4.7	4.4
Growth of GNP in real terms over the period 75-79			40.6 (1)		
Growth of industrial sector in real terms over 75-79			13.2 (1)		

Source: Ref. 6 page 23

(1) The rates were corrected on basis of the correct consumer price index for the years 1975 and 1979.

Table 5-2

Gaza Strip: Gross National Product at factor cost by economic branches over the period 1975-1979
(Million I.L at current prices)

Items	1975	1976	1977	1978	1979
Agriculture, forestry & fishing	304	485	685	997	1469
Industry	98	159	237	397	717
Construction	184	315	381	728	1600
Public & community services	225	296	393	660	1038
Transport, trade and other services	224	298	593	721	1806
Gross Domestic: Total	1035	1553	2289	3503	6630
Factor payment from abroad	446	639	864	1585	3474
Les factor payment to abroad	13	14	18	28	57
Gross National Product: Total at factor cost	1468	2178	3135	5060	10047
1. Share of industrial sector (%)	6.7	7.3	7.5	7.8	7.1
2. Growth of GNP over the period 75-79 in real terms			70% (1)		
3. Growth of industrial sector over the period 75-79 in real terms			81.5 (1)		

Source: Ref. 6, page 28.

(1) The rates were adjusted on bases of the correct consumer price index for the years 1975 and 1979.

The 1980 sample made for this study indicated that about 85% of all firms in the Occupied Territories were concentrated in manufacturing food, textiles, footwear, wood products, non-metallic mineral products, and facricated metal products. Tables 5-3 and 5-4 show the total number of establishment in both Territories, and distribution by major group.

Table 5-3

Distribution of establishments in the West Bank by major groups and level of employment for the year 1979

Major groups	Total[a/]	Distribution by the level of employment					
		1	2-3	4-7	8-10	11-20	21
Food, beverages and tobacco	232	85	61	65	7	6	8
Textiles and clothing	484	132	170	107	26	40	10
Leather and its products	234	62	117	52	2	1	-
Wood and its products	437	160	205	59	7	6	-
Rubber plastic and chemical products	51	6	14	11	5	3	12
Non-metallic minerals	122	4	32	63	11	10	2
Basic metal and metal products	419	57	236	117	3	4	2
Other industrial products	227	79	85	44	10	6	3
Total	2206	585	920	518	71	76	37

Source: Ref. 6 P. 18

[a/] Does not include East Jerusalem.

Table 5-4

Distribution of establishments in the Gaza Strip by major groups and level of employment for the year 1979

Major group	Total	Distribution by the level of employment					
		1	2-3	4-7	8-10	11-20	21+
Food, beverages & tobacco	199	79	72	36	4	5	3
Textiles, clothing, leather and its products	490	199	99	95	43	44	10
Wood & its products	198	31	94	61	4	2	6
Basic metal, metal products, electrical & transport equimpment	242	80	85	64	6	2	5
Other industrial products	205	18	73	88	11	10	6
Total	1334	407	423	344	68	62	30

Tables 5-3 and 5-4 show that the proportion of the relatively large establishments with 21 or more workers in both Territories is less than 2%, and that 94% of all establishments employ 10 or less workers. An illustration of the small scale industry was given in the study where the average number of worker per establishment in the Territories were compared with Israel and found to be 16% in the West Bank and 15% in Gaza Strip (Ref. 6 pages 20-27) of the average size in Israel manufacturing sector.

Total number of establishments and employments for the years 1969-1979:

Table 5-5 shows that total establishments in the Territories is decreasing under occupation.

Table 5-5

Changes in total number of establishments and employment in the industrial sector for the years 1969, 1978, 1979

Items	The West Bank			Gaza Strip		
	(1) 1969	(2) 1978	(4) 1979	1969	(3) 1978	(4) 1979
Total establishment	4029	2332	2207	n.a	1370	1334
Total workers	17032	9185	8884	n.a	5151	5912

n.a. = not available

(1) Ref. 12 p. 19.
(2) Ref. 6 p. 20.
(3) Ref. 22 p. 751
(4) Ref. 6 pp. 19-25.

which does not include East Jerusalem

For the years 1968-1979 East Jerusalem was excluded. The above table shows that total establishments decreased even during the years 1978 and 1979. Total employment is decreasing in the West Bank, in contrast to an increase in Gaza Strip. The reasons for poor growth in the West Bank can be attributed to competition from Israeli firms along with other factors that will be discussed in the following sections. The major factor for

growth in Gaza can be attributed to expansion in sub contracting arrangements in the textile industry, which employ more than 40% of all workers in the sector.

Distribution of establishments by major groups in the manufacturing sector:

All establishments were classified according to the United Nations Industrial classification system to exclude those establishments that are not classified as industry such as garages. Table 5-6 gives the number of establishments in each major group in the Territories.

When firms were asked to give the starting date for their operations. 55% of these firms reported the starting date during the period 1967-1980. Table 5-7 shows the result of the survey.

Table 5-6

Distribution of establishments by major groups in the Territories in 1980[1]

or group	Name of major group	West Bank	Gaza Strip[2]	Total
312	Food manufacturing	195	75	270
	Beverage industries	5	3	8
	Tobacco manufactures	4	-	4
	Manufacture of textiles	246	215	461
	Manufacture of leather and products of leather, substitutes and wearing apparel	8	3	11
	Manufacture of footwear except plastic footwear	250	29	279
	Manufacture of wood and wood and cork products except furniture	225	34	259
332	Manufacture of furniture and fixtures, except primarily of metal	124	26	150
341	Manufacture of paper and paper products	11	5	16
342	Printing, publishing and allied industries	25	12	37
351	Manufacture of industrial chemicals	17	4	21
352	Manufacture of other chemical products	16	-	16
354	Manufacture of miscellaneous products of petroleum and coal	1	-	1
355	Manufacture of rubber products	1	-	1
361	Manufacture of pottery, China and earthenwear	3	-	3
362	Manufacture of glass and glass products	8	3	11
369	Manufacture of other non metallic mineral products	272	100	372
372	Non-ferrous metal basic industries	1	-	1
381	Manufacture of fabricated metal products except machinery and equipment	345	90	435
382	Manufacture of machinery except electrical	3	2	5
385	Manufacture of electrical machinery, apparatus, appliances and supplies	4	2	6
390	Other manufacturing industries	27	6	33
	Total	1826	614	2440

(1) Ref 6 p. 110 (2) The Official Statistics for Gaza Strip show larger number of establishments, but some of these were excluded because they belong to the service sector.

Table 5-7

Classification of establishments by their starting date in the Territories

Total establishments	up to 1967	1967 1970	1970 1975	1975 1980
276	123	26	64	63

Source : Ref. 6 pp. 21-26

The results of this survey can be seen as inconsistant with table 5-6. The previous table 5-7 shows an increasing proportion of units that were established after 1967 but, table 5-6 shows a decline in total establishments after 1967. This paradox can be explained by the high rate of failure. Many firms that entered the market during this period, were unable to survive under the adverse economic conditions. Therefore, the number of firms that ceased operation during this period exceeded the number of newly established firms[1].

Utilization level:

Over 60% of all firms in this study reported under-utilization of production capacity. In the Gaza Strip, about one fifth of all firms are operating below 50% capacity, while 70% are under 50% capacity in the West Bank. Only 14% of all establishments operate at the level of 90% efficiency. Table 5-8 shows the distribution of firms in both Territories by the level of utilization.

(1) The number of firms that closed down during 1978/79 was 293 firms.

Table 5-8

Distribution of firms by utilization level in the West Bank and Gaza Strip

Level of utilization	West Bank and East Jerusalem						Gaza Strip					
	Total	up to 50%	50%	75%	90%	90%+	Total	Up to 50%	50%	75%	90%	90%+
Total firms (%)	182 %100	50 27.5	73 40.1	34 18.7	9 2.7	20 11.0	94 %100	21 22.4	38 40.4	30 31.9	2 2.1	3 2.1

Source : Ref. 6 p. 36

From the above table, we can denote that only 10% of all the firms in the Occupied Territories utilize 90% or more of their capacity, and about 66% of all firms do not utilize more than 50% of their capacity.

As a result, they are unable to absorb more workers to operate the existing capital. This is both an inefficient use of capital resources and a barrier to employment opportunities for more workers.

Few firms which had the capacity to expand, relatively speaking, were unable to do so. When firms where asked whether or not they could increase their output, 87% of all firms answered positively. But when they were asked why they were not expanding, 54% of these firms indicated that the market limitation was a major problem, lack of capital another major factor for 20% of the firms. Among the reasons for being unable to expand, political instability and taxation were the most serious problems, electricity disturbances were mentioned by firms in most of the cities in the West Bank. A higher inflation rate and the instability of the local Israeli currency have made it difficult for the firms to claim any real profits. As a result of all this, business operation in the Occupied Territories are largely of the small scale size.

Distribution of manufactured products:

Most of the firms market their products locally and confront competition with Israeli products, an example of this is the pharmecutical industry. Some firms which extract construction materials, such as stone, gravel, and other firms that produce wicker work furniture, market their products locally and in Israel. Only 9% of all firms export products to the rest of the world.

Raw material:

The Occupied Territories depend heavily on Israel for their needed raw materials, only 6.5% of all firms in the West Bank use raw material imported through Jordan; The majority in the area continue to use raw materials imported from or through Israel.

The existing investment level:

Level of investment is an indicator of the size of the existing establishments. So far the development of this sector is dependent on private initiatives and funding, with obvious inherent risks. Table 5-9 shows the distribution on basis of present value of the investment in the existing establishments. It shows that only 0.7%(1) of all establishments have a present value of J.D 50,000 or more(2).

(1) 0.7% of all establishments in Territories.
(2) This is equal to $140,000.

Table 5-9

Percentage distribution of establishments in the sample. by level of employment and present value of total investment (Current 1979 prices)

Location	Level of employment																				
	Up to 4 workers						5-9 workers				10-19 workers					20-49 workers				50 workers & more	
	Present value of capital (000) J.D.																				
	One	1-4	5-9	10-19	20-49	50+	Up to 5	5-9	10-19	20-49	50+	Up to 5	5-9	10-19	20-49	50+	Up to 10	10-19	20-49	50+	20-49	50+ (1)
West Bank & East Jerusalem	-	29.7	7.7	5.5	-	-	7.1	7.1	2.8	4.9	-	-	3.9	2.8	4.4	6.0	-	2.2	2.8	6.6	1.1	5.5
Gaza Strip	7.5	21.2	6.4	6.4	4.2	-	7.45	4.2	7.45	11.7	-	1.1	1.1	2.1	1.1	5.3	1.1	-	1.1	3.1	-	7.45

Source: Ref. 6 P. 32.

(1) The sample include all the establishments with 50 workers or more.

Prospects for the future:

Rapid economic development under the current level of industrial production is almost impossible, especially over the period 1982-1985. However, several prospects for future growth can be suggested for the far future.

Future development will probably expand existing industry. Development of the agricultural sector will naturally encourage those industries that are based on agricultural products, such as a preserve industry and canning industry. The dairy industry shows room for expansion, but again development of these industries depends on increasing private and public investments. Today, domestic investment is still at a comparatively low level. Domestic saving has largely been channelled to Amman banks, real estate, gold or has simply been hoarded. Development also depends on reducing the competition from Israeli products. It is expected that a major change in the political environment will provide protection to local industry and alter domestic investment paterns, as well as attract foreign investment.

Efforts should be made to identify those areas in which the Territories may have a comparative advantage in the near by Arab countries, and at the same time the local consumption can give the minimum basis for survival. These efforts should concentrate on a market study to determine the level of consumption in the Territories for various imported commodities from Israel. Feasability studies should be conducted to examine the economic justification for such projects. These may include wood industry, cement factory, production of electronics at a small scale level.

The limitations that might hinder development of this sector are not small and should be carefully examined before undertaking any large scale

development approach. Some of these limitations include:

1- Development of entrepreneurial skills. This is a major limitation to industrial growth. Training locally and abroad to encourage the development of entrepreneurial skills is a must that no development exists without. However, the type of entrepreneurial skills should be within a comprehensive economic plan that can specify the development priorieties and the needed skills at each level.

2- A solid infrastructure for modernization of the industrial sector is necessary. This involves a complex mixture of physical objects, systems and personal capabilities. It includes the provision of utilities, adequate communications, basic services such as banking and education and the availability of an entire range of skilled manpower. The creation of this infrastructure is quite expensive, and it must be completed in a coordinated fashion to ensure that all elements are provided. This is the area where public expenditure is crucial. Private investment in industry will be limited by the degree of government focused on developing sufficient electrical generating capability, water supply, communication facilities and other necessary services.

Section VI

Trade and Balance of Payment

Since 1967 the Occupied Territories economic development and trade with the rest of the world has been subject to Israeli legislative control. The Territories were forced to trade with Israel regardless of whether or not the terms of trade are in their favor.

The relationship between Israel and the Territories is not a relationship between equals, and it was described by Arkadi (ref. 44 p. 39) as similar to existing relationships between rich and poor regions in many parts of the world. Adding to this that the political circumstances are unique, because of Israel's exclusive and complete control of the economics of the West Bank and Gaza Strip.

It was mentioned before that Israel found in the Territories the market and the cheap source of labor. Thus the economy of the Territories found itself a complementary to the Israeli economy. This complementarity is not based on compartive advantages of the two, instead it is based on dividing the market into two segments. One segment provides the know-how and produces the final products and the second acts as a follower of the first and provides the raw material, unskilled labor and the commodity market.

The Occupied Territories lacking both political and economic independence, naturally has no opportunity to use traditional policy instruments such as tariffs or exchange rate controls. On the contrary, they are forced to adhere to a fiscal and monetary policy which is designed to satisfy the needs of the Israeli economy. The trade policies followed by Israel during 1971-1978 were designed to perpetuate the division of labor by reinforcing the established pre-eminence of Israel's export markets in the Occupied Territories.

Accumulated evidence shows that the effect of foreign trade between unequal partners, "Israel and the Territories", on the economic growth and development of the weaker partner is discouraging. International trade between unequal partners is far from encouraging, it actually retards growth by accentuating the dualist nature of the economy (ref.45 p.207).

In view of the above and in order to illustrate the impact of the occupation on the economy of the Occupied Territories, the available official statistics on export, import and balance of payments for the Territories over the 1969-1980 period will be utilized.

Export:

Table 6-1 shows the growth of export from the Territories to, Israel, Jordan and the rest of the world. The values are given in current prices and shows that the total export in 1980 is more than 60 times that of 1971, but in real terms the growth is about 2.4 times that of 1971 for the West Bank, and it is less than twice that for the Gaza Strip. Table 6-2 gives the values of export in real terms for the years 1971 and 1980.

Table 6-2*

The Occupied Territories volume of export in real terms for the years 1971-1980

Year	West Bank	Gaza Strip
	value of export (million I.L)	value of export (million I.L)
1971	1.22	0.84
1980	2.46	1.68
growth %	101.60	100.00
annual growth	8.10	8.00

(*) Calculated by the author by deflating total export for the years 1971 and 1980 by the index for these years in each one of the Territories.

Table 6-1

The Occupied Territories: Volume

and Destination of exports 1971-1980

(million I.L in current prices)

Items	West Bank 1971 (1)	1974 (2)	1975 (2)	1976 (1)	1977 (1)	1978	1979	1980 (5)	Gaza Strip 1971 (3)	1974 (2)	1975 (2)	1976 (1)	1977 (1)	1978 (4)	1979 (4)	1980 (5)
Exports	148.0	409.6	690.5	986.4	1250.[illegible]	2435.8	3726.4	9456.0	102.8	273.8	526.3	823.2	1357.7	2125.5	[illegible]77.7	7820.0
To Israel	77.6	287.2	442.2	616.4	777.4	1327.4	2291.4	5872.0	56.1	166.6	335.9	529.0	835.5	139[illegible]	[illegible]076.3	5955.0
Agric. Products	11.9	54.9	66.3	107.6	166.7	292.4	468.1	1386.0	9.2	27.0	47.8	76.9	181.7	300.7	[illegible]4.9	1202.0
Industrial Products	65.7	232.3	375.9	509.0	610.7	1035.0	1823.3	4286.0	26.9	139.6	288.1	452.1	653.8	109[illegible]	1611.4	4752.0
To Jordan	69.4	119.5	220.6	342.8	462.7	1085.2	1409.9	3701.0	12.2	50.3	105.4	192.8	422.0	575.3	775.2	1382.0
Agric. Products	17.4	34.5	70.7	98.3	224.0	442.6	523.9	1079.0	12.2	50.3	105.4	192.8	421.5	574.4	775.2	1381.0
Industrial Products	51.0	85.0	149.9	244.5	238.7	642.6	886.0	2622.0	--	--	--	--	0.5	-0.[illegible]	--	20.0
Other Countries	2.0	2.8	27.7	27.0	10.8	23.4	25.1	83.0	54.5	56.9	85.0	101.4	130.2	150.6	226.2	483.0
Agric. Products	--	--	18.6	18.8	--	--	--	--	54.5	56.9	85.0	101.4	130.2	150.6	226.2	483.0
Industrial Products	2.0	2.8	9.1	8.2	10.8	23.4	25.1	83.0	--	--	--	--	--	--	--	--
Excess of Imports Over Exports Total	137.1	472.2	922.1	984.2	1558.9	1970.4	5748.1	11093.0	81.6	338.1	609.4	662.7	1090.3	1337.4	2276.2	5442.0
Trade with Israel	149.8	502.7	855.1	1150.3	1748.7	2485.8	5979.8	12559.0	120.4	379.1	720.0	820.9	1466.0	1722.8	2[illegible]0.6	6136.0
Trade with Jordan	-54.5	-99.2	-189.2	-312.9	-414.0	-997.5	-1282.6	-3422.0	12.0	-49.6	-104.4	-192.4	-421.9	-57[illegible]	-775.2	-1382.0
Trade with Others	41.8	68.7	107.0	146.8	224.2	482.1	1051.0	1956.0	-26.8	8.6	-6.2	23.2	46.2	16[illegible]	250.8	688.0
% Share of Export to Israel of Total Export	55.3	70.5	64.0	62.5	62.2	54.5	61.5	60.0	35.1	60.8	63.8	64.2	60.2	65.8	67.4	76.1
% Share of Industrial Export to Total Export	80.2	78.2	77.4	77.2	68.8	69.7	73.1	74.0	26.2	50.9	54.8	54.9	47.1	51.7	52.3	61.0

(1) Ref. 22 page 725.
(2) Ref. 47 page 711.
(3) Ref. 46 page 690.
(4) Ref. 16 page 6.
(5) Ref. 28 pages 6-7.

Table 6-2 shows that the rate of growth of export from both Territories was not unusual, particularly when we compare this with the rate of import growth and the deficits in the balance of payments during the same period.

Imports:

The Occupied Territories are net importers, and it is clear from table 6-1 that excess amount of imports over exports is growing. In real terms the gap between imports and exports increased from 1.13 in 1971 to 2.86 million I.L in 1980(1). Which indicates that excess imports over export increased during the period 1971-1980 by 153% in the West Bank. In Gaza the excess increased from 0.67 million I.L in 1971 to 1.16 million I.L in 1981 or an increase by 75%. Table 6-3 shows the volume and origins of imports for the Territories over the period 1971-1980. Three observations can be made from the table; The first one is that Israel is the first exporter for the Territories and its share is growing and reached about 89.7% for both Territories in 1980. The second observaion is that Jordan ceased exporting to the Gaza Strip after 1978, and prior to this the rate of exportation from Jordan to Gaza declined(2). The third and final observation is that the share of industrial imports to all imports is very high, which can open opportunities for import substitute industries during the first stage of development.

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(1) For this purpose 1969=100.
(2) The import from Jordan was 0.114 I.L million in 1971 and declined to 0.072 I.L million in 1980.

Table 6-3

The Occupied Territories: Volume and Origin of

Imports, 1971-1980

Million I.L in current prices

Items	West Bank 1971 (3)	West Bank 1974 (2)	West Bank 1975 (2)	West Bank 1976 (2)	West Bank 1977 (1)	West Bank 1978 (1)	West Bank 1979 (1)	West Bank 1980 (4)	Gaza Strip 1971 (3)	Gaza Strip 1974 (2)	Gaza Strip 1975 (2)	Gaza Strip 1976 (2)	Gaza Strip 1977 (1)	Gaza Strip 1978 (1)	Gaza Strip 1979 (1)	Gaza Strip 1980 (4)
al Imports	285.1	881.8	1463.4	1970.9	2809.8	4406.2	8974.[illegible]	20550.0	184.4	611.9	1117.7	1485.9	2478.0	3762.9	5353.9	13262.
m Israel	227.4	790.0	1297.3	1766.9	2526.1	3813.2	7771.3	18233.0	156.5	545.7	1055.9	1355.9	2301.5	3442.4	4876.9	12091.
icultural	39.7	125.9	205.1	290.8	431.2	638.1	1178.9	2985.0	26.0	73.9	148.1	182.6	343.3	447.7	683.4	1628.
ustrial	187.7	664.1	1092.2	1476.1	2094.9	3175.1	6592.4	15248.0	130.5	471.8	907.8	1173.3	1958.2	2694.7	4193.5	10463.
m Jordan	13.9	20.3	31.4	29.9	48.7	87.5	127.3	279.0	0.2	0.7	1.0	0.4	0.1	--	--	--
ic. Products	4.8	2.4	0.9	1.5	2.9	5.5	10.1	26.0	0.2	--	0.1	--	--	--	--	--
ust. Products	9.1	17.9	30.5	28.4	45.8	82.0	117.2	253.0	--	0.7	0.9	0.4	0.1	--	--	--
er Countries	43.8	71.5	134.7	173.8	235.0	505.5	1076.1	2038.0	27.7	65.5	60.8	129.6	176.4	320.5	477.0	1171
ic. Products	7.7	14.2	49.1	71.2	70.7	24.1	90.5	165.0	1.1	6.6	18.5	52.1	84.9	35.9	72.1	138
ust. Products	36.0	57.3	85.6	102.6	164.3	481.4	985.6	1874.0	26.6	58.9	42.3	77.5	91.5	284.6	404.9	1033
ael's Share of al Import	79.8	89.6	88.6	89.7	89.9	86.5	86.6	88.7	84.9	89.2	94.5	91.2	92.9	91.4	91.0	9[illegible]
hare of Industrial ort From Israel All Imports From ael	82.5	84.2	84.2	83.5	82.9	83.2	84.8	83.6	83.4	86.4	86.0	86.5	85.1	85.9	86.0	[illegible]
hare of Industrial orts to All Imports	81.7	83.8	82.6	81.6	81.9	84.6	85.7	84.5	85.2	86.8	85.1	84.2	82.7	85.8	85.0	[illegible]

(1) Ref. 4 page 685.

(2) Ref. 47 page 711.

(3) Ref. 46 page 690.

(4) Ref. 24 pages 6-7.

It was noted in ref. 6 page 75 that available data provides only a general picture with respect to imports from Israel. There is neither a commodity breakdown, nor an indication of the extent to which imports from or through Israel are re-exports of goods from the rest of the world, nor is it clear whether imports from Israel are in turn re-exported to Jordan. Classification of trade between industrial and agricultural products is not informative. The criteria for such a classification is not very helpful for purposes of economic analysis because of the allocation in the industrial category, of mainly agricultural products that have been processed only to a small degree. However, it is important to know that the portion of the Occupied Territories of all Israeli exports rose over the period 1971-1980. In order to illustrate the relative importance of the Israeli exports to the Territories, table 6-4 gives the major export markets over the same period.

The table shows that the Territories are the second largest importer from Israel, and evidently the largest market on basis of per capita import.

Table 6-4

Israel's major export markets
$(000) over the period 1971-1980

Market	1971	1972	1973	1975	1976	1977	1978	1979 (1)	1980 (2)
West Bank and Strip	102373	137048	188500	367700	392721	462300	590000	497000	576000
United	185548	223473	267009	307500	440016	564600	685200	749100	886900
United	97515	111249	140799	169300	183880	225800	282600	394500	468300
Germany	90585	103645	137650	160500	201714	275600	340400	418700	541900
Nether-	57875	67439	97960	129200	163640	178300	212800	193500	246100
Kong	45268	60889	96943	113200	139953	188800	308000	247200	281100
	480818	580277	708298	1061000	1285995	1650600	1702300	2543700	31438
	1059982	1284020	1637159	2308400	2807919	3544000	3921300	5043700	6111600
e of the pied Terri- es without salem(3)	9.6	10.6	11.5	15.9	14.0	13.0	9.9	9.85	9.4

Source: (1) Ref. 6 page 78, for the years 1971-1978.
(2) Source for 1979 and 1980 is ref. 24 pages 204-214.
(3) The shares were calculated by the author. East Jerusalem was estimated to be 10% additional import from Israel, but was not included in these ratios.

The existance of surplus imports over exports to Israel is given in table 6-5 for the period 1971-1980. The table shows that the exports to Israel do not account, on the average, for more than one third of the total imports from Israel. This surplus of imports over exports created trade deficit in the balance of payments not only for trade with Israel, but also in their whole economy. Table 6-6 gives the balance of payments for the West Bank and Gaza Strip over the 1978-1980 period.

Table 6-5

Surplus of imports over exports to Israel and also the relation of exports to imports from Israel over the peirod 1971-1980

"million I.L. at current prices"

Items	1971	1974	1975	1976	1977	1978	1979	1980
Surplus of imports over exports to Israel	270.2	881.9	1575.1	1977.2	3214.7	4526.6	8280.3	16535
Exports to Israel as % of imports from Israel	29.6	33.9	33.1	36.7	33.4	37.6	34.5	38.5

Sources: For the years 1971-1979 the reference is 6 page 79, and for the year 1980 is 34 page 721.

Abu Kishk (ref.6 page 81) made the following comment on the balance of payments:

While services are positive they are not enough to balance the negative effect of merchandise, even after the inclusion of the wages earned by commuters to Israel. In addition, there is an increasing movement of capital from the Territories, which makes the trade deficit larger, without transfer payments provided by individuals through remittances to their families.

These payments have helped the economy in balancing its budget over the years. The movement of capital from the Territories implies that investors do not have confidence in the economy and try to seek opportunities outside the area. Thus it is important to creat investment opportunities for private capital in the Territories, because such investment will create job opportunities for the available labor force.

Table 6-6

Balance of payments of the West Bank and Gaza Strip for the years 1978-1980 (million I.L. at current prices)

Items	West Bank									Gaza Strip								
	1978			1979			1980			1978			1979			1980		
	Credit	Debit	Net Credit	Credit	Debit	Net Credit	Credit	Debit	Net Credit	Credit	Debit	Net Credit	Credit	Debit	Net Credit	Credit	Debit	Net Credit
Grand Total	6571.8	6571.8	—	12673.3	12673.3	—	29256.0	29256.0	—	4786.1	4786.1	—	8310.6	8310.6	—	18588.0	18588.0	—
Goods and services total	5340.7	6054.5	-713.8	9374.3	11956.9	-2578.6	21014.0	27758.0	-6744.0	3807.4	4346.9	-539.6	6732.4	6992.4	-260.0	15920.0	17352.0	-1432.0
Merchandises	2516.9	4423.2	-1906.3	3870.0	8998.8	-5127.9	9712.0	20822.0	-11010.0	2141.4	3595.4	-1454.0	3109.6	5601.4	-2491.8	7914.0	13923.0	-6009.0
Services	2823.8	1631.3	1192.5	5503.4	2958.1	2545.3	11302.0	6934.0	4368.0	1666.0	751.5	914.5	3622.8	1391.0	2231.8	7926.0	3393.0	4183.0
Transportation	49.6	115.9	-66.3	97.9	222.2	-124.3	258.0	606.0	-348.0	48.6	109.0	-60.4	85.3	197.6	-112.3	211.0	572.0	-361.0
Insurance	58.2	74.1	-15.9	72.5	142.0	-69.5	151.0	291.0	-140.0	23.0	49.3	-26.3	50.1	108.3	-58.2	101.0	217.0	-116.0
Travel abroad	152.9	478.1	-325.2	254.0	852.1	-598.1	660.0	2078.0	-1458.0	57.7	101.1	-43.4	98.6	178.6	-80.0	252.0	431.0	-179.0
Investments income	10.3	1.7	8.6	12.4	2.0	10.4	15.0	2.0	13.0	—	—	—	—	—	—	—	130.0	-130.0
Government	—	35.5	-35.5	—	59.7	-59.7	—	13.9	-13.9	—	33.1	-33.1	—	55.7	-55.7	7012.0	2049.0	4963.0
Others	2572.8	926.0	1646.8	5066.6	1680.1	3386.5	10158.0	3813.0	6345.0	1536.7	459.0	1077.7	3588.8	850.8	2538.0	7012.0	117.0	6895.0
Thereof Wages	2572.8	45.3	2527.5	5066.6	92.9	4973.7	10158.0	198.0	9960.0	1536.7	27.8	1508.9	3588.8	57.0	3331.8	3068.0	1135.0	1933.0
Transfer payments	1231.1	375.4	855.7	1955.6	716.4	1239.2	4343.0	1498.0	2845.0	978.7	244.6	734.1	1578.2	537.1	1041.1	—	101.0	-101.0
Capital movements	—	141.9	-141.9	1343.4	—	1343.4	3899.0	—	3899.0	—	194.6	-194.6	—	781.1	-781.1			

Source: Ref. 4 page 680 for the years 1978,1979 and ref. 34 page for 1980.

Section VII

Housing

The housing conditions in the Occupied Territories effect an overwhelming majority, because it is closely connected with the family income, density per room and the quality of services in the housing units.

The housing problem was studied within a general economic development model (ref. 32 pages 66-73 & 117-124). The study was based on some unrealistic assumptions, the major ones are:

The existing stock of housing is sufficient for the current population. There are no significant housing shortages or surpluses. Abu Kishk (ref. 1 page 29) found that even if the existing rate of immigration continues, there will be a shortage of about 34,000 housing units in 1983. But if we plan to accept returning Palestinians, which at least requires us to cut down on immigration, then total number of units in 1983 will be about 40,000 units. This is needed only to maintain the same density per room which was estimated to be about 3 persons/room. This density is considered by international standards as unacceptable. About 50% of all families in the Occupied Territories live in housing units with density/room higher than 3 persons and many units with poor facilities as will be shown later. So the assumption that there is adequate housing in the Territories is not valid for the previously mentioned reasons.

The second assumption concerns the area required/person. The authors based their calculations on the assumption that 10 m^2[(1)] will be enough per person and so 66 m^2 will be the average space for a family with 6.6 persons average.

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(1) This also was suggested by Tuma and Drabkin (ref. 36).

In Israel, this is considered as poor housing conditions and families living in small houses like this get the first priority for government assistance. It was estimated by Abu Kishk that the minimum space for a family should be between 70-95 m^2 and since 55% of the families in the Territories are above 6 persons, then the average space needed is 83 m^2, and the labor requirements to construct this average house is about 1.04 man unit. This means that labor requirements per 1000 returning migrants will be 158 year man unit. The cost of constructing the needed units per 1000 migrants can be estimated, from the data provided by Abu Kishk, the cost of the needed houses was estimated as 2.817 million? which is about 2.7 times the estimated cost given in the study of Spector and others (Ref.32 P.73).

The first detailed study of the housing problem in the Occupied Territories was presented by Abu Kishk (ref. 1) and it will form the bulk of the remaining parts of this section.

Two indicators were used in this study to measures changes in housing conditions; the first is density per room and the second one is the availability of facilities in these housing units. Supply of housing units were estimated on the basis of the rate of construction over the period 1967-1978, and projected for the years 1980-1990.

The demand for houses was estimated on the basis of three rates of population growth. The first assumes that immigration will continue at the same rate that existed over the period 1969-1978. The second assumes that the rate of immigration will decrease by 50% in 1990, and the third assumes that immigration will cease completely in 1990. This is for the estimation of population and the potential demand for houses. As for the housing units, the demand was estimated on basis of two density levels. One level assumes that density per room will continue as it was in 1977/78(1), and the other one assumes that density per room will improve

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rsons/room.

to be at the same level that prevailed in Israel in 1957[1]. Based on these three immigrations assumptions and the two density per room assumption, six solutions were projected for the years 1980-1990. Projection of labor requirements and capital are given for each year. Furthermore, the study proposed a set of priorities or criteria for the allocation of houses. The reason behind this is to ensure that families who desperately need housing units recieve first priority. This set of priorities allocate points to families on basis of family size, income/capita, density/room, availability of facilities in the existing housing units, ownership of units and type of family. Newly married yound couples have priority over old families with poor housing conditions. The study is good enough at the macro level for the existing population in the Territories, it can be modified to accomodate the returning Palestinians following the creation of an independent State. The study was supplemented by Ibrahim Dakak paper (ref. 35) which discusses ways and means for the administration of housing program in the Occupied Territories. Both papers complement each other and the program is available for implementation.

The major salient features of the housing sector were given by Abu Kishk and some of them will be presented as follows:

1) Density per room:

Table 7-1 gives the proportional distribution of households according to density per room in the Territories and Israel over the period 1967-1980.

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(1) The density/room was found to be 2 persons/room in 1957 compare to 1.1 persons in 1980, (ref. 34 page 302).

Table 7-1

Percentage distribution of households on basis of density per room in the Territories and Israel over the period 1967-1980

Density per room	1967 (1)				1971 (1)				1975 (1)				1980			
	East Jerusalem	West Bank	Gaza Strip	Israel	East Jerusalem	West Bank	Gaza Strip	Israel	East Jerusalem	West Bank	Gaza Strip	Israel	(2) East Jerusalem	(3) West Bank	(3) Gaza Strip	(4) Israel
1>	9.5	3.3	2.1	41.4	9.7	3.5	2.6	47.5	9.9	3.7	3.6	52.2		13.0	11.1	58.6
1-1.99	27.5	19.1	19.0	28.3	28.0	19.7	19.6	27.3	28.5	20.2	21.2	28.7		14.2	14.6	29.7
2-2.99	20.9	21.1	26.5	21.1	21.9	22.4	27.3	17.9	23.0	23.5	28.0	14.8		25.6	30.9	10.0
3+	42.1	56.4	52.4	10.2	40.4	54.4	50.5	7.0	38.6	52.5	47.2	4.3		47.2	43.4	1.6

(1) Source Abu Kishk ref. 1 page 6.
(2) not available.
(3) Ref. 34 page 724 Table XXVII/14.
(4) Ref. 34 page 300 Table XI/19.

The above table shows the existing large gap between the housing conditions in the Territories and Israel. For example, the gap between Israel and the West Bank was 46.2% for three persons or more/room in 1967, and continued to be about the same level in 1980.

The same thing can be said for Gaza Strip. It is important to point out that only 1.6% of all Jewish families in Israel suffers from housing poverty in contrast to 45.7%, on the average, in the Territories.

The availability of domestic facilities:

Housing facilities include, kitchen, lavatory, bathroom, water and electricity supply, proper sewage and hygiene. Table 7-2 shows the percentage distribution of these facilities in the Territories and Israel for the year 1967 and 1974.

Table 7-2

Classification of houses according to facilities available for 1967 and 1974, compared with those in Israel

Details Available	1967 East Jerusalem %	1967 West Bank %	1967 Gaza %	1967 Israel %	1974 East* Jerusalem %	1974 West Bank %	1974 Gaza %	1974 Israel %
1. Lavatory								
without any	6.8	14.4	29.0	5.0	5.9	36.0	21.0	3.0
outdoors	15.5	10.8	36.5	-	24.4	17.0	19.0	-
2. Kitchen								
without any	20.5	24.0	43.7	-	13.7	36.0	28.0	-
shared	5.5	2.3	4.7	-	3.8	3.0	12.0	-
3. Water								
Well	17.6	27.8	27.5	-	20.9	33.0	30.0	-
Pipe in the courtyard	12.9	9.9	27.3	-	19.0	17.1	38.5	-
4. Electricity								
Without any	28.6	76.1	81.1	-	24.3	54.0	64.0	-
5. Bathroom								
Without any	71.0	82.3	79.7	5.0	65.6	76.0	82.0	-

Source: Ref. 1 page 7.

Supply of houses:

An estimation of the supply was based on the existing units in 1967 in each one of the Territories, in addition to the units established during the year after making adjustment for the delapidated units. Based on this the total supply of houses was found for the years 1967-1977 as given in table 7-3.

Table 7-3

The aggregate supply of housing units
In the Territories for the
year 1967-1977

Year	Territory			
	East Jerusalem	West Bank	Gaza Strip	Grand Total
1967	12636	114840	64559	200064
1968	12516	109754	62815	192035
1969	12641	108218	61966	185085
1970	12780	105500	61800	182825
1971	13105	105400	61900	180080
1972	13664	104867	61855	180405
1973	14088	104534	62062	180386
1974	14266	105016	61894	180684
1975	14442	105272	61452	181666
1976	14627	105937	62694	181666
1977	14839	106672	63756	183258

Source: Abu Kishk ref. 1 page 11.

Demand for housing:

As was formerly mentioned the demand for houses was estimated on the basis of different rate of population growth and different density per room. Out of the available six solutions, four of these will be illustrated below in table 7-4.

Table 7-4

Demand for housing units under continous, out migration in the years 1980 & 1990 and ceased out migration in 1990, both estimations are for 3 persons/room and 2 persons/room

Year	3 persons/room		2 persons/room	
	Continued immigration rate	Ceased immigration by 1990	Continued immigration rate	Ceased immigration by 1990
1980	213,865	214,854	212,534	213,523
1981	218,033	220,091	216,202	218,760
1982	222,298	225,888	220,967	224,557
1983	226,624	232,261	225,292	230,930
1984	231,042	239,228	229,711	237,897
1985	235,572	246,837	234,241	245,306
1986	240,104	255,104	238,853	253,773
1987	244,869	264,130	243,538	262,799
1988	249,606	273,962	248,355	272,631
1989	254,577	284,634	253,246	283,313
1990	259,519	296,409	258,188	295,078

Source: Ref. 1 pages 24-25.

From both the supply and demand tables, the deficit for each year was calculated, then through the utilization of mathematical procedures the number of units to be established every year was found. Based on this the labor requirements and capital were calculated. Table 7-5 gives an illustration for three years.

Table 7-5

Housing units required, total job opportunities and capital for the years 1980, 1985 and 1990 under the assumption of ceased immigration and for two levels of density/room

Items	2 persons/room			3 persons/room		
	1980	1985	1990	1980	1985	1990
Housing units (1)	11594	14798	18887	6290	8027	10224
Labor requirement man/year (2)	32096	42192	53936	13284	16852	21634
Capital $1000 (3)	246719	314902	401887	98627	125863	160312

(1) Table 10/2 ref. 37 page 84.
(2) Table 13/2 ref. 37 page 87.
(3) Table 14/2 ref. 37 page 88 - values were given by Jordanian dinar, but converted here to American dollars taking the exchange rate at $2.8/one J.D.

Section VIII

Infrastructure

The infrastructure includes four major topics such as education, electricity, health and other public services, that will be presented in the same order.

Education:

Education in the Occupied Territories is provided by three separate systems. The Israeli system which provide education through the ministry of education in East Jerusalem and the military governer which does the same in the West Bank and Gaza Strip.

UNRWA provide education in the refugee camps in the West Bank and Gaza Strip.

The third one is the private institutions which are located in the main cities such as Jerusalem, Bethlehem, Ramallah, Nablus and Gaza City. Table 8-1 shows the distribution of students by different systems.

Table 8-1*

Distribution of students by different systems in the Territories for the years 1978/79 and 1979/80

	1978/79 (1)				1979/80 (2)			
	Total	of which			Total	of which		
		Govern-ment	UNRWA	Private organization		Govern-ment	UNRWA	Private organization
Institutions	1279	839	214	172	1293	893	221	179
Classes	10873	7371	2656	846	10913	7399	2681	832
Pupils	395186	258838	111062	25286	395939	259825	111426	24688

* This does not include East Jerusalem.

(1) Ref. 4 Page 718.

(2) Ref. 34 Page 754.

It can be seen from table 8-1 that the government system accomodates 65% of the students in the West Bank compared to 28% in the schools of UNRWA. Official statistics in Gaza Strip shows different distribution, where the UNRWA share is more than 50% of all the students. This is attributed to the large concentration of refugee camps in Gaza in comparison to the West Bank.

The average number of students per class is highest in UNRWA schools (42 students) some what high in government schools (35 students) and acceptable sizes in private schools (30 students).

Educational Requirements:

Serious questions exist concerning the adequency of educational facilities to meet the growing demand; UNRWA reports show that in both the West Bank and Gaza Strip, a large percentage of its schools are forced to maintain double shifts to accomodate the increasing student population. This phenomena has been increasing each year, as will be shown in table 8-2.

Table 8-2

Proportion of classes with double shift in UNRWA schools

Location	Year	% of classes with double shift
West Bank (1)	73/74	35.4
	74/75	39.6
	75/76	41.8
Gaza Strip (2)	75/76	48.4

(1) Ref. 32 P. 48

(2) Ref. 32 P. 104

Double shifting of classes is also prevalent in government schools, but not to the extend experienced in the UNRWA system.

Student attendence rates:

This is an indicator of the demand for education and can be found by comparing student attendence with the existing school age - population. This include in terms of primary and preparatory schooling, the population within the age groups 4-15 and 15-19. The proportion of the attending school age population has increased in the Territories from 90.5% in 1971/72 to 96.1% in 1975/76. As for non compulsory secondary schooling, the rate is about 26% of the relevent population. The consistency of these trends provides an indicator of the probable demand for these types of educational services in the future.

Based on this and on defining an acceptable class size the total number of needed classes and teachers can be estimated.

It should be clear that development of modern educational system requires not only the construction of buildings but in addition, we have to supply the needed facilities including the preparation of qualified teachers in the needed areas of education.

Investment in education:

Investment in education is seen as investment in human capital inorder to create trained-persons who are the corner stone for any development. The educational systems today puts little emphasis on technical training which is severely needed for development. For this reason the approach should be modified to allow the establishment of more training centers in various areas of technology. Discussion of education and training was given in the sector on labor force training.

Higher education:

Higher education refers to the stage beyond the high school and can be subdivided into:-

a) University level and,

2) Non university education which include: Teachers training colleges and technical training centers.

The total number of institutions that were in operation in 1967 reached eight institutions. They were at small scale level and concentrated on teachers training first, technical training second and last was university education. Most of the faculties held first university degree (ref. 38 page 7).

After 1967 the priorieties changed and more emphasis were given to university education, then teachers training and thirdly technical training.

University education:

Today we have seven universities in the Occupied Territories and they are:

1) Birzeit University, in Birzeit.
2) Bethlehem University, in Bethlehem.
3) Al-Najah National University, in Nablus.
4) Islamic College, in Hebron.
5) College of Eldawa and Relegion Foundation - Jerusalem.
6) The Islamic University, in Gaza.
7) College of Medical Sciences, in Elbireh.

Table 8-3 shows the total enrollment in these universities.

Table 8-3

Total students of the various universities

over the period 1975 - 1981

University	1975 1976	1976 1977	1977 1978	1978 1979	1979 1980	1980 1981	1981 1982
Birzeit University	473	600	827	1062	1392	1661	1882
Bethlehem University	410	509	670	701	260	871	1178
AnNajah National University	-	-	924	1372	1574	2549	2822
Islamic College of Shareeh - Hebron	203	214	338	396	475	1025	1201
College of Eldawa - Jerusalem	-	-	-	56	112	170	230
The Islamic University - Gaza	-	-	-	-	301	733	1778
College of medical sciences	-	-	-	-	-	51	152
Total	1086	1323	2759	3587	4614	7060	9263

Source: Ref. 38 P. 23 for the years 75/76-79/80 and Ref. 40 PP. 30-51

The above table shows that university education increased by more than four folds its size in 1975/1976. In spite of the quanitative growth in terms of student enrollment, the university education faces serious problems, some of these are:-

1) Unclear objectives, we feel that the objectives of the higher education universities are not clear in terms of the national aspiration of the population. Coordination between the existing universities is not extensive and leaves a lot to be desire.
2) Shortages of qualified faculty members.
3) The obstacles and hinderances made by the occupying authorities.

Non university education:

There are seventeen institutions in the Territories and their total enrollment is 3,700 students 2,400 of which are teachers training centers and the rest in technical training (ref. 38 page 11). Seven of these schools are at a high school level, one at an intermediate level

(Polytechnic Institute in Hebron) and the rest are lower than a high school level. In addition to these there are many charitable and commercial training centers. The latter centers provide training program for short periods but enrollment in these programs is low compared to academic education as will be shown in the table 8-4.

Table 8-4

Distribution of Student in Non University Education

at the high school level or above over the period 78 - 81

Institutions	1978 1979	1979 1980	1980 1981	1981 1982
Institute of Polytechnic (Hebron) (1)	54	113	225	338
Almahed Elsharaee (Jerusalem) (1)	48	57	55	58
" " (Qalqeliah) (1)	30	57	59	60
Almadrasa Elthanwia Elsinaea (Jerusalem)	298			
" " " (Nablus)	358			
Madrasat Elsalizian Elthanwia (Bethlehm)	131			
" Abdulla Bn elHosian (Jerusalem)	70			
" Der Dabwan Elthanwia				
Almadrasa Elsinaea Elthanwia (Tulkarem)	186			
Training Center Kalandia	426			
Teachers training Center Eltira	354			
Dar Elaitam Elislamea Elsinaea Jerusalem	78			
Total	2033			

(1) Ref. 40 pages 53-57.

Proportion of high school graduates with technical training is very low. Table 8-5 shows that the proportion is lower in 1978 compared to 1972.

Table 8-5

Distribution of high school graduates over the period 1972-1978

year	Total graduates	technical institutions	% of technical students
1972	5966	293	4.9
1973	7096	283	4.0
1974	6492	228	3.5
1975	7111	284	4.0
1976	8507	341	2.8
1977	8053	247	3.0
1978	9313	327	3.5

Source: Ref. 39 PP. 30-31

The above table confirms the contention that the higher education in the West Bank concentrates on universities. This trend in education was critisized by Hunt (in Ref. 38 p. 11), who recommended the encouragement of technical training in the future. Concentrating on university education may lead to surplus in people with university degrees who in turn cannot find suitable jobs in the Territories and as a result they look for opportunities outside the country.

Health

There are three providers of health services in the Territories: the government, UNRWA and private institutions.

Private institutions are more evident in the West Bank where we have eight hospitals compare to only one in Gaza Strip. Government health care services included 15 hospital in 1977 (nine of these in the West Bank).

Total number of hospitals declined in the West Bank from 24 hospitals in 1967 to 17 in 1977, (Ref. 32 p. 59). The total number of beds also declined from 2085 in 1967 to 1328 in 1977, and as a result total beds/1000 population decreased from 2.4 (Jordanian data in 32 p. 59) to 2 beds/1000. The total number of clinics even decreased from 186 in 1971 to 146 in 1973. This decline, in all aspects, is due primarily to Israeli restructuring and redistribution of health care delivery. The declared objectives of the restructuring, is to increase the efficiency through improving the provided services. Unfortunately, this was not the end product and it is clear to all those who use these services that the standards today is far from improved.

Table 8-6 gives the distribution of hospital beds, doctors and nurses in the West Bank in 1977.

Table 8-6

Distribution of hospital beds, doctors and nurses by location in 1977

Location	Total beds[1]	Nurses[1]	Doctors[1]	Occupancy %[1]
Jerusalem	123	95	23	66.4
Ramallah	54	32	6	37.8
Beit Jala	40	23	10	51.0
Jerico	100	80	19	34.5
Hebron	60	61	16	
Tulkarem				
Gaza				
Rafah				
Chan Yunis	377	291	74	
Total				

Source: (1) Ref. 41 P. 16

The existing low ratio of beds/1,000 population (2 and 2.5 in West Bank should lead to a higher occupancy ratio, but statistics show the opposite. The low occupancy ratio can only be explained by the low standards at government hospitals and the existence of better services in the private sector.

In addition to hospitals there are 186 clinics in the West Bank and 27 in Gaza Strip. Table 8-8 shows the distribution of these clinics by region and government share in each.

Table 8-8

Distribution of clinics by provider and location

	West Bank				Gaza Strip			
ation	Gover	UNRWA	Private and others	Total	Covt	UNRWA	Private and others	Total
t Jerusalem				44	-	-	-	-
allah	25			29	-	-	-	-
lus	24			37	-	-	-	-
karem	32			19	-	-	-	-
hlehem	9			40	-	-	-	-
bron	31			27	-	-	-	-
nin	21			-				27
za Strip	-	-	-					

urce (1): Ref. 41 P. 11

Health services requirements:

Determination of adequancy depends on the scope of health care objectives. The UNRWA Policy is to maintain services at a level equal to that of local Arab nations in comparable economic circumstances(1).

(1) Comparison with Jordan shows that the level is not improving and it is lagging behind the developments in Jordan.

the government's goal is to maintain at least that of the prewar level of service (Ref. 32 p. 61). This by passes the fact that during the 1967-1980 period the world did not stand still and health services improved a lot in the nieghboring countries, particularly in Jordan.

Based on norms outside the Territories the author estimated that the ninimum number of hospital needed to provide a reasonable level of services is 34 hospitals, i.e 0.26 hospital/10,000 population (in Israel the norm is 0.36 hospital/10,000 population) and the total number of beds should be at the level 30 beds/10,000 population[1] which means that the required number of beds for the immediate use should increase from 618 to 4,000. Furthermore, hospitals should be provided with modern technology to allow an acceptable and reasonable level of services.

Many problems are still unsolved such as the critical shortages of qualified nursing personel, which was high lighted, specially in the World Health Organization report (Ref. 42) on the West Bank, and Gaza. The report pointed out the followings:

Planning and cooperation among health care providers is lacking. Limited post graduate medical education in the Territories slows trends toward modernization of techniques and skills. Standards of hygiene and sanitation have been maintained at low levels (Ref. 42). The over all medical [illegible] supply has not kept up with the demand. Clinics and hospitals are over crowded and professional personnel is insufficient (Ref. 32 P. 116).

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(1) The norm in Israel is 150 beds/10,000 person in 1980.
(2) Many people where about to loose or have lost their lives because of lack of facilities like oxygen tent in these hospitals.

Planning the path of growth for health services requires the adoption of norms in comparable communitites, in the area. Later development growth will be based on the availability of resources, that are needed to improve health services. The health services in the Territories are not satisfactory and greater efforts are needed to raise the existing standards.

Electricity

Current status:

The two Territories are different in terms of power consumption per capita and sources of supply: The West Bank is supplied electricity by a dozen municipal power stations, one private company, the East Jerusalem company and Israel's national power grid. The Gaza Strip is entirely dependent upon Israel for the provision of its electrical supplies. Resedential electrification is significantly lower in Gaza than in the West Bank. As of 1974, 14.6% of all households in camps were electrified and 58.9% of all households in towns.

The municipal stations in the West Bank are moderate-sized autogeneration facilities with diesel-powered generators. These local systems are not interconnected, and date mainly from 1950's and before (Ref. 32 P. 74). Recently, in 1981, the municipality of Nablus installed new generators that can supply other cities and villages near Nablus.

The East Jerusalem Electricity Company, provides much of the power required by the municipalities of Ramallah, Elbira, Bethlehem, Beit Jala, and Jericho in addition to East Jerusalem.

Today 70% of the villages and cities in the Territories have no electricity. Table 8-9 show the distributions of these villages by regions.

Table 8-9

Distribution of villages with no electricity

Location	Villages	There of with no electricity
Jerusalem	32	15
Ramallah	70	43
Bethlehem	32	27
Hebron	60	39
Nablus	124	106
Tulkarem	46	32
Jenin	64	50
Total West Bank	429	312
Gaza Strip	21	5
Grand Total	449	317

Source: The secretary of the international council of churches, West Bank, 1980 in ref 1 Page 14.

Table 8-10 provides information on total consumption of electricity by regions.

Table 8-10

Total quantity of electricity consumed by regions in million Kw/h over the period 1970/71-1979/80

Year	East Jerusalem company area	Nablus	Hebron	The rest of the West Bank	Gaza Strip	Total
70/71	46.7	10.5	1.7	0.7	15.4	75.0
71/72	61.3	11.6	3.1	0.8	18.8	94.6
72/73	75.3	14.2	2.9	1.5	22.6	116.5
73/74	92.3	15.6	5.4	2.3	26.4	142.0
74/75	105.7	19.2	7.2	4.5	35.6	172.2
75/76	125.6	21.6	9.1	5.5	36.2	198.0
76/77	146.6	22.5	11.6	7.0	53.4	241.1
77/78	171.6	25.9	14.4	8.5	64.6	284.4
78/79	198.3	28.4	16.1	10.0	79.7	332.5
79/80	217.2	32.0	19.2	11.5	94.0	272.9

It was estimated by Shuman (Ref. 43 P. 17) that the Territories recieve through the Israeli power grid about 74% of the total quantity used. This proportion is expected to increase as a result of the decreasing capacity of the old generators and eventually some of these generators may go out of production. This trend will lead to complete dependence of the Territories on Israeli sources, unless we provide a better alternative. Development of the electrical system of the Territories could evolve along one of three different courses:

1) Continue and ultimately complete integration with the Israeli national grid net work.
2) Expand the autogeneration facilities.
3) Develop and expand a largely independent and unified grid net work in the Territories.

The auther of the economic model (Ref.32 P.77) dismissed the first alternative on the ground of possible political issue of excessive dependency on Israel. The second alternative was rejected on the ground of economic reasoning (

The third one represents a higher capital cost, but offers the potential of relatively abundent and inexpensive power controlled by the population of the Territories. In order to estimate the system's total costs, it was suggested by (Ref. 32 P. 78) to obtain information on the following areas:

a) Generator cost per KW of capacity.
b) Additional capacity necessary.
c) Transmission line cost per kilometer.
d) Total lengths of additional lines.
e) Distribution cost per additional consumer, and
f) Number of additional consumers.

( ) The autogeneration requires higher operating costs lead to higher prices ... and thus will place major constraints on the future development

Transport

Transportation within the Territories is all motor vehicle, trucks, buses or taxes. No trains serve the area. In 1969 most of the buses, in the Territories were 10 to 20 years old, and were run by more than 137 different companies. This fragmentation resulted in gross inefficiency (Shye in ref. 32 P. 222). There is a primative port in Gaza, but since 1967 its activity has decreased. Development of this port will provide an outlet for the state. The road net work in the region is adequate between the major cities and near by villages, but between the villages are not satisfactory.

Table 8-11 gives the distribution of inadequate village roads by region.

Table 8-11*

Distribution of villages with poor connection to highway in 1980

District	Villages with poor connection to high way
Jerusalem	9
Ramallah	6
Bethlehem	21
Hebron	19
Nablus	37
Tulkarm	7
Jenin	16
Total West Bank	115
Gaza Strip	4
Grand Total	119

* Council of churches Feb. 1980 in ref. 1 Page 14.

Table 8-11 shows that 119 villages out of 450 do not have adequate connections.

Furthermore the internal roads within most the villages is very poor and can tolerate some improvements(*).

Transportation vehicles:

During the peiod 1970-1980 the total number of vehicles increased, signif..cantly. Table 8-12 shows the changes by type of vehicle in the Territories.

Table 8-12

Distribution of motor vehicles by type in the West Bank and Gaza Strip over the period 1970-1980

e of vehicle	West Bank					Gaza Strip				
	1970	1977	1978	1979	1980	1970	1977	1978	1979	1980
vate cars	1626	6276	7448	9648	11691	1293	4550	4936	6116	7550
cks & commer-l cars	1299	5802	6261	7092	7905	1053	3484	3916	3741	3905
es and mini-	394	489	493	498	508	28	67	67	69	73
is	828	890	890	891	892	-	821	822	788	790
or cycles	134	537	578	606	629	175	519	536	546	567
ial serv..ces										
her vehicles	153	418	440	455	487	13	64	67	66	66
l	4434	14412	16110	19190	22112		9505	10004	11346	12951

rce : Ref 34 P. 749

(*) A study of the transportation problems in the West Bank is going now at Birzeit University through the research center.

Banking, Money and Finance

Availability of credit is important for economic growth. Both banking system and easy monetary policy are necessary to make credit available to investors at low cost.

Before the 1967 war, 6 banks operating eleven branches offices existed in the Gaza Strip and more than a dozen banks in the West Bank with branches in all major cities and some of the large villages. All these banks have been closed since 1967. On the fourth day of August 1981 the Bank of Palestine was permitted to resume its work in Gaza City only. The Bank was denied the right to conduct any transactions or savings in foreign currency and to limit his activities to Israeli currency. Since most savings of the population of Gaza Strip is made in dollars or stereling, the bank was not able to accomodate these savings and as a result most of these were channeled to Israeli banks (Ref. 49 P. 3).

Since 1967 war, the economy of the Occupied Territories suffer from the absence of finance intermediaries on one hand and from the tight monatory policy administered by the Israeli authorities on the other. Although Israeli Banks have established branches in the Territories, five of these in Gaza Strip alone. But their activities were limated to daily and short run-term transactions. Extending credit to investors to encourage investment in the economy has been maintained at an insignificant level. For this reason investors were not able to rely on banking services to finance their investments. It was found from a random sample which included 276 establishments in the Territories (Ref. 6 pages 5-33) that 97% of all establishments in the sample were financed through private or partnership. Only three percents of all establishments obtained loans from banks and it is probable that most of these loans came from non

Domestic and Industrial Water Supplies

Data are very spotty regarding domestic consumption levels and virtually non existent for industrial usage. In 1967 the Israeli hydrological services estimated that the West Bank consumed a total of 80 million cubic meters of water, of this, 6.5 million cubic meters where consumed by homes and industry. Given the population at that time, this would imply a yearly per capita consumption of 10.8 cubic meters, or a daily per capita consumption of 30 liters (Ref. 49 P. 286). A consumption level of 30 liters per capita/day, is low even by standards prevailing in most develo ping countries. In a survey by the Internation Council of Churches (in Ref. 1 p. 14) it was found that 75% of the villages have no water supply systems. Table 8-13 describes changes in household water service in the West Bank.

Table 8-13

House hold access to water by source: West Bank

Water Main Source	1967		1972		1974	
	Number of house holds	%	Number of house holds	%	Number of house holds	%
Public well or stand post	57,744	48.5	40829	38.7	26,717	26.5
Private well	32,214	27.0	31544	29.9	33,396	33.0
Tap in Court yard or in dwelling	29,207	24.5	33127	31.4	41087	40.6

SourceL Ref. 32 P. 87.

On the average 40% of households in the West Bank have access to tap water either in the dwelling or in a court yard. This is different for cities where 78% of all households have this facility available, and only 11% of all households in towns recieve their water from private wells (Ref. 51 P. 718).

Household service levels in Gaza are comparable to the West Bank's. The percentage of total households enjoying access to running tap water is 75% in Gaza City. Considering the high urban concentrations in Gaza, the level of service appears comparable in both Territories.

Section IX

Conclusions and Recommendations

Inspite of the existing conflict in the area that was aggrevated by the Israeli invasion to Lebanon, the hope for a peaceful political solution in the direction of establishing a Palestinian state continues to exist. The preparation of this report and other activities of the United Nations are indicators of this trend. Millions of people all over the world came to realize that the time had come to put an end to the sufferings of the palestinian people. Furthermore, they hope that the solution will end the hostility in the region and be satisfactory to all parties involved.

The purpose of this report was not to discuss or to present all the alternative political solution, but to examine the growth potential for the forthcoming state and what is needed to make this growth possible, assuming that the policy makers have agreed on a solution.

The major concern at this stage is to point out the need for a comprehensive social and economic plan, and what type of data is needed to work the details of such a plan.

The suggested plan is expected to answer the following questions:

1) What population size can the economy of the Occupied Territories today support after the establishment of a Palestinian state?
2) What are the priorities for development during the 1985-1994 period, which is the most critical period?
3) Is it possible for the economy to reach its full potential during the establishment period?
4) Where can the needed capital come from to finance the development plan?

For the purpose of analysis the following assumptions were made:

1) It is possible to have two states within the boundaries of mandate palestine, one for Israel within the 1967 green line boundaries and the second for the Palestinians in the area occupied by Israel since 1967 war.
2) Cooperation at any level between the two states is vital, but it must be based on the expressed interest of the people of the prospective states. This implies that no one state can dictate the terms of cooperation. Cooperation should be made through mutual understanding.

In the following pages, a conclusion of this study and recommendations pertaining to the various sectors of the economy will be presented.

The Demographic sector

Total population of the Occupied Territories is expected to be 1,372,000 persons in 1985 and will bring the total Palestinian population within the boundary of mandate Palestine to about 41% of the expected total Palestinian in 1985. Assuming that only 50% of all Palestinians outside mandate Palestine will return during the 1985-1994, this will bring total population of the forthcoming state to 3.5 millions in 1994.

Man Power

It was found that labor force participation rate is about 19% of total population. It is expected that this rate will rise to 20% during the 1985-1994 and so by the end of this period, labor supply will be about 652,000 persons that the plan should create job opportunities to accomodate them.

Natural Resources

This includes land and water resources.

Land resources - total area of the territories is more than 6,000 square kilometers, about 5% of this is in the Gaza Strip and the rest is in the West Bank. Out of this area only 2,000 square kilometers are under cultivation with the possibility to add 700,000 dunams that are marginal idle land but can be utilized for production after undergoing the necessary land reclamation. Today less than 200,000 dunams are under irrigation in the Territories, but the proportion of irrigitable land is within the range of 15-20% of total cultivable land.

Water Resources

The estimated supply of water for the Territories is about 800 million cubic meters of which only 60 million cubic meters are in the Gaza Strip. Allowing 100 million cubic meters for domestic and industrial consumption, this will leave enough water to irrigate all the suitable area which is about 450,000 dunams; more than double the existing area today.

There is a potential for underground water development in the West Bank which will allow to increase the irrigated area four folds of the existing level today, but we cannot do the same thing in Gaza Strip where the actual water consumption is high and there is over pumping and so, the possibility for more land under irrigation does not exist today.

Agricultural sector

Dan Hewitt (Ref. 26) summarizes the existing agricultural sector as follows:

Domestic production is not advancing in the West Bank "but the same thing can be said about Gaza Strip" and there is no reason to expect a change until the political realities change to allow investment and [illegible] ion.

The data shows that the effect of the occupation has been to provide the Territories with opportunity for lacrative employment in Israel, for Israeli production. The economic union of the Territories and Israel has caused an arrest of production on the Territories and has contributed to a boom in Israel's production.

The economic atmosphere created by the occupation has forced investment down to an extremely low level - saved money has gone to various uses other than investment in the economic growth of the area, and there is an apparent permanent decrease in agricultural output. The Israeli occupation of the Territories is providing a temporaty rise in the standard of living, but in the long run it is causing an economic dependence of the Territories on Israel for employment and forcing long run economic stagnation for domestic product.

Recommendations for the development in the agricultural sector

1. Soil classification to determine:
   a) The total cultivable land, and the proportion of this land that is irrigitable.
   b) The total idle land and the potential for developing these areas through land reclamation.
   c) Establishing an extension service that can cover the Territories and be capable of providing extension services for all farmers. The extension service should encourage the utilization of modern technology, improvement of land and labor prductivity in this sector.
   d) Development of water resources and increasing the effeciency of water use.

The industrial sector

Development of non-traditional industries in the Territories will not only create job opportunities, but, because of its being a dynamic force, it is capable of initiating a process of self-generating development in the Territories.

The forthcoming state is of relatively small size with limited natural resources, so the agricultural sector alone cannot be the answer to all of the problems.

For this reason the industrialization policy should be adopted on basis of the following:

1) Almost 90% of all imports to the Territories today are manufactured products. This means that there is the possibility for import substitute industries as a starting point.

Expansion of these industries is possible through the establishment of a marketing system to export these products to the Arab countries. The fact that Palestinians exist in all Arab countries will enable the state to have a relatively good distribution system.

However, it should be made clear from the above that industrialization is not an easy task to undertake. Experiences in most developing countries show that embarking on industrial development without creating the needed infrastructure may end with complete failure.

For this purpose it is important to conduct studies to determine the type of industries needed. Once we have decided on the industries the second step is to conduct feasibility studies showing the potential for these industries. If these studies give a positive answer then we have to consider the needed infrastructure, particularly those related to human capital development, transportation and distribution systems, finan- of a policy to encourage international

trade and finally where does the needed capital to finance these projects come from.

Priorities for development during the 1985-1994 establishment stage:

During the first ten years after the creation of the Palestinian state, efforts must be directed along the following lines:-

Housing construction

Construction of houses to improve the existing housing conditions for those in the Territories today and to accomodate the returning Palestinians. Along with houses the development of the needed infrastructure (in terms of water and electricity supply for domestic purposes, building schools and hospitals) will provide job opportunities to accomodate the labor force beyond the need of the agricultural and services sectors.

However, one must not forget that once we have completed this, the housing and construction sector may not accomodate more than 5-6% of all the labor force and so if we do not plan ahead a surplus of labor may be created with all the disadvantages of unemployment problems.

To avoid the problems, efforts should be directed to the needed developments beyond the establishment stage - these efforts should include the following:

1) Development of water supply system for both domestic, industrial and agricultural use.
2) Development of the needed infrastructures.
3) Development of technical training programmes to prepare skilled workers in the needed areas of development.
4) Land reclamation and development of soil conservation practices.
5) Development of communication system.

6) Development of research institutes to study the various alternative possibilities and help the decision makers in deciding to choose the best alternative.

7) Development of a banking system to accomodate and encourage investment.

8) Establishment of planning authority to supervise the activities in different government offices and to make sure that they work in harmony; no one should be behind and at the same time no one unit should be ahead of the schedule. The last unit should be given authority over all the governmental offices and should have the authority to allow or stop government expenditures for the major projects. However, once the job is assigned to any department, the units work will be limited to supervision and inspection concerning the quality of work; and

9) Development of a judiciary system that will guarantee individual rights, and give a feeling of security on investments.

Source of funds

Establishment of the Palestinian state will not be a burden on the world community in general, and on Israel and the Arab world in particular.

To the contrary I do believe that the creation of the Palestinian state will be profitable to all of them. This is true because of:

1) Creation of a Palestinian state will reduce the tension in the region and as a result expenditures on war machinery will decline allowing the channeling of these expenditures to more productive activities. So if the concerned states of the region allocate some of these saved expenditures to help in the development of the Palestinian state, it will be to their advantages to do so.

2) The world community pays large sums every year to compensate the Palestinians for their misery and to minimize their sufferings, this contribution should continue at least during the establishment period.

3) Israel should compensate the Palestinians on their homelands and other belongings and the experience of Israel with West Germany can be used as a base for this purpose; and

4) The United States and the major powers today owe it to themselves, and to their countries to embark up on a programme to help in developing the forthcoming state.

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