Palestinian Economic Decline Fuels Unrest

by Muriel Mirak-Weissbach

People watching film reportage of the renewed uprising in the Palestinian territories, might ask themselves: Who are those children throwing stones, and why? One aspect of the conditions fomenting the rage behind the resistance (Intifada), is economic. Poverty breeds rage, frustration, and despair. And they breed violence.

The single most important feature of the 1993 Oslo peace accords between the Palestinians and the Israelis, were the economic annexes, which outlined ambitious plans for bilateral and regional economic cooperation, including important infrastructure projects, necessary to build a viable Palestinian state economy. Had these projects, especially those related to large-scale infrastructure, and water production through desalination, been realized, a solid basis for further cooperation would have been laid. The Palestinian population, especially those who have lived three generations in refugee camps, would have experienced real, positive change, and hope would have begun to replace despair.

As *EIR* has documented repeatedly in the interim, almost none of the projects materialized. Instead of experiencing economic progress, in terms of a visibly improving material standard of living, the Palestinian population has become economically worse off since 1993.

With the outbreak of violence, triggered by Ariel Sharon's provocative visit to Al-Haram Al-Sharif, on Sept. 28, an already precarious economic condition was worsened, as a result of the Israeli measures taken to close off the Palestinian territories.

A humanitarian aid worker active in a Palestinian refugee camp in Nablus, was quoted in the Spanish daily *El País,* on Oct. 22, describing the imminent danger of a hunger crisis, following the three-week blockade of foodstuffs into the zone, by the Israeli authorities. "This is intolerable," the aid worker said, "almost everything is lacking." He added that "the deterioration of the conditions of life were aggravating the situation, increasing the aggressivity of the inhabitants and their hatred against the Israeli security forces."

The article documented that it is not just the 36,000 refugees in Nablus, but also those in Gaza, who lack "food products, especially milk and yogurt, which they imported directly from Israel. Also lacking are sugar, flour, meat, and frozen fish, according to inhabitants of the region."

A report compiled by the Office of the United Nations Special Coordinator, on "The Impact on the Palestinian Economy of the Recent Confrontations, Mobility Restrictions and Border Closures," in the period from Sept. 28 to Oct. 19, has put together a picture of the crisis, showing that "productive activities and the international circulation of goods" have been disrupted, producing the main negative impact. The estimated losses in total Palestinian Gross Domestic Product, which was otherwise expected to reach about $5 billion this year, equivalent to $16 million per normal working day, will instead be 50% of that, or about $8 million per day, for the period affected by the restrictions.

In addition to the losses in the internal economy, "the border closures have effectively halted the outward flow of Palestinian labor," who have jobs inside Israel. This labor force, about 125,000 Palestinians, has been reduced by 53% in the designated period, which has increased unemployment from 11% in the first semester of this year, to 30%. Exports from Gaza have been blocked, and those from the West Bank, "constrained." About $1.9 million per day in exports to Israel have been lost, and imports, from Israel as well as from other countries, have been negatively affected, having a significant impact on the GDP.

The UN report adds in losses resulting from physical destruction of private and public assets, "caused by Israel's use of heavy weapons, including rocket fire, against numerous buildings and vehicles and the destruction of fruit orchards near flash points in the Palestinian territories," and concludes that the aggregate economic losses amount to about $186.2 million. To put this figure in perspective, it notes, "These losses exceed the value of donor disbursements to the Palestinian Authority during the first half of the year, which were $183 million."

The crisis has furthermore required larger outlays in hospital costs, and has brought development projects to a "near halt" due to security considerations.

Peace Betrayed

As *EIR* has documented, the agency which sabotaged the Oslo agreement's economic promise, was the World Bank, which, in December 1993, issued a report defining which projects were viable and which not. Large infrastructure projects were rejected across the board, in favor of small, labor-intensive programs aimed at "repairing existent infrastructure"—in areas, like Gaza, where no meaningful infrastructure existed. Projects for hotels, and even casino gambling, were promoted, in place of urgently needed basic infrastructure, including housing. Although the construction sector was the fastest growing during 1993-98, the housing that was built was for upper-income brackets, leaving the majority of the population with inadequate, crowded living quarters. What has been accomplished in the period since 1993, in construction, is largely due to private investors, including many Palestinians from abroad.

The other source of funds has been the "donations" made by donor countries and institutions. The pledges have been

TABLE 1
Poverty Rates in the West Bank and Gaza Strip, 1995-97
(Percent)

Area	MOPIC Study Families Below Poverty Line, 1997	MAS Study Population Below Poverty Line 1995	MAS Study Population Below Poverty Line 1997	Increase
West Bank and Gaza Strip	30.2%	19.1%	20.1%	5.2%
West Bank	16%	10.5%	11.1%	5.7%
Gaza Strip	38%	36.6%	40.4%	10.9%

Source: PDP 1998-2003.

ambitious, but the actual funds released and allocated for projects, has been consistently below the mark.

In addition, the "free movement of individuals and goods to and from the PA territories," which had been guaranteed in the articles of agreement with the Israeli government, has not been respected, and the permanent restrictions on movement, have, according to the "Palestinian Development Plan 1998-2003" (PDP), "also complicated the implementation of the economic agreement signed between the PLO [Palestine Liberation Organization] and the Israeli government to regulate the economic relations between both sides during the interim period." Although freedom of movement had been accorded, "the Palestinian side was not permitted to establish direct geographical relations with the Arab neighboring countries, and to import and export some commodities through international non-Israeli crossing points." This limited the PA's ability to reach international markets and to implement trade agreements.

The PDP, issued in 1998, stated, "The performance of the Palestinian economy has seriously deteriorated over the past five years," and cites World Bank and UN estimates, that "the real GNP increased by 4.7% during the period 1993-97, while the population grew approximately 27.1%." And thus, "GNP per capita decreased by more than 17.5% during that period. The greatest part of this decline in the standard of living is attributed to the forced unemployment which thousands of Palestinian workers experienced as a result of losing their jobs in Israel." Per-capita GDP "decreased by about 16.2% during that period."

Growing Poverty

The result of the deteriorating economic conditions, is growing poverty. Two studies done on poverty, one by the Ministry of Planning and International Cooperation (MOPIC) and another by the Palestine Economic Policy Research Institute (MAS), documented the increased poverty, from 1995 to 1997, in Gaza and the West Bank (**Table 1**).

Further economic indicators depicting the deterioration of overall conditions, are those related to investment. Due to political uncertainties and risks, "The total investment rate dropped by more than 50% during the period 1992-96, and the share of total investment expenditure to GDP dropped from 30% to 14% during the same period." The sharpest drop was in private investment, whereas public investment, mostly from the donors, "has more than doubled during the period 1993-1997," as did its share of GDP, going from 3% to 6%. It still does not compensate for the drop in private investment, however.

Unemployment is particularly severe, and has the most deleterious social effects. "Historically," the PDP wrote, "the unemployment rate rarely exceeded 5%." In 1993 and 1994, due to closures, it went up to 10% and 15%. By the end of 1995 and early 1996, it was at 20%; in March and April, during closures, it reached 50%. Thereafter, it went down to about 16% in 1998.

Due to the inadequate and unbalanced construction programs, whereby private investors built deluxe housing, and public investment, through the World Bank-directed programs, did not target low-cost housing, "About 28% of families live in overcrowded conditions with over three persons per room, and 30% of families live in units with two families or more."

Finally, in education, although very significant improvements have been made under PA direction, with schools built and others repaired, and more teachers hired, still there are an average of 43 students per classroom, at all levels, and "43% of all existing schools have severe shortages in basic services such as water, electricity, or toilets."

Putting the picture together, one sees a rapidly growing Palestinian population, of 2.89 million, in 1997. About 47% of the population is under the age of 15. The manpower available, considering 15 years as the cut-off age, was 1.3 million in 1997, but the labor force was only 545,000. Employment perspectives are dim.

Political Disappointments

If one adds to this picture, the political disappointments since 1993, of unimplemented agreements, and, as Palestinian Fatah Secretary General Barghouti put it, *faits accomplis* on the ground, with "new settlements, expropriations, confiscations of land," one can calculate the corresponding increase in the rage factor. The provocation by Sharon in East Jerusalem, lit the fuse.

Those in the World Bank who blocked serious economic development, along with the U.S. Administration, which refused to force through economic progress, vectored on vast water desalination projects, and those in Israel, who have restricted Palestinian economic activities, including through the punitive use of the closure mechanism, should have no difficulty in answering the question: Who are those children, and why are they throwing stones?