

**INDUSTRIALISATION  
IN THE WEST BANK**

A Marxist Socio-Economic Study

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## ABSTRACT

For more than two decades of the Israeli occupation, West Bank industry have stagnated in the number of employed in domestic industry (some 18,000), and in percentage contribution to the gross domestic product (8.0). Its establishments are mostly workshops employing an average of just nearly four workers. Textiles, foods, and furniture are the dominant industries and there is more than fifty percent sub-contracting for Israeli firms, a phenomenon which has increased even during the Intifada.

The barriers of West Bank industrialisation are numerous in forms and origins. Despite the fact that the West Bank economic development was hampered by the Jordanian economic policy, it is the Israeli economic, political, and military policies that are the main obstacles blocking West Bank industrial development. In addition to that, a certain blame must be attributed to the local capitalists.

This study is trying to achieve three main goals:

First: To survey, in brief, part of the theoretical debate concerning development and underdevelopment, including development strategies.

Second: To explain in some detail the industrial situation in the West Bank, i.e. industrial structure, barriers, investment, and marketing.

Third: To indicate the possible and effective areas and priorities of development in the West Bank, depending on the available resources, aiming to establish a model of economic development protected by the popular masses.



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Adel Samara  
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## DEDICATION

Dedicated to my father and mother; from whom I learnt the importance of work.

## NOTES

### Transliteration

In this study I have used the Library of Congress system.

### ABBREVIATIONS

AGREXCO: Agricultural Export Council  
A.N.I.R.A.: American Near East Refugee Aid  
A.P.: Associated Press  
A.S.I.R.: Arab Institute for Research and Transfer of Science and Technology  
B.D.C.: Business Development Centre  
C.A.J.S.A.R.: The Civil Administration for Judea and Samaria Annual Report  
C.B.S.: Central Bureau of Statistics  
C.G.O.: Coordinator of Government Operations  
E/ECWA/UNIDO: Economic Commission for East Asia/United Nations Industrial Development Organisation  
I.L.O.: International Labour Organisation  
J.C.: The Jordanian/Palestinian Joint Committee  
J.P.: The Jerusalem Post  
J.T.V.: Jordanian Television  
M.E.T.T.I.N: Centre for Applied Productive Development  
M.G.: Military Government  
M.O.S.: The Israeli Military Orders Series  
N.G.Os.: Non Governmental Organisations  
N.O.V.I.B.: Nederlandse Organisatie voor Internationale Ontwikkelingssamenwerking  
P.F.S.: Palestinian Financial Sector (see it inside the E/ECWA/UNIDO Reports)  
TNUVA: A Hebrew term referring to all forms of land output  
U.N.C.T.A.D.: United Nations Commission for Trade and Development  
U.N.D.P.: United Nations Development Programme

U.N.I.D.O.: United Nations Organisation for Industrial Development

U.N.R.W.A.: United Nations Relief and Works Agency

W.B.Atlas: West Bank Atlas

W.B.D.P.: The West Bank Data Project

### CURRENCY RATES

A money changer believed to be the largest in Jerusalem from the Jordanian era to the present gave the following information on the exchange rates:

Dinar = Arab unit of currency. In 1950 the Jordanian Dinar replaced the Palestine Pound as the legal currency in the West Bank; at that time 1 JD was equal to 1 pound sterling or \$2.80.

By 1967, 1 JD = \$3.0

By 1988, 1 JD = \$3.15

by 1990, 1 JD = \$1.43

Dinar and Israeli Currency:

In 1967, 1 JD = 10 Israeli lira

In 1984, 1 JD = 1000 Old Israeli Shekels

In 1990, 1 JD = 3.0 New Israeli Shekels

Dunam: Measure of land equal to approximately 900 square meters.

Acre = 4,000 square meters.

## INTRODUCTION

A study of the economy of an occupied and underdeveloped country pre-supposes a developmental approach, since both the occupation (as a form of colonialism in the age of Imperialism) and the underdevelopment are means of causing and perpetuating underdevelopment. That is why this study is a critique of the current economic policies of the occupation on the one hand, and the local capitalism's role in deepening peripheralisation and dependency to the Israeli and the world capitalist order on the other.

What justifies this critical approach is in fact the scarcity of theoretical debate in Palestine, since debate represents a guide for evaluating ideas and theories before being applied in the practical field. That is why a long theoretical chapter became necessary, aiming to provoke debate.

In addition, deep studies on the West Bank economy are lacking. Moreover, local surveys on any level are lacking, not to mention a comprehensive data bank. Taking into consideration the fact of all these shortages, it is clear that intensive work is necessary for a study on the industrialisation of the West Bank.

To my knowledge, this is the first detailed study which is devoted to the industrialisation of the West Bank, and uses a method of historical materialism to analyse the blocking of development in the West Bank under Israeli occupation.

The main lines and objectives of the research are:

1. Theoretical approach deals briefly with theories of development hopefully to lead the whole discussion.
2. Analysis of the determinant factor of the West Bank economic development which is the Israeli policy for the West Bank economy, how it undermines the industrial structure and blocks West Bank economic development.

3. Empirical work on the state of industry in the West Bank, its structure, and the various barriers which hinder its progress.

4. Conclusion and suggestions for development in the West Bank. To achieve these goals, the following method of research has been adopted:

a) Interviews with local businessmen, who are owners of the largest factories in most of the large cities in the West Bank, representing the main industrial branches, including the types of ownership and the available services.

b) Discussions with local experts in the development field, benefiting for their experience and evaluation of the economic activities in the West Bank.

c) Interviews in the Bethlehem area (1988) on the state of industrial barriers and facilities conducted through personal meetings, formal interviews and letters. The aim of these interviews is to inquire about the availability of telephone, fax and post services.

d) Questionnaires in the Ramallah and Jerusalem areas (1988), covering thirty factories and workshops of several sizes.

e) Questionnaires in January and February, 1989, which covered 69 of the largest establishments in the Ramallah, Jerusalem, Bethlehem and Hebron areas. Those areas represent more than 70% of the West Bank's population and industry.

f) Attending lectures and seminars on the economic situation in the West Bank.

g) It was the aim of the researcher to use the available statistics as an indicator only, because of lack of reliability. But, unfortunately I found no alternative but to depend on them to a certain extent because of lack of reliable sources. See Appendix I. It is beyond the ability of a single researcher to establish a survey for a whole economy.

h) Interviews with people who are working in tax, statistical, and other departments who preferred not to mention their names. In fact a lot of those interviewed preferred to did not mention their names. Due to that reason, many of the interviewees referred to as (n.n). I found no other alternative in these cases.

i) A review of books, researches, and articles dealing with the subject.

It should be mentioned that this work was initiated prior to the beginning of the Intifada (popular uprising in the Occupied Palestinian Territories), a development which initiated a substantial change in the mode of life in the Palestinian West Bank and Gaza Strip. This is the reason why, in many parts of the work, I have dealt on only a limited scale with this new development.

Despite the fact that this is a class study, depending on the historical materialism approach, the national factor imposes itself in several places. The nature of the Palestinian struggle, as one of national liberation, and the Israeli ideological/political instance to a certain extent are playing an important role in the reality in this area.

According to the national conflict, since the West Bank and Gaza Strip are subjected to an occupation which aims at evicting the entire Palestinian population from their land, it was relatively difficult to carry out a deep class study in this concrete situation.

As a study dealing with industrialisation in an underdeveloped country with a large agricultural sector, it was necessary to include consideration of the agricultural sector, at least from the historical and capitalisation angles.

Since the theoretical survey is oriented to highlight the study and to be a frame for analysis, this theoretical survey of the most relevant theories takes place in a brief way.

## CHAPTER ONE

### THEORETICAL APPROACH

The aim of this study is to examine the industrial sector in the West Bank which is under Israeli occupation, and to suggest a suitable strategy for the development of the West Bank in its present context under Israeli occupation. Thus, a brief account of the main theories and strategies of development (in the age of imperialism) is necessary; not for the sake of abstract academic criticism, but in order to assist in outlining the factors which could help to elaborate a suitable development strategy for the West Bank. Furthermore, the proposed strategy is not purely economic; political, class and ideological factors are also taken into consideration. In fact, these are the main components of the historical materialist approach, which forms the analytical framework of this study.

Unlike other analytical frameworks, such as modernisation, historical materialism stresses the concepts of mode of production and social formation. The modernisation school maintains that the Third World route for development must follow the steps of West European capitalism, without taking into consideration the historical circumstances. For the modernisation school, capital accumulation is the engine of growth and development. Industrialisation leads to urbanisation and an increase of the labour force in the modern sectors of the economy. In fact, the deformed development of the Third World (i.e. the high capitalisation of export-oriented agriculture) increases the urban population, but the freed surplus of rural labour power has not been absorbed in the established industries, which are invariably highly automated and export-oriented. Furthermore, the modernisation approach argues that, by creating new jobs, industrialisation undermines and defuses social struggle as it

dissolves social stratification. Following the West European model, the modernisation approach argues that industrial society is able to absorb large numbers of workers in the modern economic sectors which are characterised by higher productivity and wages. In one way or another, the working class receives a larger slice of the economic cake through capitalism's ability to renew itself and by the use of both Fordism and Keynesianism. (Amin, 1988)

The modernisation approach ignores the historical relationships between economic systems, such as the role of one system in blocking the development of another. Thus, the modernisation approach ignores the fact that colonialism and neo-colonialism were important mechanisms in enabling capitalist western Europe to develop at the expense of the Third World. Ignoring social classes and the class struggle, the modernisation approach deals with abstract economic questions without taking into consideration the political and ideological implications of the economic situation. On the social level, it deals with groups but not social classes. It ignores class relations and interests, and is concerned with superficial reforms rather than the productive projects of any developing plan. It breaks the connection between relations and forces of production. It concentrates on such technical problems as the lack of capital, absence of know-how, and the misapplication or lack of modern technology as reasons for the failure of development in the Third World. (Amin, 1988; Larrain, 1989) A study of industrialisation in the West Bank, however, pre-supposes a study of the social formation dominated by a peripheral capitalist mode of production; but there are a variety of social formations which are dominated in this way. This variety derives from the level of capitalist development, the route for capitalisation, and the internal and external factors which have enhanced or blocked that development.

In listing the external factors which have affected capitalist development, colonialism is the first to be considered. The West Bank presents a relatively unique case of colonialism because of Israel's settlement policies, in which politics and ideology play a

vital role. But in studying the West Bank, we must also consider such questions as the extent of the area's capitalisation. Is it a central or peripheral capitalist formation? What is the dominant mode of production, and is the peripheralisation inherited or merely transplanted by the Israeli occupation? The goal of this study is to answer these questions, and for this reason relies on the approach of historical materialism.

Historical materialism starts by considering the dominant mode of production in its articulation/disarticulation with other subordinated mode/modes. This approach does not limit itself to the abstract stage of analysis. It continues by discussing the components of the modes of production, the forces and relations of production, its internal interactions, and the social classes which affect and consciously act in the production process. The role of the social classes, their interests, their relationships, and their contradictions are the prime movers of history. (Larrain, 1989)

This approach enables us to outline the social forms of labour power, the class form of owning and using products, how the surplus is owned and distributed or invested, and whether there is a concrete form of acquiring the surplus in a specific society such as the West Bank under occupation. This will allow us, in the following chapters, to analyse the factors which have determined the working of the economy of the West Bank.

## THE BASIC CONCEPTS OF HISTORICAL MATERIALISM

### I. Social Formation

*The concept of social formation is defined in very general terms by Marx as comprising an economic structure (the mode of production), which he claims ultimately determines two superstructures-the state and law, and ideology. (Taylor, 1979:106)*

It should be mentioned that the relative autonomy of the political and ideological structures are, in the final analysis,

determined by the economic one; that is, by the dominant mode of production in the social formation.

*Social formations are thus concrete, organised structures that are marked by a dominant mode of production and the articulation around this of a complex group of modes of production that are subordinate to it. (Amin, 1976:16)*

Furthermore, the

*... analysis of a social formation, which means clearing up the problems of the generation and circulation of the surplus within this formation, throws light on the question of "classes" and "social groups". Each class-divided mode of production determines a pair of classes that are both opposed and united in this mode.... Each of these classes is defined by the function it fulfils in production... which is in fact a social class, that is, a group defined by reference to the production process. (Amin, 1976:23)*

*A society cannot be reduced to its infrastructure. The way the latter (in other words, its material life) is organised requires that certain political and ideological functions be carried out relevant to the dominant mode of production and the linking-together of the various modes that make up the given formation. These functions may be carried out directly by the classes ... or else by social groups that are dependent upon them. The actual structure of the particular society will be strongly marked by these groups.... Since society cannot be reduced to its infrastructure, how are the relations defined between the latter (the economic instance) and the superstructure, the society (the politico-ideological instance)? These relations are not the same in all modes of production. Of course, whatever the mode of production may be, the economic instance is the determining one in the last analysis, if we accept the fact*

*that material life conditions all other aspects of social life--in other words, that the level of development of productive forces, by determining the relative size of surplus, conditions the level of civilization. (Amin, 1976:24-25)*

In the case of the West Bank, the occupation (the Israeli decision makers) is the determinate factor because of Israel's multiple interests. It is the colonial power however, or the material interests of the Israeli social classes, (see class networks--Chapter Two) which benefit in the first level from the occupation of the West Bank. Israel always provides its material interests in the West Bank with an ideological, political, and security cover.

The role of the political-ideological factor in Israel is quite significant and needs to be elaborated. The ideological factor, exemplified in religion and Zionism, plays an important role in the moral motivation for the Israeli citizen to accept the regime's demands with relatively little discussion. But the developments on the ground have generated much change at this level; such as the departure from orthodox ideology of the Israeli Labour party, which perceived Israel as the state of all Jews, the state of the nation, or a nation without classes. (Samara, 1989c)

The domination of the capitalist mode of production, however, inevitably led to class differentiation, which also contains the seeds of class contradiction and class struggle. The Israeli rate of unemployment today (1989) is 7.2%, but despite that, conventional economists in Israel argue that there must be more unemployed if Israel wants to transcend its economic crises. Professor Zvi Sussman called for an abolition of the system of automatic grade rises within the public sector and for abolishing a whole range of wage supplements. (Samara, 1989a) Ironically, the Israeli finance minister who has deprived the Israeli working class (mainly the workers of the public sector) of their privileges, is Shimon Peres; the leader of the Israeli Labour party, the party which created the so-called socialist establishment.

## II. Mode of Production

While discussing the mode of production, it is reasonable to follow its historical development so as to uncover the link between the theoretical abstraction and the historical context of its development. As Karl Marx argues,

*...a distinct mode of production [thus] determines the specific mode of consumption, distribution, exchange, and the specific relation of these different phases to one another. Production in the narrow sense, however, is in its turn also determined by other aspects. (Marx, 1971:205)*

Nevertheless, as John Taylor points out,

*...the concept of the mode of production is not solely concerned with analysing the relations it requires between production, consumption, distribution, and exchange. It also includes a theorisation of its history, which, following Balibar, we can term its genealogy and of its historical tendency, an effect which exists as a result of the reproduction of the structure of the mode of production which can be termed its dynamism. The genealogy of a mode of production can be briefly defined here as consisting of the history of those particular elements which combine to form a specific mode of production. Its field is the history of the transition from the previously dominant to the contemporarily dominant mode of production within a given social formation. (Taylor, 1979:116-17)*

Furthermore, Samir Amin points out that:

*...the concept of mode of production is an abstract one, implying no historical order of sequence with respect to the entire period of the history of civilization that stretches from the first differentiated formations right down to capitalism. (Amin, 1974:13)*

In concrete form, mode of production crystallised in a relation between social classes. According to the changes of the class structure, the relations and forces of production change, and this implies a change of the mode of production.

The mode of production works within the social formation, which may contain several modes of production. When one of these modes of production becomes dominant, the social formation should be labelled by this dominant mode of production. Other modes of production in the same social formation are in fact subordinated to the dominant one. The relation between the dominated and the dominant is not static. It is in fact a continuous struggle. The relatively low degree of contradiction, takes place during the climax of the domination of the hegemonic mode of production which labels the social formation. So the period characterised by a high level of contradictions between modes of production is called the transitional period. It is one in which the struggle has not yet been finally resolved in favour of the dominant mode. Thus, despite the fact that we could formally name a social formation as a capitalist formation, this does not negate the fact that this formation is continuously changing according to the struggle of the social forces which contradict or reconcile with the dominant mode. The relationship between modes of production is one of antagonism. This leads us to the articulation of modes of production.

The articulation and/or disarticulation of modes of production is the main aspect of relation between modes of production. Articulation is the correlation of struggle between modes. In the transitional periods, the articulation plays an essential role; while during the hegemonic period it is still the motor of the contradictory relation, but with a slower motion. This continued contradiction has no meaning without being related to the components of the mode of production since the relations of production represent social classes which, in a class society, are in eternal struggle. These social classes are entrenched behind the relations of production, which are aiming to control surplus and the forces of production. (Rey, 1973)

The working of the peripheral capitalist mode of production in the West Bank is greatly affected by the intervention of the Israeli ruling class through the use of force and political, economic, and ideological factors in order to re-shape the West Bank's social formation to fit Israeli strategy for the area. Some West Bank social classes, such as the commercial and manufacturing compradors, have benefitted, resulting in the encouragement of the peripheral capitalist mode. Some social classes on the other hand, such as the independent peasant producers, were repressed through the destruction of their productive sources, since their interests and development contradicted those of the occupation.

*The crucial aspect which is specific to each mode of production is the social form of labour-power. Thus the labour-power takes the social form of wage-labour in capitalism and the social form of self-employed labour in the independent production. This is the essential difference. (Kelly, 1979:39)*

As was mentioned earlier, the political factor has greatly influenced the relationship between modes of production, especially between Israel and the West Bank. The Israeli authorities made tens of thousands of Palestinian peasants redundant by confiscating their plots of land, liquidating their possibilities for self-employment, and pushing them into the Israeli labour market, other countries, and, to a certain extent, toward the limited West Bank domestic market. Thus, those peasants were displaced by Israeli settlement policy, and not by the expansion of capitalist relations of production in agriculture; even in the fertile areas like the Jordanian valley.

The Israeli occupation's policy in achieving an external articulation of the West Bank economic sectors towards their Israeli counterparts, and to increase their inherited weak internal articulation, resulted in restricting capitalist relations of production in the agricultural sector of the peripheral capitalist mode of production in the West Bank. The cultivated agricultural area decreased, and failed to provide for the same

amounts of local needs as it was during the Jordanian era. The local industrial level stagnated, many industries vanished, and its share in the GNP did not exceed its pre-1967 level of 8-9%. The domestic market became full of Israeli produce. The surplus labour power either attracted or obliged to migration to Israeli economic sectors or to the Arab oil countries. This resulted in more separation of labour from capital on the national level; a fact which means less articulation on the social level, less integration of the society and less possibilities for class struggle in the final analysis. Concerning economic struggle of the working class, this development left the working class in a weak position as its trade unions found poor ground to establish themselves.

The Israeli authorities have maintained the West Bank economy free open to the Israeli commodities, while the case for the West Bank population has been the opposite. Some of the results of that situation are less productive orientation in the West Bank economy as a result of competition with the subsidised Israeli produce, extension of consumerism, rapid increase of prices, lack of liquidity to satisfy basic needs, and more shortage of the plots of land to meet those needs. The final end of this is that peasants have been forced by the circumstances to leave their land and look for jobs in Israel.

As for modes of production, the household producers have to produce directly for the market, or to become a wage earners, or both. Thus the household producers are subjected to market needs, and start exchange according to capitalist exchange relations. What is important to note is that the relations of production in the plots of land owned by these producers have not been capitalistically exploited. (see Chapter Two)

The subjugation of the West Bank to the Israeli policy, legal tender, legislations and economic needs might show that both Israel and the West Bank together compose a unified social formation. On this level, the political and ideological instance plays a prominent role. It is in the core of Zionist ideology that Israel must be and continue as a pure Jewish state. That is why



Israel does not want to give the Palestinians of the West Bank and Gaza Strip Israeli citizenship. But at the same time, Israel insists that the land of these Occupied Territories belongs to the Hebrew nation. The logical result of this argument is that Israel wants a land without a people. We see as evidence the Israeli policies of extracting taxes from the West Bank and spending them in Israel, the blockage of Palestinian investment, the prohibition of the Palestinian right to export and import, land confiscation, deportation and daily political harrasements. All these policies are tools for the eviction of the Palestinians from their country.

What might result from that is a separate formation on the one hand, if compared with the capitalist one in Israel, and a deformed formation on the other. The deformity started from the West Bank's lack of political power which is controlled by the Israeli occupation authorities. All aspects of life in the West Bank are subjected to the occupation.

Thus, deformity started from above, and fitters continues down to the smallest areas of life. Every social class, group, and even every individual, is obliged to articulate his/her economic activity, in one way or another, according to the Israeli policy, because the Israeli occupation has never allowed any Palestinian political authority to exist. (see section on Military Orders in Chapter Two)

Here the capitalist mode of production in the West Bank industry has prohibited the chance of free working. The case was not the same during the previous Jordanian era. (see Chapter two) All decisions were and are still monopolised by the occupation; for instance, any businessman who wants to invest is never free to choose the industrial branch he wants. It is the Military Governor who determines the fields of investment, and the Palestinian businessmen are forced either to accept or to transfer their capital abroad. This is the origin of the sub-contract industries in the West Bank. (see Chapter Four) The Palestinian capitalists might resist, but very few have done so; while the majority adapt themselves according to the Israeli policy.

Here, we have a capitalist mode of production, but a deformed one. Its industrial base is highly subordinated to that of Israel, inspite of the face that it is not done voluntarily. According to this deformity, it is possible to call it a peripheral capitalist mode of production; because it is not only the colonial power which designed its deformity, but it was joined by some Palestinian classes, especially large segments of the capitalist one. If the crucial aspect which is specific to each mode of production is the social form of labour power, as was mentioned above, then it is obvious that there is a forced separation of labour from capital in the West Bank. This is another aspect of the deformity of the capitalist mode of production, and finally of the social formation since articulation between native social classes became weak. (see more details in the following chapters)

### III. Forces and Relations of Production

*Relations of production... it is a relation between classes of men, grouped according to their relationship of means of production and the forces of production which define the man's power over the forces of nature in a particular society in a particular epoch. In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a definite stage of development of their material productive forces.... At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production, or--this merely expressess the same thing in legal terms--with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an epoch of social relations. (Marx, 1859:20-21)*

The situation of the West Bank clarifies the role of Palestinians in the internal contradictions of the mode of production. Forces of production are not allowed to work freely in this area, and Palestinians are themselves also forbidden to work freely. In the

ordinary situation, the relation of production is a social relation mediated freely between the forces of production on the one hand and the superstructure on the other. The relations of production establish one dominant form of extraction of surplus labour, and this has primacy over and structures the labour process. In fact, the relations of production are composed of Palestinians, although it is normally considered as a mere theoretical abstraction.

But in the West Bank, the relations of production do not work freely. Israeli political, ideological, and economic factors interfere in the West Bank, block the renewal of forces of production, and re-shape its development according to Israeli needs. These factors limit the local economy's ability to provide employment, and push the surplus labour abroad. In this situation, most classes are not working according to their will, and the final result is a deformed economic structure; a peripheralised one, based on the deformed workings of the mode of production. The Israeli hegemony in the West Bank shows that there is a complex net of men which stands behind the relations of production; a net which is not available in any other society. In the West Bank, this net is more complex and larger than just a local class. There are the Israeli social groups and classes, in addition to some classes and groups in Jordan. Both Israeli and Jordanian social groups and classes have the opportunity and power to interfere with the development of the West Bank economy.

To move from the abstract to the concrete, it is important for us, in discussing the social formation and the modes of production, to analyse the mode of extracting the economic surplus in a concrete society: how the surplus is transferred from one social formation to another, and how it is distributed internally between the interested social groups and classes. But in the West Bank, the occupation interferes formally and socially, draining the surplus; and determines which of the local classes deserves to have a share. To a certain extent, it is only the distribution of surplus that determines the formation's characteristics. In the West Bank, the occupation's drain of

surplus and the tiny share which is left to the local bourgeoisie give the social formation of the West Bank its peripheral characteristics. (Samara, 1988-b)

#### IV. Surplus and Accumulation

Capitalists maintain themselves as capitalists and increase their power by extracting surplus from labour and marketing it as surplus value. The manner in which the capitalists extract surplus value from the workers includes the following: The practise of landlords, turned capitalist entrepreneurs, of using their tenants or serfs as labour power, and the attempts of capitalists to lengthen the working day, to lower wages even below the level at which labourers could subsist for any length of time, to use children as workers and shorten their poor lives, and, concurrently, to deprive peasants and artisans of their land and tools, and convert them into members of the proletariat.

Regarding surplus distribution, the labourer receives the value of his labour-power in a monetary form. The surplus value is distributed to the owner(s) of the means of production and to those who have a legal claim to a portion of this surplus value, in the form of interest, rent, taxation by the state, etc. The relations of distribution of the value produced are, therefore, a function of the reproduction of the relations of production. Surplus value is also distributed among those agents who ensure the circulation of commodities through their distribution, marketing, and sale. The banking system has a claim on the surplus value through its function of ensuring the circulation of monetary capital; the state intervenes to abstract surplus value for its own use, etc. It is in fact the result of a colonial mode of exploitation in which traditional crafts were destroyed for the sake of extracting a surplus from the colonies. It is important to note that the surplus was not used to create alternative avenues of employment. The bankruptcy of the traditional crafts in the Bethlehem area of the West Bank is a good example of such colonial exploitation.

A large part of the produced surplus in the West Bank finds its way into the Israeli capitalist class. Most of the surplus produced by the Palestinian labourers, who are working in the West Bank, but through sub-contracting companies, which are owned jointly by Palestinian and Israeli capitalists, is transferred to Israel. There is also the position of the local traders who prefer to market Israeli goods and services rather than to invest and employ the local workers (see Chapter Seven). These traders are indirectly pushing West Bank workers to sell their labour power in Israel and, thereby, increasing the failure of the West Bank to control the process of its accumulation. As long as the locally produced surplus is lost to the Israeli capitalists, the West Bank economy will face more deformity in the form of disarticulation between its labour and capital.

As long as the two economic systems are separated, and the Israeli one is supported by the occupation's military orders which facilitate its domination on that of the West Bank, the surplus which is transferred to the Israeli capitalists will be reinvested only inside the Israeli economy (see Chapter Two). It is right that the Israeli capitalist class is the first to benefit, but even other social classes benefited as well. The investment of this surplus inside Israel creates new jobs for the unemployed Israeli workers. They are exploited here, but they are in a better situation than their Palestinian counterparts who are unemployed according to the failure of the West Bank Palestinians to control the surplus and accumulation of their own economy. This surplus is never reinvested in the West Bank to enable its formation to reproduce itself. This form of surplus acquisition is one of plunder.

The tax collected from the West Bank finds its way into the Israeli budget (see Chapter Seven). The Palestinians have no right to know how it is spent. This is another way of the termination of the West Bank formation to reproduce itself without aid and remittances from abroad. The continuity of this process of deformity increases and reproduce the West Bank failure to increase its ability for self sufficiency.

For Marx, it is the essence of capital that it must be accumulated, independent of the subjective preference or religious beliefs of individual capitalists. Because of competition, the mere preservation of capital is impossible unless it is, in addition, expanded. (Marx, 1976) Accumulation is not, however, simply a relationship between the production and capitalisation of surplus value. It is also a relationship of reproduction. Reproduction is examined as embodying simple reproduction in which value and surplus value relations remain unchanged, and as the basis for reproduction on an expanded scale for which organic composition of capital may or may not rise. In each case, a definite proportion must be established in value and in use-value terms between sectors of the economy. This is examined in the reproduction schema. (Bottomore, 1983) Marx analyses accumulation from the perspective of the distribution and re-distribution of surplus value and capital. For the early stages of development, the basis of accumulation is in the concentration of capital. At later stages of development, centralisation is the dominant method by which the use of ever-increasing sizes of capital is organised. This presupposes an advanced credit system.

While the object of accumulation is the increase of productivity, the means to achieve it is through access to credit. Consequently, a divergence between the accumulation of capital in production and of capital in the financial system is created. This is the basis of fictitious capital, and can lead to the intensification of economic crises when accumulation fails to overcome the obstacles confronting the continuing expansion of the production of surplus value. In addition to the centralisation of capital, the uneven base of accumulation itself is to be associated with uneven development of economies and societies. Accordingly, the accumulation process is never simply an economic process, but also involves the general development of social relations including, for example, colonialism, imperialism, and the changing roles of states, as has always been stressed within the Marxist tradition. (Amin, 1976) For Marx, the accumulation process would never be a smooth, harmonious or simple expansion.

*The barriers to capital accumulation are never absolute, but are contingent upon the intensification of the contradiction of capitalism, which may be temporarily resolved to allow a new phase of expansion. (Bottomore, 1983:2,3)*

Accumulation is part of the essence of capital, and it maintains capital through competition. However, this law is unapplicable in the West Bank, and specific circumstances contribute to the peripheralisation of its economy. For example, the West Bank bourgeoisie hinder local accumulation by such means, transferring their capital abroad, by being very cautious in investment, accepting a tiny share as partners with Israelis in sub-contracted establishments, and by investing in industries which depend on imported raw materials.

As a matter of fact, transferring accumulated profit abroad is an international phenomenon. But a discrimination has to be established when this issue took place from a developed or peripheral economy. Money transfer took place by Britain after Britain's achievement of its capitalist development through the process of auto-centricity. The British, French, and other developed capitalist countries export capital, characterised as follows:

- transfer profit abroad;
- acquire surplus value even on a higher rate than what might be gained in the native country;
- and re-transfer this capital back to the centre either to be re-invested in the centre or paid as loans to the peripheral countries, or to be re-transferred to the periphery again.

The final result of all these operations is an increased capital concentration in the centre. In the case of the West Bank, the question differs on many aspects. The West Bank bourgeoisie transfer their profit abroad to keep it in the banks of the centre. The interest of this credit stays there. This surplus never comes back to the West Bank. By doing so, the West Bank bourgeoisie terminate the ability of the domestic economy to control its

accumulation and increase surplus in a way similar to other peripheral bourgeoisies in the third world.

The act of transferring profit abroad from the West Bank becomes more sensitive since when we realise that there are several areas in the West Bank economy which could absorb this capital, generate profits, and employ large numbers of the local surplus labour power. In a country under occupation, fighting for self-determination, the control of surplus is vital for strengthening its economic structure. More jobs in the West Bank means more people to stay at home, while unemployment has led to emigration abroad. It should be noted that one of Israel's main aims is to evict the Palestinians, and replace them with new Jewish immigrants from the Soviet Union. On this level, it becomes a national duty for the Palestinians to invest inside their country.

A society which is unable to reproduce itself might become dependent on foreign aid, in addition to the fact that large numbers of its young labour power will be forced to emigrate to find work abroad. (see Chapter Three) Both cases are forms of dependency. The argument against capital export here is related to the West Bank's desperate need for proper developmental policy which can encourage investment in the local economy in order to achieve as much as possible of self-sufficiency. (see Chapter Nine)

Furthermore, if an established credit system is necessary for development, the Israeli cancellation of this system is an effective step in blocking the development of the economy. It is worth mentioning that the occupation's undermining of the banking system is in fact undermining the accumulation process through the absence of a credit system, since a credit system is necessary for investment. The Israeli occupation is proof that accumulation is not an abstract economic issue. The force factor interferes to deform the internal accumulation, to impose its own laws, and to drain the accumulated surplus directly through taxes or by orienting the economic sectors so as to be articulated into that of Israel. These circumstances lead the local inhabitants to

transfer their surplus abroad, and to request more outside assistance in order to satisfy their increased consumption from the Israeli produce. (Samara, 1979:201, 206, 207). The most catastrophic result of this process is that large sectors of West Bank society have failed to control their consumerism and increase their productivity.

## A BRIEF SURVEY OF THEORIES OF IMPERIALISM AND DEVELOPMENT

Following the second World War, the newly independent countries faced the challenge of solving their inherited economic and social problems. Many radical developments took place during that period, to the extent that the future of the world economic system became uncertain. This was due to the creation of the non-allied movement; new countries becoming members of the United Nations; and the victory of popular revolutions in China, North Korea, and, later, in Cuba and Vietnam which also adopted the strategy of withdrawing from the world economic system.

This withdrawal made it possible to question whether capitalism had exhausted its potential and if new alternatives were needed for all countries. Nevertheless, the developed centres were able to re-activate their damaged economies after their war, resulting in the re-division of the world. This is why the following questions can still be raised in the Third World: Is it possible for a newly-independent country to become economically independent and developed? Is economic development possible by following the capitalist road?

What should be noted is the fact that if political independence was achieved and gained by a social alliance at the national level, economic development and especially "economic strategy" was confronted by various determinants, such as the class structure and class power in these countries. In other words, which class and how it held political power and to what extent its material interests were identified with neo-colonialism, which in many cases had lost only its military existence. A final

question can thus be raised: Is it possible for the new regimes to generate sufficient surplus for a new development strategy? All these determinants made it clear that the world capitalist centers still hold the power to influence, control, or orient the developments in the politically independent former colonies.

The radical dependent theorists whose arguments, based mainly on the necessity of withdrawing from the world economic system as the only guaranteed road for development, emphasised that a continued relation with the world economic order will keep the peripheral countries dependent and unable to control their surplus and accumulation. Thus, the capitalisation of these countries will be continuously blocked. In distinct contrast, the modernisation theories argued that without the centres' assistance, the newly independent former colonies would fail even to feed their peoples, and that capitalist development, was possible for them.

It is worth noting that the following brief survey of theories of imperialism and development, intends to find out to what extent the theories discussed are applicable to the aim of this study; i.e. to indicate for a suitable strategy for the West Bank's industrial development.

### I. The Liberal Modernist School

The liberal English economist, A. J. Hobson, was the first to argue against imperialism, and it is the reason why Lenin depended to a great extent on his work. Hobson was not an opponent of capitalism. For him, industrial development along capitalist lines was in principle capable of bringing about a new and more humane socio-economic order. According to Hobson:

*...it is not industrial progress that demands the opening up of new markets and areas for investment, but the mal-distribution of consumer power which prevents the absorption of commodities and capital within a particular country. (Hobson, 1938:91)*

It is not a condition, for Hobson, that the capitalist system should in all circumstances give rise to imperialist policies; this because the working masses were allowed an inadequate share of the national product, and the wealth of society was thus concentrated in the hands of a tiny upper class. The result was oversaving and an excessive accumulation of capital seeking investment, and, on the other hand, under-consumption--insufficient demand in the home market.

It is Hobson's failure to grasp the mechanism of capital, i.e. the search for the higher rate of profit, which led him to consider that imperialism is not a close phenomenon to capitalism. In fact, the mal-distribution of consumer power is a result, not a reason, of the capitalist class aim and role in acquiring the highest rate of profit. As long as more surplus value was concentrated in the hands of the capitalist class, the temptation for capital export became irresistible when it provide higher rate of profit.

Thus, owners of capital were more and more drawn to invest abroad and especially in overseas colonial territories.

*The investor...cannot find at home the profitable use he seeks for his capital, and insists that his government should help him to profitable and secure investments abroad. (Hobson, 1938:62)*

While a discussion of the Marxist debate concerning this point will follow, I would like to note here that a more adequate share for the workers in the national product, through the connection of both Fordism and Keynesianism, has enlarged the consumption capacity of the middle and lower classes in the developed countries. Nevertheless, this has failed to bring about an end to imperialism. On the contrary, imperialism has intensified following the 1940's and 1950's.

Joseph Schumpeter believed that,

*...a purely capitalist world can offer no fertile soil to imperialist impulses. Capitalism by nature is anti-imperialist [and] imperialist tendencies carried into world capitalism from the outside were supported by non-capitalist factors in modern life. (Schumpeter, quoted in Mommsen, 1981:23)*

For Schumpeter, "...imperialism was not a product of capitalism but was a form of "atavism" in the capitalist age, a survival from pre-industrial epochs and political structures." (Schumpeter, quoted in Mommsen, 1981:22)

Schumpeter, continued,

*Not rational interests, but "objectless" tendencies toward forcible expansion without definite, utilitarian limits. That is, non-rational and irrational, purely instinctual inclinations towards war and conquest--such was the real motivation of imperialism. (Schumpeter, quoted in Mommsen, 1981:22)*

Moreover, he attributed modern imperialism to the survival of residual political structures dating to the time of absolute monarchy. "Nationalism is affirmative awareness of national character, together with an aggressive sense of superiority". (Schumpeter, quoted in Mommsen, 1981:23). He finally argued that imperialism is a "...transitional phenomenon pending the final triumph of capitalism". (Schumpeter, quoted in Mommsen, 1981:24)

Thus, it is possible to conclude that imperialism, for the liberal social scientist, is an exception in the life of capitalism. In other words, capitalism should be able to transcend this evil. But for the Marxists, imperialism is a natural development of capitalism, there is no possible separation between them. For the Marxists, imperialism is a stage in the development of capitalism which establishes a constant change in the world division of labour, a division which for most of the Marxist scholars blocks the development of the periphery.

The abovementioned argument of the liberal modernist school failed to grasp the strong and inevitable relation between capitalism and imperialism. This in addition to the fact that capitalist classes in the Third World prefer to invest abroad if it is more profitable than to invest in the national economy.

What concerns a development strategy in the West Bank is the elaboration of a development theory which will serve most of the social classes, not the capitalist one alone. What might be suitable for the West Bank is a development strategy which would oblige the capitalist class to work according to the domestic needs, i.e. to give priority to the investment in the native economy.

Such a strategy means that the capitalists should not be the leadership, or at least not alone. According to this strategy, the liberal modernist approach is not the suitable one for this case study.

## II. Marx and the Early Marxist School

In his analysis of European expansion in India, Marx described it as a brutal but, "...necessary step towards Socialism". (Goodman and Redclift, 1981:28) Marx emphasised the "historicity of capitalism". "The bourgeoisie draws all, even the most barbarian nations, into civilisation". (Goodman and Redclift, 1981:28) Marx believed in the independence of capitalist development when he wrote, "The country that is more developed industrially only shows, to the less developed, the image of its own future". (Marx, 1976:91) With regards to capital export, Marx noted that,

*...if capital is sent abroad, this is not done because it absolutely could not be applied at home, but because it can be employed at a higher rate of profit in a foreign country. (Marx, 1976:252)*

It is clear from the above that Marx was not an under-consumptionist in terms of Hobson's interpretation. It was Hilferding, and later Lenin, however, who followed Marx and

argued against the under-consumptionist interpretation of capitalist expansion in the Third World. Avoiding an under-consumptionist viewpoint, Hilferding attributed capitalist expansion to the power of the state when he noted that,

*...the state must be able to intervene anywhere in the world, so that the whole world can provide outlets for its financial capital. Altogether finance capital needs a state that is strong enough to pursue an expansionist policy and acquire new colonies. (Hilferding, quoted in Mommsen, 1981:37)*

This is Hilferding's contribution which explores the conquest content of imperialism.

The most important point concerning Hilferding's contribution is that his interpretation of imperialism as signifying the domination of finance capital applies specifically to a transitional phase in the development of the modern capitalist system; during which the banks played a special part as promoters of industrial development, but not to a fully matured capitalist economy as such. (Mommsen, 1981) Taylor, in his interpretation of Hilferding and Lenin's argument on the export of capital, noted that,

*Once its possibility is established, its realisation requires either the existence of higher national profit rates outside its own formation, or, at the very least, potentially higher rates in the long term. This situation clearly existed for capital export from industrial capitalist modes of production in the late nineteenth century Europe. (Taylor, 1979:131)*

For Rosa Luxemburg, imperialism invaded other parts of the globe to increase or at least maintain the achieved level of accumulation.

*It becomes necessary for capital progressively to dispose ever more fully of the whole globe...so as to find*

*productive employment for the surplus value it has realized. (Luxemburg, 1951:358) The realization of the whole of the surplus value therefore depended on non-capitalist producers and consumers as such. Thus, the immediate and vital condition for capital and its accumulation is the existence of non-capitalist buyers of the surplus value, which is decisive to this extent for the problem of capitalist accumulation. (Luxemburg, 1951:366)*

Accumulation of capital is the prime mover of capital for expansion. This is the reason why capitalists achieve that expansion, "...by robbing the one of their productive forces and by depressing the other's standard of living". (Luxemburg, 1951:466) For Luxemburg, capital can only survive if it goes on continually expanding. "It cannot manage without the natural resources and the labour power of all territories in the orbit of pre-capitalist production". (Luxemburg, 1951:365) Furthermore, Luxemburg notes that,

*...though imperialism is the historical method for prolonging the career of capitalism, it is also a sure means of bringing it to a swift conclusion. This is not to say that capitalist development must be actually driven to this extreme: the mere tendency towards imperialism of itself takes forms which make the final phase of capitalism a period of catastrophe. (Luxemburg, 1951:446)*

Moreover, capitalism spread geographically looking not only for buyers of its production but also for labour power.

*It must be able to mobilise world labour without restriction. The labour power, however, is in most cases rigidly bound by the traditional pre-capitalist organisation of production. It must first be "set free" in order to be enrolled in the active army of capital. (Luxemburg, 1951:362)*

Despite the fact that she did not develop this point, it contains the seeds for a deeper analysis of the world division of labour on the level of labour power. At their time, capitalism conquered the Third World looking for labour power. In the period between the two world wars, imperialism recruited labour power from the colonies. Today, imperialism prefers to plant its factories in the places of labour power. Since labour power is the "wealth" of the periphery, its mobilisation is restricted while capital is not. (Concerning West Bank labour mobilisation to Israel, see Chapter Three)

What is more important, is Luxemburg's argument that "...the expansion of capitalist relations of production is one of the most important achievements of capitalism". (Luxemburg, 1951:385) On this level, Luxemburg contributed indirectly to the articulation of modes of production.

One of Bukharin's major contributions was his definition of the world economic order; the contribution which made him an early theorist of the globalists.

*National economic organisms live and grow. The latter, however, have long ceased being a secluded whole, an isolated economy. On the contrary, they are only parts of a much larger sphere, namely, the world economy. (Bukharin, 1976:17)*

"World economy is one of the species of social economy, in general, a system of individual economies interlinked by exchange". (Bukharin, 1976:27)

*It follows that world capitalism, the world system of production, assumes in our times the following aspect: a few consolidated, organised economic bodies-the great civilised powers, on the one hand, and a periphery of underdeveloped countries with a semi- agrarian system on the other. (Bukharin, 1976:73-4)*



What is lacking in Bukharin's contribution here is to realise and uncover the role of the "... organised economic bodies--the great civilised powers..." in blocking the development of the "periphery of underdeveloped countries". The uncovering of the "organised economic" role, supports the theories which emphasise the role of centre in deepening the development of periphery. As for the case study, Israel is playing the role of the center while blocking the development of the West Bank. (see Chapter Two)

Bukharin defined imperialism as "... a policy of conquest in general" (1976:112), but he continued to explain that,

*...one cannot be satisfied with defining a policy as that of conquest, expansion, violence, etc. One must analyse the basis on which it rises and which it serves to widen. We have defined imperialism as the policy of finance capital. (Bukharin, 1976:114)*

Another main contribution by Bukharin, was his argument that "...concentration and centralisation of capital produces not an end to competition, but a change in its forms." (Brewer, 1980:108) This point is a direct negation of Kautsky's theory of ultra-imperialism on the one hand, and a theory which has maintained its credibility until today. Even in the period of the hegemony of transnational corporations, competition is still working. (Dixon, 1982)

The lack of theoretical depth in Lenin's theory of imperialism does not lessen his contribution that capitalism could survive without colonial dependencies. His conclusion in fact came close to that of Luxemburg, in as much as he called imperialism a form of capitalism in its highest stage. His thesis was that imperialism was the monopolistic stage of capitalism itself. The main features of this stage are:

*1. The concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life.*

*2. The merging of bank capital with industrial capital and the creation, on the basis of this finance capital, of a financial oligarchy.*

*3. The export of capital, as distinguished from the export of commodities, acquires exceptional importance.*

*4. The formation of international monopolist capitalist associations which share the world among themselves.*

*5. The territorial division of the whole world among the biggest capitalist powers is completed. (Lenin, 1964:226)*

Lenin's argument that imperialism is capitalism in transition or, more precisely, moribund capitalism. (Lenin, 1964:302), and his argument on the decay of capitalism, led him away from realising the internal flexibility of its system. It might be this underestimation of capitalism's flexibility which led him to concentrate heavily on the political struggle against capitalism, not in Russia alone, but in the periphery of the world system.

*All the national liberation movements in the colonies and among the oppressed nationalities...are learning from bitter experience that their only salvation lies in the Soviet system's victory over world imperialism. (Lenin, 1964:146)*

This was an attempt to mobilise colonial systems, and therefore construct a promising weapon with which to combat capitalism.

This group of Marxist theorists uncover many of the imperialist aims and incentives to conquer other countries of the world. This conquest was motivated by the desire to gain cheap and necessary raw material, cheap labour power, and guaranteed markets. The main advantage of all these aims is the higher rate of surplus value. But to guarantee this situation, the imperialist powers used several means, not least of them the creation of local classes whose interests was articulated with

those of the capitalist classes in the centre (see Baran below, see also Chapters Six and Seven).

On the opposite of the liberal modernist school, this group of theorists, emphasise that imperialism is the "highest stage of capitalism". (Lenin, 1964) They paved the road for the radical dependency theorists whose argument maintain that the development of periphery is blocked by the centre. This enable us to realise that a development of the West Bank through an articulation of its economic sectors with the imperialist world market will not succeed. As for Marx's profesy, mentioned earlier in this section, that "... the country that is more developed industrially only shows, to the less developed, the image of its own future" (Marx, 1976:91), it became clear that it is hardly applied in most cases in the world including the case of the West Bank (see Chapter Two).

### III. The Dependency School

Despite the fact that some of the theorists of the Dependency school started writing in the pre-World War II era (for example, Prebisch), most of its contributions were made in the fifties and sixties. The point of departure and criticism for this school is the international economic order. They attribute the backwardness of the periphery to imperialism, but not to the national capitalist system. On this level they are not far from the liberals. The major aspect of this era was the deteriorated position of the periphery in international trade.

*Their terms of trade were deteriorating, indebtedness was beginning to spiral, and they were becoming very obviously reliant in financial and technological terms on the advanced countries. (Szentes, 1988:17)*

It was Prebisch who explained that, in the Great Depression, the prices of agricultural exports declined much more than those of manufactured goods. (1980) What enabled the developed countries to keep the prices of their manufactured goods high was their monopoly of technology. Later, Hans Singer related the issue to a declining demand for raw-material inputs in

manufacturing output as the result of technological advances making economies possible. (Singer, 1950) The technological gap between centre and periphery has enlarged since that time, and technological progress is lessening the centre's demand for the peripheries' raw material, at least on the quantitative level. (Jonne, G, Komen, J, and Tomie, F, 1988). Industrialisation of the periphery became the aim of the Dependency school with the understanding that this industrialisation should be protected in order to prevent the centre's developed products from competing unfairly inside the periphery's domestic markets, or what Prebisch called "healthy protectionism", or what became known as "import-substitution industrialisation" (1980). While there is no space here to explain the failure of import-substitution strategy, it is helpful to mention the example of Egypt after President Nasser, which became highly integrated into the United States' hegemony on the world system with a debt of \$50 billion. (Rodenbeck, 1988:15)

Criticising this school, Szentes notes:

*Rejecting conventional dogmas about the automatically self-righting equilibrium system and equalising mechanisms of the international economy... disequalising effects of spontanous market forces in general.... What they did not reveal, however, was the nature of these market forces rooted in the capitalist system... A certain illusion was created, namely, that it would be possible to regulate these market forces effectively and this would solve the problem and perfect the system without radically transforming it. (Szentes, 1988:17)*

This new school of thought drew attention to the disadvantages of the type of specialisation which had been imposed on the developing countries. The Dependency school maintained that trade relations, the transfer of technologies, and consumption patterns are responsible for the dependency of the periphery and the dominance of the centre in the world economic order. On this level, Szentes argued rightly that,

*...the most direct form of economic dependence and dominance, namely the foreign ownership and control of the commanding heights of the economy, is usually more or less neglected, despite the role of the foreign monopoly capital in shaping production and trade structures, technological, and consumption patterns etc. (1988:18)*

It should be noted here that Szentes's idea is gaining more credibility in face of current developments in the world economic order, especially when foreign capital is highly welcomed--even from the socialist countries. The Dependency school's limited criticism of foreign investors was denounced by Szentes as a gap which left a chance for believing that "...foreign investors are amenable to correcting their behaviour and even that a harmony between their interests and those of domestic capitalists is possible". (1988:19)

Some Palestinian and foreign writers argue for the sake of attracting foreign capital to the West Bank and Gaza Strip (Zagha, 1990) (Abed,1990). The danger of this argument is rooted in the fact that the West Bank and Gaza's economies are in their beginning stages of development. If the foreign capital gains the chance of shaping these economies from their mere beginnings, these economies will start and continue in a case of persistent and structural dependency. The Dependency school's argument is that the problem of underdevelopment is rooted in trade, and that "healthy protectionism" could solve the problem. This argument might put the West Bank in a crisis, because it did not grasp the fact that domestic capital prefers (according to its own interests) to articulate with foreign capital and to invest in the areas which benefitted their joint interests, while neglecting the investment for producing the local needs, employ larger number of unemployed labour power, and use un-sophisticated levels of technology. It should be noted here that the Dependency school is quite large, and we cannot place all its writers into one category. Several new trends have developed from it to the extent that they have become totally independent from it. Frank and Amin became globalists despite the fact that their "globalism" is different. For Frank (1969),

the satellite of the world system has been capitalist since the sixth century, while the centre blocked the capitalist development of the periphery in a process which has resulted in peripheral capitalist formations in the periphery. Frank's argument is based on the economic systems and the exchange between them. He failed to concentrate on the core of contradiction which is rooted in the modes of production, since the articulation of modes of production explains the articulation of classes in several countries. This in addition to the fact that the level of development of modes of production is of great importance. The more developed country will have the upper hand as the producer of the products which are able to compete in the unequal exchange.

Baran argued that the post-colonial era faced deeper exploitation of the Third World, as all the territories concerned have fallen under comprador governments which make common cause with foreign capital.

*The exploitation of raw materials in underdeveloped countries by foreign capital, and the existence of wasteful, corrupt and reactionary comprador regimes in these countries, are not fortuitous coincidences but merely different, if closely interconnected, aspects of what can only be adequately understood as the totality of imperialism. (Baran, 1957:218)*

While Lenin argued that the labour aristocracy in the center supported the continuity of imperialism, Baran realised that the new ruling groups in the periphery did the same.

*The amalgam of property-owning classes supported by imperialist interests uses its entire power to suppress the popular movement for genuine national and social liberation. (Baran, 1957:221)*

A critical study of the sub-contract companies between Palestinian and Israeli capitalists, and the Palestinian millionaires' statement in Tunisia of 1990 (see Chapter Nine),

which stated that they will encourage joint ventures now and in the future Palestinian state. All these features support Baran's argument that domestic capitalism will "suppress the popular movement's struggle for genuine and social liberation".

Baran believed that the reproduction of socio-economic and political structures in the periphery, in accordance with the interests of the metropolitan powers, extended the dependence of the periphery. For Baran, this is the main cause of peripheral backwardness, since the interest of European monopoly capitalism "...is to prevent, or, if that is impossible, to slow down and to control the economic development of underdeveloped countries". (Baran, 1957:197) This is an early indication of the articulation of modes of production, but on the concept that capitalists of the centre allowed the capitalisation of the periphery to develop to a "certain" level only. In fact, this is the point which was developed by Amin (1988), that not only the centre blocked the development of the periphery, but the peripheral capitalists chose to adapt themselves according to the conditions of the centre. Baran's final deduction is that the irrationality of the present system "...will not be overcome so long as its basis, the capitalist system, continues to exist". (Baran, 1957:299)

It is quite clear that Amin, as are many other radical dependency theorists, is influenced by Baran's argument for the uprooting of the capitalist system as a necessary condition for achieving development in the peripheral countries.

Paul Sweezy (1970), dealt with the interventionist role in the economy of state monopoly capitalism. This intervention contributed to the continuation of the capitalist state through the extension of the internal market.

*This state militarist policy turned it into a producer of purchasing power, continuously syphoning off a considerable part of surplus production in the form of unproductive expenditure on armaments, and thus of course greatly increasing the risk of war. By means of state contracts, and by enlarging the state-controlled*

*sector of the economy, it was possible to create a substitute for the function of imperialist capital export. (Mommsen, 1981:115-116)*

Baran and Sweezy (1966) have developed a common analysis on the role of state monopoly capitalism, characterised by the development of mechanisms which absorb the surplus and thereby maintain growth. These include the rise of military expenditures, expenditures on the huge and "wasteful" sales efforts associated with mass consumption, and high state expenditures. To the extent that these do maintain that monopoly capitalism's momentum, the potential for its overthrow by the exploited classes at its centre is weakened. Bottomore noted that Baran and Sweezy argue that,

*...the seeds of monopoly capitalism's downfall are to be found in Third World revolutions, and they anticipate these resulting from the contradictions generated by monopoly capitalism's imperialist expansion and its extraction of economic surplus from the Third World. (1983:341)*

It seems that the reason for their mistake here is that they dealt with the Third World as one totality against another totality in the centre. It is at least Baran who failed to articulate his analysis on the corruption of the post-colonial ruling classes with the fact that the imperialism of monopoly capitalism succeeded in creating domestic social vehicles to maintain the extraction of the surplus, a fact which created a camouflage for direct imperialist exploitation. In fact, what has taken place in most of the former colonies is a deep adaptation to the conditions of the centre, the new divisions of labour, even when it led to the creation of what has recently been called the Third World, the new world of debt and famine. These developments emphasise that the Third World is still the cradle of potential revolutions, but not all of it at the same moment.

Baran (1957), and later Frank (1969), are the most important advocates of the dependency theory; differentiating the two

forms of surplus extraction, and the result of that which divides the world into poor and rich countries. That is to say, extraction is an aspect of the relationship between countries, not classes. It seems that their failure to grasp the class aspect of extraction was derived from their global, and not modes of production, approach. This is an issue which is clear in most of Frank's work which deals with the capitalist order on the basis that all the globe is capitalist. Frank was lured by the easier approach, which focuses on extraction rather than production, of surplus. Again, this leads us back to his problem of not dealing with the historical materialist approach. It should be noted here that the literature of the Dependency school, and mainly the work of Frank, is considered to be an important form of agitation for the intellectuals in the Third World; but social revolution needs to develop the masses' ability to understand the cause and means of their alienation from their production. As for the role of the capitalist world system in maintaining the backwardness of the periphery, Amin (1976), more than others in the Dependency school, developed this position. This backwardness cannot be maintained by the center without the cooperation of local peripheral social forces, which are the comprador peripheral capitalist classes. At this level, Amin (1973) developed their theory of peripheral capitalism.

Amin argued that the centre is shaping the economic development of the periphery to serve the centre's own interests, which has resulted in a deformed peripheral capitalisation. The centre prevented the formation of an independent industrial structure capable of "autocentric" development. The industrial division between centre and periphery took the form of sophisticated industrial specialisation in the centre, and left the branches of lower technology to the periphery.

The same is the case of Israel and the West Bank and Gaza Strip. The transformation of the Israeli economy towards more sophisticated areas, electronic, chemical, and computer industries (Farjoun, 1980), left the chance for the West Bank and Gaza Strip to fill the vacuum of old industries. What is important to note here is the fact that those industries (textiles, shoes,

furniture) which are called sub-contract ones, are produced to satisfy the needs of the Israeli market. Meanwhile, the West Bank and Gaza Strip markets desperately need factories to use the local raw material and satisfy that local needs. (see the last Chapter) What is more important is that the centre also controls the gap resulting from this division and thus ensures its continuity. (Sivanandan, 1989) Amin's position here is a development of Rosa Luxemburg's idea on the role of the centre in maintaining the backwardness of the periphery. As mentioned earlier, she argued that the capitalisation of the colonies would lead to the destruction of capitalism.

The question here is at two levels: Is it right that the centre, and especially the capitalist class, is working in order to obstruct the development of the periphery to a mature capitalist form? If this is so, it means that the Marxists, who believe in capitalism's ability to develop the Third World countries, are mistaken; and the same is the case of the theory of articulation according to Rey's three stages of articulation of modes of production--especially his argument that in the third stage the capitalist mode became dominant. (Rey, 1973) If the above is not true, then why does the centre insist on perpetuating the backwardness of the periphery? Is it because the centre wants to keep the periphery as an importer and consumer? This might be the answer, and that is why the centre is interested in: (a) the liberalisation of trade, but not the transferring of technology; (b) the expansion of the consumerist ideology; (c) encouraging the Western mode of life, but not capitalist production in the periphery; and (d) launching war in the peripheral countries when those countries try to delink, such as the United States' invasion of Cuba, and the war in Viet Nam and so on.

#### IV. Bill Warren (1)

As is the case with many Marxists, and neo-Marxists, Warren, by selecting from Marx's own writings, has attempted to support the classical argument that the mission of imperialism in the periphery is that of encouraging capitalist development. His

main argument is that the barrier which was established between the domestic and export-oriented sectors is false, and that the development of the former need not necessarily undermine the potential for the development of the latter. Indeed, he argues that it can encourage its development. This can be achieved through accumulation of capital being invested in indigenous industries, the creation and expansion of a home market, and the development of industries geared to this market. Warren assumes that foreign capital can promote a full transformation of pre-capitalist societies. This goal, he argues, can be achieved through a common activity by the national bourgeoisie in the periphery and the transnational corporations of the centre in the form of "...an ever closer relationship between the state and the large firms in order to overcome the uncertainty and new problems of economic control". (Warren, 1973:88)

Unfortunately, Warren was lured by statistics, and failed to examine in any detail two main facts: First, the sectorial "industrial" growth which took place in several peripheral countries at the cost of the social conditions for the employed workers.

*Thus, for example, bloody Taylorisation has been based largely on the exploitation of female labour, taking advantage of existing gender subordination... it dissolves certain forms of gender subordination and creates or strengthens others. (Jenkins, 1984:47)*

As for the West Bank and Gaza Strip, the sub-contract industries there which considered the most prosperous projects (Benvenisti, 1987), employ women and children, paying low wages and offering the minimum trade union rights to the workers. The owner of METTIN Lanjuri factory in Ramallah, which produce for export only, stated that "the factory's sales exceeded \$1 million for the year 1989" (Banerman, 1990). This is a large amount in the case of the West Bank, while the monthly wages of its 40 workers (35 of them women) "360 Israeli Shekels,

still lack behind the average of wages in the West Bank factories" (Samara, 1990).

Second, the transnational corporations succeeded in causing a disarticulation between the newly-located industries in the periphery and the bulk of the underdeveloped local economy. As Frobel et al noted,

*...these world market factories are industrial enclaves with no connection to the local economy except for their utilization of extremely cheap labour, and occasionally some local inputs (energy, water and services for example), and are isolated from the local economy in almost all other respects. (Frobel, Heinrichs & Kreye, 1980:6)*

The P.L.O leadership, the Palestinian capitalists in the West Bank and Gaza Strip and the Palestinian capitalists in the Diaspora (represented in al-Taawoun group in Geneva), are already inviting the multinational corporations to start a "world market industrial enclave" in the West Bank and Gaza Strip. (Samara, 1990a) Doing that, these people are drawing an eternal peripheralised future for the Palestinian economy.

The only chance for the future Palestinian economy might be in a policy which would put the local and foreign capital in service of satisfying social needs, more than to guarantee high profits for the capitalists.

## THE WORLD ECONOMIC ORDER

The development of a world capitalist economic order is one of the points which has gained a relative consensus among Marxist scholars. Europe's invasion of other countries enabled several European powers to concentrate wealth. This concentration of wealth, which started in the sixteenth century, made Europe the rich part of the world; to a certain extent, at the cost of the plundered non-European countries which became poor. That is to say, the division of the world into centre and periphery was accomplished prior to the imperialist stage. Nevertheless, despite the fact that Frank analysed the global economy in terms of a division into metropolitan and satellite states, he considered all of it as capitalist. This is due to the fact that Frank exaggerated the transformation of the pre-capitalist relations of production in the periphery into fully developed capitalist relations.

However, the main concern of this section is to follow the division of labour in the world economy. For this approach enables us to grasp the main developments on a world scale, and enables us to deal with the components, the "national formation," of this order. Thus, this study concentrates on the imperialist stage of capitalism; the division of the world economy into centre and periphery is a point of departure. Nevertheless, it should be noted that it is the mercantilist era of capitalist development which shaped the form of the evolution

*...of relations between centre and periphery in the emerging capitalist world economy, i.e. the forceful redistribution of wealth and development resources between countries and long-distance trade in luxury goods and spices. It then proceeded during a long period of colonial dominance with its organised system of exploitation in production and trade together with the semi-colonial peripheralisation of those countries that remained formally independent but which had to adjust to the rise of a colonial division of labour (Szentcs, 1988:35)*

However, with imperialism as a stage in the development of capitalism, the division of the world economic order into centre and periphery was transformed into a permanent phenomenon. As imperialism is one of the focal point in this chapter, it is the only stage of capitalism which will be discussed.

The accounts of some Marxist and non-Marxist theories of imperialism indicate that positions are varied, especially with regard to the following issues: (a) capitalism's role (in its imperialist stage) in developing the periphery; (b) whether imperialist expansion is a condition for the continuity of capitalist growth in one country; and (c) whether there is an alternative to capitalist development for developing Third World countries.

While trying to develop appropriate positions for these issues, the Marxist scholars generated several theories related to the world capitalist system; such as the world division of labour, the impossibility of capitalist development in the periphery, accumulation on the world scale, the articulation of modes of production, the peripheral capitalist formation, unequal development, the centrality of production over exchange and distribution, internal colonialism, the role of the peripheral state in de-linking or deepening the periphery's integration into the centre, etc. It should be noted here that most of these Marxist theories on imperialism argued against the possibility of Third World development via the capitalist road (Baran 1957, Frank 1969, Amin 1976). They believe that the centres are always holding a leading role in world economic relations. The importance of this is that it has enabled the centre to retain power enough to control and shape the form and level of development of the periphery.

On the other hand, the Marxists who believe in the possibility of capitalism's development in the periphery (Emmanuel 1973, Kay 1975, Warren 1980) argue that there is a possibility for the peripheries to transform from periphery to semi-periphery states, and even to become centres (as is explained briefly in the discussion of import-substitution strategy -- see Warren above).

While arguing against the possibility of the periphery's transformation to centres, I think it is important to explain the social circumstances which did allow some countries to achieve this transformation. There is a uniqueness in the white settler colonies which became centres. These colonies, especially the United States and Canada, gained from the beginning special conditions which enabled them to become centres. "Most of the surplus extracted by the foreign rulers and capitalists was transferred...from the nineteenth century onwards, to colonies of white settlement such as the USA, Canada, Australia, etc". (Bagchi 1985:26) These conditions, however, are not available to most Third World colonies. In particular, these white settler colonies enjoyed the following conditions:

(a) Europe's export of a matured capitalist mode of production (with its relations and forces of production) to these colonies. It was mature on the level of development and higher wages for the white skilled workers who migrated there, as compared to the wages of native workers; i.e; Australia, South Africa, Palestine, etc.

(b) The large amounts of capital which were invested in these countries.

"In the 1850s, about a half of British foreign investment was in Europe, a quarter in the USA and another quarter roughly equally divided between Latin America and the Empire". (Clapham, 1930, vol.2:234-41)

(c) Investment in the white settlements was devoted to industry. Ferns, for example, "...compared the concentration upon agriculture and pastoral enterprise in Argentina with the industrialisation of the USA and Canada" (Ferns, 1960:488) Furthermore, "investment in India was entirely financed from India". (Brown,1974:136)

In the early stages of Jewish settlement in Palestine, the British Mandate extracted taxes from the Palestinian productive economic sectors and spent it in the form of facilities to the Jewish capitalist projects. (Hodgkin, 1986) While in the post 1967 occupation of the West Bank and Gaza Strip, the Israeli

occupation encouraged the Palestinian peasants, through its agricultural policy which (called al-Mushahadah), to plant the crops which is necessary for the Israeli economy. The only industries encouraged are the sub-contract ones, which satisfy the Israeli needs as well.

(d) It was not only the extensive available lands for settlers which saved surplus for industry, "...but in fact it was the low cost of investment since land had been expropriated as a result of the mass killing of the aboriginal peoples" (Wallerstein.1974).

(e) The mass migration of whites to the colonies: "...USA, Canada, Brazil, Argentina, Australia, New Zealand and others, which consisted of 62.9 million in the period between 1846-1940, there are 36.85 to the United States" (Brown,1974:137), and the mass abduction of slaves from Africa and, later, other countries. Thus, the first form of immigrants were the white European foremen, and the second form were the exploited black workers.

(f) Slave labour continued in the United States even three decades after other British colonies had abolished it.

*From the abolition of the slave trade in 1807, and of slavery in the British colonies in 1833, it was another thirty years before slaves were freed in the United States. (Knowles,1928:170-201)*

(g) The political de-link with the colonial power.

*Japan immunised herself from European restrictions, as did the USA and the British Dominions. Latin American countries failed to do so....The availability of abundant land plus the determination to diversify behind protective walls enabled countries like the USA, and Australia and Sweden to break out of the strait-jacket of primary production. (Brown,1974:243-45)*



Taking into consideration that this study is devoted to the industrialisation of the colonised West Bank by the Israeli white settler state, I would like to note that most of the Marxist scholars who have written on this issue avoid dealing directly with the question of Jews occupying and settling in Palestine. Brown, for instance, distorted the truth when he wrote that:

*Recent economic development of Taiwan, Hong Kong and Singapore could be explained as the work of Chinese capitalists who fled there from mainland China; [and] there has been a similar immigration into Israel. (Brown, 1974:275)*

Brown failed to inform the reader, however, that while all the Asian countries mentioned were already established and inhabited by their own people, the great majority of Jews were 'imported' and planted in Palestine; in the process dislodging over ninety percent of the indigenous Arab inhabitants by force. In his review of six books on Palestine, Seddon refers to two points of view of the writers on the question of the Palestinian exodus:

"The pro-Arab, which contends that the Arabs were expelled, and the pro-Israeli, which holds that the Arabs left of their own accord". (Seddon, 1990:214) What concerns us here is the fact which Seddon emphasises, that the Jews were not originally in Palestine, except for a few thousand, but they occupied it as settlers.

Moreover, it is one of the few examples which still exists, and is in fact trying to expand through further occupation. For what is usually called the "Israeli Miracle," is in fact typified by the following characteristics of colonisation:

(a) The exploitation of the inexpensive Arab labour power in its planted capitalist project in the period 1917 to 1948 (Assad, 1975, Hodgkin, 1986);

(b) The exploitation of the Eastern Jews in the period 1948 to 1967, in addition to Arab labour which remained after the occupation of Palestine.

(c) The exploitation of the inexpensive West Bank and Gaza Strip labour force since 1967;

(d) The expropriation of fertile Palestinian land without remuneration;

(e) The importation of a capitalist mode of production with its skilled labour, bureaucracy and technocracy; and

(f) The receipt of large amounts of capital in the form of gifts, loans, military and civil aid from the United States.

Thus, it could be concluded that Israel is a good example of the articulation of modes of production, and the rapid transformation of a settler community into a highly capitalised formation.

The employment of the West Bank workers in Israel is a case of deformation of its economy. While the normal case is the articulation of both labour and capital inside the West Bank economy, what is taking place is an articulation of a large part of the Palestinian working class into the Israeli economy. Another aspect of this deformity is the neutralisation of this part in relation to the trade union struggle in the West Bank. Since the majority (around 75%) of those Palestinian workers in Israel coming from rural areas, it is a step towards the dissolution of the independent mode of production there. (see Chapter Two) Unfortunately, this dissolution did not take place for the strengthening of the capitalist mode of production in the local industry. It does not strengthen the capitalist relations of production in agriculture, since the pre-capitalist relations have persisted there. In addition to all these passive developments, the migration of surplus labour power led to the neglect of land, decrease of exploited land, decrease of the production of basic needs, and finally the village itself lost its important role as the basic unit of production.

While the West Bank was the "food basket" of Jordan in the pre-1967 era, most of its inhabitants do not produce their basic needs today, despite the fact that the population of the West

Bank in 1989 is still the same as it was in 1965. (see Chapter Three)

## I. Division of Labour

Division of labour on the world scale is neither a spontaneous process nor a process which has taken place between equal partners. Since its inception, and in numerous forms, it has been imposed on the periphery by the centre. In the imperialist stage of capitalism, the division of labour took place by conquest as a result of the centre's internal competition to control the periphery's markets and raw materials (Luxemburg, 1951), export capital (Lenin, 1948), and low cost of production (Hilferding, quoted in Mommsen, 1981).

The world-wide division of labour was mainly applied by force, from the centre to the peripheries, and between centres themselves as well; as was seen in the two world wars. In the second half of this century, the use of military force diminished, but did not end. One of its most recent forms is the United States' invasions of Panama and the Arabic-Persian Gulf. An example of the division of labour between centres is the United States' pressure on Japan since 1987 to increase its imports of United States goods so as to siphon off the surplus of Japan's trade with the United States. The Japanese agreement is a good example of the new means of changing the international division of labour. (Kilborn, 1989)

In the post-colonial period, while the imperialist division of labour became more complicated, its main determinants have remained the same. The new forms which have arisen on this level are: the periphery's export-oriented agriculture, the centre's limited sale of technology to the periphery in the form of import-substitution, the joint ventures; and finally, the export-led industries. (Findlay & Lawless, 1983)

The Israeli authorities have imposed their own version of division of labour on the West Bank. Depending on its military occupation orders, Israel has prohibited any free Palestinian

export and import to any country without Israeli permission. That is why most of the Palestinian industrial exports are going to Israel, mainly according to their structure as a sub-contract to satisfy the Israeli needs. But despite this relationship, any Palestinian exports to Israel must have in advance a permit from the Israeli military governorate in the area in which the exporter lives; while the Israeli merchants are marketing their commodities in the West Bank without any permission.

On this level, we cannot deal with this unequal exchange relationship without putting into consideration that this exchange has been imposed by the Israeli army.

Despite the differences (on the level of complexity) between the forms of international division of labour, all are similar in the fact that they are always designed by the centre, which conditions the form of development of the periphery. (Amin, 1988) The articulation of modes of production, as the abstract form of the articulation of class interests and alliances, explains that the division of labour is the practical expression of this articulation. (Bukharin, 1976) More precisely, the export-substitution strategy of the nationalist Third World regimes stems from a division of labour which permits the centre to be the controller of both the level and the form of industrialisation of the Third World. The export-led industries are those which have linked the most developed sector of the periphery's industry to that of the centre. Since this sector is usually operated or even owned by the native capitalist class, it is this class which is linked and in alliance with its counterpart in the centre. These forms of linkage to the centre, or the disarticulation at the national level, have led to the blocked development of the peripheral economies that we see today. ((Sivanandan, 1989)

As for the articulation in class interests of Israel and West Bank capitalists, there are two indications from both sides. From the West Bank, Dakak (1990) argued that it is in the interest of the Palestinian economy to keep its connections with the Israeli one.

From the Israeli side:

*A Defence Ministry announcement at the end of December stated that the policy of the Civil Administration in the territories is now to encourage the growth of local Palestinian industry. As a start, the ministry said it was granting licenses for the establishment of 73 new factories- 53 in the West Bank and 20 in the Gaza Strip". (Kershner, 1991:32)*

In their meetings with the Israeli occupation authorities, the Palestinian capitalists have been told that: "To start a factory which produces the same Israeli products which are marketed in the West Bank and Gaza Strip, the Palestinians must get the approval of the Israeli factory owner". (Interview, n.n)

According to their long experience, the Palestinians could understand from this condition that the Israeli's are going to have a share in the machines and even land and buildings of these new factories. In such a case, the class alliance between the capitalist classes of both sides is going to be cemented, the Palestinian capitalists will oppose the possible self-determination of their own people if it is going to de-link with the Israeli economy. This policy means more integration of the Palestinian economy to the Israeli one; a fact which fit into the policy of the Israeli ruling Likud party, which considers the Occupied Territories to be a part of Israel. Thus, this so-called new development of the Israeli policy is in fact a continuity of its traditional one, it is a deepening of the same policy.

## II. The Articulation of Modes of Production School

The modes of production and articulation of modes of production approach emerged as a critique of the Dependency school's interpretation of Third World underdevelopment. The point of departure for this approach is the capitalist mode of production in its form/forms of relationship with another mode/modes of production in one social formation. This also constitutes another Marxist alternative to the world system

approach, as exemplified by Frank (1969) and Wallerstein (1974). Concretely, the modes of production and articulation approach measures all developments by focusing on the penetration of the capitalist relations of production. By giving the main consideration to the relations of production, it is in fact a concentration on the class roles and relations, rather than on societies as a whole, or even on the world system. Althusser and Balibar first used the term "articulation" while attempting to define the internal structure of the mode of production itself: "Mode of production is a complex structure doubly articulated by the productive forces connection and the relations of production connection". (Althusser & Balibar, 1970:311,317)

It should be noted that Lenin, "in his debates with the ultra-left in 1918, characterised Soviet society as a social formation with five co-existing modes of production". (Auerbach, Desai and Shamsavari, 1988:68)

A. Carter wrote:

*According to Lenin, at least at the beginning of the period of the transition to socialism in Russia, there were up to five coexisting modes of production, unevenly developed and organized in a hierarchy of dominance". (Carter, 1978:54)*

While Althusser was the first to introduce the concept without defining it (Carter, 1978:54), Rey (1973), devoted a whole book to the issue. Moreover, he dealt with articulation mainly in terms of its relation to the social classes. Rey distinguishes three stages of articulation:

*1) An initial link in the sphere of exchange; 2) capitalism takes root, subordinating the pre-capitalist mode, but still making use of it; 3) the total disappearance of the pre-capitalist mode, even in agriculture. (Rey, 1973:82-7)*

In the first stage, the traditional mode remains dominant. Capitalism gets raw materials from it, but in the pre-capitalist social formation this exchange not only does not promote capitalist relations of production, but actually reinforces the pre-capitalist mode. The development which changes to the second stage is that the balance of forces in the alliance changes in favour of the capitalist mode of production; capitalism is strengthened, and becomes the part which structures other modes. In the third stage, capitalism reaches the point that it is able to ensure its labour supply. To deal with the question from the division of labour perspective (or from Rey's case study, Congo Brazaville), cheap labour power was the target of imperialism. But later, the target expanded to include labour power and raw materials, and the export of working capital. Szentes (1988) It should be noted here that the articulation of modes of production took place during the colonial era. Moreover, it also existed in parallel with imperialism. Concerning the aims of imperialism, Hilferding (in Mommsen, 1981) was the first to note that it is the low cost of labour which attracts imperialism to the periphery. Lenin (1964, vol: 22), on the other hand, argued for the export of capital; while for Luxemburg (1951) it was the markets. But all are in agreement that imperialism achieved its objective by conquest, the fact which supports the idea that imperialism controls the struggle.

Articulation for Rey is

*...the domination of one mode of production over another, but in a dynamic form, in a struggle between the two modes of production, confrontation and alliances essentially between the classes which these modes of production define". (Rey,1973:15)*

Thus, articulation is a partial transformation of non-capitalist modes. It is a contradictory coexistence between modes. For some writers it is transitional, but to what end? Is it moving towards a complete capitalist transformation, or toward socialism? This leads us to the relation between articulation and division of labour. The transformation of the white settler

economies in the United States, Canada, Australia, Israel, etc. to developed capitalist societies might be the only typical examples of the articulation of modes of production in reaching the third stage of Rey's schema. This might be attributed to the specificity of these settlements; which is the availability of a deliberate policy of the centres to develop these settlements, while plundering the non-white colonies.

What differentiates Palestine from other cases is the fact that the Palestinian political struggle has continued since 1917, and they are supported by other Arab political movements despite the fact that most of the Arab ruling classes did not do the same. The failure of the Palestinians to establish their own state does not harm their struggle; but has even encouraged them to maintain this target.

During the Israeli occupation of the West Bank, the Israeli economic policy has encouraged export oriented agriculture, at the cost of basic needs. Lately, after 1987, Palestinian land owners have been encouraged by the offer to import their agricultural product without an Israeli mediation, if they commit themselves to plant what is demanded in the European markets. This is an articulation of the interests of the Palestinian capitalism directly into that of the capitalist centre, but it is clear that it is on the exchange level. As for the production level, the production process has continued in its pre-capitalist forms. Family labour remains the main source of these export oriented products. Most of the work is done by families--women and children-- since men and youths are working either in Israel or in the Arab oil countries. (For more details see Chapter Two) The Israeli expropriation of nearly 50% of the West Bank land has forced the owners of this land, and the poor peasants, to articulate their labour power into the Israeli working places, which are mostly dominated by capitalist relations of production. In addition, the Israeli subjugation of part of the Palestinian capitalists to invest in the areas which are determined by Israeli policy, has forced those capitalists to articulate their factories with the needs of the Israeli market. At the same time, Palestinian social classes--merchants, comprador bourgeoisie,

(*simsars*), voluntarily articulated themselves into the Israeli economic sectors.

### III. Internal Colonialism

The economic relations between countries are relations of exchange, rather than of production. The exchange relations between Israel and the West Bank are not typical 'centre-periphery' relations despite the fact that both are integrated into the world order. Since 1967, when the Israeli authorities assumed political control, the West Bank has been peripheralised into a settler-colonial capitalist economy. Israel has not annexed the West Bank politically, but adopted another alternative: the uprooting and destruction of the West Bank's economic production structure, characterised by the expropriation of land and the expulsion of large numbers of indigenous inhabitants.

The relations between Israeli settler colonialism and the West Bank cannot be described as internal colonialism despite features common to both. There are several reasons for that:

(a) In spite of the fact that the dynamics of the West Bank economy are dominated by Israeli settler capitalism, the West Bank economy is subjected, subordinated but not incorporated. This is in addition to the fact that the West Bank is incorporated on neither legal nor political aspects. That is why the relation is similar to the traditional colonial one. The case of South Africa is different, at least from the political and legal perspectives.

(b) Israel has never considered the Palestinians of the West Bank and Gaza Strip as Israelis. Even the economic laws and rules which are applied in Israel differ from those imposed on the West Bank. That is why the Israelis are able to plunder wealth from the West Bank, in the form of taxes and surplus.

(c) The case of the Palestinians persisted inside Israel is different. They are directly incorporated and were obliged to accept Israeli citizenship in 1948.

(d) The economy of the West Bank on the eve of the 1967 war was not similar to that of the tribal economies in South Africa.

(see Chapter Two, on the early incorporation of the Palestinian economy into the world order)

Moreover, the peripheral capitalist mode of production was dominant in the West Bank before 1967. That is why, since 1967, there has been a continued economic conflict between the classes of the two peoples; and that is why Israel is trying continuously to uproot the productive sectors of the West Bank economy, according to a national conflict, rather than mere conflict between capitalist and non-capitalist modes of production.

It is worthwhile to differentiate between the already existing capitalist mode of production in the West Bank before 1967, and the Israeli policy of destroying the West Bank economy according to a political plan to evict from the area its Palestinian population.

(e) The boycotting of Israeli products by the Palestinians during Intifada does not represent a step backward to regain precapitalist mode/s of production (which is impossible). Those modes were subsumed by the capitalist one long before the Israeli occupation. The non-capitalist relations of production in many agricultural areas in the West Bank were subordinated to the capitalist one before the occupation as well.

(g) The national liberation of the West Bank and Gaza Strip is a struggle to uproot occupation. The two economic currents in the Palestinian resistance movement are the modernisation capitalist, and the cooperative one; the latter, a phenomenon which developed during the Intifada. The cooperative current aims to develop the non-capitalist relations of production in agriculture to cooperative rather than capitalistic ones. (see the last chapter)

According to what has been mentioned above, the case of the West Bank, hardly fits with Wolpe's model of internal colonialism in South Africa; which describes the articulation between modes of production as an extension of the capitalist mode of production at the expense of the non-capitalist mode/s of production. (Wolpe, 1980) Because the capitalist mode of production was dominant in the West Bank, his form of articulation does not contain the important political instance

here; the Israeli aim, as an external and settler occupation power, of deliberate destruction of the Palestinian society or the aim of eviction of a whole society from the country.

On the other hand, the case of South Africa is an apartheid system covering both whites and blacks as citizens in one state despite discrimination. In South Africa, the rich blacks could invest without state obstacles, while in the West Bank many projects failed to acquire licenses to be established. On this level, the ideology and policy of the state became the determinant factor.

*"Rather, the articulation approach asserts that peripheral social formations are constituted by the articulated combination of the dominant capitalist mode of production" (Goodman-Redclift, 1981:54).*

It seems that articulation is limited to one national economic system, if not one social formation. With such a criterion, it is impossible to examine the relation between the West Bank and Israeli economies in terms of articulation (alone). In other words, the relation between the Israeli economy and that of the West Bank is a relation between two separate economic systems: the former, a developed capitalist dominant mode of production, dominant in one economic system; and the latter, a controlled peripheral capitalist mode of production. In this case, the relation is an external relation and similar to settler colonialism. If the West Bank's social formation is a peripheral capitalist social formation, and has been since the Jordanian era, then, self-evidently, the capitalist transformation was already implanted into the West Bank during that era. (see Chapter two) This implanted capitalism in Jordan (including the West Bank in the pre-1967 era) could be conceptualised by Carter's explanation of Roxborough's argument that :

*It is not clear what is implied in the claim that there is a specific kind of capitalism in the peripheral countries. It is the case that peripheral dependent capitalism is a mode of production (sui generis), with its own laws of motion.*

*If not why does it apparently not obey the laws of motion of the capitalism that we know? (Carter, 1978:58)*

However, it was not the lack of laws of motion in West Bank peripheral capitalism during the Jordanian era which blocked its economic development, but the arbitrary peripheralisation of this economy to Jordan's, and the export orientation of its production which drained the surplus outside, hindered internal accumulation, minimised the home market and, in the end, blocked its economic development. (see Chapter Two) If we suppose that articulation is possible between two national economies, Wolpe's (1980) model of the articulation of extended/restricted modes of production is still not applicable to the West Bank's economic relationship with Israel, because the core of the Israeli policy in the West Bank and Gaza Strip is to uproot the productive structure of these areas. (see Chapters Two and Five) In addition to that, if the West bank still occupied by Israel, this does not mean that it is incorporated as part of Israel.

Wolpe conceives of articulation as an expression of the co-existence, or combination of two modes of production: an expanded dominant mode and a restricted subordinate mode. (Wolpe, 1980:38)

*The expanded mode consists of relations of production, forces of production, and a general law of motion whereas the restricted mode comprises only relations of production and forces of production. (Wolpe, 1980:35)*

However, Wolpe maintains that within the articulation literature in general, the reference is to the "expanded" capitalist mode of production only. (Wolpe, 1980:35) This mode is characterised as being dynamic and capable of reproducing itself on an expanded scale. For the restricted to be capable of reproducing itself, Wolpe argues that, "...concepts like circulation or the "state" have to be introduced. Without these concepts the restricted cannot be changed to expanded." (Wolpe, 1980:36)

Supposing that the mode of production in the West Bank is "restricted", Wolpe's model is still not applicable because the Israeli state which occupies the West Bank does not play the role which described by Wolpe. As mentioned earlier, the state of Israel is working to uproot the productive structure in the West Bank. The role of the Israeli state in the West Bank has never been that of a class tool against another classes, it is a national enemy. The Israeli ruling coalition (the Likud) believe that the West Bank and Gaza Strip are parts of Israel, and some of its ministers believe that all Palestinians must be "transferred" to Jordan. The former Israeli ruling party, the Labour, believe in a "pure Jewish state", a policy which might lead to the eviction of all or part of the Palestinians from the West Bank and Gaza Strip. (Rabin, 1988:8)

Wolpe conceptualises the peasantry as "...individual and isolated enterprises...."(Wolpe,1980) These individual and isolated enterprises are passive and resistant to any capitalist transition, which must be imposed from outside. This imposition is the only way to break the peasantry's passiveness and resistance. It is not difficult to appreciate Wolpe's main argument here that "capitalist development" is unavoidable, and is the only way to "develop" the non-capitalist formations. This is an argument which in the end justifies imperialism, in fact perpetuating the underdevelopment of the Third World. This has been the experience of the West Bank as well. The Israeli economist D.Kahan (1983), contends that the Israeli occupation has introduced technology and commercialisation into the West Bank agriculture while in fact, Palestine started its relation with the world market in the last century. (Schloch,1986)

Despite of all Israeli pretends, the West Bank economy was not a 'peasantry' one before the occupation, since the peripheral capitalist mode of production was dominant.

On this level, it is worth noting that Cardoso's interpretation, despite its authenticity, is also inapplicable to the West Bank. Cardoso notes that:

*Contemporary dependent capitalist development in certain Latin American countries, notably Argentina, Brazil, and Mexico, produces an internal structural fragmentation in which the advanced sectors are internalised and hence integrated with the new forms of monopolistic expansion of capitalist world economy. Other, more backward sectors producing essential urban wage-goods, such as urban petty commodity production, but especially stable agricultural products, are characterised as internal colonies in their relations with the international sectors. Thus a new structural dualism is the counterpart of the structural dynamism of associated-dependent-development; it results directly... from capitalist expansion, and is functional to that expansion in so far as it helps to keep wages at a low level and diminishes political pressure inside the modern sector. ( Cardoso,1972:90)*

In the case of the West Bank, the advanced sector is agricultural, and is not freely integrated with the capitalist world economy. It is controlled by the Israeli economy which orients the West Bank externally-oriented production to fit Israeli needs and contracts with the world market, and has adapted it to provide Israel with the benefits of comparative advantages in terms of exchange with the world market. (Kahan,1983:62). This being the case, the West Bank's externally-and internally-oriented sectors are colonised by the external Israeli economy. What should be noted here is that the Israeli settler capitalist mode of production works in two internal phases in respect to the West Bank:

First: it is extended at the cost of the peripheral capitalist mode of production, and other non-capitalist modes of production in the West Bank, through a process which could be described as peripheralisation through economic destruction. It is true that the dynamics of the West Bank economy are dominated by the Israeli economy. But this domination is a result of the Israeli force and policy to destroy the Palestinian productive base from an enemy point of view, rather than the articulation of capitalist

ans non-capitalist modes of production. The struggle here is a national and political one. It is a form of war.

In its early years, the capitalist mode of production of Israeli settler colonialism, enforced by the Israeli military governorate, subjected the West Bank economy so as to disarticulate its sectors internally. The result of this policy was that the village as the basic unit of production failed to continue its role, the independent mode of production weakened, and the peripheral capitalist mode of production did not strengthened. Thus, the case here is the destruction of an economy and society, who are not a tribal one. With this policy the occupation precluded the possibility of independent capitalist development. This policy was carried out in addition to land expropriation, which precluded even limited "fair" agricultural and industrial competition. As Kahan notes:

*... in both regions (West Bank and Gaza) no support was provided for capital investment directed to the processing of produce in competition with products of Israel: (e.g. dairy processing). (Kahan,1983:51)*

Second: the Israeli settler capitalist mode of production entered a new phase in 1976, one which continues to the present--uprooting the productive factors in the West Bank economy; e.g. large expropriation of land, competition with local industries, arbitrarily increasing taxes, and coercing the inhabitants to emigrate. Briefly, the second phase is not merely peripheralisation without articulation or further peripheralisation of the West Bank productive economic sectors, but rather the beginning of their total destruction as an independent economy. In parallel with the continued weakening of the West Bank productive sector, Israel's big companies have flooded the West Bank's market with Israeli produce. (Samara,1989c)

The deliberate policy of making the West Bank economy dependent on Israel is paralleled by another Israeli policy which keeps Israel independent of the West Bank for any vital produce. Any form of dependence would represent a security risk for Israel, and it is considered preferable to ensure

continuous supplies from Israeli sources, even at the cost of possible seasonal excess supply. This was one of the reasons given for subsidies granted to farmers in Israel. (Kahan,1983:109) This in fact argues against those who pretend that there is an economic interdependence between Israel and the West Bank.

During the first three years of Intifada, the two economies have become clearly separate. The Israeli authorities encourage the Israeli capitalists to apply modern technology to replace the Palestinian workers in Israel, to import workers from other countries (Sabagh,1989), and finally to employ Soviet immigrants in the place of the Palestinians. In both cases, the role is of political instance; i.e. Israeli military force is still the main tool of the two phases of peripheralisation. It is not the only tool in the process. Besides the military power of the Israeli authorities, there is unequal exchange imposed through Israeli merchants and capitalists on the one hand, and West Bank merchants on the other.

#### IV. The Production Issue

One of the main points concerning Third World underdevelopment is production. This issue however is discussed by some writers as development, and that is why there are different interpretations of Third World underdevelopment. For A. Emmanuel (1972), it is unequal exchange, while for Amin (1976) it is unequal development crystallised in unequal specialisation. However, both unequal exchange and development are rooted in the production process. Greater production generates further development and more exchange, and the ability for achieving unequal exchange.

On this level Marx noted:

*Exchange only appears independent and indifferent with respect to production in the last stage where the product is immediately exchanged for consumption. But, 1. There is no exchange without division of labour whether the*



*latter is spontaneous or is already a historical product. 2. Private exchange pre-supposes private production. 3. The intensity of exchange, as well as its extent and manner, are determined by the development and structure of production (eg, exchange between town and country, exchange in the countryside, in the town, etc). In all its moments, exchange thus appears either directly comprised in production or else determined by it (Marx,1976:29-30).*

In the case of the West Bank, the production issue never took the chance to express itself freely. Because of the Israeli policy as the determinant factor, all economic activities are based on the Israeli approval. To start an animal farm, a factory, bookshop, or tourist company, you have to ask for the military governors approval. That is why many investors have failed to establish the factories which they applied for.

In the beginning of December 1990, Israel closed its borders to the Palestinians of the West Bank and Gaza Strip. (News From Within, 6-12-1990:8) As a result of that it was not only the Palestinian workers who were harmed. All factories which depend on imported raw materials from or through Israel stopped working. The merchants who market Israeli food products in the Palestinian markets failed to satisfy the local needs.

Unequal exchange, underdevelopment and development are rooted in the production process. Underdevelopment for Baran (1957), Frank (1969) and Amin (1976), is conditioned by external forces. The cause of this underdevelopment, it is argued, is located in exchange relations. The transfer of surplus from the peripheries to the centres takes the form of unequal exchange relations which are rooted in unequal development. The form used by the centres to extract surplus from peripheries was plunder by force.

But this form of plunder is impossible without force, and force itself is a result of a more developed productive base. A more

developed productive base is always able to gain from the unequal exchange.

According to its interests, the bourgeoisie of the peripheral country decide to exchange with the centre in a highly unequal exchange manner. It reduces its exchange with another peripheral countries despite the fact that its exchange with another peripheral one is less unequal for the national economy, but less profitable for the bourgeoisie itself.

After Marx, Bukharin was the first to stress the importance of production, and its relation with the social classes.

*The example of the commodity market shows that behind the market relations there are hidden production relations. Any connection between producers who met in the process of exchange presupposes the individual labours of the producers having already become elements of the combined labour of a social whole. Thus production is hidden behind exchange, production relations are hidden behind exchange relations, the interrelations of producers are hidden behind the interrelations of commodities...world economy includes all these economic phenomena which, all in all, are based on the relations between human beings engaged in the process of production. (Bukharin,1976:25,27,28)*

Frobel is correct in his argument that, "The determining force, the prime mover, behind capitalist development is therefore the valorisation and accumulation process of capital." (Fro'bel, Heinrichs, and Kreye, 1980:25) But even this prime mover depends on the availability of production.

Taylor noted :

*... as is well known, the major differentiating characteristics between the production processes in industrial countries and Third World economies lies in the different levels of the development of the productive*

forces relative to each economic structure. The fact that the organic composition of capital is lower also means that the value of labour power is lower, since this is determined by the level of productivity in the wage-goods sector. The resultant supply of cheap labour makes it more profitable for foreign companies to locate production that requires a high level of labour intensity in Third World rather than in industrial capitalist economies. The amount of labour time required to assemble components in the former may be greater than in the latter, yet the price at which the product can be sold is lower than it would be in the industrial capitalist economy....Consequently, we can see that taking production as a whole, there is, as a result of the relatively differing levels of development of the productive forces, a massive transference of value from the Third World to the industrial capitalist economies as a result of an unequal exchange rooted in the production process itself. (Taylor,1979:67-68).

*But unequal exchange is never an abstract matter. It is an extension and continuity, and is even controlled by the interests of social classes which control production. That is why, the bourgeoisie of peripheral countries have led their countries towards unequal exchange, it is because this exchange is profitable for itself (the bourgeoisie)*

## APPLIED STRATEGIES

There are several applied strategies of development in the Third World. But for the sake of discussion they are summarised into two main categories: the strategy of withdrawal from the world economic order, and the strategy of development through greater integration into that order. But this is not a fixed classification. It is not an easy job to draw a clear line between the two main strategies. Many countries applied the strategy of withdrawal until achieving its political independence. But after that, these countries try to adapt with the world economic order, re-integrated itself with that order hopefully on new terms is such followed. The conditions under which integration and/or re-integration takes place, and the timing are important. The class interests, the balance of power between classes are important factors in this question. But again, for the sake of discussion, I will deal with two large categories.

### I. The Strategy of Withdrawal From the World System

This strategy was slowly realised, elaborated and finally applied in the Soviet Union during the Stalinist era. In fact, it was the imperialist invasion of the Soviet Union and the failure of the socialist parties in Europe, mainly in Germany, to carry out a socialist revolution in their own countries which pushed the Soviet leadership to gradually develop and later adopt this strategy. In fact, Lenin was the first to shift the emphasis of the struggle against capitalism and imperialism to the political plane. Of the early Marxists, Luxemburg was the only other theoretician on imperialism who shared Lenin's contribution. Thus, Lenin and Luxemburg can be considered as the pioneers of the "militant current" in the Marxist theories on imperialism. This current is characterised by articulating both theory and practice, and this might be attributed to their careers as party members. (Lenin, 1960) (Luxemburg, 1951) Moreover, Lenin was the first to realise the importance of the Third World in the revolution against imperialism, and he argued for a close alliance between the Soviet Union and all nationalist and national liberation movements.

*...all the national liberation movements in the colonies and among the oppressed nationalities...are learning from their bitter experience that their salvation lies in the Soviet system's victory over world imperialism". (Lenin, Collected Works, 1966:146).*

While Hobson, like the Marxists, noted that imperialism has conquered the colonies by force, it was the Marxists alone who argued that revolution is the only way to get rid of imperialism. Through the October revolution, the civil war and the war communism, the Soviet Union started their withdrawal from the world economic order as follows: On the eve of the October revolution, Russia was not a developed country, despite the fact that capitalism had emerged there. In fact, Lenin devoted his famous book, *The Development of Capitalism in Russia* (1964), to the task of proving that capitalism was already implanted in Russia, and, as a superior mode of production, it bore within it the class of the future, the working class. Where the Bolshevik regime made the decision to nationalise all large economic enterprises in the Soviet Union, their aim was to accelerate heavy industrial development. The only possible way for that was to generate surplus from agriculture to feed those who were working in industry. Without supporting industry from agricultural surplus, it would be impossible to achieve extensive accumulation. Lenin realised the revolutionary power of the peasants in a backward society, and that is why he raised the issue of alliance of workers and peasants in the revolution. (Lenin, 1961, vol. 6) The burden was too heavy: the revolution did not follow in Europe, famine was decimating the population, the effects of the war were painful and, in addition to that, the Soviet Union faced foreign intervention. That is why a firm discipline on the one hand, and a liberal economic policy on the other became unavoidable. These are the circumstances within which was created the strategic retreat called the "New Economic Policy." The essence of this policy was "...an increased reliance on the market, but as a temporary retreat" (Sweezy, 1970:21), and it gave the peasants a considerable amount of freedom in terms of trade while insisting upon a greater

discipline within the party. "Lenin envisaged a prolonged period of a mixed economy before the socialist sector could significantly expand". (Bottomore, 1983:278)

It was Stalin who developed the main lines of the Soviet Union's strategy of practising self-reliance by accelerating the growth of heavy industry and the extraction of agricultural surplus by obliging peasants to be members in the cooperatives. It was Stalin's long period of rule which allowed the Soviet Union's development strategy of withdrawal from the world economic order to be achieved (Mao, 1977). The two main features of Stalin's period are economic achievements and political suppression. (Hunt, 1989) However, this study is not the place for an evaluation of Stalin's policy.

China in its turn followed the Soviet strategy, despite some differences due to the specificity of China itself, which gave greater flexibility to the peasants. Later, Cuba and Vietnam adopted the same strategy. (Hunt, 1989)

The victory of the Russian and Chinese revolutions created a new camp in the world economy, or what has been called the "Second World". As was mentioned before, Marxist theories on imperialism since the 1940s have tried to develop the best strategy for Third World development. Most of these theories started from the necessity of liquidating the capitalist system and the development of socialism. At this level, Amin argues that,

*If the contradiction between centre and periphery is an essential factor in the capitalist system, this thesis imposes political results. If the establishment of a national bourgeois state and the completing of a self-reliant economy is impossible in the peripheries, then, there is a necessity to adopt another road for development...the road of withdrawal and socialism. (Amin, 1988:25)*

Through their studies on the international division of labour, the articulation of modes of production, and other aspects of the

imperialist economic order, most of these theorists (despite a lot of difference) hold that the centre was deliberately maintaining the underdevelopment of the periphery; and that the socialist revolution was the only way for development. (Frank, 1969)

In the case of the West Bank, the adoption of the strategy of withdrawal would not be easily accepted, despite the fact that according to long experience, the strategy of integration is not promising. In addition to the structural weakness of the West Bank and Gaza Strip economies which will be discussed in the following chapters, the political leadership of the Palestinian people is not radical enough to adopt a strategy of a "minimum integration, and minimum un-equal exchange" with the centre, and to give priority to the production of basic needs and exchange on a regional level. What might prove this expectation is the continued superfluous economic policy of P.L.O. on the one hand, and the 1990 Palestinian declaration in Tunisia on the other. (see Chapter Nine)

## II. The Strategy of Development Through Integration

This strategy of development has been adopted by the national bourgeois governments in several independent countries of the periphery with the aim of supporting their political independence. It is a strategy of development within the dominance of the already existing world system. In other words, applying this strategy implies that capitalist development is possible in the periphery, and that the centre is not only neutral in the process of peripheral development, but will contribute to and support that process. That is why the countries which adopted this policy relied on importing technology from the centre, and in some cases asked for loans from the centre's financial establishments. (Larrain, 1989) This strategy can be called the import-substitution; which was applied in the newly independent countries ruled by national bourgeois classes such as India and Brazil. The aim of this strategy was to plant light industries with mostly capital-intensive imported technologies to produce, to a certain extent, luxury goods for the consumption of the local middle class in general, and the high-income elites

and expatriates in particular. As Szentes points out,

*It is supposed to proceed backwards from the local manufacture of imported consumption goods to production eventually of intermediate and capital goods. It necessarily leads, after a transitional period of easy import-substitution, to fiasco. (Szentes, 1988:69)*

But, following the failure of import-substitution strategy to generate surplus for continuing industrialisation in the periphery, another policy took place in the form of an open door for transnational corporations to "industrialise" and finance the industrialisation of the peripheral countries. The main feature of the new phase was to locate industries producing intermediate and even capital goods primarily for export. Reaching this point, the ruling classes of the countries which adopted this new strategy failed to achieve a genuine development strategy; that is, to achieve articulation between the local economic sectors, to control the local surplus, and to transcend the stage of primitive accumulation. Furthermore, the ruling classes in these countries decided to abandon all protectionist economic measures, and gave the transnational corporations the chance to transform their national economies according to the needs of the centre of the world capitalist order. (Dixon, 1982) This new focus, which can be called the "export-led industries" strategy, became one of the most debatable development strategies between Marxists. The debate can be divided into two main groups:

One group evaluated this strategy from the point of view of economic and "even industrial" growth (Warren, 1980), and to a certain extent, "their share in the international trade". (Sivanandan, 1989:6 on Harris). Encouraged by economic growth, Emmanuel (1972) and Warren (1973), argued that the Third World countries were in general embarking on an autonomous industrialisation (Taylor, 1979:54). The main successful example for these writers are the states of South East Asia.

The other group are those who evaluated this strategy according to its contribution to achieving an articulated development for all economic sectors of the national economy, and the position of the human beings involved. Or, put in different terms, does this strategy of development cover all aspects of life in society? The central point for this group is that the international division of labour, which is controlled by the centre, keeps the peripheral countries dependent; and if there is a possibility for the periphery to transcend this traditional industrial dependency, it is the centre which has allowed it to happen. This by transforming the centres toward a specialisation at the level of technology which permits the centre to maintain its leading role.

*The developed centre will specialise in automated forms of production requiring very highly skilled labour, [while] the periphery will specialise in the classical (including heavy) forms of production of the industrial epoch, requiring only unskilled labour. (Amin, 1974, vol. II:563)*

Thus, the United States, for example, "... has refused to countenance South Korea's ambitions to take off into the aerospace industry and has suggested it stick to making components instead." (Sivanadan, 1989:4). This role enabled the centre to shape and re-shape the form of development of the periphery. Thus, the main question now does not revolve around the possibility of the periphery's industrialisation, but the possibility of escaping from the hegemony of the centre over the international division of labour .

The constant changes in the international division of labour have maintained the division of the world system into centre and periphery in general; while the transformation of some industries in the periphery, the debt crises, and OPEC's attempt to improve oil prices have also divided the periphery into three groups: the Newly Industrialised Countries (NICs), like Taiwan, Hong Kong, South Korea, and Singapore; the developing countries, like Egypt, Argentina (as well as other countries with an accumulated debt like Brazil and Mexico); and the so-called

Fourth World, or the countries of famine like Sudan and Ethiopia.

The current debate between the two Marxist groups is for the first industrialised category, or the NICs. On this level, A. Sivanandan argued:

*... but the gap between them never closed. Today's NICs do not become tomorrow's DCs--and if they do, it will be only because the DCs have moved to higher things, becoming HDCs [Highly Developed Countries] and the chances of the UDCs [Under-Developed Countries] became more remote. (Sivanandan, 1989:4)*

Another important point should be added here. International "working capital" decided to invest in the periphery for numerous important reasons: to benefit by marketing in the domestic markets, tax incentives, transport advantages, other location advantages (raw materials for instance), skill of labour force for activity concerned, control over labour, and finally the low wages of the un-organised working classes there. Since the new technologies do not need highly skilled labour, the machines are able to produce at the same levels of productivity as in the centre; but in the case of the periphery, the wages are also low. The "...cost per Mexican worker is 69 cents an hour versus at least \$9 an hour in the States". (Sivanandan, 1989:5) This strategy, and the writers who support it, has ignored the severe exploitation of the periphery's labour, arguing that it is temporary and necessary as a first condition for the development of the periphery. To conclude, it might seem appropriate to re-introduce the spirit of the Dependency school, that the peripheral formations are not "stagnant". In fact, it is the other way around. Today there is a revolution of production in the periphery, but it is not in the sphere of development. It is in the sphere of industrial growth in export-oriented industries, which is why it is right to say that "...the peripheral countries failed to control the process of [their] internal accumulation." (Amin, 1988:24)

## CONCLUSION

The Palestinian bourgeoisie in the West Bank has adapted itself according to the Israeli economic policies which are imposed there. This is in addition to the fact that the Palestinian capitalism in the diaspora is already integrated into the world financial capitalism and proclaim its willingness to integrate the West Bank and Gaza Strip economies into that of the centre. (See Chapter Nine) Other Palestinian writers and academics have expressed the same ideas as well (Dakak, 1989, and Abed, 1990). All these indications raise the following question: if this policy is unsuitable for the West Bank and Gaza Strip, what is the right one and what are its tools and social means? This will be discussed in the last chapter.

In the following chapters, the author will analyse historical developments in the West Bank and the empirical data which have been collected in the field work for this study, according to the most applicable theories, or parts of theories on the West Bank.

In addition to that, in the last chapter, the conclusion will be elaborated according to the applicable development theories on the case of the West Bank and the current world developments.

## CHAPTER TWO

### HISTORICAL BACKGROUND

#### **The Determinant Factor of the West Bank Development Always External**

The aim of this chapter is to explain that Palestine's relationship to the world order started as, and still is, a peripheralised one. Palestine was integrated into the world order through the integration of the Ottoman social empire. This prove that Palestine's integration took place through an external factor, the Ottoman Empire. Since the Ottoman social formation was integrated into the world order as a periphery, Palestine thus became a periphery to a larger periphery.

The same was the case of Palestine during the British Mandate. Since it's colonisation by Great Britain in 1917, Palestine has been directly integrated into the world order by an external force as well.

Between 1948 and 1967, the eastern part of Palestine, called the West Bank, was annexed by the Jordanian regime. During this period of annexation, and resulting from an un-democratic decision (see below), the West Bank continued as a periphery to the world order, but this time again through a periphery, which is Jordan.

Finally, the West Bank was occupied by the Israeli military forces in 1967, and continues under this occupation to the present. The Israeli occupation was and is still the determinant factor in all aspects of life in the West Bank (see below).

The following discussion will explain how the Palestinians have never been free to decide their own road of development, and how according to that, the Palestinian merchant class accustomed itself to adapt its interests to fit into the schema of the external determinant factor; thereby obstructing any real economic development in Palestine. The main feature of this is that this class articulate its interests with that of the foreigner power.

In addition, this chapter provides historical and social background, elaborated to link the previous theoretical chapter and the following empirical chapters.

### **Palestine During the Ottoman Era**

The development that shaped the modern history of Palestine cannot be separated from the history of the Ottoman Empire. In fact, the understanding of the latter should not be divorced from the analysis of the world economic order as a whole. As an external factor, the world order played the main role in the development of Palestine. In other words, development was shaped by the Ottoman rule and British colonialism. This explains why it is important to start with Palestine's relation to and position in the the world order; a relation which took the form of incorporation by force through colonialism.

Since its subjection to Ottoman domination, Palestine, as well as most of the Arab countries which were under Ottoman domination, witnessed the same changes and developments which the Ottoman Empire itself underwent. " One of these was gradual and controlled involvement in the world capitalist order". (Islamoglu & Keyder ed.1981:305)

The Ottoman Empire's " gradual and controlled involvement in the world order" was geared by a great enthusiasm for such involvement on the part of merchants, matched by encouragement from the state's side. (Islamoglu & Keyder, 1981) On this level, the starting point was external trade, which made a link between the internal urban market inside the Ottoman Empire and the external markets in Europe.

As a result of the relative weakness of the central state (the Ottoman state), the merchants increased the articulation of the system with external trade, as Islamoglu and Keyder note:

*Given this crucial location of internal trade, it follows that the weakening of political control over its functioning would threaten a disarticulation of the system. In other words, the reproduction of the system would no longer be guaranteed. In fact... this tendency to disarticulation asserts itself when internal trade escapes administrative control (a process which started through the incentives offered to contraband trade during the price inflation), and gradually articulates with external trade. This development is also the story of the peripheralisation of the Ottoman world-empire. (Islamoglu & Keyder, 1981, 304)*

But the Ottomans empire's desperate need for money liquidity obliged its central authority to let merchants exceed the exchange of luxury goods with the external markets, to include essential commodities. It seems that the merchants became in a position which enabled them to orient the empire's trade towards their own interests.

*External trade in the Ottoman social formation was by no means limited to luxury items but included the raw materials essential for the guilds as well as foodstuffs. Here, too, the state's control achieved systemic functions, similar to the ones we have discussed for internal trade. This control was effected through the sale of concessions which gave merchants the right to trade in essential commodities. The mechanism, in turn, served to provide the state with the money it always required. In fact, merchant capital was integrated into the system as money capital through the role of commercial concessions as well as tax-farming and usury operations. Merchants as bankers were the state's chief creditors, and as tax-farmers they advanced considerable sums to the state. (Islamoglu & Keyder, 1981:304, 305)*

By the 1850s-60, the Ottoman authorities had legislated their Land Codes. these new legislations made land ownership legal as soon as the owner exploited it and paid taxes. This proved to be a way to encourage peasants to exploit land and pay taxes properly and systematically. Taxes were a vital source of capital for the Ottoman authorities to finance the Empire's deficit and high costs.

But those Ottoman Land Codes came in the context of the articulation of the Empire's social formation into the world capitalist market as an exporter of raw material and importer of cloth, foodstuffs, weapons, etc.

As for Palestine, an immediate result of the Ottoman land reform on Palestine was the decline of the rural autonomy; and the commercialisation of agriculture.

During the period which followed the Land Code's implementation, Palestine's agricultural contribution to the world market increased. "Palestine produced a relatively large agricultural surplus which was marketed to neighbouring countries such as Egypt, or Lebanon, or increasingly exported to Europe". (Scholch, 1982:12)

Palestine's exchange relations were on two levels,

*... Egypt and Syria on the regional level, and Britain, France, Russia, Austria, and Germany on the international level. After 1875, Jaffa oranges were also exported to Europe (Russia, Austria, Germany and France), on a significant scale". (Scholch, 1982:17-18)*

It is not the aim of this discussion to establish whether Palestine's exports exceeded its imports or the contrary. What we are interested in is proving the phenomenon of Palestine's integration into the world order, i.e. Palestine's peripheralisation through the Ottoman Empire. What confirms that integration is the fact that, "in the 1880s, Syria, Palestine, and Iraq's share

were one fourth of the Ottoman's foreign imports and one fifth of its exports". (Loutsky,1980:382-83)

As a result of the Ottoman's continued wars, and its increased need for money to meet its war costs, the central power declined. This strengthened the power of the tribal leaders (*Sheikhs*) in Palestine. These leaders were distinguished by their skills at war, their wealth, or their aristocratic lineage. In an effort to obtain more funds, the Ottoman authorities made the tax concessions, known as (*iltizam*), subject to annual renewal, depending on a Sheikh's ability to raise the troops needed to extract the sums from the peasantry and to ensure that law and order prevailed in the district.

The Ottoman's need for money led the Sheikhs to extract more surplus to satisfy their own and the Ottoman's needs. By this severe extraction of surplus, the Sheikhs' rule failed to offer the areas which they ruled an alternative and better system than that of the Ottoman's.

The extraction of surplus by the tax-collectors was the main factor which held the creation of a merchant class in the rural areas. But the integration into the world order, and the concessions offered to the merchants, strengthened their role at the cost of the *Sheikhs*. While the merchant class started in the urban areas, it extended its direct contraband trade from the colonies i.e. Palestine, to Europe. The restoration of the central power by *Sultan* Abdul Hamid during the last three decades of the 19th century put an end to the *Sheikhs'* rule (who were good tools for the *iltizam* era), and substitute them by the educated and graduated young sons of the *Ashraf* (see below) and merchant families.

*Members of the Ashraf were distinguished by birth; most traced their ancestry to, or claimed to be descended from, either the Prophet Muhammad or the great military commanders who had led the early Islamic conquests in the seventh century AD. As such they enjoyed certain*



*privileges: they paid no taxes, and were exempted from military service. (Smith, 1984:20)*

The modernisation of the state and the establishment of the first Ottoman constitution under Abdul Hamid offered jobs for the *Ashraf* and merchant graduated sons.

The *Ashraf* formed

*...alliances with some of the largest families in Jerusalem, such as Hussainis, Khalidis. Eventually these families also claimed some of the privileges of the Ashraf and, in many cases, became virtually indistinguishable from their predecessors in terms of their position within Palestinian society. The alliance of the Ashraf and the largest families profited from the land system in Palestine. The insecurity and disorder which occurred during the civil war led to a considerable increase in the amount of land registered as Awkaf, and so too to an increase in the lands and property available to the Ashraf and their allies. The conversion of land to Awkaf ensured that it could not be confiscated by the Ottoman authorities for lack of cultivation or for failure to pay the tribute demanded by the Sultan's military governors...the Ashraf and their allies benefited from the tendency to register land as Awkaf to escape the harsh laws of succession.*

*By recruiting civil servants and army officers from amongst their kin or related families, the Ashraf were effectively able to monopolise the advancement and promotion of Palestinians within the Ottoman administration. As Ashraf they ensure that the control of the Awkaf remained within their own households. ...the revenues of the Awkaf enabled the Ashraf and their allies to purchase uncultivated land, which they could often obtain at an unusually low price as well, through their position in the Ottoman bureaucracy and their access to the courts. (Smith, 1984:20-21)*

From the same *Ashraf* and their allies, the large families, the Palestinian merchant class has emerged.

The year 1870 was the year of openness; all obstacles had been thrown from the merchants' way (Islamoglu & Keyder, 1981). This enabled the merchants to exceed the role of the Sheikhs. This new era enabled the merchants to accumulate large amounts of money, but they failed to invest in the industrial sector. (Loutsky, 1980)

*... while in theory the accumulation of surplus capital in private hands, and the increasing concentration of it within a few landowning families, should have enabled the latter to invest in new industries serving the local market, few actually did so. (Smith, 1984:24)*

The defeat of the Ottoman Empire in the first world war subjected the Arab countries, including Palestine, to European capitalist colonialism. On the 19th of November 1917, the British government committed itself to a pledge to the Zionist movement, the Balfour Declaration of November 2nd, 1917. The Balfour Declaration states that the British :

*... view with favour the establishment of a national home for the Jewish people, and will use their best endeavours to facilitate the achievement of this object... ". (Peel. 1937:16-17)*

Under the direct protection, facilitation, and support of the British mandate in Palestine, the Zionist movement started the creation of the Jewish state. The British mandate encouraged Jewish immigration, importing of capital, arming of the Jews, and facilitated their acquisition of land. On the other hand, the mandate repressed the Arabs on all levels. In fact, Britain during the Mandate did what its government promised the Jews in the Balfour Declaration.

## Palestine Under the British Rule

### The Non-Investment Mentality of Palestinian Capitalism

During the period of the planting of the Jewish state in Palestine, 1917 to 1948, Palestinian economic development was subjected to British colonial plunder and to unfair competition with the imported white settler capitalist mode of production. In fact, the Palestinian economy (which was mainly based on agriculture) was heavily taxed, and the extracted surplus transferred to the Jewish capitalist economy. (Asad, 1975) (Hodgkin, 1986)

Through the Jewish settlement in Palestine, thousands of peasants were evicted from their land by Jewish settlers who bought land from Arab and Palestinian landlords (who, as mentioned above, gained this land because of their loyalty to the Ottoman rulers); forcing these peasants to become free wage labourers. Part of them were employed in British military army camps, and the rest engaged in revolutionary activities, such as the 1936 peasant revolt. Despite the fact that the land controlled by the Jews until 1948 did not exceed 1,800 square Kilometers, or 6.8 percent of Palestine's total area, many Palestinian peasants were expelled from it because it was on the fertile coastal area, owned by rich families who did not work on it personally, and because the Jewish settlers insisted on employing only Hebrew labour (Bober, 1972).

The merchandise mentality of the Palestinian bourgeois class did not change during the British mandate. Its economic activities continued on the merchant and usury levels. Its accumulated surplus was transferred abroad to the banks of Great Britain as liquid assets, leaving the country without any significant productive investment, despite the fact that there were several possibilities for generating profit.

It was not until the years of the second world war that the Palestinian economy experienced a dramatic commercialisation of agricultural and industrial production. This development was

due to the desperate need of the British forces in the Middle East for a readily-obtainable food supply to meet the shortages which had resulted from the Axis' sea blockade of the Allied navies in the Mediterranean.

*Figures on Arab bank deposits in October 1945 show that the rose from a total of Sterling P 532,515 at the end of 1941 to just under Sterling P 7 million by the end of October 1945. (The magnitude of such a sum can be gauged by the fact that this Sterling P 7 million amounted to almost Sterling P 1 million more than the entire civilian budget of the government of Palestine in the fiscal year 1944/5.)" (Smith, 1984:118).*

Part of the accumulated profit was deposited in the Arab banks in Palestine itself, but not invested after 1948 in industry. (see below)

Following are the amounts of these deposits in Arab banks in Palestine.

Table 2.1: Deposits, Capital and Reserves of Arab Banks in Palestine,  
31 October 1945 (in Sterling P)

	Deposits	Reserves	Paid-up Capital
Arab Bank Ltd	3,777,821	844,154	815,296
Arab National Bank	3,192,907	133,723	600,456
Total	6,970,728	977,877	1,415,752

Source: Survey, vol.2,p.562. (Smith, 1984 119)

*Of the movable assets, certain kinds were relatively easy to obtain in exile. The balances held in Sterling accounts in London, which made up the bulk of the total liquid assets held abroad, are one example. Another consisted of the sums held in bearer bonds issued by the government of Palestine before the end of the mandate. The value of these held by Palestinian exiles outside*

*Israel in 1949 was estimated by the United Nations to total Sterling P 1.7 million. The transfer of banknotes was also substantial: of the Sterling P 60 million in circulation at the time of the defeat, only about Sterling P 27 million was turned the government of Israel for conversion into Israeli currency. (Smith, 1984:119-20)*

## **The West Bank Under the Jordanian Regime:**

### **I-. The Palestinian Bourgeoisies Political Relationship with the Regime**

As a poorly endowed country, Jordan has had to be a dependent economy since its creation. This dependency started with Britain. British assistance to Jordan concentrated on the strengthening of its army, and the enlargement of the bureaucratic administration.

The formal support of the army and administration was rooted in the regime's need for the British to strengthen its position and to maintain its continuity against the national movement which struggled against the regime during the period between 1948 to 1967. (1)

The priority which was given to these two sectors and to the Palestinian bourgeoisie who supported the regime (see below) have taken place at the cost of development.

*The British military assistance to Jordan increased from 1.5 m Pound Sterling in the financial year of 1949-50 to 10.75 m in the year of 1955-1956. The army's share was in a special account in one of London's bank, while the economic assistance did not exceed 1.5 m Pound Sterling a year. (British-Jordan Relations, Quoted in Samara. 1977:25)*

The role of the Jordanian regime against the Arab national movement led by Nasser of Egypt might explain why Britain insisted to support the Jordanian regime, and to keep it able to

suppress the Jordanian-Palestinian national movement, which supported Nasser.

Regarding the continued fighting between the Palestinians and the settler Jews, the General Assembly of the United Nations (which replaced the League of Nations) on 2 April 1947, sent a special commission to Palestine to report on the situation. In December 1948, Sheikh Mohamad Ali al-Jabari of Hebron convened a meeting of West Bank notables on behalf of the Arab congress. They called on King Abdullah of Jordan,

*...to unite both banks of Jordan under his rule. (Although Abdullah's cabinet quickly approved this request, he delayed formal annexation of the areas he already controlled until April 1950, when the dangerous effects of such a move on this position among his own people and among all Arabs had significantly decreased. (Khouri, 1976:83)*

What should be noted here is that the Palestinian merchant and large landowning families directly and fastly supported King Abdullah of Jordan. Even the Palestinians who established the Government of all Palestine in Gaza in October 1948, changed to support Jordan. That is why the Palestinians believe that

*...those Palestinian West Bankers who are in office are power-seekers and are not concerned in representing or promoting interests of their fellow-nationals. Some also feel that Jordan's industrialisation programmes and taxation laws were designed to favour East Bankers over Palestinian West Bankers". (The Economist, 25-2-1967)*

Concerning the social classes' position towards the regime, it was the Palestinian merchant capitalists, land and estate owners who mainly supported the regime, and even prepared the conspiracy of the annexation of the West Bank after the 1948 defeat. The Jordanian/Palestinian national movement was never from the fabric of this merchant class. The class origins of the first founders of the national movement might prove this point. (2)

Only a few members of the merchant class shared in the national movement; like Sulaiman al-Nabulsi, who became the Prime Minister in government of the national movement coalition in 1956.

Generally speaking, the Palestinian merchant class which were mostly urban, escaped the Jordanian regime's political repression. In fact, the prominent members of this class were part of the repression machine. (see below)

As to the Palestinian bourgeoisies' role in the regime, for or against it, Smith noted:

*"As a result the Ashraf were decided in their loyalty to Abdullah and his successors. Individuals within a given leading family often took opposing stands on their view of the Jordanian monarchy and the role that the Shariefian families should play in either supporting or participating in it... others accepted high government position primarily with the hope that the King could be persuaded to renew the battle to achieve Palestinian statehood, or, at minimum, to provide the political and economic framework in which the national struggle could continue... many of the leading members of the Ashraf and their sons nevertheless continued to serve the King loyally in return for obtaining the economic and social benefits that were denied their more militant kin. (Smith, 1984:97)*

On the first hand, the term *Ashraf*, used by Smith (1984) to identify the merchant capitalists, is not enough, at least because it hides their main role as a class. It was their class origin and interests which led them to support the regime. This is in addition to the fact that the Palestinian society only called some of them as *Ashraf*, while calling most of them as (*Affendi*-a person who got a high rank in the regime's administration and/or a rich one). This in addition to the fact that the Palestinians who expected a national and militant policy from the Jordanian regime were very limited, and had a false political and national consciousness. The Palestinian merchant

bourgeoisie became part of the regime aiming to strengthen its credibility on the social and, naturally, material levels.

*The provision of posts to leading Palestinian supporters of the Hashimites began with the Arab Legion's occupation of the West Bank in the second half of 1948. Two Palestinians, Arif al-Arif- who had served in Trans-Jordan under the British- and Ahmad Hilmi Basha, were appointed to serve as district military governors under Ibrahim Hashim (who was succeeded in October 1948 by Umar Matar, another East Jordanian). After the Jericho congress another Palestinian, Azim al-Nashashibi, was appointed Deputy Military Governor, based at Ramallah. Following the replacement of military rule by a civilian administration, central Palestine was divided into three provinces and in March 1949 two Palestinians- Ahmad Khalil, the former mayor of Haifa who had helped to organise the Jericho Congress, and Naim Tuqan- were appointed to head the Ramallah and Hebron districts respectively. In September 1949 another Nashashibi, Raghib Bey- the former Mayor of Jerusalem- was appointed Governor General for Arab Palestine. (Smith, 1984:97-98)*

#### Economic Privileges of the Bourgeoisie

Despite of the popular rejection of the Jordanian regime, the Palestinian merchant bourgeoisie maintained its alliance with it. It was this class who prepared and constituted the bulk of the attendants of the Jericho Conference. The merchant and large land owning families of Nablus, Haifa, Jerusalem, and Gaza attended the conference represented by their figures.

According to the Jordanian rules discrimination policy against the Palestinians in the West Bank, the Palestinian bourgeoisie concentrated its industrial and construction investments in the East Bank, while its investments in the West Bank were concentrated in agriculture and some construction.

Capital to invest in agriculture was available to the large landowners who had profited from the second world war and invested their funds abroad. Again, although exact figures are not available, Palestinian sources suggest that a substantial part of the Sterling P 10 million in Sterling balances held by Palestinians in London at the end of the second world war was invested in agricultural development in the West Bank and the Jordan Valley, after the 1948 war, as well as urban real estate in Amman and other East Bank cities. Other funds became available in 1953 when Israel released part of the deposits held by Palestinians in Arab banks which came under Israeli rule in 1948. (Gabbay, 1959:451)

The reason why the Palestinian bourgeoisie's investments were concentrated in agriculture in the Jordan Valley (which is between the West and East Banks), was because the West Bank part of the valley was full of Palestinian refugee camps. Those camps provided a cheap source labour power, ready to accept any wage and form of work.

Investment in urban real estate in Amman, and to a certain extent in the West Bank cities, was encouraged by the availability of cheap Palestinian refugee labour power, and benefited from their experience and skill during their work in the British mandate military camps.

It is still clear that the Palestinian bourgeoisie did not change its merchandise mentality, and that is why its tiny investment in the West Bank were concentrated in agriculture.

#### **Jordanian Financial Facilities of the Palestinian Bourgeoisie**

The Jordanian era was marked by a policy of discrimination against the majority of the Palestinian people; while the priority was given to the Jordanians in general, and the urban capitalists the tribal leaders, the high ranking officers, and the figures of the non-Arab minorities (Surcasians and Chishans) and to some of the Christian minority figures, in particular. From the Palestinian side, it was the merchant capitalists which mainly

benefited from the Jordanian facilities. Despite its poor resources, the Jordanian regime offered the Palestinian merchant bourgeoisie large financial facilities, as a bribe to gain its political loyalty:

*Another important source of capital arose when the government of Jordan established an agricultural mortgage programme in 1950. By the end of 1954 it had granted a total of more than JD 3 million (Jordanian Dinars) (\$ 8.5 million) in loans mainly to those large land owners who supported the monarch. The amount of land in the West Bank that was mortgaged reached a total of 22,000 dunams (2,550 hectares), or about 1.3 % of the total land area. In some places, such as the area around Jericho where the combination of inexpensive labour, proximity to markets and access to cultivable land was particularly attractive, the figure reached as much as 3.3% at the end of 1954. (Hilal, 1974:40)*

The fact that the JD 3 million granted in mortgages during this five-year period went to less than four hundred borrowers indicates the extent to which the mortgage schema concentrated capital for agricultural development in the hands of the large land owners, and increased the growing disparity between them and the smallholders who had access neither to capital for development nor the financial resources to employ either skilled or unskilled labour on their lands, however low the wage rates. (Smith, 1984)

It is clear from the abovementioned that the Jordanian regime had concentrated privileges in the hands of the Palestinian bourgeoisie aiming to strengthen its political and social position as a part of the ruling class coalition.

In addition to the regime's support, this bourgeoisie found another several other encouraging factors:

- the cheap and experienced of the labour power; Palestinian refugees

- land which had been gained free since the Ottomen rule;
- cheap land which was bought before or after 1948;
- and finally the Jordanian government mortgage programme which was concentrated in the hands of this class.

Despite the Jordanian regime's aim to monopolise economic power among the Palestinians in the hands of the bourgeoisie, many medium land owners improved their position while taking advantage by employ the cheap refugee labour power. Many of the medium and even small land owners in the Ramallah area engaged in the export of fruits and vegetables to Iraq, Kuwait, and Syria. (Interview, Hasan)

The privileges extended to the Palestinian bourgeois class by the Jordanian regime also reached the export and import sphere:

*Aside from their ability to marshal both capital and labour, the large landowners also benefited from their access to markets, both at home and abroad, and from their domination of trade between the West and the East Bank... a situation which gave them a privileged position in the early days of Jordanian control of the West Bank when the trade patterns shifted suddenly to encompass Amman, Syria, Lebanon and the Gulf states rather than concentrating on the supply of goods to and from the Mediterranean ports and Red Sea areas. (Smith, 1984:94)*

In addition to privileges to the Palestinian bourgeoisie, the process of commoditisation and commercialisation of the agricultural production took place. The Jordanian producers integrated into the large Arab markets. This fact negates the Israeli pretense that, only after and because of occupation, the Palestinian agricultural production was commercialised. (Kahan, 1983)

*These efforts by the large land owners to dominate the supply of certain goods to specific markets in the West and East Banks and to increase their exports abroad*

*received added encouragement in 1950 when the government in Amman decided to set up an inspectorate headquartered in the Jordanian capital charged with regulating imports and exports to and from the West Bank. This reduced the ability of the smaller producers and manufacturers in the West Bank to engage in trade independently of Amman and left the way clear for those larger land owners and importers- Palestinians and East Jordanians- who were favoured by the Hashmite regime. (Smith, 1984:96)*

### Population During Jordanian Rule:

By limiting economic facilities to the East Bank, Jordanian rule absorbed hundreds of thousands of West Bank Palestinians into the East Bank and channeled tens of thousands of the surplus labour force toward migration to the Arab oil countries or to the Americas. From those emigrants, the Palestinian capitalism in diaspora emerged. The West Bank population slightly increased during the Jordanian era, while the population of the East Bank, at least, doubled.

*Population of the West Bank was 850,000 in 1948, and 742,000, 505,980 and 875,000 in the years 1952, 1961, and 1963. The opposite was the case for the East Bank population which increased from 400,000 in 1948, to 586,885, 885,143 and 985,389 in the years 1952, 1961, and 1963. (Aruri, 1972:67)*

It is quite clear that the East Bank population was increased by the migrant labour force of the West Bank looking for jobs in the governmental administrations, including the army.

*The effect on the cities and towns of both banks was equally dramatic: Amman was a city of less than 40,000 in the early 1940s, so its population rose threefold in 1950 to 120,000; by 1960 it had reached 220,000, an increase of more than 550% in less than twenty years. The other major towns of Trans-Jordan - Salt, Zarqa, Irbid and Ajloun - which together had a population of*

*less than 75,000 in 1943, became major cities in their own right. (Haker,1960:136)*

In the West Bank, the urban areas of East Jerusalem, Ramallah, Jericho, Nablus, Tulkarm and elsewhere also experienced a huge increase in their population; "...in some cases, like Jericho, the refugees even outnumbered the original inhabitants by as many as eight to one." (Hilal, 1974:40-1)

Among other developments, there was an increase in the number of refugees around the West Bank cities; the East Bank population increased by twofold, and the West Bank population stayed in the aforementioned as it was in the beginning of the abovementioned period.

According to these facts, it is clear that the Jordanian regime's policy deliberately favoured to the East Bank over the West Bank.

#### **West Bank Agriculture During the Jordanian Era**

In addition to political peripheralisation, Jordan peripheralised the West Bank economy. Because of the economic integration, there is not any independent economic data for the West Bank, a fact which makes it very difficult to trace economic development there. Although the West Bank constituted 6.2% of the total area of Jordan, it was the most productive and most highly-populated area. Its large population, in addition to their experience and the economic challenge (as most of them were refugees), are the reasons behind its high agricultural productivity. This in addition to the fact that the Palestinian bourgeoisie has exploited the cheap labour as mentioned above.

Agriculture has been shifting from subsistence to market production. When the eastern part of Palestine (the West Bank) was annexed to Jordan after 1950, it already had a monetarised and commercialised economy which included the independent peasants who were producing for the market. "According to the Jordanian bureau of statistics, the loss of the West Bank to Israel

meant the loss of one third of Jordan's hard currency earning, a quarter of its cultivable land and nearly half of its industrial establishments". (Mutawi, 1987:179)

By the mid-1950s, the rising demand for produce in Saudi Arabia and in the neighbouring countries of the Gulf added still more possibilities, and as a result the production of the traditional crops rose dramatically. The amount of acreage devoted to the cultivation of wheat, for example, rose from 153,000 acres in 1949 to 280,000 in 1975; for barley the figures were 51,000 and 93,000 acres respectively. (Smith, 1984) Combined with the higher yields made possible by the introduction of new techniques, production rose almost as dramatically, despite the use of less fertile land.

*"Wheat production rose from 139,000 metric tons in 1949 to 220,000 tons in 1957; the barley crop increased from 56,000 to 81,000 tons over the same period. For other crops like sesame, chick peas, Lentils and broadbeans, the increases were even more remarkable. The production of sesame seed rose from less than 1,000 tons in 1947 to 4,000 tons in 1957; for chick peas the figures were 1,000 and 4,000 tons respectively. (Europa Publications, 1953:194 & 1959:201)*

It is worth mentioning that Jordan succeeded in satisfy its own needs for wheat in several years during the Jordanian era. While the wheat production (75,000 tons in the best year (Samara, 1988a:99) during the occupation era) failed to satisfy the local needs, it was 220,000 tons in 1957, as mentioned above.

*And, as production and profits increased, so did investment in modern equipment. The number of tractors in Jordan, for example, rose from 350 in 1954 to 1,552 in 1964; by the end of 1966 the number was 2,068, nearly six times as many as in 1954. (Dajani, 1965:8).*

*While the nature of the land in the West Bank and the traditional patterns of cultivation led at first to a concentration on dry farming crops such as wheat, barley and other grains, the gradual introduction of both terracing and irrigation on the larger estates owned by Palestinians on both sides of the Jordan Valley led to a rise in the production of cash crops such as citrus fruits, early vegetables, olives, figs and dairy products which were exported to other parts of Jordan (especially Amman), Syria, Lebanon, Iraq and the Gulf States. (Smith, 1984:92-3)*

As was mentioned above, the West Bank exported fruits and vegetables to several Arab countries. However, the ability to invest either in modern machinery or in the cultivation of cash crops was limited to those with both large estates and the capital needed to finance such development (Smith, 1984:92-93)

*The extent of the opportunities which existed in this sphere is demonstrated by the fact that the value of cash crop exports from Jordan rose astronomically in the first decade of Jordanian rule. For example, while exports of fresh (mostly early) vegetables were worth only JD 63,000 (\$176,000) in 1949, by 1957 they were valued at JD 1,442,000 (\$ 4,038,000); for fresh fruit exports (apples, melons and berries as well as citrus), the figures were JD 31,000 (\$86,000) in 1949 and JD 827,000 (\$2,316,000) in 1957; raw wool exports, although small in volume compared to other products, were worth JD 72,700 (\$ 204,000) in 1957 compared to only JD 4,000 (\$11,200) in 1949. (Smith, 1984:59)*

One of the most successful ventures concerned the trade of olive oil from the estates owned by the Tuqan family in the Nablus area. By establishing an incorporated company and using their access to the relevant ministries in Amman, they were successfully able to prevent the import of other edible oils and the export of olives and olive oil abroad at the time of harvest. This guaranteed them and the other large producers and

merchants with whom they were allied a high price for their product at the market. They were also able to buy the crop from smaller producers at drastically reduced wholesale prices, thereby obtaining huge profits. "In addition, the Tuqans invested in storage and warehousing facilities to enable them to hold back the crop until the price reached its maximum. In this way they soon obtained an edge over other producers and traders who were forced to sell shortly after harvest. (Aruri, 1972:55-6)

It was not easy for the privileged families to control the market without the formal support which monopolised powers in their hand. However, according to the above quotation, the form of exploitation practised by these families was a harsh one.

*The Jarrars, who owned huge olive groves in the area around Janin and who were allied with Tuqans, invested capital in deciduous fruit trees which they planted between their olive trees. In this way they were able to expand their longer-term investment in a highly profitable cash crop while at the same time gaining profits from export of fruit to the East Bank. (Oded, 1968:27)*

The merchant class started a limited form of agro-industries, as Hilal noted:

*Other landowners, including the Tuqans, increased the value of their produce by expanding soap-making facilities and by opening up new markets for soap made from olive oil in Syria, Lebanon and the Gulf as well as in the more traditional outlets of Egypt and Trans-Jordan. Still others with capital to invest began to cultivate cash crops like melons, tomatoes and vegetables which they then exported to Amman. A few invested in grain mills and in factories to produce macaroni, paper and textiles, thereby adding to the value of the agricultural crops produced on their states. (Hilal, 1974:37-9). . . Some opened up new tanneries and leather goods workshops in Hebron; from there they exported the*



*finished product to the East Bank, Egypt, Saudi Arabia and the Gulf states. (Hilal, 1974:39-107)*

But the main industrial investment was in Jordan according to the Jordanian formal policy to concentrate industry in the East Bank. (Interview, al-Alami and Auhansian)

This means that the progress in the West Bank (except that of the privileged class) was mainly due to the activities of the Palestinians. They depended on their themselves because there was no authority to give them facilities or to support them.

*Despite its limited size, the West Bank was responsible for half of Jordan's agricultural exports. (Central Bank of Jordan, 1975, Quoted in Mutawi, 1987:169)*

West Bank grapes, tomatoes, figs, melons, watermelons, and citrus were exported to Syria, Kuwait and Iraq during the Jordanian era. (Interview, Hamoudeh)

*As late as 1965, manufacturing in the Jordanian economy contributed only 10% of the GNP. However, the share of industry in the West Bank was lower than in the East Bank. It contributed only 7% of the total GNP and employed 15,000 workers. (Drubkin & Tuma, 1978:64-65)*

It is clear, that the number of those employed in industry inside the West Bank during the Jordanian era continued the same under occupation. (see below) The share of industry is still the same, while as a percentage still less representative in comparison with the number of workers. (Abu-Shokor, 1987) Concerning wage labour, hundred of thousands of Palestinian refugees offered a cheap source of labour for the Jordanian economy. Nevertheless, the deformed and backward Jordanian economic structure could not absorb this large number of workers properly (see below). Instead, they were distributed by the Jordanian regime among several areas: some of them obtained Jordanian documentation in order to emigrate to other

parts of the world, others were absorbed into the local economy as cheap agricultural wage labourers, and some bought land and worked on it. Such was the case of the Marj Naagah region of the Jordan Valley. However, the majority stayed in the refugee camps and were employed occasionally in the construction sector, and in the Jordanian army and National Guard troops.

However, the area did not experience land reform or social development, which would have matched relations of production on the farm to the changes which have taken place in the level of circulation and the market. This means that the surplus labour force in the West Bank did not come from land reforms or an agrarian revolution. This surplus was due to the eviction of hundreds of thousands of the Palestinians by the Israeli colonial state in 1948, and the natural increase of the population in a limited area.

While commercialisation and market relations were capitalist development, the relations of production in large areas continued non-capitalist in forms of corvee, patriarchal, mainly because of the free hand which the merchant capitalist class gained from the regime, and the harsh repression against the trade unions.

## II. Features of the Capitalisation of West Bank Agriculture

When the eastern part of Palestine (the West Bank) was annexed to Jordan after 1950, it already had a monetarised and commercialised economy; including the independent peasants who were producing for the market.

The importance of agriculture capitalisation in this case comes from the fact that the spread of capitalist relations of production on the one hand, and the application of more developed means of production on the other, will facilitate the process of both agri-industry and manufacturing, since both entail the hiring of wage labour.

For Lenin, the development of capitalism in agriculture was crystallised in the following manner:

*Concentration of ownership of land and of the means of production, the appearance and expansion of the number of agricultural workers in absolute and relative terms, increasing differentiation within the peasantry and the strengthening of the position of the rich peasants (Kulaks) at the expense of the medium peasants-- these were the trends of the system. (Lenin, 1964:183-184)*

The situation in the West Bank under Israeli occupation works in a different way. Land concentration occurred and is still taking place in the hands of the Israeli settlers through expropriation, fraud, etc. Large numbers of independent producers who were already producing for the market became wage earners, the main cultivator of farm in Israel, or unemployed--depending on the circumstances. Those who still had a plot of land became workers and peasant at the same time. In fact, this phenomenon started during the Jordanian rule. Thousands of peasants were employed in the national guard, army, public services and construction, land reclamation, and private construction works.

Since land concentration was out of the hands of the local landlords, the number of agricultural workers decreased drastically from 42.5 thousand in 1970 to 28.5 thousand in 1984. (Samara, 1988b:94)

*The generalisation of commodity production can be taken as the necessary and sufficient condition for the development of capitalist social relations. (Mc Eachern, 1976:446)*

Generalised commodity production, strictly defined, requires that labour power and the means of production be separated and circulated as commodities.

*Only when the means of production, the means of subsistence and the labour power are commodities do we have CMP [Capitalist Mode of Production]." (Kelly, 1979:40)*

In the case of the West Bank under occupation, large numbers of peasants have been separated from the means of production, and become part of the surplus labour power looking for employment. Their labour power has become a commodity. But land as itself does not become a commodity. There have been no land purchases in the West Bank during the occupation (except in cities when land purchase took place for building), but agricultural production oriented has been to the market. This is a capitalisation on the exchange level. But the production process in many areas is still a non-capitalist one, it is a family production, and even concentrated on women who are above forty years old, children, and old men. On this level, there is a traditional and reactionary family division of labour. Parents do not ask young girls to work in agriculture; while mothers, children, old and young males are obliged to do this work. Because young girls are preparing for marriage, they must maintain a "good status" to be accepted by suitors of the village. The wrong idea here is that there is no social prestige for young females if they work in agriculture.

A contradiction which could be extracted here is that the peasant family did not respect its source of living, the work on land. It might be due, however, to the low productivity of mountain land. On the other hand, in villages like Beitunia (in the Ramallah area), women carry out most agricultural work, because the land itself is fertile, while men emigrate to Americas; for work a trend which started started in the the last century. Young women in the Jordan Valley work in agriculture. In two villages in the Ramallah area, Beit Our's young women do not work in agriculture, while in Tira, they are working. The reason here is that Tira's land is limited, and its population in general are poor in comparison to the other village.

The cases of agricultural production which use wage earners are those of large and good landownerships, and these cases arise since the Jordanian era. Since that period, the wealthy people especially those working in America and the Gulf countries, employ wage labour in agriculture. The surplus in rural labour power resulted here from two main sources: the natural increase of people of working age, and the people whose land has been confiscated by the Israeli military occupation and transferred to the Israeli settlers. An additional factor is that land itself has not been commercialised or concentrated in the hands of local landlords to apply new technology which would substitute for manual labour, thereby freeing the peasants to become wage earners. Thus, the surplus labour power has been employed mainly outside the local economy. These developments are evidence of the deformation of both the generalisation of commodity production and capitalisation. Regarding the labour force, it did not become merely a local commodity, but even one that is being exported in large numbers to Israel, Arab oil countries and other countries. Some leftist writers praise the employment of West Bank labour in Israel, arguing that it has pushed them towards proletarianisation; thus increasing the working class and thereby increasing the possibility of a socialist solution to the Middle East struggle. (Ryan, 1974).

Employing the West Bank workers in Israel did in fact increase the number of wage earners, but mere employment does not necessarily lead to proletarianisation. They are employed relatively alone; in most cases separate from Jewish workers, at the bottom of the ladder in such fields as construction, sanitation, and crop collection--a situation which minimises the mixing between the two classes. They are peasants in their land and workers in Israel, but they are not totally deprived of private ownership. Thus, they dream of building their own homes, and insist on keeping remaining plots of land, even when that land's contribution to their subsistence is marginal. They are still impressed by the tradition that land ownership is a social prestige. That is why some of them are trying to buy more land in villages, when possible.

In addition to that, those who are working in Israel are ignored and greatly exploited in Israel; they have no trade union to represent them since they are not members in the Histadrut (Israeli labour union), and the West Bank trade unions are forbidden to represent them in the Israeli places of work. They are easily transferred from one place of work to another, and easily fired. Finally they are now, during the Intifada, being fired en masse. The most dramatic development concerning their employment in Israel is the new large waves of the Soviet Jews to Israel who are already taking the jobs traditionally held by Palestinians.

This situation of the Palestinian workers cannot generate proletarian class consciousness. Instead, it pushes the Palestinian workers to the extreme.

In the case of the West Bank, however, the export orientation of agricultural, and even industrial, production had led to a continued contraction of the domestic market. The result has been a continued draining of surplus, less accumulation, less investment and, in the final analysis, less capitalisation. (Samara, 1989a) On the social level, the historical agents of capitalisation are the money lenders, merchants, urban craftsmen, and large rural producers. These social groups played this role both before and during the Jordanian era; but during the occupation, most

of them lost this role since they were integrated into the occupation's policy. Their roles became limited and subjected to the ceilings which were imposed by the occupation. (Interview, n.n.)

### III. Industrialisation and the Agrarian Question

It is reasonable to deduce from several world experiences that a rapid capitalist development through industrialisation may depend crucially upon mobilisation of the agricultural surplus. The rural sector is vital to the process of industrial capital accumulation, as it is required to release the agricultural surplus on reasonable terms to the non-farm sectors and contribute towards the creation of a home market for industrial products.

For a society in transition, the agrarian question must be solved in order to fuel and enhance industrialisation. In the West Bank, the agrarian question has not been solved from the point of view of the whole social formation, in order to make a regular surplus available which will enable industrialisation to proceed and capitalism to develop outside of agriculture. This would involve the breaking of the political power of the rich land lords. But as was mentioned earlier, the social groups which enhance capitalisation (extend capitalist relations and forces of production) were subjected to the occupation policy: The domestic market became limited, taxation was drained by the occupation and spent inside the Israeli economy, and savings were transferred abroad. Solving the agrarian question must contribute to the creation and extension of the home market. However, the current situation is doing the opposite, since the big land owners are motivated toward producing export crops at the expense of those needed for local consumption.

Nevertheless, on the agrarian level in the West nk, a lot of changes have taken place. In the Jordanian era, the agrarian sector was incorporated and subsumed into the capitalist sector. Peasants were controlled by capital through unequal terms of trade; through credit arrangements with urban financiers and rural usurers, and through the fiscal policies of the state

institutions. As a backward and dependent economy, Jordan failed to solve the agrarian question. (Samara, 1988b) If the peasant relatively ceased to be a self-sufficient producer under Jordanian rule, under the Israeli occupation this peasant became a producer for various capitalist markets--to the extent even of abandoning the production of basic needs in favour of those which would be more salable on the foreign markets. (see Chapter Eight) In this case, the farmer has to articulate to the external capitalist market, a fact which increase the deformity of the economy and the society. As Kautsky noted:

*The small peasant is a serf of industrial capital...these small peasants are outwardly owners of their lands, but no longer free peasants. (cited in Amin, 1976:56) On the surface, the peasant remained a commodity producer, who offered products on the market; but in actual fact, was a seller of labour power, this sale being masked under the cover of commodity production. Thus, the peasant was actually reduced to the status of a person working at home under the domestic system. (Kautsky, cited in Amin, 1976:60)*

It should be noted that while the production is oriented to the market, to a large extent the relations of production which dominate are not capitalist--especially in the Jordan Valley, which is the area which produces for export to the EEC. The farmers there are working under the various forms of control of the landlord. He is the landowner, the merchant, the exporter, the supplier of fertiliser, etc. This type of relation has blocked the farmer's ability to freely choose the merchant for his produce. Furthermore, the farmer is indebted to the owner with large amounts of money, thereby tying him to the farm. (Samara, 1988b) Kautsky explicitly analysed the problem of the relations between capitalism and agriculture in terms of political class alliances, in terms not of simple development of capitalist agriculture but of the domination of industrial capitalism over non-capitalist or pre-capitalist rural forms. (Amin, 1976) However, land became devoted to producing for market needs with the aim of acquiring money, rather than producing toward the subsistence of the peasant.

*It is really suspected that the general concept of peasantry and peasant economy could be sustained once conditions of reproduction of household productive units are no longer independent of capital. (Goodman and Redclift, 1981:95)*

Bernstein refuses to regard the household producers as proletarians since "...they retain possession of the means of production and exercise some control over the immediate labour process." (Bernstein, 1977:70) Banaji, on the other hand, has no such doubts as to the existence of capitalist class relations once simple commodity production is subordinated to capital. (Banaji, 1977:36) On this level, Banaji's argument is similar to that of Kautsky:

*Yet the relationship of small peasant enterprises to capitalist production in the social division of labour is such that these household producers effectively are subsumed by capital as a rural proletariat. Their social reproduction is determined by capitalist production and exchange and requires, if we strip away the superficial-- surface-- sale of production, the sale of their labour power. (Banaji, 1977:36)*

Banaji's basic point here is that capitalist relations of production are mediated through household forms of production: The survival of the household producers represents a specific form of capitalist class relations.

*In peripheral social formations, capitalist development in agriculture can lead to rural proletarianisation which takes the form of the survival and reproduction of impoverished, small-scale family-labour units. (Banaji, 1977:36)*

Banaji asserts that once simple commodity producers are subordinated and articulated to capital-subsistence production, they represent:

*...the specific form of reproduction of labour-power within a capitalist process of production. It becomes misleading, therefore, to regard it as a specific, separate mode of production (e.g. a domestic mode of production) in a system of modes of production dominated by capitalism. (Banaji, 1977:34).*

The case of the West Bank is that of capitalisation without full capitalist relations of production, and without being accompanied by a parallel proletarianisation. It might be reasonable to say that it is in a slow and hampered process of proletarianisation, because of the occupation. (see below)

Bernstein does not characterise peasant commodity producers as concealed proletarians. Rather, he gives significance to the fact that capital's effective control of the labour process stops short of full proletarianisation. Thus Bernstein emphasises that "...peasants although exploited by capital, are being posed as wage-labourer equivalents, not wage-labourers." (1977:73). This distinction, which applies in a relative sense, is made on the grounds that it is still essential for analytical purposes to specify the limits to the subjection and real subsumption of household labour by capital.

*These producers, unlike free wage labourers, are not fully expropriated nor dependent for their reproduction on the sale of labour power through the wage-form. (Bernstein, 1977:73)*

Despite the fact that Bernstein's argument seems applicable to the case of the West Bank workers in Israel, there are other points which argue against this argument. Most of those working in Israel have not gained additional income from their neglected plots of land, or from the land of very low productivity, and some of them are refugees. There is no real difference in the income level between a West Bank worker who neglected his land and another who emigrated to work abroad. In this case, therefore, there is a real meaning to the ownership of land. This provides support to the argument concerning the very slow proletarianisation of the West Bank workers in Israel.

## Some Debate on Peasantry on the Middle East

Following are extracts from a debate between Kathy and Pandeli Glavanis (1983), and David Seddon (1986). The argument of Glavanis and Glavanis concentrated on the persistence of the peasantry; mainly in their case study, the rural areas of Egypt. Kathy and Pandeli Glavanis argued that, "... it is not necessary for the expanded reproduction of capitalism that peasants' forms of production be transferred into capitalist forms of production". (1983:38)

They criticise those who argue that the dominance of capitalism in a social formation implies the dissolution of peasant's forms of production. Kathy and Pandeli Glavanis believe that the mistake of the Dependency school, who assume the dissolution of peasants' forms of production, "... is a result of a failure to examine forms and relations of production in the agrarian sector." (1983:38)

Seddon, firstly refers to areas of agreement between himself and Kathy and Pandeli Glavanis; that,

*the non-capitalist forms and relations need to be located within the wider framework of the capitalist power structure. It is within such a framework that the social scientist should isolate class relations and thus present a basis for an examination of agrarian relations. (Seddon, 1983:164)*

But he disagrees with the central role which they attribute to the peasant form of production and family farm enterprises. For Seddon,

*...But to give a central role in the analysis of agrarian relations to the apparent persistence and viability of peasant forms of production and family farm enterprises is to focus on the consequences, not the determinants, of the specific dynamics of agrarian change and to run the risk of mistaking 'the peasantry' as a distinctive, and*

*independent entity, able to (Seddon 1986:168) 'provide surplus' to an expanding capitalist economy without being subsumed by the logic of capitalist accumulation. (Glavanis and Glavanis, 1983: 38, quoted in Seddon, 1986:168).*

Seddon tries to deal with the question from a large perspective which the

*... 'progressive incorporation' of local economy and society within the international political economy for more than a century meant that the conditions under which they existed at the end of the 1960s were the product not merely of local dynamics but also, and perhaps more crucially, of the logic of the development capitalism in Morocco and the specific form in which that logic has been imposed so as to transform (for a long period of time and in a complex and uneven fashion) the material conditions, forms of property, kinds of political action and consciousness of the local inhabitants. In so far as peasant production is incorporated into a wider market economy operating according to the law of value, the peasant form is seen as 'articulated' through various relations to the dominant mode of production. It is these relations, essentially 'external' to the peasant economy and society, that constitute the 'class relations' in which the peasantry are inserted; it is through these that the peasantry are exploited, oppressed and underdeveloped. (Seddon, 1986:165-66)*

Seddon refused to stop the analysis on the level of exchange, since class relations cannot be 'defined in this way'. He considered that Glavanis and Glavanis and Keyder (1983), gave 'persistence' analytical priority over 'transformation', and 'validity' over 'dissolution' (Seddon, 1986:166), until he noted:

*Thus, despite the general recognition of the relatively marginal significance of the 'wider structures' in*

*conditioning the 'paths of rural transformation' the allocation of the central role in analysis to the persistence of the peasantry ensures a concentration on peasants' 'responses' and survival strategies rather than on class relations of struggle. But any adequate discussion of the peasantry must consider in detail its class relations, both 'external' and 'internal', if it is to grasp both the generality and the specificity of rural transformation. (1986:167)*

In the case of the West Bank under Israeli occupation, several factors contributed to the peasantry question. There has been a substantial change in the role of the household in re-production of the peasants. As the author mentioned in several places in this study, the non-capitalist relations of production still exist in several parts of the West Bank agricultural areas, i.e. the fertile Jordan valley, and the poor mountain areas. Small plots still exist, and large landownership (land concentration) has not increased.

But one of the new factors there is the quality of land. Land of good quality, rather than size of holding owned has become an index of class relation. That is why large parts of poor land in the mountains of Ramallah have been neglected; while smaller plots of irrigated land in the Jordan valley are still cultivated, in spite of the high costs. But the main question here is the fact that the small peasant household is not the predominant form of production in rural areas of the West Bank.

We cannot ignore here the important point which Seddon referred to: "the progressive incorporation of the peasantry in the international political economy", and the question of social transformation. The peasants in the West Bank, even before the Israeli occupation were incorporated into the national economy of the West Bank, and the international economy through the peripheralisation of Jordan before 1967.

From my interviews, I determined that land of the village of Beit Our al-Foqua (in the Ramallah area), provided the main source of living for around 60% of its 500 inhabitants in the

pre-1967 era. Today, land is the main source of living for less than 10% of its population, and production for basic needs has declined drastically.

Most of its population has been incorporated into the West Bank and Israeli economies as labour power and consumers. These two economies are dominated by the capitalist mode of production, albeit Israel is the more developed of the two.

The decrease of land contribution led to a drastic change in the class structure-- social stratas-- in the village. A member of the village who becomes a skilled worker in Israel enjoys in a better economic situation than the largest land owner, who was one of the first -class group- of the village in the pre-1967 era. Every large landowner in the village has one or more of his sons working in Israel, or other places in the West Bank or abroad; while in the pre-1967 period, most of the inhabitants of the village who were the same number (500 persons) were dependent on the land. While a large number of the poor people in the village were hired by the rich ones to collect olives in the pre-1967 period; today very little of the villages' poor people accept the wages which offered by the olive trees' owners, because wages in Israel and even in the West Bank are much higher and the work easier. Today, the land which was once able to satisfy the needs of the extended family has become unable to meet the needs of even the a nuclear one because its productivity has failed to compete with the production and the higher wages offered in Israel and other places.

*Only 23.7% of the West Bank Palestinians who are working in Israel depend on agriculture as a subordinated source beside the main one, which is their work in Israel. (Abu-Shokor, 1987:76-77)*

It should be noted that worst developments are taking place, on the employment level, during Linifada, and the current Gulf crises.

There is no space here to explain why the land's position has deteriorated, but I would like to note the fact that the

persistence of household production, and the non-capitalist relations of production, must not mislead us into believing that the persistence of the peasantry is a sign of strength of this form of production, and that the small household is a permanent one. This persistence might be a result of the power of the capitalist mode of production to subordinate the peasants' form of production, and to lead it to work according to the mechanisms of the capitalist mode of production; i.e the production for the market, the subjection to the merchant capital in loans, fertilizer, and marketing and more than all these, the production of agricultural crops at the cheapest costs through family labour. If this is right, it seems that there is no need for the capitalist mode to absolutely eclipse the independent form of production. It seems that this form has become one of the components of the peripheral capitalist one.

The most important point here is how to create the possibility of organising those peasants who are working the land in a cooperative manner. Assuming that this is a good approach to strengthen a non-capitalist mode of production, we must ask if this is a more rational, progressive and human one. (Some discussion on this issue appears in the conclusion.)

#### Israeli Economic Policies in the West Bank

As the Ottoman Empire was integrated into the world capitalist order, Palestine's economy was gradually transformed from a self-sufficient subsistence economy to an export-oriented one. This development in Palestine's economy took place following the Ottoman Empire's new and relatively dramatic legislations (Tanzimat 1837, and Land Code 1858-1967 (3) ) for collecting sufficient taxes to meet the high expenses of its military imports from Europe. (Loutsky, 1980)

The last three decades of the 19th century, which saw the transition of European capitalism into its highest stage of imperialism, saw also large Western export of capital invested in plundering Third World raw materials. This European domination of the world pre-supposed the build-up of guarding

points all over the world, including the Middle East. During that period the Jewish communities were carefully monitoring world developments, and especially the European centres' need for a military stronghold in the Middle East. "This explains the essence of European support for Jewish settler emigration to Palestine in the period 1868-1948," (Scholch, 1986:90) and the creation of the state of Israel in 1948. This creation depended heavily on the massive and continued support of the centres of imperialism (earlier Britain and France, and, later, the United States) and the Jews (later the state of Israel). It should be noted further that the extent of the centres' support of Israel was and still is large and important. (Samara, 1988b:35-46) Following the 1948 Arab defeat, four-fifths of Mandatory Palestine was occupied by the Jewish settler state. The eastern part (what became known as the West Bank) was annexed by Jordan, the Gaza Strip came under Egyptian administration and a tiny part called Al-Hummah was dominated by Syria. Following the 1967 war, Israel occupied the remaining parts of Palestine and other Arab areas. (Khouri, 1976:83) The annexation of the West Bank by Jordan in the period 1950-1967 resulted in a deep integration of that area into the Jordanian economy and political regime.

*Jordan itself was peripheral to the world centre, and the West Bank became peripheral to Jordan. Jordanians held the senior political, administrative and military posts. (Samara, 1988b:21)*

Governmental economic expenditure in Jordan was mainly devoted to the East Bank. "However, most of Jordan's agricultural products and exports came from the West Bank." (Mutawi, 1987:169) Practising a discriminative policy, Jordan articulated the West Bank economy's sectors into its own. In fact, an internal economic integration was not possible since the West Bank economy was by this time totally absorbed into its Jordanian counterpart. It is extremely difficult to find any independent statistics for the West Bank. This is the ramshackle structure of the West Bank economy which Israel had to deal with on the eve of its occupation of this area in 1967.



The Israeli policy from 1967 to the present has been to develop the negative aspects of the Jordanian policy, and produce more sophisticated and destructive ones. By putting the area under military rule, Israel gave itself a free hand to re-shape the West Bank economy according to its own economic needs. Israel oriented by force West Bank trade to Israel. It retained a tiny and controlled trade relation with Jordan, and limited international trade to that undertaken through Israel itself. Trade with the Gaza Strip was and is still controlled by Israeli authorities as well.

### Israeli Military Orders Concerning the West Bank

Under the military rule, which began on the 6th of June 1967, the Israeli military governorship in the West Bank and Gaza Strip has issued a variety of military orders covering the economic, political, social, and educational aspects of life there. Military orders are tools with which the military governor (the senior instrument of Israeli administration of the West Bank and Gaza Strip) controls all aspects of life in the West Bank.

Within two months of the occupation, all basic orders concerning agriculture, banking, currency, export-import, etc. were drawn up and applied. The main aim of these orders was to enable Jewish settlement. In less than four months, the basic 190 military orders were imposed and still comprise the essence of the Israel rule in the West Bank and Gaza Strip. Every military order contributes to the further Israeli control over land and land-use planning, and imposes heavy penalties on the Palestinian resistance.

The Israeli annual report (1984) on the West Bank covers all activities of the military government in the area. Almost half of the 1984-1985 report deals with economic affairs, the big share of which reflects the Israeli determination to continue the integration and exploitation of the West Bank's economy. Out of 1,950 military orders issued until the mid of 1984, some 935 (almost half) were directly associated with economic matters; taxation, customs, banking, finance and insurance, agriculture,

industry and crafts, commerce, land and water, and other areas. (U.N.C.T.A.D. 1986:3)

The following are some of the main military orders which affect the West Bank. Every military order starts with the following statements:

*So as to apply a systematic rule, and to maintain the security of the Israeli Defence Force, I am ordering the following" and ends with: "Signature-- The Military Governor in the West Bank.*

Military Order No 1, is a circular stating that ultimate power is in the hands of the Israeli Defence Forces. "Item 1, the Israeli Defence Force which entered the area today has the authority to ensure security and order"

Military Order No 108, relates to the "right" of the military governor to manage any estate, including farm land, for what is called "public projects"

Military Order No 58, concerns estates and abandoned properties, it identifies as follows:

*...estates, including land, building, trees areas or seas, coastline, stretches of river, and the right of use of land, water or anything established over them...*

*Item G: Abandoned properties as of 7 June 1967 are the property of a legitimate owner who left the area before the aforementioned date or after the aforementioned date, leaving such property in the area.*

Military Order No 59, states that all unregistered properties is considered as "state land" and became under the control of the military governor.

Military Order No 47, concerning agricultural produce. Item 1: "It is prohibited to take off or bring into the area any agricultural produce without permission of the authorities in

charge". Due to this order, the military governor controls all West Bank agricultural exports and imports, whether to or from Israel or any other state. During the Intifada, the Israeli army confiscated the entire load of grapes from a truck when the producer carried it from Beit Egza village in the Ramallah area to the city. According to the aforementioned military order, the driver must have a permission from the military governor if he carries any agricultural production exceeding the personal need.

#### Military Order No 8

*It is prohibited for any person from outside the local population of the West Bank areas defined as of 7 June 1967, to buy or sell any item without permission from me, or from a person whom I appoint.*

#### Military order no 92, Water:

"The Military governor is the only person in charge of all water resources, including rain water". :

#### Military Order No 7, closing of banks

"Item 1, all banks and credit associations in the West Bank area will be closed from today until I issue an order to the contrary."s Thus, according to these orders, the West Bank has been ruled by the Israeli military occupation. Israeli application of this policy could be divided into two stages: The first, the external articulation/integration policy (1967-1975); and the second, the destructive policy (1975-1987).

#### The External Articulation of The West Bank Economy (1967-1975)

As has been previously noted, the West Bank economy was externally articulated prior to the Israeli occupation. The senior and executive positions in the in the West Bank during the Jordanian regime were in the hands of the Jordanians, except on a relative sharing with Paelstinian capitalism, and the rest or majority of the Palestinians were obliged to accept Jordanian

majority of the Palestinians were obliged to accept Jordanian passports which ignored totally their Palestinian identity. The West Bank was the food basket of Jordan; most of Jordan's agricultural exports were produced in the West Bank. At the same time, the majority of Jordanian governmental assistance was concentrated in the East Bank of Jordan proper. (Muslih, 1980)

The early Israeli debate regarding the economic relation with the West Bank can be summarised around two theories:

First: That of General Moshe Dayan (a former Israeli Defense Minister), who argued that the best policy for Israel would be to integrate the West Bank economy as fast as possible into its own in order to liquidate and block any Palestinian attempts to establish an infrastructure there; and to absorb the West Bank surplus labour power into the Israeli economy. "The latter move would relieve the unemployment pressure, which might push the area into investing in the infrastructure in order to meet employment needs or be recruited." (Simon, 1988:8) In that period, Dayan was mainly motivated by his two-sided image, which argued: a) that the Palestinians, who are not mature enough as a nationality, might easily be integrated as an inferior minority within Israel either by force or by offering them low-ranking jobs in the Israeli economy (as long as there is a shortage in the Israeli workforce); and, on the other hand, b) Israel must absorb the surplus labour from the Occupied Territories who might, because of unemployment, become involved with the resistance. (Samara, 1979)

The Second theory in the debate is that of Penhas Sapir (a former Israeli Finance Minister), who argued that Israel must keep itself separated from the Occupied Territories, mainly to retain its status as a pure Jewish state. (Samara, 1975:66) Sapir's theory prefers economic exploitation without any dependence on the Occupied Territories. It is clear here that the main difference between the two theories is found in the ideological-political instance; which is very high for Sapir as a member in the Labour Party who maintain the policy of a

"Pure Jewish State", while Dayan was more pragmatic. Dayan's theory was accepted, and the Israeli authorities started to subject the dynamics of the West Bank economic sectors into those of Israel. This essentially affected the the social classes. By employing workers in Israel, this large sector of the working class was absorbed into the Israeli economy. By limiting the export and import of products and materials to those handled via Israel, the merchants, consumers, and even those who import raw materials for their workshops and factories became subordinated as well. The main area of subordination was the Israeli orientation of West Bank agriculture to produce what Israel needed, at the cost of producing the essential local needs for food. (Samara, 1989-a:71)

From their side, the Israelis contended that:

*The Israeli policy in the West Bank after 1967 was the mechanization adopted to bring about a speedy transition from subsistence agriculture to a commercially oriented farming. (Kahan, 1983:46)*

Many Israelis (like Kahan, 1983) argued that commercialisation was introduced into West Bank agriculture by the occupation, a claim which in fact cannot stand. The international and regional trade of the Occupied Territories had begun early in the 19th century (Shoulch, 1982) (see earlier in this chapter) Besides, the existence of commercialisation is a byproduct of a healthy economy, but not the essence of one. Moreover, Kahan continued by saying :

*The formation of capital from labour employed in Israel, and the provision of cheap working capital and investment loans from the Ministry of Agriculture, accelerated the passage towards the adoption of technology in the period from 1967-1976. (Kahan, 1983:46)*

In fact, the low wages the Palestinian workers recieved in Israel did not allow them to transcend subsistence, and they lacked a

surplus that would enable them to cultivate their own plots of land when they decided to re-cultivate it as a result of the people's new trend during the Intifada. (see Chapter Nine) The result was that the land was neglected, and Israel was able to use this to justify the expropriation of this land for its settlements. The most prosperous worker was one who became able to build a home of two or three rooms; and, even on this level, the Israeli authorities limited growth by limiting the number of building licences awarded. That is why many Palestinians have built homes during Intifada without permissions, and the Israeli authorities have taken in their turn as an opportunity to demolish these houses. (see Chapter Three)

#### **From External Articulation to Destruction (1975-1987)**

The main aspects of this period were the rapid expropriation of Palestinian land for the establishment of Israeli settlements, the increase of sub-contracted industries, the absorption of more labour from the West Bank into the Israeli economy, and heavy and varied forms of taxation. Briefly, this period could be defined as the destruction of the West Bank productive base without de-linking it from the Israeli economy. More than fifty percent of the land has been expropriated in the West Bank, taxation has exceeded Israeli expenditures in the area (Benvenisti,1986), more than 110,000 workers are employed in the Israeli economy, and the most developed industries in the West Bank are those that were sub-contracted, while industries which produce basic needs decreased. Further, ninty percent of the area's imports come from Israel, and the area is the second largest recipient of Israeli exports after the United States. At the same time, the area's exports have gone via Israel mainly in a re-exporting process, and the field crops and basic needs production have declined as drastically as the export-led agricultural production has increased.

*Although many industries have been established, most of them import their raw materials from Israel or through it, while the local raw materials have remained as a surplus without marketing, or without proper use.*

(Samara, 1989a:104)

A fierce competition by the Israeli products with those of the West Bank's block the latter's economic development. Israeli agricultural products are subsidised by the government. The subsidy

*... was \$1.5 billion in 1981 and went down to 379 million by 1987 ... water for irrigation remained 50% of the price.... All of these incentives were not available to Palestinian farmers. (Benvenisti, 1987:20)*

From its first days, the Israeli occupation cut all West Bank trade links with Jordan and other countries. Trade was eventually allowed to start again, but at a limited and controlled level. From its side, Jordan itself put a limit on the volume of agricultural produce which could be exported to its markets or through them. The export quotas were not allowed to exceed fifty percent of the estimated produce. Jordanian facilities were limited to the traditional merchant bourgeois class as mentioned earlier, who were its political figures since 1950. Some of them are landlords and some are industrialists. (See Chapter Eight)

Trade with international markets was also controlled by the occupation. The pre-1967 direct trade relations have been cut, and all the area's exports are oriented through the Israeli export marketing monopoly, AGREXCO. Palestinians are opposed to the government decision which compels them to market exclusively through an organisation owned by the Israeli farming establishment, and subsequently representing Israeli interests.

By 1986 a new development took place on this level, since the EEC asked Israel to agree to the Palestinian demand for a free export of their produce. "After a long Israeli refusal and maneuvers, an agreement has been signed (10 October 1988) for a limited right of self-exporting." (Samara, 1989a:42, See details on this issue in Chapter Eight)

What should be added on this level is, that there are new ideas offered by the Israeli authorities concerning their policy towards

industrialisation in the West Bank and Gaza Strip. It is not possible to deal with these new but --but sufficient-- ideas in this study. However, some discussion will appear in the final chapter.

### **Some Aspects of Economic Relationship Between the Two Economies**

The Israeli adoption in practice of Dayan's theory of terminating the infrastructure of the West Bank economy and blocking its possible infrastructural development has resulted in a deformed economic structure in the Occupied Territories. This deformity has affected the social structure of the West Bank, particularly the slow population growth, through the migration of labour power and the un-balanced distribution of the remaining labour power.

To uncover the relationship of the economies of the West Bank and Israel during the twenty years under discussion, three main topics have to be addressed: (1) the Israeli linking of the economic sectors, (2) the nature and degree of exchange between the two economies, and (3) the class networks which developed according to this relationship in both Israel and the West Bank.

#### **I. The Linking of Economic Sectors**

In addition to what has been explained in the introduction, it should be noted that the Israeli occupation cut West Bank links with the whole world and forced it to forge new links through Israel but without "annexation" on political, legal, and administrative levels. The economic result of that was the linking of the West Bank economic sectors into those of Israel: West Bank world trade (exports and imports) has become oriented and subjected to the Israeli trade channels. Its trade with Israel was and still is open only to the Israelis.

West Bank industry became dependent on the Israeli raw materials provided by Israel. Its agriculture suffered from

Israeli competition, which led West Bank agriculture to adapt itself to the needs of Israel. Even West Bank tourism was absorbed into that of Israel.

## II. The Nature and Degree of Exchange

As a result of the Israeli policies toward the West Bank and Gaza Strip,

*The GDP of the two areas was only 4.5% of that of Israel. This GDP was limited to about 68% of the two areas' Disposable Gross National Product. The GDP amounted to \$ 1 billion by market prices while the GNP was \$ 1.5 billion and this is one of the highest differences in the world. (Benvenisti, 1987:6)*

The Occupied Territories' dependence on the factors of production income has been increased to represent,

*...about 40 percent of its GNP in the 1980s while it was 8 percent in the pre-1967 era. Palestinian exports in 1985 were valued at \$283 million, of which \$ 192 million were to Israel. West Bank exports to Israel represent 7% of Israel's total imports (excluding military imports). (Benvenisti, 1987)*

Palestinian imports (to the West Bank and Gaza Strip) were valued at \$871 million, \$779 million of them coming from Israel. (Benvenisti, 1987:15) The Occupied Territories thus became Israel's second largest trade partner after the United States.

## III. Class Networks

According to the sectorial and exchange integration of the West Bank into those of Israel, a net of class interests has been developed in both countries.

During the first few months of the occupation, the Israelis

consumed the available goods in the West Bank. Then the West Bank comprador class showed its readiness to work as agents for Israeli companies, and this resulted in the dumping of Israeli goods on the West Bank markets. The West Bank consumers bought the Israeli goods as they were the only ones available. They thus constituted the first Palestinian class to become dependent on the Israeli economy.

Applying Dayan's theory, the Israelis offered unemployed Palestinians the chance to work in their establishments. Gradually, forty percent of the West Bank labour power became involved in Israeli projects. As we have seen, one of the consequences of employing West Bank workers in Israel has been the creation of a new social group: the labour contractors. This social group, has been one of the earliest local classes articulate its own interests with the Israeli economy. Their role as an agents, is an intensify the working classes' exploitation, and limiting the trade unions role. Seventy percent of those employed by Israeli establishments are from rural areas, and some of them from the refugee camps(4). The result has been the subordination of these classes into the Israeli economic sectors.

West Bank manufacturers who are producing for the West Bank, the Israeli market, and export abroad also became dependent on the Israeli raw materials for their factories. The point here is that a large part of these manufacturers are sub-contractors. (see Chapter Four) They preferred to work through a relationship of external dependency rather than establish factories depending on local raw materials.

The years of colonisation created Israeli class counterparts; but they benefited from the situation, being protected by Israeli force on the one hand, and highly benefited from unequal exchange on the other. The first group is the Israeli owners of the factories which export their produce to the West Bank. Some of these factories market thirty percent of their produce in the Occupied Territories. (Samara, 1988a:13) This group strongly opposes any Israeli withdrawal from the West Bank and Gaza.

These Israeli factories employ approximately seventy thousand Israeli workers to satisfy the needs of the West Bank and Gaza Strip. (Samara, 1988a:14)

A group of Israeli traders and mediators has also been created, becoming dependent on the marketing of Israeli produce and imports from abroad to the Occupied Territories. There are also the Israeli labour contractors who work with the Palestinian labour contractors to link the workers to the establishments' owners or administrations.

On the administrative level, there are thousands of Israelis who are working in the Occupied Territories as soldiers, policemen, border guards, jail guards, employees of the intelligence services, and in other Military Governorate departments. These groups' jobs are a direct result of the occupation.

The aforementioned shows that there is a mutual employment dependency of both countries, that Israel offers the West Bank workers jobs inside its economic sectors, and the West Bank offers the Israeli police, army, and intelligence services jobs because of the occupation.

More than everybody, the Israeli settlers in the West Bank and Gaza Strip benefit from the occupation of these areas. They get plenty of financial assistance and benefits.

On the top of the pyramid, there are the Israeli policy makers, who control the Occupied Territories and strengthen their positions through their insistence on the continuation of the occupation. Those policy makers are the politicians of the Israeli capitalist class.

These two class networks represent the essence of the occupation. All components of the Israeli net reap benefits, despite their differences; while most of those in the West Bank are exploited. Only a small percentage of the West Bank population are slightly benefited as a little partner to the coloniser. This relationship is a typical example of the imposed

centre/periphery division of labour (if we do not take into consideration the Israeli aim of destroying the social and productive fabric of the Occupied Territories).

The developments of the Intifada restrict this class network, through the decrease of working in Israel, boycotting Israeli produce, and cultivating more land.

## **B. Labour and Manufacturing Relocation**

The world order has seen a vigorous labour relocation from periphery to the centre. In the final decades of the last century and, more significantly, after the two World Wars, the labour emigration from the periphery came as a gift to the centre; as a cheap source of labour which filled the bottom of the employment ladder. Following post-World War II prosperity, the centre faced a decline in the rate of profit, a factor which tempted the bourgeoisie there to invest in the periphery--the step which is called the manufacturing relocation from the core to the periphery.

Despite the fact that the emigration of the periphery to the centre was necessary and beneficial to the core, the core states preferred in the 1960s and '70s to transfer some of the industries to the periphery itself where a massive cheap labour power was available. Such a move would secure a high rate of surplus value and avoid for the core a crisis of new communities. Both types of relocation were controlled by the bourgeoisie on the world scale, but mainly devoted to the benefit of that of the core.

In the case of Israel and the West Bank, a massive migrant labour outflow to Israel, filling the bottom steps of the employment ladder, and providing cheap labour to the backward sectors of its economy, helped Israel in its shift to high technology.

The manufacturing relocation from Israel to the West Bank was different from that of the rest of the world. Israel sold to the West Bank the scrapped machines of its textile industry, and

invested through sub-contracting companies in the traditional industries (my own witness and Interviews). But Israel's high-tech manufacturing relocation was oriented totally to the Israeli settlements in the West Bank with the aim of making an internal colonisation from inside the West Bank. By doing so, the Israeli capitalist class was able to get rid of its obsolete machines at a profit, shift to the high tech industries, avoid a labour mixing of the two countries, and maintain the West Bank bourgeoisie at a low rank.

Later, during the Intifada, Israeli capitalism became inclined to substitute machines for labour because of the long absence of Arab workers; a step which, if continued, will lead to the termination of the labour relocation between the two countries, or to the diminution of its already limited level. In addition to that, there are tens of thousands of immigrant Soviet Jews who have already started taking the jobs once held by Palestinians. (News From Within, 6-12-1990:8).

### C. The Internationalisation of Labour and Capital

On the world scale, the internationalisation of capital is a more widespread and longer-lasting phenomenon than the internationalisation of labour. Moreover, the movement of labour always follows that of capital. The international relocation of capital toward the oil countries, following oil booms in 1973 and 1978, was followed by a labour relocation from Pakistan, India and the Arab countries. Since the oil era is a unique period, the last years have seen a re-adjusting of capital on the world scale which crystallised in a decline of oil prices and the return of capital to the core.

The core hegemony on the world economy is the reason for a continued capital relocation on the world scale, as long as the rate of profit falls in the core countries. This hegemony itself is the deterrent factor which is blocking labour relocation from the periphery to the centre.

In the case of Israel and the West Bank, the opposite took place. The large and continued movement was labour relocation from the periphery to the centre.

*While Israeli capital is oriented towards the world capitalist financial markets, Israel itself is channelling the world capital towards its own economy. (Saad, 1984:324)*

As a result of Israeli domination, the West Bank is not an attractive area for foreign investment. Any contact with foreign capital has to come through Israeli authorities, which obstruct it from the start. (see Chapter Six)

The case is the opposite with foreign capital channelled to Israel itself. The new Israeli policy of privatisation has facilitated foreign capital sharing in the largest Israeli companies. Even the troubled Israeli companies find foreign corporations willing to buy part of their shares. (Samara, 1989b:40)

Some of the Israeli companies are depending to a large extent on the cheap and experienced West Bank labour. As a consequence of a fall in the rate of profit in the US, capital is relocated to Israel where wages are lower and the working class is weaker; not only for Palestinian workers but even for the Jewish workers. (Samara, 1988b:52)

A new development on this level is the declaration by the Israeli Defence Minister Moshe Arens, "...to help the Palestinians find new markets in the Arab world and improve their access to credit to make life easier for the Palestinian businessmen..." (Bainerman,1990)

The Israeli authorities have begun giving permits to Palestinian businessmen to start factories. This "signalled a sharp turn in government thinking on giving Palestinians more control over their economy"(Immanuel, 1991).

But, until this moment this is no more than mere ideas, or media statement. It needs material support on the practical level. (see Chapter Nine)

## Core and the Industrialisation of the Periphery

*Through the conquest of the Americas by the Portuguese and the Spanish, and following them, by the other European powers; and later through the domination of the Asian trade with Europe and the conquest of major parts of Indonesia and India, the European countries had already achieved dominance over world trade, finance, and shipping by the end of the nineteenth century. Even in this mercantilist phase of exploitation, the political or military authority of the European conquerors was backed by superiority in technology, applied science, organisation, and information systems. In the first place, important innovations in shipbuilding, navigation, weaponry, and ammunition made possible European victories in the eastern seas, where they battled with the Arabs, the Indians, the Indonesians and, less successfully, with the Chinese and the Turks, and on the American terra firma. (Parry,1963,part I, and Parry, 1974, part III, Quoted in Bagchi,1985:27).*

But for all this, it is quite clear that for most of the time Marx believed that capitalism would industrialise the Third World. In the famous phrase, which presumably he did not put lightly into the preface of the first edition of *Capital*, "...the country that is more developed industrially only shows to the less developed the image of its own future." (Marx,1953) Highly motivated toward capitalist development as a pre-condition for achieving socialist revolution, Marx saw the colonial invasion as a route for destroying the pre-capitalist modes of production. In fact, Marx failed to realise that European capitalism entered the Third World as conquerors; as capitalist regimes looking for a solution to their own crises. Its aim was clearly not to assist the colonised countries. Marx was not so naive as to attribute this humane mission to the colonisers. He thought that the more developed countries would drag the less developed from conditions of barbarism to civilisation (Larrain,1989). When capitalism decided to invest beyond its own boundaries, it did so in the white settler colonies (Emmanuel,1972); (Brown,1974).

*In the mid of the 19th century, the start of the monopoly era played a role in hindering the British Empire's withdrawal from the colonies because new productivity competitors emerged and market protection became necessary. All these developments supported the protection system at the cost of free exchange. In this context Disraeli stated, "Those miserable colonies will become independent in a period of a few years, it is now a circle of stones on our neck." (Mandel,1988,part 2:125) .*

From a practical rather than abstract point of view, capitalism invaded the peripheral countries in order to plunder; to gain wealth and slaves. What has been called the export of capital was in fact an export of the factory, its technicians, engineers, and capital in order to start the colonial project; which was mainly looking for raw materials. If in some cases a manufacture was established, it is because it was more profitable for the coloniser to produce in the colony. Real capitalist investment and exporting of capital occurred in the places in which white settlement was possible. In the pre and post-colonial era, the picture became even worse; capitalism of the centre supported the local capitalists whom she created. Those people were supported by imperialists to gain power in their countries. Through their position they helped to perpetuate the peripheralisation of their own countries in the post-colonial era through keeping unequal exchange, facilitating importing and consuming foreign products and, in recent times, by permitting multi-national and transnational corporations to exploit their countries. A striking example is that of the Arab Gulf Countries. (Amin, 1982)

Lenin noted that the progressive historical role of capitalism may be summed up in two brief propositions: "The increase in the productive forces of social human labour, and the socialisation of that labour". (Lenin,1964:595) This leads us to note that capitalism is a stage in man's struggle to conquer nature; that is why capitalism does not belong to the capitalists, and is not their own innovation. Therefore, we must separate capitalism's



technical achievements from the social results which stem from it.

Extrapolating from the aforementioned argument, the policy of the Israeli settler colonial occupation is not the part who is willing to enhance capitalist development. The Israelis did not hide their intention and behaviour on this level, i.e. the blocking of local capitalist development in the West Bank (Simon,1988:7). This point is related to the current argument in Palestinian intellectual circles concerning the possibility of development in the Occupied Territories, a subject which will be discussed later. For twenty years, prior to the Intifada, the Palestinians of the West Bank, despite of their struggle against the occupation, were not lead by political or ideological instances to boycott Israeli goods or jobs in Israel. In fact, Israel itself exploited this factor to minimise and undermine the Palestinian struggle. Many Palestinian peasants neglected their land, some capitalists invested in sub-contract industries, and a large number of the Palestinians were attracted by Israeli capitalist consumerism. Moreover, it was easy for both the intellectual and the ordinary citizen to justify such activities by arguing that high consumption is a necessity with no locally-available alternative. (Samara,1979:201, 206, 207).

### I. The Israeli Understanding of the Picture

Unwilling to recognise their own colonial mentality, several Israeli researchers (e.g. Bregman (1974), and Benvenisti (1987), have failed to understand the core of the relationship between Israel and the West Bank. Quite the opposite, many Israelis argue that the years of occupation have been a gift to the Palestinians. During the first few years of the occupation, the Bank of Israel was satisfied with the relationship between the two economies; and could point to the increase of trade, the use of a single currency in the trade of goods and services, and the absence of customs between the two economies as sources of satisfaction. (Bank of Israel, 1971:22)

Both H. Ben Shahar and A. Lerner noted: "...that the relation between the two economies is one of integration." (Ben Shahar and Lerner, 1975:170-171) Their evidence is the movement of labour power, the unified monetary system and the transformation of capital and technology. The two writers (1975), believe that the imposition of the Israeli tax system and import customs on the Occupied Territories provide further evidence for a type of common market for the two economies.

Later, in 1987, researchers from the West Bank Data Project (Simha Bahiri and Meron Benvenisti) made use of these positions. Bahiri was looking for the economic factor to support his thesis of bi-national economy. (Bahiri, 1987:12) Meanwhile, Benvenisti wrote:

*In 1979 I published an article in which I wrote: "The pattern created by Israeli policies and all social, economic, and political community interactions assumed a quasi-permanent nature... the processes set in motion after 1967 are apparently so strong that integration has passed the point of return." By 1983, after the Lebanon war I ventured to conclude that the clock had struck midnight and a new phase had begun.*

*I wrote:*

*Theoretically the process might be reversible, but a realistic estimate of the forces at work for annexation as against those that oppose it leads to the conclusion that for the foreseeable future all of Palestine will be ruled by an Israeli government; that the Israeli-Palestinian conflict has therefore become an internal ethnic conflict and that Israel is now a dual society. (Benvenisti, 1987:67)*

Last, but not least, there are the Israeli Civil Administration Reports on the Occupied Territories (C.A.J.S.A.R. 1984:4), which are in fact full of false arguments concerning growth in

the Occupied Territories, full employment, prosperity, etc.

As colonialists, highly influenced by Zionist claims that they owned and must rule Palestine, Israeli writers thought the imposition of the Israeli tax system, customs, and currency on the Occupied Territories were legal and understood them as steps toward integration. They failed however, to appreciate the force and repression behind these steps necessary to institute that 'integration'.

They also failed to conceive that any integration should be between two independent countries. And they did not realise that the relationships imposed on the Occupied Territories were not only those of trade. Israel re-shaped the Occupied Territories' economic structure according to Israeli needs, and confiscated 52 percent of the land of the West Bank. (Bahiri, 1987:12) Israel in fact practised plunder not only of the Occupied Territories' surplus and production, but also of the means of production: the land. The occupation force have raided homes confiscating TVs, cars, and even cash money from people who refused to pay Israeli taxes--as has been the case of several villages during the Intifada. In addition, they have uprooted the population for the sake of planting Jewish settlements.

Another point which should be made here is that the Israelis, like Benvenisti, who believe that the annexation has become a reality and the return to the pre-1967 status is impossible, were motivated by a racist ideology. They believe that the Palestinians are not mature enough to fight for a political cause, that they belong to a fragmented community, and that they will be easily satisfied with improvements in their daily life.

However, the continued Intifada, as a social struggle and initiative, has terminated all the Israeli pretexts and plans. It is a new form of struggle progressing towards the termination of the occupation as a mechanism of blocking the West Bank development, and destroying the whole fabric of its Palestinian society. To be able to design their own development strategy in

a free manner, the Palestinians must get rid of the Israeli occupation.

## CONCLUSION

For more than a whole century, Palestine never got the chance to develop itself freely. Always its development has been controlled by external forces. The most striking example of these foreign forces which control and determine the West Bank development was and remains the Israeli occupation.

The Palestinian capitalist class prior to 1967, and the same capitalist class in the West Bank, articulate its interests into those of the external forces at the cost of internal economic development. In addition to the role of the external powers in general, and that of the Israeli occupation in particular, this might be one of the main reasons why Palestine has failed to produce its own developmental model.

In the following chapters more concentration will be devoted to the form of industrial development in the West Bank under the Israeli occupation.

## CHAPTER THREE

### POPULATION AND LABOUR POWER

This chapter deals with the population trends and work force conditions in the West Bank with relation to the subject of the study, "the Industrialisation in the West Bank". It deals with the Palestinian-Israeli demographic conflict and the population's emigration, including its reasons and results. It deals with the labour power and its various forms of distribution; i.e. by sex, geographic location and sector. Finally, it deals with the working conditions of the West Bank workers, both in the West Bank and inside Israel. East Jerusalem is not included in the population figures of the West Bank, nor in the labour force, employment and emigration figures, unless mentioned.

It is one of the aims of this chapter to explain the de-link between labour and capital in the West Bank: eg. How labour is obliged to commute to find jobs in Israel, and how capital intensifies exploitation of the labour force to the maximum according to the high unemployment. The migration of labour to Israel led the creation of a new relation between nearly fifty percent of the West Bank working class and the Israeli capitalists. This large number of workers became dependent on the several Israeli economic sectors. Other Palestinian social classes and groups became dependent on the Israeli economic sectors as well. The West Bank peasants have been deeply affected by employment in Israel. This could be clear, when we realise that most of those Palestinians working in Israel are from rural areas. The Simsar's (labour contractors) social group has emerged through the necessity for preparing and controlling the outflow of Palestinian labour to Israel. Working in Israel has affected women's labour in the West Bank as well.

The cheap labour power is a comparative advantage in the West Bank in comparison to wages in Israel, but the capitalist class in the West Bank imposes the same prices as of the counterpart Israeli goods. And despite the high profits, local capitalism has not invested properly in the West Bank. The impact of all these developments, in addition to the impact of emigration for work in the Gulf, are discussed in this chapter. Discussion of the industrial structure and the industrial process are following in the next two chapters.

### DEMOGRAPHIC CONFLICT

Jewish settler emigration to Palestine was and still is at the heart of the demographic conflict in Palestine, which dates to the early years of this century. But the last few years have pushed the demographic problem to the forefront of the Israeli understanding of the struggle.

On this level M. Benvenisti wrote:

*Official Central Bureau of Statistics (CBS) population projections confirm West Bank Data Project (WBDP) forecasts published in our 1986 report, which stated (page 4) that by the year 2000 the West Bank and Gaza population together would approach two million. Also, the share of the Jewish population in the areas of Mandatory Palestine will decrease from 63% in 1984 to 61% in 1990 and 55% to 57% by 2000. The West Bank and Gaza Strip population would constitute 28% of the total Mandatory Palestine population (compared to 24% in 1985), and Israeli Arabs (including East Jerusalem) 15-17%. All other things being equal, by the year 2010 Jewish and Arab population will attain parity. (Benvenisti, 1987:5)*

It should be noted that this does not take into consideration the fact that at least six hundred thousand Palestinians have emigrated from the West Bank during the years of occupation, and around three hundred thousand from the Gaza Strip. (see

below) According to the Israeli policy in the West Bank, all Palestinians who were absent from the West Bank and Gaza Strip during the 1967 war lost their right of residency. To re-gain this prohibited right, every individual must apply for family reunification, and the Israeli authorities are at liberty to accept it or not. From the hundreds of thousands to whom this case applies, only several thousands have gotten that right. (1) This policy is one of the Israeli means used to evict the Palestinian population from their land.

Most Israeli officials, academics, ex-army generals, and all political parties, except the tiny leftist groups, agree about the need to keep Israel a pure Jewish state. Highly related to the demographic question, this insistence pre-supposes a decision on the fate of the Palestinians who are living in Palestine (either in the pre-1948 or 1967 borders). The two main Israeli theories concerning this question (viewed as the demographic problem) are the following:

First, the Israeli Labour Party has suggested, in various forms, an Israeli withdrawal from large parts of the West Bank, which would return to Jordanian control; while maintaining Israeli control of the rest of the area. (Rabin, 1988:4). Thus, Yehoshafat Harkabi (an ex-general and ex-Shin-Beit chief) argues that:

*A country can defend bad borders, even if with difficulty; it cannot defend itself if half of the population within those borders owe allegiance to the enemy. In Israel's strategic posture, demography outweighs geography. (Harkabi, 1988:7)*

Second, the Likud parliament coalition insists on retaining the whole of the West Bank. There are differences in tactics however: One group (led by Ariel Sharon and David Levy) has suggested the eviction of at least 500,000 Palestinians from the West Bank; a second, the group of Yitzhak Shamir and Moshe Arens, prefers to give its Palestinian population limited autonomy. (Samara, 1988a)

It is clear that the theory of the Israeli Labour party depends on a pure Jewish state in all of mandatory Palestine, except the highly populated parts of the West Bank and Gaza Strip, on the one hand, which the theory of the other large Israeli party, the Likud, which argue that the state of Israel should contain all of mandatory Palestine.

From a developmental, as opposed to national, point of view, a large population in a country is vital. The importance of the demographic question for the Palestinians in the West Bank stems from the fact that a larger population would mean a possibly larger production, larger domestic market and, in the end, a stronger economic base. However, it is not inevitable that a society of limited numbers must be underdeveloped, but its social structure might be deformed. (2)

### I. Demographic Trend in the Jordanian Era

Many factors affected the social and economic life of the Palestinians in the West Bank during the period of Jordanian rule which resulted in a continuous emigration abroad; mainly to the Arab oil countries, but also to a small extent to North and South America. The reason for these waves of emigration were the difficulties of life affecting most of the poor in Jordan in general and the West Bank population (particularly those in the refugee camps).

*The Jordanian regime's discrimination between the East and West Banks increased these difficulties for the West Bank population. The regime was more interested in gaining the loyalty of the East Bank population, and this led to economic discrimination between the two parts of Jordan. (Samara, 1988 b:19)*

By limiting economic facilities to the East Bank, Jordanian rulers absorbed hundreds of thousands of West Bankers into the East Bank and channelled tens of thousands of the surplus labour force into emigration. The West Bank population increased only slightly during the Jordanian era:

*It was 850,000 in 1949, and 875,000 in 1961, and 1963. The opposite was the case of the East Bank population which increased from 400,000 in 1949, to 985,389 in 1963. (Aruri, 1972)*

The rapid urbanisation of the East Bank cities is another proof of the official concentration on the East Bank. As Mutawi noted,

*Urbanisation occurred at an increasingly rapid rate between 1952 and 1962, particularly in the East Bank. Amman's population increased by 156%, and Zarja grew from virtually nothing to a population of 109,274. (Mutawi, 1987:30)*

"The emigration from the West Bank and Gaza Strip jumped to 35 thousand in the middle of the fifties (The Palestinian Financial Sector, 1987:116). And by 1961, the emigrants from the West Bank to different countries in the world numbered 62,863. (Aruri, 1972:67)

It seems that the Jordanian regime was interested in evacuating in particular the West Bank youths to the East Bank or abroad, aiming to keep them as far as possible from its borders with Israel. Their existence on the borders might have encouraged them to share in the Palestinian national struggle against Israel, which had evicted them from their homeland. This would, of course, have led to addition problems for the Jordanian regime.

This explains that the Jordanian formal policy towards the Palestinian demographic question was in harmony with that of Israel. The Jordanian discrimination against the Palestinians was a pushing factor towards a Palestinian emigration. The Palestinians realised that they must acquire a high educational level so as to find jobs in Arab oil countries. So, education became a solution for individual problems in the effort to transcend poverty, since there is no national authority to offer the minimum guarantee. But education resulted in a tool which also enhanced emigration, since the educated people failed to find jobs in the West Bank.

The final result was a gradual and indirect eviction of a great number of the Palestinian population from the West Bank, and even from the East Bank. The political benefit of this eviction from the viewpoint of the Jordanian regime was more social stability as long as the young Palestinians were away from its borders with Israel.

The emigration of the young and educated generation left their dependents inside Jordan, i.e. a large part of the population became dependent on remittances from abroad. This became an excuse for a limited investment inside Jordan. A limited investment means a limited number of the working class and finally a marginalisation of large parts of the population concerning the productive process. This form of marginalisation lead to a political and social marginalisation. These are obstacles in the road of social transformation, on the trade union, class struggle and women's liberation levels.

A state of low productive level cannot satisfy the needs of its population. Thus, to be able to reproduce its society, Jordan has depended on outside aid, loans or charity. The price of this dependency was Jordan's integration into the British, and later, US orbits. To face the popular rejection of Jordan's policy, the Jordanian monarch reshaped its army to be a shield to protect the regime. However, the army itself became a source of employment.

## II. The West Bank Population During the Occupation

Israeli sources provide available data on the West Bank population under occupation. However, these sources are varied, contradictory, and politically oriented:

*In 1980, the Central Bureau of Statistics (CBS) published a population estimate [for the West Bank] of 704,000. The same year, the published Interior Ministry (MOI) estimate was 871,000. The staff officer for statistics in the Military Government (MG) published his own figure of 750,000. The (MOI) figure for 1987 was*

1,252,000. But...the WBDP estimation is 1,067,873. (West Bank Atlas, 1988:27)

*By the end of 1985, the Palestinian population of the West Bank had reached 813,000, excluding East Jerusalem. Based on the growth rate of 1984-85, the total population figures for the end of 1986 have reached 835,000. The 1986 figures represent an increase of 40% since September, 1967 (when the first and only census was taken in the area by the Israelis), and 45% more than 1970 (when war-related migration came to an end). (Benvenisti, 1987:1)*

During the Israeli occupation, a faster rate of emigration took place, due to the war and the difficulties of life under occupation. In fact it is clear that Benvenisti's estimation of the West Bank population (which does not differ from the official Israeli figures) is based on the period which followed the Israeli census, but not the period which followed the war itself. The largest waves of emigration, estimated at several hundreds of thousands, took place during the war and in the following four months. That is why the number of the West Bank inhabitants, when the Israeli census took place in September-October, 1967, was only 585,000 (including East Jerusalem, which had a population of 60,000 in 1968 (Drubkin and Tuma 1978:47) while in 1963, this number was 875,000 (including East Jerusalem). (Aruri, 1972:67)

All Palestinians who fled during the 1967 war have been considered by the Israeli occupation as an absentees; and the occupation authority took this opportunity to put its hands on their properties. Following is an example of the Israeli decisions:

*Consequently, land available for Jewish settlement consisted of uncultivated land registered in the name of the Kingdom of Jordan and the land of absentee owners who had left the Rift Valley and gone across the Jordan River. (Givati, 1985:174)*

It should be noted here that the right of return of the war emigrants would increase the number of the West Bank population; and they would contribute in both production process and political struggle. These two are areas unacceptable to Israel.

As for the current growth rate,

*During the early 1980's, almost one third of [West Bank] women in the 20-39 age group gave birth annually. This is only a slightly smaller percentage than that of 15 years earlier, and significantly higher than that prevailing among Israeli Moslems (22 percent). Moreover, the fertility of women in the 20-39 age group contributed almost 90% to the total fertility rate among Israeli Moslems, but only 83% among the women in the territories. (Benvenisti, 1987:2)*

Even more significant is the difference of birth fertility between the Arabs in the West Bank, 2.4% and that of the Jews in Israel, 1.4%. (Sofeer, 1987:15)

What should be noted here is that the Israelis dealing with the Palestinian high birth rate have aimed at finding as much as possible ways to control it. It is part of the Israeli racist ideology which insists on a pure Jewish state. A recent development on this level is the waves of hundreds of thousands of Soviet Jewish immigrants, a development which already supports the Israeli demographic equation, and their goal of achieving a 'Pure Jewish State'.

### III. Emigration

As was mentioned earlier, large scale emigration has followed the occupation of the West Bank. Estimations of emigration vary from one source to another, but there is a concensus that it is a related and continuing phenomenon.

"In the period June 1967-September 1967, 200,000 Palestinians have left the West Bank for good...the figure is 177, 165 for the

Jordanian estimation". (Government of Jordan Report GJR, 1967). This number has never been included in the Israeli figures for the West Bank population.

Official Israeli figures for population and emigration begin, as noted before, with the census of September-October, 1967.

*The relatively large migration of the mid and the late 1970's mainly drained young people of pre-parental or early parental ages (15-29). Hence from 1967 to the early 1980's the percentage of children under the age of 15 gradually diminished. Since 1982 this percentage has either maintained its level (46.4-46.6 percent in the West Bank) or slightly increased it (from 47.4 in 1982 to 47.8 in 1984 in the Gaza Strip). Some age groups have been particularly depleted by the emigration during the occupation period. (Benvenisti, 1987:3)*

Table 3.1

Selected Age Groups in the West Bank Depleted by Emigration 1967-1987.

Age in 1967	Total in 1967	% Remaining in 1987	Age in 1987
10-14	80,500	60	30-34
15-19	50,000	45	35-39
20-24	36,700	57	40-44

Source: Benvenisti, 1987:3.

Table 3.1 shows that the highest percentage of emigration was in the 15-19 age group, the age of youth. The first age group lost 40% of its numbers to emigration. The emigration percentage for the third group is the lowest, a trend which supports our argument that emigration was concentrated in the youth age group.

*Twenty-seven percent of the emigrants are lower than 4 years of age, and 60% of the emigrated youths are less than 14 years old...male percentage of the 15-49 years*

*old group makes up 42% of the total youth's emigration. This trend dominated mainly during the 1970's. (Kossaifi, 1980:42)*

Although this data concerns family emigration, its main character is that the family contains youths, who are a source of labour power.

*West Bank Palestinians abroad number not only the 63,000 who were registered in the Jordanian census of 1963, and the 177,000 who emigrated between the 1967 war and the Israeli census of 1967; but also the hundreds of thousands who emigrated during the period of occupation (between 628,000 and 800,000). (Samara, 1988-b:105)*

There are also the Palestinians who emigrated to several countries abroad even before the 1948 war. Those Palestinians are denied the right of return to Palestine. Some of them are allowed to enter the West Bank as visitors, for a residency of three months only (3).

The number of people deported by the Israeli occupation authorities must also be considered. The officially acknowledged number of deportees from the Occupied Territories is 2,891 persons. (Yasin, 1987:185)

#### IV. Emigration and Development

The Israeli policy of the creeping eviction of the West Bank population is aimed at inhibiting Palestinian development. The youths are the main productive age group in any society, they also constitute the main consuming group. This means that their demands are greater than those of others. Idled by unemployment, youths are putting pressure on the authorities; and lacking basic needs, will turn to protest. As youths, they are more ready to commit themselves to demand, protest, and revolt. The Intifada is good evidence for this conclusion. Since the members of this age group are more highly educated and

qualified than both younger and older cohorts, their emigration causes the local economy to lose its prime mover for development. Moreover, as the best educated group in the society, they are ready more than others to accept a boycott of Israeli products and to give priority to the local ones; a trend which encourages the local bourgeoisie to make larger investments in local industry.

Through emigration, the West Bank society loses its investment in the youths, their labour power, the skills and education which they gained at the society's cost, their produce, and the surplus value which would be generated from their employment. The loss of this highly educated and skilled labour power has resulted in a decrease in the level of productivity, management and investment in both the industry and agriculture of the West Bank. As a result of that, the society has failed to produce many of its basic needs, even those which had been produced during the Jordanian era. In this situation the backwardness reproduces itself, and those who attain the age of work are obliged to emigrate. This means that emigration continued to be the last resort.

The failure of the Palestinian capitalists to invest in the West Bank economy, and the priority which they gave to either transferring the surplus abroad, or to investing in the sub-contract industries, put them in the final analysis as one of the means which encourages emigration.

As for the subject of the study, the experience of the Intifada has emphasised the important role of the youngsters in political resistance, economic boycotting, and in the new development routes in the West Bank, i.e. the development of new popular cooperatives. (see Chapter Nine)

## V. The Household Question

The availability of proper dwellings is one of the factors which keeps the population of a country inside it, since the people provide the main source of development and prosperity. On this level, the absence of a national authority in the West Bank and

Gaza Strip, and the Palestinians' subjection to the Israeli policy on the household sector have made the household problem an acute one.

Most of the West Bank population, about 70%, live in rural areas. The rest are in urban areas, including the refugee camps. The average population density is 110 persons per km<sup>2</sup>. (Drubkin and Tuma, 1978) Despite the fact that more than 80% of investment in the West Bank is concentrated in buildings, and despite the high percentage of migrants during the period 1967-1984 (61% of the population), the West Bank still suffers a housing problem.

*There are 116,000 households in the West Bank, 3.5% of them in new apartments. This compares with a 2.6% increase of the population. The average number of rooms per house is 3.6 with an average area of 132 meters per unit. (C.A.J.S.A.R.; 1984:16)*

*Statistics for 1983 show that 49% of West Bank families numbered 7 persons, and that the number of people for every household is seven persons; but in 1985 it became 46.9%. (S.A.I., 1986:696)*

This is in addition to the fact that 32% of the people are living in one or two room dwellings while 46% of them are living in two room dwellings. This indicates that there are 3 persons for every room on average. Thus 40% of the people live as 3 persons for every room, while this percentage for the Israelis is only 1.3 per room. (P.F.S, 1987:34)

The following table shows the situation.



Table 3.2  
The Dwelling Situation in the West Bank, 1988.

No. of persons per house	%	No. of persons per room	%
1-3	22.2	1	16.8
4-5	19.4	2	17.9
6	11.5	2-4	47.0
7 and more	46.9	more than 4	18.3

Source: Samid no 72, 1988:173.

All new dwellings in the period 1967-1983 in the West Bank have been built by the private sector. The public sector did not contribute at all (P.F.S., 1987:35). The joint Jordanian/Palestinian committee's housing budget, some 27 million JD for the period 1979-1983, benefitted 3,990 families. (P.F.S., 1987:35) Those benefitted were in the higher and middle-classes. In order to receive a housing loan from this committee, the applicant had to prove ownership of the building site. But a plot of land suitable for building costs at least US \$20-25 thousand, an amount which cannot be afforded by a worker or a small peasant or even the majority of the population.

The West Bank lacks ordinary flats for rent; what are available for rent in the West Bank are the luxury villas, with a rental price which is unbearable for most of the masses. Many new buildings were established in several cities of the West Bank, but the rent for flats in these buildings is very high because of their luxurious nature. The construction entrepreneurs in the West Bank are still dominated by the mentality of Third World luxury elites, with their idealised western bourgeois mode of life.

Rent of residential houses consumes about 35% of the income of medium-income earners (who earn an average of 200 JD per month), and about 50% of the income of the majority of workers. Both the West Bank and Gaza Strip need approximately 50,000 household units yearly for all of the

coming several years to satisfy the population's needs. (P.F.S., 1987:35)

A major factor in the housing crisis is the tough Israeli control on the building licenses. It should be recalled that Military Order 418 (March 1971) transferred all planning powers to the High Planning Committee, made up entirely of Israeli officials; and, except within municipal boundaries, all building licences (in more than 400 villages) have been granted exclusively by the High Committee. Israeli authorities have also started inserting a clause in building permits to the effect that, while the Palestinian applicant has permission to build a house on the land, the land does not belong to him. This latter tactic has been applied mainly in urban areas.

*In July, 1986, a major scandal involving bribery and other irregularities was revealed. It involved Israeli officials responsible for planning and licensing in the Arab sector, as well as Palestinian officials and building inspectors.... Since January, 1987, therefore, no building license has been granted to Palestinian residents in the West Bank. (Benvenisti, 1987:36)*

Israel's aim is to stop expansion of the populated areas. This is one of the factors contributing to external and internal migration. Internally, rural youths were forced to move to the cities, decreasing the villages' population and work force needed to work the land. In this case, land was neglected and Israeli confiscation of it was facilitated.

*Orders prohibiting building have been issued regarding areas around IDF camps and installations and, around Israeli settlement areas (Gush Etzion, Givat Zeev). Construction is also prohibited in a 200-meter strip along both sides of main roads. Orders have also been imposed on built-up areas of Arab municipalities when the authorities wish to curb building expansion. Prohibition of building can be effected by designing margins of 100-150 meters on either side of a planned road in a*

*statutory plan...The total area around Israeli sites affected by prohibition orders amounts to 293,500 dunams. With road margin regulations, the total area affected is 580,000 dunams. (West Bank Atlas, 1988:60)*

A striking indication of the housing crisis is the fact that a large number of the population started building new flats and houses during the Intifada without acquiring licenses, despite the dangers of demolition by the Israeli authorities. In fact the Israelis have demolished many (unlicensed) flats. (Interview, Zakaria)

Palestinian capitalists have failed to invest in the construction sector, especially in cities where the municipality councils can deliver building licenses (inside the city boundaries) without the condition of an Israeli approval. In fact, this shortage, in addition to the tough Israeli control on the building sector in the West Bank in general and in rural areas in particular, has, if even indirectly, encouraged emigration.

Since most of the construction investment in the West Bank is a private one, the building of council flats needs a national authority. This important factor is not available to the West Bank. Council flats, or private building investment for rental, are vitally important for development. such a plan would contribute to money circulation inside the local economy and offer the middle - and lower- classes flats with a -more realistic rent- reasons which might contribute to the decrease of emigration.

From the private ownership point of view, the availability of simple and proper flats for rent might decrease people's inclination for private flats, a reason which would encourage the transcendence of the traditional believe that house ownership is a social prestige.

The building of council flats or flats for rent costs less than detached flats. By doing so, the society could save more money to invest in the productive sectors.

One of the good developments which has taken place during Intifada, is that youngsters in the large cities in the West Bank have squatted in the empty luxury villas. This development which might be considered as a radicalisation of the social aspect of the Intifada.

### THE WORKING-AGE POPULATION OF THE WEST BANK AND THE LABOUR FORCE

The labour force in the West Bank society finds its source in rural, urban and refugee camps areas. In the case of the West Bank, the refugee camps are a unique phenomenon not found in most other societies; especially as they represent a problem which has remained unsolved for forty-three years.

One of the characteristics of the refugee camps is that they provide a large and cheap labour force. Following the 1948 war, hundreds of thousands of Palestinians took refuge in the eastern part of Palestine (which was later annexed to Jordan and called the West Bank of Jordan), and in the Emirate of Transjordan (later the Kingdom of Jordan). The inflow of a large cheap labour force provided Jordan's economy with a good opportunity to prosper. The workers who formed this labour force were ready to accept low wages (see Chapter Two). However, since this surplus work force had taken refuge in a relatively underdeveloped country, their presence caused an economic, as well as social/political burden on the Jordanian economy. The Jordanian regime defused this social/political danger by increasing Palestinian emigration abroad. The opposite has been the case since 1967, in that the Israeli economy has taken full advantage of this cheap labour power by employing large numbers of West Bank residents.

The availability of a cheap work force of refugees close to the cities during the Jordanian era blocked the chance for the rural surplus work force to migrate there. For this reason, the rural surplus work force migrated either to the East Bank of Jordan

to cultivate neglected agricultural land, to the Arab oil countries, or to the Americas.

Palestinian employment in the Gulf countries, provides a source of income for several hundreds of thousands of the Palestinians inside and outside the West Bank and the Gaza Strip. Employment in the Gulf has contributed to the creation of a new Palestinian bourgeoisie (financial capitalism). Even the Palestinians who are employed in administration, offices, and private companies cannot be considered on the same class level as their Palestinian counterparts inside the occupied territories, mainly because of their higher salaries. That is why the eviction of the West Bank Palestinians from Kuwait after the Iraqi-Kuwaiti crisis does not harm the West Bank that much. Most of those Palestinians have decided to stay in Jordan. Many have amounts of money to invest there. Even those who might return to the West Bank they are not prepared to accept the available jobs and standard of wages there. They might invest inside the West Bank. In an empirical study done by the Business Development Centre (1990), which is a part of the United Nations Development Program (B.D.C/U.N.D.P) it was shown that most of the Palestinians fired from the oil countries stayed in Jordan, and some of them sent their families back to the West Bank.

The coincidence of the Gulf crisis with the new wave of Soviet Jews to Israel terminated any hope for Palestinians abroad to look for jobs in Israel, if they are desperate enough to accept jobs in Israel.

In fact, some of the few Palestinians who returned to the West Bank from Kuwait, upon visiting the (B.D.C/ U.N.D.P.) in Jerusalem asking for advice, were told to invest.

Emigration affects the working-age population in the same way it affects the total West Bank population. Because of emigration, the labour force in the West Bank has a geographical division parallel to the sectorial one (that is, refugee camps, rural, and urban sectors in all parts of the West Bank experienced a reduction in the work force due to emigration).

In 1984, the working-age population (aged 14 and over) in the West Bank numbered 443,800, out of a total population of 793,400, or 55 percent. (S.A.I., 1985:700) This is very low as compared to the percentage in Israel at an even earlier stage; 1973: 71 percent. (Bregman, 1974:30) The West Bank population's relatively low proportion of working-age members results from several factors; in particular, a high birth rate and the emigration of large portions of this age-group .

Table 3.3  
Population Aged 14 and Over,  
by Labour Force Characteristics and Sex (in thousands).

(Thousands)	1968	1975	1984	1985
Population Aged 14+	308.6	366.9	436.3	443.8
Not in Labour Force	215.6	233.0	276.3	284.6
In Labour Force	93.0	133.9	160.0	159.2
(Employed Persons)	82.9	132.3	154.1	151.2
(Unemployed)	10.1	(1.6)	5.9	8.0
% Labour Force of Population Aged 14+	30.1	36.5	36.7	35.9
% Employed Persons of Labour Force	89.2	98.8	96.3	95.0

(Table 3.3 continued)

Thereof Males:

Population Aged 14+	141.5	177.2	212.0	215.1
Not in Labour Force	62.3	67.6	77.0	77.6
In Labour Force	79.2	109.6	135.0	137.5
Employed Persons)	69.9	108.4	129.9	130.9
(Unemployed)	9.3	(1.2)	5.1	6.6
% Labour Force of Population Aged 14 +	56.0	61.9	63.7	63.9
% Employed Persons of Labour Force	88.1	98.9	96.3	95.2

Source: deduced from Statistical Abstract of Israel (S.A.I.), 1986:700.

The number of participants in the registered labour force is extremely low in the West Bank. This might be due to male emigration, as well as the generally low participation of women and youngsters. (see below)

The Israeli economic crises have also affected the West Bank economy, pushing more people to seek employment. A number of these workers migrated abroad or to Israel, filling the low-rank jobs which are not accepted by the Jewish worker, and part of them decided for the first time to enter the work force as wage earners (i.e., in the case of sons of Palestinians who had emigrated to the Americas, and who had previously been dependent on the remittances of their parents). For these reasons, the labour force increased from 93,000 in 1968 to 133,900 by 1975, while the increase from 1975 to 1985 was not as high as in the preceding years. However in general, participation is still at a low level.

On the eve of the 1967 war, a large part of the Palestinian West Bankers were employed in the Jordanian army, others were in administrative jobs. Most of them remained in Jordan after war, and their families still reside inside the West Bank. Generally speaking, most of those who emigrate leave their families in the West Bank.

As a result of large emigration, the pressure for jobs declined and local consumption decreased. This led to less investment, and might have led to encourage investment abroad, which maintained the domestic market in contraction, while the surplus escaped abroad.

Most of emigrants are males, according to their higher educational level, their experience, and their traditions, which are more likely to accept males working internally and abroad. What is even bitter, is the fact that women in rural areas, always fill the gaps which are left behind by the emigrated males. Such jobs which are hard, less productive, and rarely counted as real work and contribution from the viewpoint of the traditional society.

In 1968, out of a total of 308,800 persons (the population aged over 14), there were only 141,500 males. (see Table 3.3 above.) The total increased to 443,800 in 1985 with males at 215,100. But despite the fact that females constitute slightly more than half of the total population, females make up only a small percentage of the work force. In 1968, males in the labour force numbered 79,200 out of a total of 93,000, and in 1985 there were 136,500 males in a total labour force of 151,200. Most of the West Bank women employed in Israel are not counted in the Israeli employment statistics, which leads to an inaccurate reflection of the real number and percentage of the women's contribution in the work force. These women often work illegally (without registering with the Israeli employment service), and are concentrated in the agricultural and domestic sectors.

Following is a good example for the false number of working women from the Occupied Territories in Israel:  
"Only 2.46% of Palestinian workers in Israel are females, with 70.37% coming from rural areas". (Abu Shokor, 1987:26)

The total labour force decreased from 160,000 in 1984 to 159,200 in 1985; while males in the labour force increased in the same period from 135,000 to 137,500. This further contributes to the deterioration of the female's position.

In the years detailed in Table 3.3, the percentage of females in the work force fluctuated between 15 and 19 percent. This shows a little improvement as compared to other estimations. By comparison, Arab women form ten percent of the labour force in Israel while the percentage of Jewish women reaches 32.5 percent. (Drubkin and Tuma, 1978:51) The report of the Economic Commission for West Asia (ECWA), noted that "... women's contribution in the work force in the West Bank and Gaza Strip is 10%, but in transmutation industries in the West Bank women's participation reaches 24 percent". (E/ECWA/UNIDO/WP, 1 August 1981:72). It should be noted here that women agricultural labourers and household workers are not counted in these estimations or surveys.

The work of women in the West Bank can be broken down into three main areas:

a) Women are relatively concentrated in the transmutation sector, because they accept low wages and provide the same performance as males. From the viewpoint of the owner, they are better than men, because local traditions hamper their class or political activities after work, such as trade union activities. It is clear here that women in the same place of work are more exploited than men. Since women compete with men in this sector, men prefer to commute for work in Israel or abroad. Women are concentrated in other sectors, like tourist offices, presses, journals, charitable societies etc.

b) Agricultural work, since women fill the gaps of work, ploughing, planting, and even marketing, which are ignored by males who had emigrated or who did migrant work in Israel. Most of the West Bank workers in Israel are from rural areas, about seventy percent (Samara, 1988b:126), and many of them were peasants before 1967. Now their wives or daughters do their jobs in the West Bank. This of course does not take into consideration the always overlooked area, which is,

c) the women's role in human reproduction, on the biological level, and home work.

### I. The Work Force Distribution

In addition to the distribution of the work force by sex, West Bank workers are also distributed among both sectorial and geographical levels. As a result of continuous emigration, the West Bank work force has become distributed among three main areas: the West Bank itself, Israel, and abroad (mainly the Arab countries).

Palestinians in Jordan constitute sixty percent of Jordan's total population (they are however, counted as Jordanians). (Mutawi, 1987) This percentage represents the employed part of the emigrated Palestinians from the West Bank in the post-1967 period. Moreover, those who are working in the Gulf do not constitute the total number of West Bank workers who have

migrated abroad, some of whom stayed in Jordan or continued on to other countries.

From the several estimations of West Bank emigration after 1967, we can conclude that the total number is around 600,000. If those of working-age (14+ years) constitute thirty percent of the total, we have about 200,000. These estimations and facts stand against the erroneous Israeli estimation of the emigrated work force:

*The number of the West Bank labour force was 168,400 persons including 8,400 who were working abroad. The number of those working abroad was 12,500 in 1980 and 13,100 in 1982. (S.A.I., 1986:701)*

The Israeli estimation of those who are working abroad is biased. The Israeli survey of employment excludes all those who have remained abroad for more than one year at the time of each survey. In doing so, the Israeli surveys systematically reduce these workers from the total West Bank population; they will never be counted in any future survey. Consequently, any survey might fail to take into account those workers who had recently returned to the West Bank from the Arab countries, and other temporary migrant workers abroad at the time of the survey.

Any developmental study must take into consideration those members of the population who are working abroad. An important factor in the working class situation is the impact of released workers who have lost their jobs and returned to the West Bank from the oil countries. Up to 1987, nearly 25,000 West Bank migrant workers have come back from the oil countries. (Interview, Farah, H, a trade unionist in Ramallah) They lost their jobs because of the economic crises which followed the deterioration of oil prices after 1982. The West Bank population growth rate was 2.9 percent for the period of 1983-1985, but the work force increased by 3.3 percent for the same period. (P.F.S., 1987:31) This is in addition to the fact that unemployment increased in the same period. These are all

indications that workers have returned from abroad. Another contributing factor in the increase of unemployment is the substitution of Palestinian workers in Israel by new machines in the first two years of the Intifada, or by the new Soviet Jewish immigrants since the third year of the Intifada.

The laid-off workers, and others expected to return in the near future, comprise part of the labour reserve in the West Bank. It is clear that job opportunities are severely limited since unemployment in the West Bank is already 14 percent (by the current most modest non-Israeli calculations). (Taggart, 1985) This is in addition to the effects of the economic crisis which Israel suffers. Most of the West Bank residents who have lost their jobs in Israel or in the oil countries come from rural areas. The more the unemployment, the more pressure on economic resources. What intensifies this pressure is the new Israeli policy which has imposed long curfews on the Occupied Territories, after the start of the Gulf crisis August 1990. This pressure effects especially young people looking for work. Factory owners in the West Bank have exploited the situation by offering lower wages. This has led to large strikes, mainly in the large factories. Factory owners pretend that they cannot pay the worker's wages. Trade unions have interfered to solve problems, but on political and national levels, and not on class levels. Such solution have taken place mainly at the cost of the working class (see the Conclusions in Chapter Nine).

## II. West Bank Workers in Israel

The rapid increase in the number of West Bank workers in Israel is a clear indication of the deformation of the West Bank economy. The number of workers increased from four thousand to forty thousand to more than fifty thousand in 1968, 1973 and 1986 respectively.

Table 3.4  
The Increase of West Bank Workers in Israel (1967-1987).

Year	1968	1973	1986
In Israel	4,000	40,800	51,300
In The West Bank	78,900	86,600	115,700

Source: Bregman, 1974:29, & Judea, Samaria and Gaza Area Statistics. Vol XIII. No 1, 1988: 35-36.

The difference between the numbers of workers employed in the West Bank and in Israel shows the weakness of the West Bank's economic base and its failure to absorb a significant part of the surplus work force, taking into consideration that a large number of this surplus emigrated abroad. Over twenty years, the West Bank employed 37,000 new workers, while the number for the same period in Israel was jumped from 4,000 to 51,300, an increase of 47,000 persons. This development supports Dayan's strategy of the termination of any enlargement of the West Bank infrastructure, as detailed in Chapter Two. Table 3.5 presents the number of the West Bank workers in Israel for the years 1984-87, distributed by sectors of employment.

Table 3.5  
West Bank Workers in Israel By Sectorial Distribution for Several Years (in  
Thousands)

Year	Agriculture	Industry	Construction	Other	Total
1984	4.9	9	20.5	10.7	45.1
1985	4.9	8	24.7	9.9	47.5
1986	5.5	9.1	26.0	10.7	51.3
1987	6.2	11.1	30.4	15.2	62.9

Source: Judea, Samaria and Gaza Area Statistics-Vol XVIII, 1988.No  
1:35-36.

Table 3.5 shows that each year approximately fifty percent of the West Bank workers employed in Israel were concentrated in the construction sector, an indication of their poor position as lower paid wages, less than 40% of the wages of their Israeli counterparts (Farjoun, 1980), and long working hours, if we add to the eight daily hours another four hours of transportation from their homes to work and back (Palestinians from the Occupied Territories are not allowed to stay over night in Israel.) This in addition to the nature of their jobs as 'black work' with no trade union rights, since they are not represented by the Israeli trade union, and the Palestinian ones are forbidden to represent those who are working in Israel. The steady increase of their number is a fact which proves the fragility of the West Bank economy, since its ability to absorb the local labour power is very low. This means that there is no substantial investment in employment and productive areas nor any expansion of the domestic market. To be able to reproduce itself, the West Bank population has to depend on working abroad to insure remittances, and even to ask for foreign aid. The share of remittances in the West Bank and Gaza Strip GNP is more than 30%. (C.B.S.I.S.A. 1986)

An important change has taken place during the Intifada in that,

*The number of workers from the territories employed in Israeli industries fell 32% last year, according to figures released by the Manufacturers Association ... the drop in the total figure was less dramatic, falling 26% to 80,000 workers. (Sabagh, 1989:112)*

*This decrease might be a result of the Israeli decision to replace Arab labour with new machines and foreign labour from Southern Europe and South East Asia. (Samara, 1989 b:36), and lately from the Soviet Jewish immigrants.*

Table 3.6  
West Bank Workers in Israel  
by Number and Sectorial Percentage, for 1986-1987 (in Thousands)

Sector	No	Percent
Agriculture	5.5	10.7
Industry	9.1	17.7
Construction	26.0	50.7
Services	10.7	20.9
Total	51.3	100.0

Source: Benvenisti, 1987:19

These results of one year are consistent with the figures for several years, that about fifty percent of the workers are in construction; and this sector, together with the services sector, represents more than seventy percent.

But why is the construction field in Israel always available to, and able to absorb this large number of Palestinians? The main reason is Israel's continued policy of building new settlements within and beyond the Green Line (the 1967 borders). This issue is related to its ideology of a pure Jewish state, or at least the maintenance of a demographic balance for its own people. This might explain the tough Israeli policy towards the Palestinian demands for building licences as mentioned above.

### III. Work Force Distribution Inside the West Bank

The distribution by sector of the workers who were employed inside the West Bank is different from that of the case of the West Bank workers in Israel. Agriculture is still a major sector despite the drastic decrease of its share in employment levels. The employment of Palestinians in agriculture inside Israel has always been very limited, as a result of the Israeli policy to keep the Palestinian people as far as possible from their land.

The Palestinians who are working in agriculture, inside Israel, are limited to collecting crops. This is why Israel failed to export its citrus crop in 1988 because of the Palestinian strikes in the first year of Intifada. (Sabagh, 1989)

Since Israel's aim is to uproot the productive sectors in the West Bank economy, it failed to offer the labour force in the West Bank jobs which could sever them totally from their land.

Table 3.7  
The Sectorial Distribution of Labour Force  
in the West Bank for Selected Years 1970-84  
(in Thousands)

Year	Agriculture	Industry	Construction	Other services
1970	42.5	16.4	8.4	34.5
1976	33.9	14.9	10.9	41.2
1981	30.5	15.7	11.9	41.9
1982	32.1	15.9	10.6	41.4
1983	29.5	16.1	11.1	43.4
1984	28.5	15.9	11.3	44.3

Source: Statistical Abstract of Israel, 1985:725

Table 3.8  
The Work Force Sectorial Distribution  
Inside the West Bank, 1984-87 (in Thousands)

Year	Agriculture	Industry	Construction	Commerce	Services (*)	Others	Total
1984	26.9	16.6	11.8	15.9	17.4	12.7	101.3
1985	28.4	16.7	12.8	16.3	16.8	12.7	103.7
1986	23.0	18.2	14.7	18.1	17.7	14.0	105.7
1987	29.8	19.0	14.0	18.4	18.0	---	99.7

Source: Judea, Samaria and Gaza Area Statistics-Vol XVIII, 1988-No 1:35-36.

(\*) Public & Community Services.

It is worth noting that it is unavoidable to deal with the Israeli statistics as they are the only available ones. A comparison between the numbers of those employed in all sectors in the abovementioned two tables in the year 1984, uncover how contradictory they are. It is clear that the major loss of labour force was in the agricultural sector: from forty two to twenty three thousand. Industry's share remained stagnant or only slightly increased. If the increase of industrial employment is accurate, it might be relevant to an increase of the sub-contract companies. Construction's share shows a substantial increase, while other services in Table 3.7 have increased by nearly 25% from 1970 to 1984. The item, Others, refers to the private services, restaurants, hotels, private educational sector, tourism, charitable societies, non-governmental organisations, etc. This sector increased during the occupation period as a result of lack of national authority in the occupied territories. Services jumped from thirty-four to forty-four thousand; representing the most expanded sector, which is a typical Third World deformed phenomenon.



#### IV. Employment Conditions

The employment conditions of the Palestinian workers abroad (apart from Israel) is beyond the scope of this study. The following system deals with the workers' working conditions in both Israel and the West Bank itself.

##### West Bank Workers in Israel

Following the 1967 war, a mass migration took place from the West Bank. Emigration affected all social classes; but especially the refugees, service employees, and those having interests in both West and East Banks. These developments affected the employment process in the West Bank so that more people became unemployed, and suffered loss of income. The period which followed the war did not encourage those who already owned economic establishments to re-activate them, or to start a new projects. This led to more unemployment in the area. Of course the economic structure of the West Bank was already underdeveloped, and even peripheralised to the peripheralised Jordanian economy. (Samara, 1988b:20-21) As a result, despite mass emigration from the West Bank in the first few months of the occupation, unemployment remained very high.

The Israeli military authorities designed a plan to minimise unemployment in the West Bank by absorbing the surplus work force outside the local economic establishments. Then, the ex-Israeli Defence Minister Moshe Dayan (Simon, 1988:8), wanted to absorb as many as possible of the West Bank workers into the Israeli economy so as to block any development of the local Palestinian economy, to absorb the unemployed before they became first a political burden and later a revolutionary threat, and to meet the needs of the Israeli economy for a cheap labour force to help in Israel's transformation from the traditional to the high technological industries. To judge from the stagnated economic life of the West Bank, the high unemployment rate, and the necessity for most Palestinian political organisations to urge the boycotting of Israeli products and projects, the Israeli policy of employing Palestinian labour worked well.

To facilitate its job and to transcend the national contradictions between the Israelis and Palestinians, Israeli military authorities started strategic projects (road works) inside the West Bank. The strategic side of these projects was to facilitate Israeli army movements in the area, to use its vehicles and tanks as much as possible in fighting against the Palestinian guerilla fighters (mainly in the Jordan Valley, 1967-1970); while the psychological dimension was to exploit (as an enemy) the unemployed Palestinian worker within his own country so that he would become dependent on an Israeli source for his income, and become ready therefore to accept any job inside Israel. This might affect the ability of national resistance since the West Bank citizen would be dependent for his own life on his enemy's sources. This is an example of deformity, and dis-articulation of a large sector of the the West Bank working class far from its own society.

Only the abovementioned developments could explain why the inhabitants of the West Bank villages which were involved in the road works projects accepted such jobs, and even competed to gain them. Village Mukhtars (leaders) were often forced to chose between large numbers of applicants for these jobs. This role of the Mukhtars paved the way for the creation of the labour contractors, Simsar, to collect workers for work in Israel (see below). Because of the worsened economic situation after the war, even self-sustaining peasants applied for road work jobs. What we realise here are several forms of articulation of West Bank social groups with the Israeli economy, i.e. Simsars, Mukhtars, the peasants who became wage earners in Israel, and the workers from urban and refugee camps. This took place at the cost of the production of basic needs, in addition to the fact that the independent producer articulate with foreign capital.

##### Employment in the Settler Coloniser's Economy

There are many aspects of work discrimination against the Palestinian workers in Israel, but they can be limited to two levels: economic and nationalistic. The phenomenon of national

repression cannot be discussed here, but employment discrimination can.

*The monopsonistic and/or authoritarian control of labour and its ruthless exploitation has been the red thread running through the stories of all colonial and dominated countries. (Bagchi, 1985:23)*

D.S. Landes has defined imperialist exploitation as:

*...employment of labour at wages lower than would obtain in a free bargaining situation or the appropriation of goods at prices lower than would obtain in a free market. (Bagchi, 1985:23)*

This is, however, too inclusive a definition of colonialism. As Adam Smith knew, there can really be no free bargaining between masters and men who are in an unequal bargaining position.

*Masters are always and everywhere in a sort of tacit, but constant and uniform combination not to raise the wages of labour above their actual rate.*

*The colonial situation is distinguished by the pervasiveness and persistence of non-market constrictions (and not just constraints imposed by a monopsony of labour) and the exploitative nature of the legal and other sanctions used against workers and the peasantry. (Bagchi, 1985:23)*

As it applies to the local situation, a Palestinian worker is not entitled to payments for old age, widowhood, dependent children, survivors, general disability, or unemployment (all covered for Israeli worker by National Insurance), despite the fact that sums were deducted from his salary. (Benvenisti, 1987) For Palestinians from the West Bank there are no productivity bonuses, no family allowances or seniority increments.

"More than 89.8% of the Palestinian workers in Israel are working on a daily basis without contracts". (Abu-Shokor, 1987:217)

The gross earnings of the Israeli worker were on average seventeen percent higher than those of non-Israeli Arabs. In some individual cases the gap was as high as thirty percent between Jews and non-Israeli Arabs in the same jobs. (Sabagh, 1989:112) During the years of occupation, a new social group has developed around the local labour contractors, Simsar. Those contractors charge both the worker and the Israeli employer fees for their mediatory role. Factors contributing to the development of this group include: 1. The continued Israeli repression of the West Bank trade unions, and the related rejection of these trade unions' right to represent West Bank workers in Israeli working places; 2. West Bank residents are forbidden from being members in the Histadrut (the main Israeli Trade Union); 3. It should be noted that the Palestinian workers themselves have refused to become members in any Israeli trade union; 4. As a result of national enmity, it is difficult for the Israeli employer to move freely in the Occupied Territories in order to recruit workers; and 5. The often illegal nature of the jobs which are available to the Palestinian workers.

How the system works can be seen from the following example:

*We are forty workers from this village cleaning the Ramle city in Israel. We are recruited and represented by a local contractor, and he is connected to an Israel contractor; and the latter is connected with the municipality of the city. (Interview, Yousif Ayeish)*

What is realised here, is an articulation of interests of class networks from the two countries, the West Bank and Israel. The Palestinian workers and contractors on the one hand, and the Israeli contractor and municipalities on the other. Another revelation of this speech is the division of the worker's wage between four parties: the worker, the local contractor, the Israeli

contractor and the Israeli municipal council. According to the varied and extraordinary level of exploitation, every one of the latter three parties appropriates part of the worker's wage.

*An Arab worker is cursed for a single minute's lateness for work, he must make it up the next day. It is not the same for the Jew. The factory owner is at liberty to command us to work on any Friday [the Muslim sabbath], and we have to obey and the owner does not count it as an ordinary day, but an over-time day because the tax for over-time day is higher... We are the majority in the factory, a large part of us were fired after last Monday's strike... After work the factory buses always come to carry the Jewish workers first. (Interview, n.n.)*

What should be added here is the fact that through their daily work, the West Bank workers in Israel do not merely reproduce themselves and their exploiters physically, they also reproduce the instruments with which the employers repress them and their country, i.e. the Israeli army, police, and intelligence services.

The occupation has benefitted from the surplus value which is extracted from the labour of these workers, and the difference between their wages and those of their Israeli counterparts. In addition, these workers fill the gaps which must otherwise be filled by Israeli soldiers who are repressing their people.

Based on the Israeli estimations, the wage difference between Palestinian and Israeli workers is 30%. (Farjoun, 1980) This difference is the first amount which stays inside the Israeli economic sectors, while it must be transferred to the West Bank. In addition to that, the Israeli authorities reduce forty percent of the Palestinian worker's wage for several services which should be delivered to the worker and his family, while in practise the Palestinian worker does not enjoy any of these services since he and his family are not Israeli citizens. All the cuttings from the Palestinian worker's wages, and the surplus value which is extracted from his day work, stay inside the Israeli economic sectors. The surplus value is invested by the Israeli capitalists in Israel or abroad, but not in the West Bank.

The cuttings are accumulated in the hands of the Israeli Defence Ministry, as the authority directly responsible for the West Bank. Both Israeli Labour and Interior Ministries claim the right of these cuttings as well. (Isra-Left No. 131 August 1978)

If the Israeli capitalists or authorities invest these amounts in the Israeli settlements inside the West Bank, those settlements are absolute and isolated islands from the Palestinian economy and society and, directly connected with Israel. Excluding the employment of some Palestinian workers in these settlements during the construction stage, no relations (i.e. employment, marketing or other) exist between them and the West Bank.

## Work force Conditions Within the West Bank

The development of the trade union movement is related to a certain extent to the development of the native economy. Despite the fact that subjection by force plays an important role in creating and developing working class consciousness (including strong trade unions), a peripheral social formation has too much to do in simply keeping the trade union movement weak. A more developed economy (because of its need for more skilled labour) gives more rights to the workers, and in the end more power to the trade union movement- at least on the economic demands. In other words, a more developed industrial base presupposes more rights for the workers and more democracy for the society as a whole as a condition for the continuity of the productive process and extraction of surplus value.

During the Jordanian era, the trade union movement was very weak, repressed (strikes were forbidden), and dominated by the owners. (Interview, Diyab) Since there was no strong industrial base, the political parties failed to contribute to the strengthening of the trade unions. The preeminence of the agricultural sector in that period did not help in supporting the trade unions; mainly because of the small land holdings, small amounts of hired work, lack of class consciousness of the wage earners, and the political parties' heavy concentration on the national, but not the class issues, despite the authorities' harsh repression.

During the Israeli occupation, the national struggle became more dominant; that is why the resistance took the form of national struggle. Most local organisations became military resistance ones; and the class struggle, or even economic demands, was not in their agendas until the middle of the 1970s. Only the Communist Party continued its trade union activities, while blaming and criticising the military struggle as an approach without a future.

However, all Palestinian trade union movement is still a national, rather than class one. That is why the working class continue to be subordinated to the bourgeois program.

When it became obvious to the military organisations (since the middle of the 70s) that there would be no chance to liberate Palestine by military means, and when the experience showed them that struggle had several dimensions besides that of the military, some of them (the left wing Democratic and Popular fronts) decided to share in a trade union struggle. The right wing (Fatah) organisation decided to join in the trade union struggle later (1978-1979), impelled by the idea that there would be a Palestinian state in the foreseeable future; and to dominate it Fatah should control all local associations and establishments in advance including trade unions. The competition of these groups led in the end to the split of the trade union movement (1978) on a political and authoritarian background rather than a class one. The split became a phenomenon to the extent that there are currently four trade unions in the West Bank. This split has weakened the class struggle of the working class even on the trade union level. The trade unions' leaderships were always proud that the working class is the first to proclaim its recognition that the P.L.O. is the sole and legitimate representative of the Palestinian people. But those leaders never asked the P.L.O. to at least advise the West Bank and Gaza Strip capitalist class to fix a minimum wage for employment in these areas. It was the (B.D.C./U.N.D.P.) office in Jerusalem who started negotiating for this step in the West Bank in September 1990.

Because the trade unions are national, not class based organisations, they did not support the working class strikes. On several occasions they even humiliated the strikers; for example, even when the owners asked for the Israeli police to break the strike against the Rabah carpentry factory in Ramallah in 1975. Two workers were arrested by the Israeli police, until political activists put pressure on the Mayor of Ramallah to mediate and solve the dispute. But as a result of the Intifada, the working class has become more radicalised than before. The third year of the Intifada saw several strikes all over the West Bank and Gaza Strip. The workers' main demand was for higher wages due to the high devaluation of the Jordanian Dinar as the main tender. But the capitalists are fighting back, a fact which

strongly raise the question of how the surplus is distributed in the West Bank and Gaza Strip today.

What has terminated the radicalisation of the working class movement is the fact that the leftist political organisations are integrated into the national, and bourgeois program of P.L.O. Every leftist organisation manipulates its trade union by pretending that all activities should be concentrated against occupation. In fact, this political role has liquidated the social transformation of the Intifada. (see the Conclusions in chapter Nine)

Section 83 of the Jordanian trade union law prohibited the election of convicted felons to the executive committee of a union. Israel's military rule has amended this law to include those convicted of "political" crimes. (Taggart, 1985) All political strikes are forbidden, trade union activists are often arrested, and leaders are deported; some have even been shot and killed. Union offices are raided and landlords who lease their premises to unions are subjected to heavy pressure by the military government. (Samara, 1986:105) The occupation also interferes heavily in the trade union elections by deportation, arrest and dismissal. This in addition to the closure of the trade unions for long periods; the most recent example being their closure since the beginning of the Intifada.

The harsh Israeli repression against trade union activists contributes to the weakening of the working class struggle against capitalism as well.

Because of the weak economic base in the West Bank, the highly national politicised nature of the trade unions, the lack of class consciousness, splits within the trade union movement, and Israeli repression, the trade union movement has failed to substantially improve working conditions in the West Bank, i.e. that the workers became victims to the political organisations loyal to the P.L.O. bourgeois programme, which is a state for Palestinian capitalism. (see the Conclusions in chapter Nine)

There are no employment offices in the West Bank, and the trade unions lack power to represent the wage earners. That is why employment in the West Bank takes place directly between the individual worker and the factory owner, a compromise which comes mainly at the cost of the wage labourer.

The Israeli occupation has produced more than 2,000 military orders to control life in the West Bank, but some aspects of life have not been touched (deliberately, because, while they are neglected, they cause problems for the local population); i.e., employment conditions, wages, etc. Most factories offer their employees insurance for accidents at work but not for retirement. (Kaukali, 1987:60) This might be a result of the fragile working traditions and gains of the working class. It also reflects the non-continuity of the worker in the same factory. (The non-continuity of the worker in the same factory means that job competition is high and-or the technological level of the factory is low, which enables it to substitute workers easily.)

The low degree of concentration of workers as a result of the small size of factories also weakens the struggle of the workers for their demands. In his survey of the Al-Khalil (Hebron) area, Kaukali found that fifty seven percent of the 101 surveyed factories employ one to four workers only, while only eleven percent of factories employ ten to twenty workers, and only six percent employ more than twenty workers. (Kaukali, 1987:19) The average of employment in the professional industries is 3.4 to four workers. (Shihada & Shalabi, 1987:7)

There are also, however, problems arising from the side of workers. In my own interviews of 1989, eleven percent of the factory owners said that working problems were caused by workers' carelessness, twenty one percent from absenteeism, fifteen percent from a lack of skill, three percent from doing work outside the factory, three percent from the poor selection of workers and seven percent from the failure to impose order in the factory. Most of the owners confirmed that the end result of these problems was dismissal. This situation uncovers the

absence of a trade union role, and the fact that the worker is facing the employer alone.

Kaukali noted that the low level of professional and vocational (but not academic) education is another problem on the employment level. (Kaukali, 1987:56) Higher educational institutions can provide some of the needed support for the development of the local small scale industries: outreach programmes, consultant services, applied research, use of laboratory equipment, and dissemination of information. But a chronic problem related to higher education is that most of the vocational graduates emigrate.

In general, the limited capitalist industrial investment, the low skill level, the Israeli repression, and the integration of the working class into the bourgeois programme are the main factors which work against the working class interests.

### Employment and Wages

Working conditions have been miserable throughout the period of occupation in the West Bank. There is no minimum wage level, and wages in the West Bank are even lower than wages of the Palestinian workers in Israel. Despite the fact that the working day is officially eight hours, most of the factories do not apply this rule. The trade union movement is weak and has fragmented into four groups.

According to its national rather than class role, the trade unions in the West Bank failed to represent workers, so the worker is fighting not for improving the conditions of his job alone, but fighting even to find and keep the job itself. In many cases, the worker in fact gets the job by asking a friend of the manufacturer to mediate, using the latter's friendship with the manufacturer to offer the worker a job. (Interview, Abu-Nijm) This situation puts the worker in a position of dependency, in addition to the fact that these relations are of charitable not class origins. Since this is the case, there is no power for the trade unions to make employment contracts for the workers. This has deprived the worker of job guarantees, allowances, etc.

In addition, the Jordanian working law is designed to protect the owner at the cost of the worker; and even if the case were the opposite, the worker could not use the law due to the fact that there are many job-seekers who would be ready to accept his job for lower wages as a result of the high unemployment rate and low working class consciousness in the West Bank. In many factories in the West Bank the employment of women and, illegally, of children is very high. Both women and children are preferred (especially in sweets and food industries, the largest sector of the West Bank industry) because they accept low wages. As a result, the adults' ability to bargain for employment and wages is reduced even further.

The average daily wages for Palestinian West Bankers who are working in the industrial sector is nearly 12-15 New Israeli Shekels (\$6-7.5). Interviews with workers employed in several sectors show an even worse picture:

*My monthly salary before the Intifada was 43 JD, said a young girl working in a biscuit factory in Nablus. Now my salary goes down to 25-30 JD. Since the exchange rate of the JD was US \$2.8, the salary of this worker is \$120 per month, which is four dollars daily. (Interview, n.n.)*

The astonishing fact is that one of the main results of the Intifada has been the Palestinian people's decision to boycott Israeli products as much as possible. This step has increased the consumption of the local produce; in turn increasing the profits of the local industries, their capacity for employment, and their ability for improving wages. But local entrepreneurs did not invest and many of the factories met the increased demand by secretly asking the Israeli factories to produce the goods packed in boxes with Arabic writing, i.e. a new type of sub-contracting. Some of the results of that include less investment, less employment, contraction of the domestic market, and either a hoarding or transfer of the surplus abroad despite the possibility of a profit generating investment in the West Bank. This capitalist response to the masses' readiness to give high priority

to the local products, reflects a capitalist humiliation to the masses' protection of the local economy. (see the conclusion) What has made the workers' position even worse was the Israeli decision to lay-off as many as possible of the Palestinian workers from the Israeli establishments as a pressure to suppress the Intifada; the result being a higher unemployment rate in the West Bank, and an even weaker bargaining position for the workers.

The standard of living of the local workers has significantly deteriorated during the Intifada, mainly because of the financial crises related to the Jordanian Dinar. As long as the local trade unions are not in a position to force the owners to increase wages, either because of their weakness or because this is a period of social reconciliation, the trade unions have resorted to putting emotional pressure on the employers by calling on them in the local newspapers to increase the workers, wages. (Interview, Abu-Nijm)

This tactic of the trade union movement was not effective with some manufacturers in the West Bank. For example, the manager of Star chemical factory in Ramallah decided to close the factory since the negotiations with its forty workers for increased wages failed. The factory has remained closed while the manager attempts to recruit other workers. The political circumstances, the subordination of the working class social position to the capitalist program of the P.L.O. leadership, and the fragmentation of the trade union movement in the West Bank have not helped the workers to launch a strong and just struggle against the capitalists

## CONCLUSION

The main concluding remark of this chapter is that the Palestinian society has faced several deliberate policies of dissolution and fragmentation. The most striking example was and still is emigration which has been caused by severe life circumstances under occupation, i.e. lack of work opportunities, political and national repression, economic crises...etc.

Emigration is a sensitive issue for industrialisation, since it led to a contraction of the domestic market, less investment, lower skill levels of the labour power, and limited development in the industrial sector. Palestinian labour inside Israel did not gain a proletarian level or consciousness. More consistent with the interests of the Israeli and local capitalist classes, exploitation of the local working class is high. The West Bank working class itself is subordinated to the bourgeois program. The main reason behind that, is that the leadership of the political organisations with which these trade unions are affiliated are either opportunists, or they themselves are contemplated by bourgeois ideology.

Briefly speaking, the West Bank working class, especially in industry, is in a deteriorated position, which facilitate their exploitation by the capitalist class; who in turn achieve more surplus and transfer it abroad. Indirectly, this encourages the capitalists to articulate there interests externally.

Parts of the following chapters will explain that, while the weak position of the working class inside the West Bank ensures the local capitalists a chance for profitable investment, they prefer to invest abroad.

## CHAPTER FOUR

### INDUSTRIAL STRUCTURE AND GROUPS

The industrial sector in the West Bank is a marginal one. Its contribution to the GDP fluctuates between 7-9%, a level which is similar to that of the most backward countries. While its contribution to the GNP is nearly 5%, the contribution of remittances exceed 30%. The contribution of the industrial sector in the Jordanian GNP is 17%, while both were one country until the beginning of the Israeli occupation of the West Bank in 1967.

This chapter will explain the weak structure of the industrial sector of the West Bank as compared with its counterparts in Jordan and Israel, its distribution according to the average of employed workers per unit, its geographical distribution, its resource base, and its date of operation. In addition, the deterioration of its contribution to the production of local needs, the high percentage of sub-contract industries, and the dependence on imported raw materials in connection with the failure to use the available local raw materials will also be discussed. Finally, the main groups of the West Bank industries will be discussed here. These can be broken into two main categories: industries which are able to be fit into development policy but need to be restructured, and dependent industries i.e. industries which are structurally related to the external markets and raw materials.

The surveys which have been carried out for the industrial establishments in the West Bank are limited in both number and scale. The largest survey was that of E/ECWA/UNIDO in 1981. Other surveys were limited and heavily dependent (as was, to a certain extent, that of the UNIDO) on Israeli sources, such as the Statistical Abstract of Israel. This chapter deals with many of the results of these surveys on a comparative and

analytical level aiming to build up a clear picture of the industrial sector in the West Bank.

The following chapters will concentrate on further issues related to the industrial situation, i.e. industrial barriers, industry and finance, etc

#### I. Importance of Industrialisation Under Colonialism

The role of industrialisation is substantial in the increase of interdependence between economic sectors, and social classes. Achieving these goals, industrialisation contributes to the increased crystallisation of the people's national identity.

Industrialisation is an investment of capital to be materialised in a commodity form. Capital in commodity form brings about the integration of the domestic market. The integration and activation of the domestic market increases local exchange; keeping money within the society and increasing internal accumulation of capital, and finally increasing internal investment.

The Israeli occupation of the West Bank has resulted in a parcel of economic, political, ideological, and military policies aimed at destroying the Palestinian society. In the current Palestinian struggle against the Israeli form of colonialism, economic development is vital. A strong economic base and high productive capacity strengthen the class structure of the society, especially in the current stage of its struggle, since it is trying to build up its political independence. On this level, industry has a distinguished place because it contributes to the economic integration, cementing the class structure as a form of resistance to the occupation in the stage of national liberation, since the main aim of the occupation is to uproot the Palestinians from their home land. In such a case, the struggle becomes national more than a class one.

A strong industrial base could generate enough jobs for labour force employment. It would articulate the labour and capitalist classes on the internal level. The more internal integration of



the social classes, the more ability and interests to resist colonialism, or the more availability of common interests to fight colonialism as an exploiter or and plunderer of their wealth.

The case of dependency is the opposite. The greater the integration of classes from one society into the economy of another, the greater the division of the national struggle against the national enemy, i.e. colonialism. The Palestinian social classes who were dependent, in one way or another, on the Israeli economy were relatively passive in terms of national struggle. The (Simsars) social group and the merchant/comprador class established their mere economic interests in their relations with the Israeli colonialism of the West Bank and Gaza Strip. The Intifada has now integrated most of the Palestinian social classes into the struggle against the occupation, and led the Palestinians who are working in Israel to transcend their passiveness; either by direct participation in political struggle or by turning to the internal as workers in Israel and as a part of the Palestinian consumption power from the Israeli produce.

However, it is not a condition that any industrialisation must lead to a capitalist one. It is related to the development policy, because a public sector and cooperative industrial development in the West Bank will lead to a non-capitalist form of development. This strategy might create a strong working class without the strengthening of a strong and ruling capitalist one. (more argument on this can be issue expected in the last chapter.)

## II. A Comparative Example

To explain the passive developments of the West Bank economy during the occupation, it is useful to compare certain aspects of that economy with the economies of both Israel and Jordan; especially because Israeli literature always contends that the situation in the West Bank is better than that of Jordan. Using Jordan in the comparison is important, because the West Bank economy was part of that of Jordan before 1967; and when the

occupation began in 1967, both economies were at about the same level of development. But the Jordanian economy has since transcended that of the West Bank, which is a clear indication of the way the Israeli occupation has blocked the development of the West Bank.

The per capita annual GDP in the West Bank was \$1,023 in 1982. This amount is considerably less than that of Israel (\$6,086), the world average (\$2,399), Syria (\$1,904) and Jordan (\$1,109). (UNCTAD, 1986:6)

Table 4.1 presents average size of establishment in Israel, Jordan, the West Bank and the Gaza Strip, according to numbers employed in 1978-1979 for selected industrial activities.

Table 4.1  
Average Number Employed in Selected Industries, 1978-1979

Average Number Employed in:

Industrial Groupings	West Bank	Gaza Strip	Israel	Jordan
Food, Beverage & Tobacco	4.0	3.2	40.4	22.9
Textile & Clothing	4.6	4.6	31.5	5.4
Leather & Leather Products	3.1	-	9.8	5.9
Wood & Wood Products	2.7	4.0	8.7	2.5
Rubber, Plastics & Chemicals	5.6	-	28.3	17.8
Metal & Metal Products	3.4	-	18.7	4.0

source: (Sadler, Kazi and Jabr, 1984:21)

It is clear that Jordan has highly overcome the West Bank in employment in food industries, twenty two compared to four, and in plastics and chemicals seventeen to five. While in the sub-contract industries like textiles, leather and wood products they are relatively similar.

*In Jordan, the share of industry in the total GDP rose*

*In Jordan, the share of industry in the total GDP rose from 10.3 per cent in 1970 to 22 per cent in 1981, i.e it has doubled in a period of twelve years, while in the West Bank it went down from 8 to 7 percent of the GDP in the same period. In the West Bank the number of manufacturing establishments (excluding olive oil presses) dropped from 3,261 in 1967 (according to Jordanian estimates) to 2,380 in 1984 (according to Israeli estimates), most of which are still small workshops employing small numbers of people. (Government of Jordan, 1986:10)*

### III. The Main Characteristics of West Bank Industry

All surveys agree that the industrial sector in the West Bank is dominated by light industries such as food, beverages, and tobacco; textiles, leather, and footwear; wood products and furniture; paper, printing, and publishing; stone building materials; and products of the traditional guilds, like glass in Hebron. However, the number of manufacturers do not reflect the reality of West Bank industry. A more reliable indicator of its small scale sector is the average number of employees, four per unit, the low organic composition of capital, and the humble starting capital of the project; the average in the West Bank being 10,000 JD (see below). Nine large food industries covered by my own survey of 1989 showed that their average capital was 1,120,000 JD, which is very high for West Bank industries. But it is worth mentioning that of the nine establishments, there are two soft drink factories with 2.5 and 1.2 million JD capital, and the Jerusalem cigarette company with 3.3 million JD capital.

The main development which has taken place is the industry's relation with the Israeli economy through sub-contracting, especially in the textile and footwear fields. During the long years of occupation, the sub-contract industry articulated a large part of local capitalist class interests into that of Israeli capitalism. What hampered the development of the West Bank industry and encouraged sub-contracting, was the integration of its infrastructure into that of Israel.

*The infrastructure of the West Bank is characterised by full physical integration into the Israeli national grids and functional segregation into separate Jewish and Arab sub-systems. Water, telecommunications and electricity grids function as an internal part of the Israeli systems and are operated by the national Israeli agencies... physical infrastructure is primarily planned to accommodate Israeli interests--especially settlement construction, Jewish agricultural development, and military needs. (W.B. Atlas, 1988:36)*

This Israeli policy works against internal West Bank sectorial economic integration and in fact represents a destructive policy, as will be shown by referring to the low share of industry in the Gross Domestic Product (GDP).

The industrial contribution to the GDP was 7 percent in the pre-1967 period." (Drubkin & Tuma, 1978:64-65) And in terms of the failure of the industrial sector growth to match or equalise the growth of the GDP, the industrial sector's share fluctuated sometimes less than the GDP growth: "...it was 8.2%, 6.2%, 6.2%, 7.1% and 6% for the years 1975, 1977, 1979, 1980 and 1981 respectively." (Samid. No 72, 1988:23) The latest Israeli source stated that :

*Industry contributed about 8% of the West Bank GDP (value added) in 1986, even less than at the beginning of the occupation when the figure was 9%. The total number of persons employed in industry (excluding olive oil presses and stone quarries) remained constant at 16,000-17,000. The total value added of 2,500 enterprises was around US \$80 million, which is less than the output of some larger Israeli industrial plants. West Bank industrial value added per worker is 51% of the average (West Bank) GDP per worker. Value added per worker in the West Bank is only 19% of Israel's productivity. (W.B. Atlas, 1988:42)*

The contribution of the industrial sector might be a reasonable means to determine the level of industrial production:

*In the developed countries, the contribution of the industrial sector is 43% of the GNP as it is in West Germany. It goes down in the developing countries to 27.25% as it is in Australia. It is 16% in the Arab countries and 17% in Jordan. In the West Bank it is only 4.9% of the GNP. (al-Musa, 1985:94)*

The West Bank industries suffer from several obstacles, including internal and external barriers, as well those which are imposed by the occupation (see Chapter Six on industrial barriers). These barriers affect the standards and operations of the factories. The majority of the firms surveyed were only working at around fifty percent capacity. (Sadler, Kazi & Jabr, 1984:13)

Of forty four large establishments in Ramallah, Jerusalem, Bethlehem, and Hebron covered by my interviews at the beginning of 1989, twenty percent are working at fifty seven percent capacity, while others are less.

### INDUSTRIAL DISTRIBUTION

The exact number of industrial establishments in the West Bank is vague and debatable. Most of the recognised surveys depend for information on the Statistical Abstract of Israel, at least regarding the number of establishments. But this source excludes two major branches of West Bank industry: construction, including stone cutting, quarries, marble, and gravel; and olive oil presses. Even the estimation of these two branches is different from one Israeli source to another. For the West Bank Atlas (1988:42) "...the construction establishments number 634, employing 2,948 workers; and the olive oil presses number 210 establishments, employing 1,174 for 1984-1985." But for the Coordinator of Government Operations (C.G.O's.1986:36), the construction establishments number 595 for the same period

(1984-1986). These establishments employ 6,400 local residents. This in addition to 1,000 truck drivers who are employed transporting stone, marble, and gravel. Considering the differences between the various Israeli estimations and the lack of other reliable estimations, I found it more convenient to use the available statistics, which to a large extent depend on the Statistical Abstract of Israel. But an indication of major categories can be given, as in Table 4.2 below.

The main branches of the West Bank industries are the following:

- (1) Foods, Beverages and Tobacco
- (2) Textiles and Clothing
- (3) Leather and Leather Products
- (4) Wood and Wood Products
- (5) Rubber, Plastic, Chemical Products and Non-Metallic Materials
- (6) Basic Metals and Metal Products

It should be mentioned that two main branches are not included here (olive oil presses and stone quarries), nor in any of the following surveys. These two branches are included only in my two series of interviews (1988 and 1989). Most of the carried surveys on West Bank industry have classified its industry according to the aforementioned branches.

The E/ECWA/UNIDO survey for 1969 shows the distribution of the major branches as follows:

Table 4.2

The E/ECWA/UNIDO Distribution of Major West Bank Industries, 1969.

Major Branch	Number of Establishments
Foods, Beverages and Tobacco	1,057
Textile and Clothing	474
Leather and Leather Products	498
Wood and Furniture	502
Rubber and Chemical Products	66
Basic Metals and Metallic Products	495
Non-Metallic Materials	32
Other Industrial Products	171
Total	3,295

Source: E/ECWA/UNIDO, 1981:18

The breakdown of this table shows that item number one (food, beverages and tobacco industries) provides 32% of the total number. Textile and clothing comprise 14.3%, leather and leather products, 15.1%, wood and furniture 15.2%, rubber and chemical products 2.0%, basic metal and metallic products 15.0%, non-metallic materials 1.0% and other industrial products are 5.1%.

The industries which are related (more than others) to the area of sub-contract, (textiles & clothings, leather and leather products and wood & furniture comprise 44.6%, nearly half of the total.

The number of major branches developed at ten years after the 1969 survey are as follows:

Table 4.3

The Distribution of Industrial Establishments by Major Branch, 1979

Major Branch	Number of Establishments
Foods, Beverages and Tobacco	232
Textiles and Clothing	484
Leather and Leather Products	234
Wood and Furniture	437
Rubber, Plastic and Chemical Products	51
Basic Metals and Metallic Products	419
Non-Metallic Products	122
Other Industrial Products	227
Total	2,206

Source: E/ECWA/UNIDO, 1981:21

It should be noted that the total number of establishments in Table 4.2 was higher than that in Table 4.3. One reason might be that the 1979 survey did not cover all sizes of industry. Since the number is debatable, let's take into consideration the percentage of every branch to the total. Table 4.3 shows that the percentage of food, beverages and tobacco declined in comparison to its percentage of Table 4.2, from 32% to 10%, the textile percent increased from 14 to 21%, leather and leather products decreased from 15 to 10%, wood and furniture increased from 15 to 19%, rubber, plastic, and chemical products increased from 15 to 5%, basic metals and metallic products decreased from 18 to 15 percent, non-metallic products increased from 1 to 5% and other industrial products decreased from 5 to 10%.

The significant change was in the decline of the food, beverages and tobacco industries. In other words, we see a decline in the sector which produces basic needs for the domestic market,

implying an increase of imports. At the same time, the increase of the sub-contract industries means an increase of dependency on the Israeli market.

The following are the results of surveys carried out by Samid for several years:

Table 4.4  
The Samid Survey of Industrial Establishments by Major Groups

Major Branches	1978	1980	1982	1983	1984
Foods, Beverages & Tobacco	228	225	228	224	233
Textiles and Clothing	530	469	456	484	468
Leather and Leather Products	264	218	202	251	216
Wood and Wood Products	456	398	444	497	510
Rubber, Plastic and Chemical Products	60	53	50	50	68
Non-Metallic Materials	128	115	146	161	173
Basic Metal & Metallic Products	443	410	464	561	534
Other Industrial Products	233	218	184	182	179
Totals	2,332	2,106	2,174	2,410	2,381

Source: Samid al-Iktisadi, No 72, 1988:21

Since numbers, and percentages in Table 4.4 are similar to those in the previous Table, No 4.3, I believe that Table 4.4 depends on the previous one with the addition of some amendments. The following is another estimation carried out by the Israeli Central Bureau of Statistics (CBS):

Table 4.5  
Distribution of Establishments in the West Bank by Major Branches, 1985

Major Branch	Total Number of Establishments	%
Food, Beverages and Tobacco	233	9.3
Textiles and Clothing	465	18.6
Leather and Leather Products	220	8.8
Wood and Wood Products	520	20.9
Rubber, Plastic and Chemical Products	64	2.6
Non-Metallic Materials	190	7.6
Basic Metal & Metallic Products	623	24.9
Other Industrial Products	189	7.2
Total	2,494	99.9

Source: C.B.S.S.A.I., 1986:718

It is clear that numbers for both Samid No.72, Table No 4.4, the C.B.S.S.A.I Table No 4.5, and the West Bank Atlas, (1988), Table No 4.8, are similar; which means that the slight differences shown resulted either from inaccuracy or the deliberate neglect of some establishments. It is also proof that most of them, if not all, depend on the same source of statistics, i.e. the Israeli one. The Statistical Abstract of Israel shows that the contribution of branches does not reflect its numbers or the percentage of the total number of industries. The food, beverages and tobacco industries constitute 9.3 per cent of the total number of establishments, but contribute 46.6 per cent of the total industrial revenue. Textiles constitute 18.6 percent of the total, and contribute only 7.4 percent of the industrial revenue.

## I. Distribution of Establishments by Number of Employees

Analysis of the distribution of establishments by number of employed persons depends on the same sources cited for the distribution of establishments by major branches.

Table 4.6  
Establishments Employing 10 Workers and More in 1969.

Major Economic Branches	Number of Establishments	Number Employed
Foods, Beverages and Tobacco	38	1,118
Textiles and Clothing	24	573
Leather and Leather Products	8	126
Furniture	10	215
Iron Products	14	198
Metal Products	13	249
Chemical Industries	19	748
Totals	126	2,727

Source: E/ECWA/UNIDO, 1981:19

The distribution of employment in this table shows that the food, beverages and tobacco industries employed 34.5 percent of the total; and textiles and clothing employed 17.7 percent. For the first branch, it is an industry which produces necessary social and consumer needs; and for the second, it was one of the first branches to be infiltrated by agents of Israeli companies.

Table 4.7  
Distribution of Establishments in the West Bank  
by Major Groups and Level of Employment for the Year 1979

Employment Factory	Number of Employees per Average								
	Total	%	1	2-3	4-7	8-10	11-20	21	(*)
(**)									
1.	232	10.5	85	61	65	7	6	8	4.0
2.	485	22.0	132	170	107	26	40	10	4.6
3.	234	10.6	62	117	52	2	1	-	3.1
4.	437	19.3	160	205	59	7	6	-	2.7
5.	51	2.3	6	14	11	5	3	12	5.6
6.	122	5.5	4	32	63	11	10	2	6.0
7.	419	19.0	57	236	117	3	4	2	3.4
8.	227	10.3	79	85	44	10	6	3	3.4
9.	2,207	100	585	920	518	71	76	37	3.8

Source: Sadler, Kazi and Jabr, 1984:18

(\*) Average Employment per Establishment.

(\*\*) 1. Foods, Beverages and Tobacco. 2. Textiles and Clothing. 3. Leather and Leather Products. 4. Wood and Wood Products. 5. Rubber, Plastic and Chemical Products. 6. Non-Metallic Minerals. 7. Basic Metal and Metal Products. 8. Other Industrial Products. 9. Totals.

This table shows that the percentages of factories which employ eight or more workers are as follows: thirty nine percent for rubber, plastic and chemical industries; nineteen percent for non-metallic minerals; 15.6 percent for textile and clothes; nine percent for foods, beverages and tobacco; and less than three percent for the rest. Labour-intensive establishments were concentrated in the more-developed and capitalised industries, but these industries as a group are not the main absorbers of labour nor the main contributors to production: i.e, rubber, plastic and chemical products constitute of only 2.6 percent of the total number of establishments; and non-mineral materials constitute only 7.6 percent (see the following table).

Table 4.8  
Distribution of Establishments in the West Bank  
by Major Branches and Level of Employment in 1985

(*) (1)	(2)	(3)	(4)	(5)	(6)	(7)
Food, Beverages and Tobacco	233	9.3	1,529	1,104	14.3	6.56
Textiles and Clothing	465	18.6	2,386	1,720	22.3	5.13
Leather and leather Products	220	8.8	878	488	8.2	3.99
Wood and Wood Products	521	20.9	1,294	456	12.1	2.49
Rubber, Plastic and Chemical Materials	64	2.6	976	871	9.1	15.25
Non-Metallic Materials	191	7.6	1,008	641	9.4	5.31
Basic Metal and Products	623	24.9	1,901	904	17.8	3.05
Other Industr- ial Products	180	7.2	709	408	6.6	3.96
Total	2,497	99.9	10,679	6,591	99.8	4.28

Source: W.B. Atlas, 1988:43

(\*): (1)Major Branches (2)Total Number of Establishments (3)  
% of Establishments (4) Total Number of Employed, (5)  
Thereof Employees, (6) % Employed, (7)Average Employment  
per Establishment.

This table shows that the rubber, plastic and chemicals industries have the highest employment average (15.25 worker); followed by food, beverages and tobacco (6.56 workers); while the rest are less. It is significant that the highest average of the West Bank industries still lags behind the total average in Jordan. All of these facts reflect the weak capitalist structure of most of the local industries.

The distribution of those employed in the crafts industries is lower than the average of employment in the West Bank, at 3 to 3.4 workers.

Table 4.9  
The Distribution of Employment in the Crafts Industries.

No of workers	%
One worker	16
2-4	59
5-9	12
10-20	8
20 and over	5 (most of it embroidery units).

Source: Shihada and Shalabi, 1987, (Derived from pages 7, 8.)

The reason for this is that the crafts industries have not developed the use of machines and new technology. Their organic composition is limited, and their raw materials are imported and expensive; thus diminishing the incentive for expansion. In fact, the number of these industries decreased during the occupation because of the competition for tourist trade from Israel and the Israeli policy of obstructing tourism facilities in the West Bank.

## II. Geographic Distribution of West Bank Industries

All the surveys have shown that there was no significant industrial concentration in any area in the West Bank. There is no regional specialisation of activity of any industry. The only semi-geographic concentration (textiles in the Tulkarem area), stems from the sub-contractual relations with the Israeli economy, but not from the West Bank developing towards concentration.

Table 4.10  
 Percentages of Workers in Industry by Sub-District, 1987

District	%
Jenin	3.67
Nablus	28.73
Tulkarem	19.25
Ramallah	15.70
Bethlehem	20.79
Hebron	11.86

Source: (West Bank Atlas, 1988:43.)

The Hebron area contains thirty percent of the total number of establishments in the West Bank, but employs only 11.86 percent of the industrial workers in the West Bank. (W.B. Atlas, 1988:43) With reference to this, Sadler, Kazi and Jabr's report (1984:22) showed that there are large concentrations of textile manufacturers in a number of areas. In Tulkarem, 65.4 percent of industrial labour is concentrated in this industry, and 29.9 per cent in Nablus. With Bethlehem (17.3%), Ramallah (15.3%), Hebron (14.7%), and Jenin (13.0%) included, it is obvious that this industry employs a large proportion of the working population; spread throughout the country. Only Jericho (because it is far from the Israeli borders) and Jerusalem (which is merged with West Jerusalem and annexed by Israel) do not show any significant interest in this industry.

The concentration of textiles in the Tulkarem area is due to the fact that this area, together with Qalqeliah, is in proximity with large number of Israeli settlements as part of what is called the "Tel Aviv metropolitan area". Tulkarem is attractive to Israeli companies, which prefer it as an area close to their centres, full of cheap and trained labour power. Moreover, Tulkarem as a border town lost a lot of its agricultural land in 1948, resulting in a large surplus of labour power. At the same time, it lacked industrial or even commercial activity, even during the Jordanian era. All these factors made it a desirable area for sub-contracting.

It should also be noted that Tulkarem was integrated into the Israeli economy earlier and deeper than other areas. It was connected with the Israeli electricity grid in the early 1970s. The closeness to the centre of Israel facilitated its fast subordination into the Israeli economy. For other cities, the number of textile shops is not high. Hebron and Nablus became centres for footwear in the Jordanian era, and they developed the beginnings of an industrial base, i.e. experience in addition to a reasonable amount of labour power.

*Footwear is a significant industry in terms of employed figures; and although a little more concentrated, the employment of 27.6% of industrial labour in Hebron, 11.6% in Nablus and 10.4% in Jerusalem again makes this industry an important employer. (Sadler, Kazi and Jabr, 1984:22)*

The West Bank's lack of commercial raw materials has contributed to the absence of an established industrial area. An industrial area needs a source of raw materials, preferably close to the available labour power and to transportation facilities. But since seventy to one hundred percent of the raw materials used in the West Bank are imported (see Chapters Five and Eight), and the industries in the area are on a small scale which employ only small numbers of workers, then every area could supply any enterprise with its needs of labour power; and since the raw materials are imported, the investor can invest in the immediate area. While, if the local industries had been established according to the availability of local raw materials, i.e. the surplus agricultural crops, surely we would find the industrial distribution and fields different.

### III. Distribution According to Resource Base

There is no geological survey to negate the consensus which has been built on the idea that there are no exploitable natural resources in the West Bank which could offer raw materials for a strong industrial base. All that is available,



... is building stone, possibly phosphates, and some limestone suitable for the cement industry. There are no minerals capable of development as far as is known, and no energy sources are known to be available for exploitation. There is an urgent need for a comprehensive survey of minerals and other natural resources. However, the probability that many resources are available but are as yet undiscovered is not high. (Sadler, Kazi and Jabr, 1984:5)

The case of the agri-industry is different to a certain extent. There is a potential for canning, fruit drying, oil and juice extraction, and freezing. Without considering export, most of these products, if materialised, are needed for local consumption.

Table 4.11  
Distribution of Establishments by the Raw Materials Used(\*)

	Total	West Bank	Through Israel	Through Jordan
Total No of Establishments	182	75	136	12
% of the total	100	41.2	74.7	6.6

(\* East Jerusalem included) Source: E/ECWA/UNIDO, 1981.41.)

According to the responses of the establishments concerning the sources of raw materials used, it is understood that:

*The imported raw materials from or through Israel is between 70-100%, but there are some exceptions, like food industries which use 32% of imported raw materials from foreign countries through Jordan...and 67% of the soft drink industries is local. (E/ECWA/UNIDO, 1981:41)*

It is doubtful that sixty seven percent of the soft drink raw materials are local, since the components of its produce are prepared abroad and only the water is obtained locally.

But the results of my own interviews for 1989 might show that the aforementioned results have some exaggeration. My results showed that eighty four percent of the raw materials for the forty four largest establishments are imported, with twenty five percent coming from Israel. Local raw materials constitutes only twelve percent, and about two percent are imported from Jordan. Some establishments (i.e. sweets factories) even exaggerated the contribution of the local raw material in saying that sugar is a local raw material. Sugar is an imported raw material despite the fact that the sweets factories buy it from local distributors.

In the interviews conducted during the Intifada, many establishments reported that their raw materials, are imported, without mentioning the name of the country. This implies the possibility that the source is Israel; but the owners may be afraid to mention that due to the mass orientation toward boycotting Israel and protecting the local economy.

#### IV. Distribution of Establishments According to Date of Operation

Most surveys did not consider the date of operation of industrial establishments in the West Bank, despite the fact that this is an important way to uncover the company's movement (starting and withdrawal) in the market, its ability to struggle for survival under fierce competition, and the heavy losses which affect the local economy because of a firm's shortage and bankruptcy. The final result of the capitalists' withdrawal from the market is the priority which they gave to investing abroad and/or the final emigration of the owners and, in fact, of their projects. The E/ECWA/UNIDO Report for 1981 covered 182 establishments, focusing on the date of operation:

TABLE 4.12  
Date of Operation for Selected Establishments, Selected Years.

	Date of Implementation.				Total
	Pre-1967	1967-1970	1970-1975	1975-1980	
No of units:	85	20	49	28	182

Source: (E/ECWA/UNIDO, 1981:24)

This table shows that forty six percent of the establishments were established before 1967. It is evidence for the decrease in the number of pre-1967 establishments and an increase of the number of establishments which started after 1967; a fact which could be understood as an indication of the rapid change of establishments. Many firms enter the market, fail, and leave the market within a relatively short period. The report added that:

*... the number of establishments which left the market exceeded the number of those which entered it. There are 293 establishments which stopped working in the West Bank in the period 1978-1979. (E/ECWA/UNIDO, 1981:24)*

While this evidence details the number of firms, it failed to uncover the capacity of these firms (i.e. the amount of invested capital) and the average invested capital per firm, both pre and post-1967 war.

The following table shows the drastic decline in the number of working establishments after 1967:

Table 4.13  
Number of Industrial Establishments and Employed Persons in the Industrial Sector (transmission sector).

Year	No. of Establishments( *)	No. of Workers (**)
1967	3,261	21,129
1978	2,332	9,185
1980	2,106	8,496

(\* excluding oil presses)

(\*\* C,B,S,S,A,I, 1979:750)

(\*\*\* C,B,S,S,A,I, 1982:742)

Source: Manufacturing Industrial Census 1971. Amman. December, 1968:13-14 and 18.

The decline here is not totally due to the contraction of the domestic market, if we realise that the number of the West Bank population in 1980 was not much less than its number in the pre-1967 period. What had more effect are the Israeli occupation policies on the one hand, and the failure of the local capitalists to give priority to investment in the West Bank on the other, (see Chapter Five).

In Kaukali's 1987 survey of one hundred firms in the Hebron area, eighty five percent of the factories were shown to have started after 1967. The survey did not show how many factories left the market after 1967, or the difference between the amounts of invested capitals for both periods.

In my interviews in the towns of Bethlehem, Beit Jala, and Beit Sahour (1987), out of 349 establishments, there were 103 establishments (thirty percent) established before 1967. In these interviews, the number of establishments which left the market was not available. The results of both Kaukali's Hebron and Bethlehem area surveys are different from the results of that of E/ECWA/UNIDO (1981).

My interviews of 1989 show results largely similar to both the Bethlehem and Hebron surveys: Of the forty four

establishments, thirty three were established after the 1967 period, nine after 1948, and two before the 1948 period.

The subordination of the West Bank economy into that of Israel has created unequal conditions of competition between the two. In addition to that, the Israeli authorities are continuously trying to liquidate any significant employment area in the West Bank. This might partially explain why many firms in the West Bank have been, and still are, leaving the market. Despite the Israeli workers' reluctance to undertake mental and manual labour,

*... Israel has tried to establish marble and stone cutting quarries of its own; aiming to make its own imports from the West Bank and to find jobs for the settlers there. (Samara, 1988b:113)*

Only the relatively strong firms could continue struggling under these unequal conditions (the sub-contracting companies are not included in this competition), but this does not mean that they have not been affected. A tomato paste factory in Hebron, established before 1967 and employing fifteen workers, employs only five workers today. (Muslih, 1980:6) The plastics factory in Beit Sahour, established in 1958 with 250 workers, employed 130 workers in 1980 and closed in May 1988, but for only a short period.

## THE MAIN INDUSTRIAL GROUPS

According to the importance of local availability of raw materials on the one hand, and the establishment of industries which are structured and oriented to depend on and use these raw materials, it is important to uncover to what extent this argument is taking place in the West Bank industry.

This section is a discussion of both existing and potential industries in the West Bank, in light of the availability of raw materials. These industries are classified as follows:

- 1- Industries using locally available raw materials.
- 2- Industries without local raw materials, but which are essential to the country.
- 3- Industries without local raw materials, and dependent on the Israeli market (deepening peripheralisation).

What should be mentioned is that despite the fact that the raw materials for food and agri-industries (packing, canning, fruit drying, oil and juice extraction, and freezing) are available or easy to develop, their number and role have declined (see previous chapter).

*The food industry relatively declined during the occupation. It employed 29% out of the number of industrial employment in the beginning of the occupation era. This share declined to 14% by 1984. The reason is that a lot of factories have gone bankrupt and many agricultural sources have deteriorated. (Samid No. 72, 1988:27)*

Because the local industries are not well oriented to using the local agricultural surplus, the increase or decrease in the number of food industries tell us nothing about the relative amounts of this surplus. The only way is to orient industry towards using local raw materials, and to plant those agricultural crops which could be manufactured according to the needs of domestic

market. This goal is an articulation of both agricultural and industrial sectors on the national scale.

The following is an explanation and argument for existing, possible, and viable industries in the West Bank.

## 1. INDUSTRIES USING LOCALLY AVAILABLE RAW MATERIALS

### I. Olive and Related Industries

Although there has been an increase in the area of olive groves from 514,000 dunams in 1967-68 to 775,000 dunams in 1985, (West Bank Atlas, 1988:39), most of the new groves were planted before 1967. Before 1967, olive property was both a source of wealth and an indicator of prosperity. Olive tree property is widely distributed in most of the mountain areas in the West Bank. Nearly, every family owned some, albeit the size of plots vary considerably. Olive groves were viewed as an investment. That is why olive pressing is one of the oldest industries in the West Bank. According to their large properties of olive groves, the traditional families in the city of Nablus were the first to invest in olive presses, since the beginning of the Jordanian era (see Chapter Two). This investment took place in parallel with the traditional oil presses in villages which ran on animal power. Since the early sixties cooperative presses were started in the West Bank, most of them owned by the farmers of individual or several closed villages.

The argument that the new groves were planted after the beginning of the occupation by Palestinian farmers anxious to avoid land confiscation, is exaggerated. Hundreds of thousands of dunams were neglected during the occupation era and their owners became simple daily-workers in Israel.

Olive production varies greatly from one year to another, but its output affects both industry and agriculture. The following are several estimations of the olive harvest for several years.

Table 4.14  
West Bank Olive Production, 1967-1985 (1,000 tons)

1967-68	69-70(1)	70-71(2)	71-72	72-76	77-81(3)	83-84	84-85(4)
28	15	30	70	41.6	73.2	62	20.9

Sources: (1) C.B.S.S.A.I., 1972:664 (2) C.B.S.S.A.I., 1973:720  
(3) Mansour, 1988:89 (4) C.B.S.S.A.I., 1986:713

### A. Olive Presses

As mentioned above, a large number of olive presses were established as cooperatives (albeit traditional ones) by the contribution of the farmers who were themselves olive grove owners. Olive presses are established in the villages themselves, a reason which offer the farmers some days of work in the village itself, give them the chance to benefit from olive remains for heating and cattle feeding, and the possibility of using the motors of the oil presses in another industries, since the olive season is less than two months every two years, (see the last chapter)

In 1984, there were 238 olive presses employing 1,660 workers. Twenty-three of these presses were automated, seventy two semi-automatic and the rest manual. An old press needs a capital outlay of 500 JD, and the modern one needs 75,000 JD. (Samid, No 72, 1988:28)

Olive pressing is the main olive related industry in the West Bank. The present presses are varied (old and modern), and some of them are out of date and their product is poor. Since olive oil is an exportable product and faces fierce competition in the world markets, there is a need for better machinery for cutting, refining, and canning. This is in addition to the need for technical training, better quality control, and marketing techniques. The cans used in the West Bank are impractical, as they hold a volume of 20 litres, which is a non-marketable size.

Because of mal-administration, the cooperatives in Deir-Sharaf and Ain-Sinia, which received loans for factories to produce cans of five, ten and fifteen litres, failed to meet their goal. In 1984, the Ain-Sinia cooperative press received a loan of 240,000 JD from the Jordanian/Palestinian joint committee, and another loan of \$150,000 from ANIRA to improve the press and buy a canning factory. The factory has since been bought, but as of 1989 it had not begun operations due to quarrels between the members of the administrative committee, and because the instruction manuals for the machines were lost. When the canning machines were purchased from Italy, a stock of cans of several sizes was also obtained; but because these were not used for several years, they became un-usable. (Interview, al-Hawarith) There are no olive oil canning factories in Jordan (Interview, Walid), and this would have made it easy for the West Bank to export to Jordan and other Arab countries in years of high output, like 1988; but since the canning is still done in a traditional way, the produce has lost this advantage.

There are several olive oil soap factories in the West Bank. But their management lack the will to dominate the domestic market and compete with the imported soaps. That is why the consumption of the local soap is limited. In many villages, the farmers produce their own needs of soap in a traditional way, they use a good quality of olive oil, but their finishing is not good.

Beit Jala cooperative soap factory, which is owned by 700 members, was designed to satisfy the needs of the West Bank and export to several countries in the Middle East when it working to full capacity. Unfortunately, this factory operated for three months in 1982, but has stopped production, partly because the finishing of its palmolive soap was not good enough. As the factory has the potential to produce olive oil soap, of a good quality and finishing, the B.D.C/U.N.D.P is trying to persuade its management to give priority to olive oil soap, and to reoperate it as fast as possible.

## **B. Olive Remains Factories**

In five small factories (three in Nablus, one in Ramallah and the last in Hebron), the extracted oil ( six to seven thousand tones annually) is used in making soap. The refuse from this process is used for heating and cattle feed.

## **C. Souvenir Industries**

Olive wood is the best material with which to make products from the Holy Land to be bought by pilgrims. There are many shops for making souvenirs from olive wood. But this industry is still not developed to make competitive products.

To start a form of development according to the local needs and available raw materials, it is possible to integrate the olive presses soap, olive remains, and souvenir industries in one chain (for the chain industries, see the Conclusions). While the mother of this chain , the olive presses, is established on a cooperative level, there is a large possibility to extend this trend on the other parts of the chain. If the cooperative mode of production could apply in this chain, a link, and articulation might be established between the independent producer and the cooperative relations of production. The aim of develop the agricultural relations of production from its non-capitalistic ones, share-cropping, family work, etc, is largely dependant on the success of the cooperative movement in the industrial sector. Cooperative work could offer better alternative relations of production than the exploitative capitalist ones.

## **D. Problems Related to the Olive Tree**

The olive is a controversial tree in the West Bank. Some people argue that it needs much hard work, while others argue the opposite. However, both sides agree that it is difficult to increase the number of olive trees, and if this step is going to be taken a long time is needed.

It is well known that the new generation of Palestinians is highly oriented towards education, and has little interest in the cultivation of land. They believe that agricultural work, especially the cultivation of olive trees, is extremely difficult. While most agricultural work in the West Bank has witnessed considerable development through the use of modern methods and tools reducing the human energy required, olive agriculture did not respond to this development due to the nature of the land and the tree itself. Taking into consideration the fact that working in olive groves is typically seasonal one, even shorter than for many other crops, the chain industry might offer more working days for the farmers which might satisfy them for the whole year.

But the main problem concerning the olive tree is the marketing of the oil surpluses which occur approximately every two years. The year 1988 was one of the worst for the olive producers in this respect (i.e., high output and few markets). In addition to the difficulties related to the Intifada, Jordan refused to permit the West Bank's surplus olive oil to enter Jordan's markets. (Interview, n.n.) As for other markets, West Bank oil cannot compete because of its higher price and lower quality. "People tend to avoid the oil acids which exist at a higher percentage in our oil," (Interview, Musa, Jarad) as well as its being packaged in large cans.

But one cannot take the aforementioned argument for granted. Most other West Bank fruit trees need more daily work than olive trees, and perhaps this is the reason why the West Bank peasants have increased the number of olive groves. The olive's ability to bear climactic fluctuations and to survive and produce for approximately years is not rivalled by any other local tree. If this tree is given good care it will yield a good profit. Four dunams of olive trees produce an average of 400 kilos of oil every year.

According to its good profit yield and limited days of work, olive and olive oil chain factories might offer substantial working days to the owners of olive groves:

If there was financial support for olive growers to introduce fertilisers and new equipment, and if there was an establishment for a factory to produce and properly package various quantities of olive oil and to develop a new markets, this crop could maintain its traditional role as the main crop in the West Bank. A large portion of the olive harvest could be canned in the West Bank to be sold for local consumption, since people can in their homes quantities enough only for a few months. A new canning factory could produce for the rest of the year. The amount of olive which the canning project might consume would diminish the amount of olive pressed for oil. Any decrease of olive oil would make it salable for better prices.

## II. Grapes

The area planted with grapes is estimated at 83,437 dunams. (Awad, Raziq and Sawalhah, 1986:3) The level of processing for this crop is low and primitive. It is still reduced to a simple type of syrup. Grapes are available every year without a high fluctuation in the harvest like olives. That is why an industry based on this crop would be viable.

Like most of the statistics on the West Bank economy, estimations of grape production, consumption, and surplus are often contradictory.

*In the year 1972, 28,000 tons of grapes were produced in the West Bank, 18,600 tons were consumed locally, 2,500 were exported to Jordan, 800 to Gaza, and 7,300 to Israel and over-seas. (C.B.S.S.A.I., 1973:721)*

In the year 1986, the West Bank produced 35,600 tons, consumed 16,800 tons, exported 13,000 tons to Jordan, and 7,000 to Israel and overseas. The difference comes from 1,000 tons imported from Israel and 200 tons from the Gaza Strip. (C.B.S.S.A.I., 1986:714) The NOVIB report of 1987 stated that "...the West Bank exports to Jordan were only 5,200 tons for the year 1986. (Samara, 1989-a:107) If one accepts these estimations, the West Bank consumption of grapes has decreased

between the two dates, despite the fact that its population increased. The reasons for this might be the deterioration of the standard of living, the illegal imports from Israel, or an increase of home production of grapes .

In their feasibility study of 1986 Aawd, Raziq and Sawalhah noted that,

*The average grapes surplus is 33,600 tons, which is 72.62 percent of the total production. The exports of this surplus amounted to 50 percent, and what was left for manufacturing is nearly 17 thousand tons. This in addition to the yearly manufactured amount which is 4,940 tons. (Awad, Raziq and Sawalha, 1986:13,14)*

*The annual production of grapes in the West Bank is 70,000 tons. (Tamimi, 1987:22)*

*The differences between the Israeli and Palestinian estimations are large, but clearly there is a surplus which is worth manufacturing. In the first place, surplus grapes could be manufactured as juice and jam, since the West Bank imports both of these commodities from Israel. Part of the surplus could be manufactured as wine for local consumption, sale to pilgrims, and export. The remainder (which amounts to 22 percent) could be used as cattle feed. (Awad, Raziq and Sawalhah, 1986:23)*

### III. Citrus

Despite the fact that citrus is a traditional crop in Palestine, the West Bank has no citrus processing factories. Although citrus juice is much healthier than soft drinks, no one has invested in a citrus factory; while others have invested vast amounts of money in cola (e.g. the Club factory in Ramallah required an investment of \$5 million) (Interview, 'Issa, Danial) The West Bank exports its surplus citrus to Israel, and then re-imports it at higher prices as juice and jam. Another part of the surplus is

exported abroad through the Israeli exporting establishments. Since much of the current crop is not suitable for sale as table fruit, there is a good potential for juice manufacturing, bottling, and canning.

Table 4.15  
West Bank Citrus Production 1967-1986 (in Thousands of Tons)

1967-68	69-70(1)	70-71(2)	71-72	72-76(3)	77-81	83-84(4)	84-85	1986(5)
30	35.2	38.0	46.8	66.8	77.6	74.3	76.3	76.3

Sources: (1) C.B.S.S.A.I., 1972:664. (2) C.B.S.S.A.I., 1973:720.  
(3) Mansour, 1988:89.

(4) C.B.S.S.A.I., 1986:713. (5) C.B.S.S.A.I., 1986:714

The West Bank exported 29,598 tons of citrus to Jordan in 1985, and 19,760 tons in 1986. These exports constituted the major part of its surplus. For 1986, the production was 76.3 thousand tons; local consumption was 35.2 thousand tons, and the rest was surplus. (C.B.S.S.A.I., 1986:714)

It is clear that there is a surplus of citrus crop in the West Bank which is an available raw material for local exploitation. Starting a citrus factory would increase employment of local labour power, decrease the imports from Israel; and, while decreasing the exporting orientation of citrus, strengthen the exporting position of the area. In fact there is currently no industrial establishment for citrus in the West Bank with the exception of a station for classifying citrus in the town of Qalqeliah.

The case is the same for tomatoes, apricots, and palm tree products. These crops are produced in the West Bank; and most of the surplus is exported at low prices, while the West Bank reimports them in processed form from Israel. There are three small factories for fruit and vegetable packing, but they fail to absorb the local production. There is a small tomato canning factory in Hebron but it has a low capacity, and its output is currently less than it was before 1967.

The manager and owner of the factory, Mustafa Abd-al-Nabi, told me in an interview that:

This small factory reached the level of satisfying the whole needs of Jordan in the 1950s and 1960s. Me and my brother established it in 1954, all of the raw materials were gathered from the farmers of those mountains (referring to the mountains of Hebron). Now, our production only satisfying 25% of the West Bank needs.

We are looking for a loan (but without interest) to substitute these old machines

I asked him if he were ready to accept other partners in the factory, and he said yes. As for a loan without interest, I asked him if some body should give him a machine which cost \$1 million, would he be ready to give him the price of a similar machine during five years, albeit if it is more than \$1 million; again he said yes.

My crude idea is to find a proper way to deal with religious people in a development programme, and to find a way of loan re-payment other than paying direct interest, which is prohibited by Islam. (Interview, Abd al-Nabi)

There have been some discussions of starting another factory in Ramallah, but the businessman who received a licence to open the factory is hesitant because of the Intifada.

As for industries which could depend on the locally available raw materials, the chain industries is a possible route for development. It contains a possibility for depending on cooperative relations of production, management and even ownership. If this form became possible, it would ensure the people's direct contribution in production, employment and administration. In this case, private capital might be expelled to those fields which either needs large amounts of capital on sophisticated technology, like cement factory, tourist hotels, and export companies.

#### IV. Building Industry

Materials for the building industry (cut stone, quarried marble, cement products bricks, etc) are much in demand. This is a labour intensive industry, which is suitable for the West Bank as an area with surplus labour power. But the main characteristic of this industry (with the exception of the cement industry) is that its raw materials are locally available, needed, and also in demand for export.

*There were 150 marble quarrying and stone cutting establishments in 1984. The West Bank produces 700,000 m<sup>2</sup> of marble and building stones annually. Eighty percent of this produce is exported, the West Bank consumes 10 percent, 2-3 percent is sold to the Gaza Strip, and the rest goes to Israel. Forty percent of the amount exported is consumed in Jordan and the rest goes to other Arab countries. This industry employs, 3,000 workers. (West Bank Atlas, 1988:42)*

The occupation has imposed several barriers on this industry, as a major contributor in employment and income for the country.

*The ability to extract basic materials for building is crucial for industrial development, yet permission is sometimes withheld for long periods. For example, in November, 1982, the issuing of licenses for quarrying was suspended, and up to date (June, 1983) had not been started. As such licenses are of a short duration, this type of suspension stifles output. (Sadler, Kazi and Jabr, 1984:38)*

This commodity is one of a relatively, comparative advantage, if it finds a market in some Arab countries, i.e. the oil producers ones. The comparative advantage comes from the scarcity of this commodity there, it is warm in winter and cold in summer, the scarcity of manual workers to re-shape it there, and the luxury oriented mentality, and the availability of money liquidity in their hands.



The export of this commodity to Arab countries could develop the exchange relations of the West Bank with regional markets thus avoiding, to a certain extent, the deep unequal relations of exchange with the developed markets in the centre.

## V. Tourism

Tourism is a good source of wealth for the West Bank. As a result, the related industries are important, although tourism itself is not a part of the manufacturing sector. Tourism-related industries are significant absorbers of labour. Moreover, developed tourism industries attract more tourists, and strengthen the country's ability to compete.

This sector faces a continued Israeli challenge, not only as a part of the Palestinian economy, but also as a competitor to the Israeli one.

*...the tours are conducted by Israeli tour operators with Israeli guides... there were three hundred licensed Arab guides to the holy places on the West Bank at the time of the occupation that are now only seventeen. (Sadler, Kazi and Jabr, 1984:55)*

It should be noted, on this level, that, according to the circumstances under occupation, the activation of this sector needs (in general) an independent situation, because the occupation puts obstacles against it.

## 2. ESSENTIAL INDUSTRIES WITHOUT LOCAL RAW MATERIALS

### I. Tahine (Sesame)

In the pre-1967 period, the raw material for this industry was locally available. Planting sesame was part of the local diversification of agricultural crops. This changed with the occupation. Transforming tens of thousands of West Bank peasants to daily wage earners in Israel reduced the area of

cultivated land and the number of crops. The West Bank now (1987) imports annually 6,000 tons of sesame for its tahine factories. (Samid, No 72, 1988:29)

Despite the fact that most of the sesame now used in the West Bank is imported, it is related, and even necessary, to several industries satisfying a high local demand. There are fifteen West Bank tahine factories (Samid, No 72, 1988:28) (eight of them in Nablus), which have a capacity for producing fourteen tons daily. These factories employ one hundred workers. However, to improve the quality of the tahine it is necessary to renew the primitive extraction equipment. Sesame oil is basic for most of the local sweets as a traditional produce. There are fifty nine shops making sweets, employing two hundred workers and sixty five factories producing sweets, employing 330 workers. (Samid, No 72, 1988:29) Related to all these factories, sesame oil is of a high added value.

### II. Bakeries and Corn Mills

This is not a large industry, but its importance stems from the fact that it produces basic needs of the society. An activation of this industry might enhance planting of field crops, which have largely been neglected during the occupation era.

There are ninety three bakeries in the West Bank employing four hundred persons. In addition, there are five corn and other traditional mills. (Samid No 72, 1988:29)

If some activity could be devoted to increasing wheat production, corn mills and bakeries might become part of a chain agri-industry in the West Bank.

### III. Feed

Livestock contribute about forty percent of the agricultural share of the GDP. The cattle feed industry is important in order to make as much as possible of the livestock needs locally available. The increase of this industry could encourage an increased planting of field crops. All raw materials for these

factories are imported either from or through Israel. This enables Israeli factories to compete with the local ones, since they can provide the local farmers with a cheaper product.

*There are 9 feed factories in the West Bank, and they employ 75 persons. They have a productive capacity of 2,500 tons monthly, but this is only 40 percent of their capacity. (Samid, No 72, 1988:33)*

If the local factories increased their production to satisfy the West Bank livestock needs, they could employ at least three hundred people. (More on the position of flour mill in a chain industry, will appear in the last chapter).

#### IV. Dairy Industry

"There are nine dairy factories in the West Bank." (Samid, No 72, 1988:32) All of them except one, al-Junaidi in Hebron, are small enterprises with limited production capacity. The West Bank lacks enough milk to satisfy its needs for dairy products, and is dependent for about sixty percent of its needs on the Israeli dairy corporation, TNUVA .

The Cooperative of Al-Mashrooa Al-Inshaai Al-Arabi in Jericho was the first West Bank dairy factory to produce milk, cheese, and yogurt. Its capacity is 1.5 tons daily, from the milk yield of its own dairy farm. The al-Junaidi factory at Hebron, established in 1982.

*...produces 5-7 tons of dairy products daily, and is planning to produce around 70 tons soon. Before the Intifada, all its raw material was imported from the Israeli corporation TNUVA. according to contract. Today, most of these raw material comeng from local farmers. (Interview, al-Junaidi)*

It would be possible to start large dairy farms in the West Bank to satisfy the local needs, despite the fact that most of the feed is imported.

It is possible to encourage wheat planting by easy loans, especially during the Intifada, and because more land is vacant. This would also be possibly due to the fact that there has been recently a return to reactivating the circle of the peasants' life as it was before 1967, but on a developmental and cooperative, rather than individual level. This class is encouraged by the increased possibility reaching a good standard of life, and enough work to absorb its labour time (work in olive groves, olive industry, planting wheat and vegetables, and raising cattle). There is a large orientation for establishing dairy factories in the West Bank, while the production of milk is limited. This is a dangerous trend which might create a competition for a scarce and mainly imported raw materials. Thus, the right way is to raise more dairy cattle before starting the building of new factories.

#### V. Tobacco Industry

The West Bank farmers produce nearly 250 tons of tobacco every year. This is, however, a small percentage of the tobacco used in the local factories, and seventy five percent of these factories' needs are imported. There are two cigarette factories: the Jerusalem Cigarette Company (employing 135 persons before the Intifada, and 150 during it and the Beit Jala Cigarettes Company, employing thirty five persons. The productive capacity of the two factories is about fifty percent of their available capacity.

There is a lot of controversy concerning the relation of the factories and the local raw materials producers. The producers argue that the companies do not absorb their crop, and import their needs from apartheid South Africa. This in addition to the fact that the export of tobacco and metal products to Jordan is not easy, and that Israel has a large surplus. The administrations of the factories (especially the Jerusalem company) argue that the military governorate grants too many licences to the farmers, which has resulted in surplus produce.

### 3. INDUSTRIES WITHOUT LOCAL RAW MATERIALS AND DEPENDENT ON THE ISRAELI MARKET (DEEPENING PERIPHERALISATION)

#### I. Footwear

*There are 310 footwear workshops in the West Bank. Most of them are small family owned concerns. There are two large factories, one in Jerusalem with 130 employees, and the other in Nablus employing 450 persons. The ownership of these workshops is distributed as follows: 64 percent private ownership, 25 percent private company, and 6 percent public liability. (Samid, No 72, 1988:39)*

In theory, this industry could produce 1.7 pairs of shoes per inhabitant of the West Bank per year, but this does not represent the real situation. As the West Bank is an open market for Israeli and other foreign shoe exports, not all the West Bank produce is consumed locally.

In addition to producing finished products for the local market, these factories do piece work for Israeli factories. Most of the Israeli shoe factories depend on those of the West Bank for the early stages of shoe manufacture, which require intensive manual labour. This is not the only aspect of this industry's peripheralisation. As most of its raw materials are imported, these factories really do processing work only.

#### II. Textiles

The textile industry is one of the largest in the West Bank. It is estimated that there are 468 textile factories, some twenty percent of the industrial establishments, employing 2,250 workers or twenty three percent of those employed in industry. (Samid, No. 72, 1988:38) The number of unregistered or counted workshops of this industry is large, since a lot of clothing is produced manually and at home, e.g. embroidery. There are Thousands of women, mainly in villages, work for the Israeli

companies in this field. The work is done either through a local contractor or even directly through an Israeli one.

Most of these industries have sub-contracts with their Israeli counterparts. Like the footwear industry, all the textile industry raw materials are imported.

As was mentioned in the previous chapters, women are harshly exploited in this sector. Their wages are low, some of them are working per piece at home; a reason which has made their home as a place of work and life at the same time. It is a mixing of both domestic and wage labour.

As concentrated in this and other branches like secretarial work and services, women's labour is still not incorporated in trade union activities. This increases their exploitation to the maximum.

#### III. Soft Drink Industries

There are ten soft drink factories in the West Bank. The two largest were established in 1987 and 1988. There are three hundred persons employed, most of them in the two largest establishments. These factories import all their raw materials from abroad, but most of their products are marketed inside the West Bank itself. Local alternatives for this industry would be citrus and grape juice factories.

Soft drink factories employ large numbers of females. Most of them are not members in trade unions. In addition to the fact that the wages of these factories are low, (about fourteen New Israeli Shekels daily), the quality of their production is low.

During days of curfew, the largest two of these factories in Ramallah, (Club and R.C.) refused to pay the workers' wages. (Interview, Jamil).

#### IV. Wood Industries

These industries include furniture, and olive wood products for the tourist trade. The latter has already been discussed. The furniture industry is a labour intensive one. It is mainly a sub-contract to that of Israel.

There are 511 wood establishments in the West Bank. This is twenty one percent of the number of industrial establishments in the West Bank. They employ 1,200 persons, or twelve percent of those employed in industry. (Samid, No. 72, 1988:37)

#### Conclusion:

What is concluded from this chapter is that industry in the West Bank, was established in a on haphazardous way. There is no articulation between the available raw materials, i.e. agricultural crops and industrial activities. The established industries are designed to meet the individual interests of the local capitalists who were looking for fast and easy profits. This form of profits is contained in the sub-contract companies with the Israeli capital. The result of that is an external articulation of the West Bank accumulated surplus, lack of production for local needs, and more contraction of the domestic market.

But there are possibilities to start internally oriented industries. A major part of these industries could be the agri-industry if it will be based on the locally available raw materials. If these industries could be established on a cooperative basis, it might encourage many farmers to re-cultivate their land, raise cattles, and produce for the cooperative factory. But these promising possibilites require a deep structural change in the productive structure of the West Bank economy (see chapter Nine).

## CHAPTER FIVE

### PERIPHERALISED DEVELOPMENT AND THE INDUSTRIAL BARRIERS

In several places of the previous chapters, reference has been made to some of the industrial barriers in the West Bank. In this chapter, the main industrial barriers will be discussed in depth and properly. Those barriers are classified into two main categories: the barriers which have been made by the occupation as a political power which conducts a national aggression against the West Bank Palestinians on the one hand, and the barriers which have been caused by Palestinian capitalism inside the West Bank itself on the other. But many obstacles have been caused by both factors .

The West Bank's industry is challenged by a variety of obstacles under the occupation. Those obstacles have made industry's development slow and peripheralised to the Israeli economy. Since the occupation is the determinant factor, any investors in this sector were obliged to wade through the occupation's rules and regulations. By doing so, the occupation has shaped the West Bank industry to fit the needs and meet the demands of the Israeli economy.

*We have suggested--the West Bank Data Handbook, WBDP and Jerusalem Post, 1986, p67--that close scrutiny of the Israeli economic decision-making process shows that the consistent policy is merely a haphazard response to political pressure of concessions to Israeli economic pressure groups. (Benvenisti, 1987:24)*

Simha Bahiri also noted,

*The Ministry of Industry and Trade and the administrative branch of the occupation authorities may act to prevent the establishment of industries that are competitive (to Israel) and administrative difficulties are placed in the way of competing exports. (Bahiri, 1987:39)*

What the field study, and to a certain extent the available literature, including that of the Israelis, shows is that the main characteristic of the West Bank's industry is the majority's impoverishment accompanied with the individual's prosperity. However, this chapter will discuss the West Bank industry's peripheralised development and the forms of obstacles it faces.

### PERIPHERALISED DEVELOPMENT

*Peripheralised development might be a dependent development caused by a form of development designed by the capitalist centre, or an adapted development designed by the peripheral ruling bourgeoisie class in the post-independence era, to fit and meet the conditions of the centre in the first place.*

*Apart from lack of state patronage and removal of surplus from the Third World to the metropolitan countries, another factor which inhibited the growth of modern manufacturing was the slow growth of a native capitalist class. This was, of course, connected with the other two factors. The native traders or financiers who survived or even thrived in the colonies or semi-colonial lands acted as subordinate collaborators of the foreign capitalists-- whose interests centered on the export-import sector-- or as credit participants in activities connected with foreign trade. The condition for their survival was precisely that they should not venture into hazardous fields of modern manufacturing except where it enjoyed some overwhelming natural advantages. (Bagchi, 1985:33)*

According to this argument, since native capitalism is the supposed investor in the West Bank, this class will not take the risk of investing in the areas which are in competition with those of the Israelis. Even during the Intifada, this class has failed to conduct proper investment, despite the fact that the possibility of starting profit-generating projects is possible. In other words, the native capitalism became a local tool in deepening the economic peripheralisation. In fact, this class is continuously re-shaping investments to fit in with the economic strategy of the occupation. The sub-contract companies, the marketing of the Israeli products, the ignorance of manufacturing the local agricultural products, all these are crystallised in dis-articulation of labour and capital in the West Bank, and in the final end fit into the Israeli policy to hinder the establishment of a West Bank infrastructure (see Chapter Seven).

Some of the native capitalists invested in small projects which absorbed small amounts of money. Their justification argued that "...those projects offered the necessary revenue for their daily life, and did not consume all their capital which stayed abroad." (Interview, n.n.) The owners of small projects who are not capitalists also prefer --if possible-- not to extend their projects .

In the majority of small scale projects, profits are rarely used for development or enlargement. For most, an immediate family need almost always takes precedence and, rather than being reinvested, profits are consumed in the form of better nutrition, medicines, schooling for children, and improved housing; or on such family events as births, deaths, and marriages. The political situation was always the main obstacle which they mentioned as a reason behind their passivity.

As the field study shows, the native entrepreneurs are traders, money usurers or even some of the compradors, and ex-Palestinian migrants who came from the Americas.(1) The possibility of making a high rate of profit in money-lending, landownership, building properties, and trading; and the relative lack of the profitability of manufacturing in the absence of

effective state patronage, were and still are major factors in deterring the West Bank's industrial development.

It is noteworthy here that, the more the defeat of the national movement, the greater the departure between the local bourgeoisie and development; and, as a result of that, the more the assimilation with peripheralisation.

Up to 1976, it was very difficult for a local newspaper to print any advertisement encouraging the population to consume Israeli products. Until a few months before the Intifada, the national magazines published large advertisements and even articles for marketing Israeli products in the Occupied Territories. What is astonishing is the fact that those advertisements were produced in national magazines and newspapers which are politically ardent and even financed by the P.L.O. This is an example of the disarticulation between the political demand or strategy, and the social/ economic means to achieve it; i.e., that the political factor should preach for boycotting the Israeli produce.

This does not mean that local capitalism is determined to adopt the peripheralisation route for good, or that it is a mere agent to settler colonialism, as Roy argues.

*... the national bourgeoisie of the colonies was naturally inclined to seek an understanding with the imperialist powers, whose policy was favourable to its interests, and thus found itself radically opposed to the urban proletariat and to the peasantry. (Roy, in Owen and Sutcliffe, eds, 1972:184)*

A real change of the political and national circumstances could breed a change in the orientation of the local bourgeoisie. The Intifada in the Occupied Territories succeeds in making a sharp confrontation between the peripheral bourgeoisie and that of Israeli colonialism; the increasing consumption of local products is an encouraging factor to enlarge its projects and to employ more workers. R.C. Cola, a soft drink factory in Ramallah, increased its workers from 140 before the Intifada to 300 at

present; and Diana sweets factory in Ramallah, which was on the edge of bankruptcy on the eve of the Intifada, returned to work actively, employing fifty workers, but working twelve hours a day with marginal wages. A good national climate is an incentive for more readiness for adventurism. The Intifada again emphasises that an active national struggle could push the bourgeoisie to take a great share in the struggle, but a defeated national movement will push the bourgeoisie into more defensible positions, i.e. the search for a niche in the large Israeli industry.

#### A. NUMEROUS BARRIERS

It is not an easy job to separate the obstacles confronting industry in the West Bank from each other. Such obstacles are interdependent, internally complicated, and varied; reflected in political, social, economical, and even individual spheres. This in addition to their distribution on the national level, as internal and external obstacles.

Whatever the variety of these obstacles, the occupation still is the main problem. It is here: the political decision, the military repression, the economic competition, and the sovereignty domination. But this does not mean that the occupation is the only external factor; for example, the Jordanian factor represents another external obstacle.

However, I will divide the industrial barriers into two main categories: the first is caused mainly by external factors, in which the Israeli occupation have the upper hand. Other barriers caused jointly by the occupation include Jordan and local capitalism. The second category is caused mainly by the Palestinian capitalists.

Before discussing these obstacles, it is worth noting UN and American viewpoints on the nature of these barriers:

*In the UN sample, firms were asked the reason for their non-expansion from among seven reasons. These in ranked order are market limitation (150), capital*

*shortage (54), prevailing political conditions (37), qualified workers (34), taxation (30), electricity disturbances (20), and raw material shortages (10). (Bahiri, 1987:41)*

It is worth mentioning here that the reasons given above hardly represent the facts. They provide some idea of the situation for people who are already in the field, but in this sample, the researchers did not contact people who had failed to start projects; either due to some of the mentioned or not mentioned reasons.

*A US AID study lists the following as delaying factors of industrialisation: political uncertainty; limited domestic markets for industrial products due to low purchasing power; lack of expertise, entrepreneurship, and willingness to invest capital; out-of-date technology; low levels of education and vocational training; the absence of complementary services and developed infrastructure, and the lack of adequate natural resources, which results in an increase in the import of raw material. (Bahiri, 1987:43)*

Considering its high complexity, the present research will deal with the matter according to its relation with the process of production. Through this approach, it will try to connect all factors with each other. But it is worth noting that the financial, investment, marketing and trade problems will be discussed in separate chapters focusing on a technical viewpoint (see Chapters, Six, Seven and Eight).

## **THE EXTERNAL FACTORS**

### **I. On The Level of Employment**

The effects of the non-developmental orientation of the native capitalism and petite bourgeoisie are not limited to the development of industry. Rather, many areas of the economic and social formation, mainly the working class, are covered.

The case of blocked industrialisation or de-industrialisation could be the case in the West Bank, since the proportion of national income generated by, and the percentage of the population dependent on, industry of various kinds declined. If the number has stagnated it is also de-industrialisation, especially if we also consider that the West Bank never passed a period of applying advanced technology.

*The percentage of employed persons in the West Bank industrial sector, compared to other sectors of the economy, goes down from 16.4, 16.1 and 15.9% in the years 1970, 1983 and 1984 respectively. (C.B.S.S.A.I., 1986:705)*

However, the number of those who were employed in this sector during Jordanian rule was fifteen thousand persons. (Drubkin and Tuma, 1978:65)

The normal case all over the world is that the city, i.e. the centre of industry, is the place which continuously absorbs the surplus rural population. But this is not the case in the West Bank; the surplus population, in fact, is absorbed in the working places in Israel and the Arab countries. The result of that is a dis-integration of a large number of labour from capital in the West Bank, and a deformation of the economic and social structure.

The national rate of increase of the Palestinian West Bank population is about three percent per annum. Given the 1967 figure of 934,500, the population should have reached about 1,415,000 by 1984; instead of which it dropped to 787,000. The shortfall of 628,000 represents loss through immigration. Immigrants seeking jobs between 1968-1980 numbered 1,400,000, and in 1982 alone the number was twenty five to thirty thousand. One of the results of this immigration is the contraction of the domestic market and a decline of the productive power of the economy.

The Israeli enjoyment of free marketing in the West Bank has enabled them to compete harshly against the local products. That is why many handicrafts and small factories either changed from one area to another or have been ruined by the competition of the machine-made products from the factories of Israel. The decline of the West Bank food and professional industries is a clear example.

*The number of the West Bank professional industries in the era pre-1967 was 70 licensed units, plus another 100 home units, and the employed persons were 1000. During the occupation, these industries lost 2/3 of their numbers units and 90% of their employed persons. Moreover, the factories' bankruptcy pushed the workers towards migration. (Hazboun, Haifa and Sabri, 1987:2)*

This means that the city failed to obtain its own population, whose members either fled abroad or became workers or contractors for the Israeli products. The importance of these industries is in this nature as jobs for the independent producers. Part of these crafts depend on olive wood, a chance which might integrate this part of independent producers into the olive oil and grove chain of industries on a cooperative level.

The situation is even more complicated; while it is in the normal colonised case, the consequence of the ruining of the handcraft producers,

*...is the swelling of the ranks of the peasantry, increased pressure on the land and the deterioration of the productivity and living standards of agricultural masses. (Sweezy, 1970:326)*

The case of the West Bank is complicated yet further; because of Israel's land confiscation and tightened rules, land has come under even heavier burdens.

Since industrial investment in the West Bank is for the most part a private venture, the entrepreneurs always prefer to

employ the minimum number of workers. Those individuals are not motivated by the national interest of absorbing as much as possible of the available manpower.

In most of my interviews with businessmen, and according to my study of 127 proposals for projects introduced to the B.D.C./U.N.D.P. from both the West Bank and the Gaza Strip, all of them justify the feasibility of their suggested projects by employing the least number of workers, paying lowest least amounts of wages, and applying the most advanced technology.

It is not the individual who apply voluntarily a national policy of employment. It is the job of a special form of authority, one would try to avoid peripheralisation as much as possible. In the West Bank, there is not any form of national authority. What is not promising is the fact that:

- The P.L.O. the possible authority in the future, and the semi-authority today, lacks a development policy. The assistance which offered by the P.L.O. is oriented towards the capitalists not towards cooperatives for the producers. The P.L.O. payed twenty million dollars for two agri-industry factories in Hebron and Gaza, neither factory is feasible. "But I agreed to be a member in the board of one of them, because I did not pay from my account, if I will establish this factory, it will cost me 15% of the paid amount."(Interview,n.n.)

- If the coming authority is that of Palestinian capitalism, the chance will be even poorer, since the Palestinian capitalism in the Diaspora is already incorporated into the world capitalist market, on the one hand, and its part inside the West Bank and Gaza is subordinated into the Israeli one.

However, the question can still be raised: Is there any alternative? This will be discussed in the conclusion.

The lack of a mass employment perspective could lead to the adoption of distorted ideas on the employment level; which are not applicable in the case of the Third World in general, and the West Bank in particular. I. Arafat noted:

"The applying of modern technology in agriculture will free a large number of the workers to be transferred to other projects." (1987:4)



In fact, as we have seen, the surplus work force of the West Bank fled abroad looking for jobs; and the result of applying modern technology will be to increase the number of this surplus. It is possible that Arafat and others are given incentive by the low productivity of the West Bank industrial sector (see below). The quarrying industry is an example of this deformity:

*Quarrying is one important area in which most of the firms are operated with advanced machinery, hence annual labour and the need for additional workers are reduced. (Bahiri, 1987:22)(2)*

As a private sector, the quarrying industry apply the most advanced technology in the West Bank. The contradiction here is in the fact that the manual labour has been substituted by new technology while it was still able to achieve the same goals, i.e. to generate profit. It is only a national authority as a decision-maker on the national scale who is interested to give priority to the policy of large employment of labour power.

What is astonishing here is the fact that the productivity of West Bank industry is very low compared to that of Israel.

*The low level of productivity GDP per worker as compared to Israel is noteworthy. It is about 40% of GDP per worker in Israel in general and less than 20% of GDP per worker in industry. Industry is the most backward sector of the economy. Construction is the most productive--nearly 60 percent of Israel's GDP per worker, which is in itself low due to cheap Arab labour preventing the introduction of more modern technology. (Benvenisti, 1987:6)*

As a consequence of the lack of jobs, for whatever reasons, the surplus manpower in both rural and urban areas have been obliged to go abroad. The large numbers of this migration from the West Bank have contributed to the atrophy of the domestic market as a result of the inadequate growth of demand. While

in the opposite instance, a larger population would lead to a bigger market and, in the final analysis, to a larger investment.

## II. The Construction Arrangement Level

This level is connected with the service level. However, it is presented separately here because of the special case of the West Bank as an occupied area; the decision making in the West Bank is totally in the hands of the occupation, and not in the hands of a national authority, which in any case is not available or allowed in any form. In preparing to start any project, the investor should gain a license from the Israeli occupation authorities, which through their political or military power have the 'right' to refuse without being questioned from any authoritative level.

*For example, pressures were recently put on the Ministry of Industry and Trade by Israeli producers determined to stop the establishment of a new dairy near Ramallah. (Bahiri, 1987:39) (3)*

Since Ramallah is a city in the West Bank, this Israeli decision is clear evidence for the Israeli policy which subjects and distorts the West Bank economic development according to the needs of the Israeli one. In this case, it is the colony who must serve the needs of the coloniser.

The Israeli Minister of Defence, as the authority of the West Bank and Gaza Strip, considered military zones since 1967, declared a new idea of giving the Palestinians licenses for establishing new factories, under the condition of having the approval of the Israeli owner of the factory which produces the same products. This new development, if it is applied, is still in the sphere of subjecting the West Bank and Gaza Strip economic development to the conditions of the development of the Israeli economy. One of the implicit aims of the Israeli Defence Minister is to persuade the Palestinian businessmen to make joint ventures with the Israelis inside their own country. If this will happen, the Palestinians will be forced to accept only the areas of investment which are preferable to the Israeli

businessmen, not those necessary to the West Bank and Gaza, or those which might depend on using the local raw materials (see the Conclusion)

The case of a cement factory in the West Bank provides another good example:

*We made the utility study, that in 1980 the need of the West Bank and Gaza Strip was 900 tons daily, and we registered the company in the office of the company's registrar. We waited for five years to receive the license to start digging, but at the end the Israeli Defence Minister Rabin refused our project because it would compete with an Israeli industry. (Interview, n.n)*

So, the role of the occupation in the process of production begins with the construction stage. The cement factory is a single example which represents the whole situation. If the entrepreneur's project gains legal and administrative approval, he must still meet unique requirements which in fact prove the double peripheralisation of West Bank industry. He must pay the fees for construction to the Israeli authorities, and get a permit of registration and construction in both Israel and Jordan.

*Any factory established after 1967, which aims at exporting its products through Jordan, must be registered officially in Jordan, and import its machines through Jordan's port, its raw material should be imported through Jordan after gaining an import license, pay fees amounted to 4%, make an account in Al-Aqaba (port) since the goods reached there... The owner should ask the responsible authorities for a special permission for every charge of goods. (Interview, n.n)*

The licensing for establishing a factory is in the hand of the Israeli officer for industry and trade. It is quite difficult to arrange a license, especially if the factory is going to be established outside the borders of the city. (Kaukali, 1987:40),

because the municipality is entitled to issue building licenses only within its boundaries. Since the bribing scandal of July, 1987, which involved Israeli officials responsible for planning and licensing in the Arab sector, as well as Palestinian officials and building inspectors, no building license, including licenses for factories, has been granted to any Palestinian in the West Bank. That is why building works continued only in the cities, where the municipalities are authorised to grant building licenses. This decision has harmed investment in the West Bank since the construction sector is the largest and most preferred one. But having a license for a factory building from the municipality council is useless without having in advance a license for the factory from the Israeli military governor.

### III. The Services

The obstacles which affect industry extend to other areas of services, which provide necessary facilities for industry. These areas are not isolated from the occupation's effects since the occupation authorities control all aspects of life in the West Bank.

The industrial areas in the West Bank are close to the cities; the road maintenance inside city boundaries is the responsibility of municipalities, but outside these boundaries, it is the responsibility of the military governorate. On this level, there are two factors of road maintenance: The first constitutes the roads for the Israeli settlements, which are extremely large, bypassing the roads between the Palestinian populated areas, and enjoying full service. The second is that of roads between Palestinian populated areas, which are in a terrible state of development and repair. Military Order No. 155, (M.O.S. 29-12-1967), specifies the roads along which West Bank produce must be transported; in most cases the drivers are obliged to follow the longer and bad roads, which costs the owners more money and time in marketing their produce.

Bad roads is one of the factors which harms the transportation to and from the factories; this in addition to the fact that any factory outside city boundaries must pay the cost of paving the road, which adds additional costs.

Concerning electricity, Israel made, and is still making, attempts to control the Jerusalem Electricity Company, the largest electricity company in the West Bank. The Israeli authorities maintain that the company must provide Israeli settlements in the Jerusalem area with their electricity needs. As a result, there are continuous cuts of electricity in the Palestinian areas which depend on the company: The Jerusalem, Ramallah and Bethlehem areas.

*The electricity current stopped several times accidentally, this in addition to the cut which took place with previous notice which the company advertised in the local newspapers; but the unexpected cuts are the most dangerous. In one unexpected electricity cut, our medicine factory lost \$22 thousand because of the un-expected cutting. (Interview, al-Sulh)*

In five months, the current stopped four times without early notice, and during the night it stopped more. This bad service costs the factories a lot, disturbing their organisation, and increasing their failure to meet commitments. The Nablus municipal council waited five years before the Israeli authorities gave its permission for importing new electricity generators. (Samara, 1979:105)

In an interview with H. Hijawi, a member of the board of directors of the Nablus Carton factory, (which is expected to begin operation soon), he noted that the board was obliged to pay an extra amount of money, \$125,000 to have a special electricity generator, because the Nablus electricity company does not have enough current to satisfy their needs, and the Israeli regional company did not allow its Nablus dependent to strengthen its power on its own.

This is one of the factors which make the products of this factory uncompetitive with those of its Israeli counterparts, taking into consideration that the West Bank market is open for the Israeli produce, but even for the Israeli produce only.

The Israeli story on this subject is different, since Israel attributes the increased demand for electricity current in the West Bank to the military authorities and the increase of consumption to industrial prosperity.

*Between 1968 and 1980 consumption of electricity in the West Bank rose from 7.42 megawatts to 52 megawatts - a seven fold increase. Much of this is attributed to increased electricity consumption in industry. (Bahiri, 1987:22).(4)*

Military Order No 92 , 15-8-1967, "Water," states that in June, 1967, the military governor became the only person in charge of all water resources in the West Bank....This order controls all water resources, including rain water, which has led to a drastic decrease of irrigated land. (Military Order No. 92, Issue No.6,1967:22)

Most of the West Bank area shares Israel's hydrological system. About a quarter of Israel's annual water potential originates from beyond the Green Line (some 475 million cubic meters per year out of 1,900 million cubic meters) (Benvenisti, 1986:20)

The annual natural storage of water in the West Bank amounted to 900 million cubic meters for Benvenisti (1987). Israel consumes around 600 million cubic metres, the result being that there is a shortage of water in the area. In a feasibility study done by a group of researchers for starting a paper factory, it was shown that the main obstacle would be the lack of water. (Interview Shihada) In Al-Khalil (Hebron) area, many factories, (i.e.leather, brick works), depend on mobile tanks for their water supply because water is not available. (Interview, Abu-Snaina) Another estimation shows that the Israeli authorities only grant fourteen percent of all the

underground water in this region to the Arabs. (I.L.O., 1986, app no 3)  
 Telephone services are also bad in the West Bank.

*About 35,000 Palestinian homes have phones, according to official Israeli figures: 20,000 in the West Bank and 15,000 in the Gaza Strip, out of a population of some 1.5 million. (West Bank Atlas, 1988:26)*

Of the 349 factories in the industrial zones of the three towns of Beithlehem, Beit Jala, and Beit Sahour, only 186 own telephones, and 103 post offices boxes. (Interviews, 1989)

During the Intifada, the Israeli authorities have completely cut off the Occupied Territories' international phone lines since 13 March, 1988.

*Employees of the Israeli telephone company, Bezek, confirmed that they received strict orders from the Israeli Civil Administration in the Occupied Territories to cut the telephones and to tell callers who are trying to reach Arab residents that the numbers they want are out of order. (Interview, n.n.)*

In his study, Kaukali stated that the obstacles facing the factories which he surveyed are as follows:

Table 5.1  
 Obstacles Faced by Factories.

Item	Obstacle	Percent
1	Electricity Cuts	65
2	Fuel Price Rises	35
3	Lack of Water Supply	36
4	Lack of Phones	72
5	Lack of Telex	1

Source: Kaukali, 1987:60

The five categories of obstacles in Table 5.1 are all caused by the Israeli authorities. For example, Item 2 is related to Israel's own oil crisis; because if the West Bank was at liberty, it could import oil at cheaper prices.

## VI. Money Liquidity

This question will be discussed in greater detail in the chapter related to financing (see Chapter Six). Despite the fact that the occupation is the main obstacle in the financing level, there is a local obstacle as well. The local businessmen have not taken the risk of concentrating their capital in large projects. Many firms did not consider the shortage of loan and credit facilities a problem, as they did not wish to expand in the unstable situation of occupation and in conditions of low profitability. In addition, the Jordanian/Palestinian Joint Committee failed to secure a continued resource for money liquidity, or to be a financial source interested in investment. The Joint Committee dealt with the Palestinians in the Occupied Territories discriminatively. "It discriminated between leftist and rightist Palestinians, and between those who were pro-Jordan and anti-Jordan." (Qasim, 1986:26) In the case of both the Ein-Sinyia and Deir-Sharaf, oil processing factories, the Joint Committee offered loans amounting to 250,000 JD; but insisted that the full authority in the factories should be in the hands of Jordan's figures. All the staff, the administrative committee, and the managers are chosen and appointed by Jordan's authorities. This in addition to the fact that their salaries are paid directly from Jordan. (Interview, al-Hawarith) The aim of this policy is to gain as much as of loyalty to the Jordanian regime between the Palestinians as is possible.

Money liquidity shortage has expressed itself in various levels, as the following table shows:

Table 5.2  
Forms of Money Liquidity Shortage

Item	Reason	Percentage
1	Debt	43
2	Not Marketed Goods	45
3	Lack of Bank System	83
4	Factory Not Working to Capacity	33
5	High Interest Rate	34

Source: Koukali, 1987:96.

Items 3 and 5 are caused by the existence of the occupation, while 1, 2 and 4 are common, internal, and occupational factors; respectively.

The Israeli loans to the West Bank industry, "...never exceeded \$1 million in any budget year, it was reduced in the late seventies and terminated altogether in 1980/1 " (Bahiri, 1987:42)

## VII. Raw Materials

Because the natural resources in the West Bank are limited, and its industrial structure was not built or oriented to exploit the raw materials which are available, especially are suitable to the agri-industry, the West Bank industry depends heavily on imported raw materials. Israel is the main controller of providing the West Bank with raw materials; which come from Israel itself, from abroad through Israel, and from Jordan after receiving Israeli approval. The raw materials imported from Israel, or through its ports and mediators, are subjected to Israeli rules and regulations. This puts the West Bank industry at the mercy of the Israeli authorities (see below). In addition, the raw materials imported from Jordan are also subjected to Jordan's and Israel's rules and conditions. As a result of these obstacles, any one establishing a factory in the Occupied Territories must carefully consider these obstacles, and be able to meet the conditions set by these authorities. In importing through Jordan, there are two conditions, the Israeli and the Jordanian. The

Israeli authorities out of hand refuse the importation of raw materials on which it is hard to make a security check. Sensitive raw materials may be damaged if the security check takes a long time. Importing raw materials through the Jordan river border points requires a special permit from the Israeli Ministry of Customs. The main condition of this permit is that one hundred percent of the imported raw materials should be exported. In advance of bringing the raw material to the bridges, the customs ministry, the authorities of the area in which the factory is located, and the military governor of the Jericho area must be informed about the time of taking the goods to the bridge, the number of charges, and or any machine necessary for the security check. In addition, customs fees must be prepared in cash or on a confidential document or a bank guarantee before taking the materials onto the bridge. Customs payments must be made for every product according to the Israeli law which estimates the percent which must paid, in addition to the VAT and the buying fees.

On the Jordanian side,

*Any factory that wants to export its produce in the East Bank must be registered formally in the Ministry of Industry there, all contributors, workers and capital should be Arabs. If it was established after 1967, it should import its machines through Jordan's port of Al-Aqaba to the bridges, its raw materials must be imported from or through Jordan after taking an import license from the Ministry of Industry, and pay fees amounting to 4% of the machine's value, and to open a credit account in Al-Aqaba before the goods have reached there. To get through the bridge, every factory should have a separate permit for every cargo signed from the Ministries of Industry and the Occupied Land Affairs. (Interview, n.n)*

Special facilities have been offered to some West Bank industries by the Jordanian authorities on a political basis. The Samna factory at Nablus, of which fifty percent is owned by the

al-Masri family and forty percent by the Jordanian government, are always offered distinguished facilities:

We will not turn to the sources of the raw materials which are used in West Bank industry. In the following, the study shows the sources of raw materials for every group of industries separately.

Table 5.3  
Source of Raw Materials

Industry	Percentage Share of the Source
Shoes	100 imported from abroad
Tin	100 imported from abroad
Medicine	100 imported from abroad
Electrical Wires	100 from Israel
Cigarettes	100 from Israel and abroad
Stone	100 local
Fodder	100 from Israel
Soft Drinks	100 from Israel and abroad
Clothes	100 from abroad

Source: Field Work Interviews, 1988 and 1989

As Table 6.3 shows, the main source of raw materials for most of the mentioned industries is either abroad or Israel. The local sources are very limited. It is noteworthy that the flourishing industries in the West Bank are mainly those which depend totally on imported raw materials; i.e. shoes, cigarettes, clothes and soft drinks. This suggests that there is a relation between the prosperity of these industries and Israeli policy-making in the West Bank. In other words, for example, the shoes industry is in fact producing for both Israeli and Occupied Territories markets. The shoes, textiles, and woods are industries which Israel has, since the beginning of the 1970s, been transferring to the Occupied Territories. This idea could be supported by the fact that the local raw materials are not processed, i.e. the grapes, citrus, etc. Another factor for the prosperity of these industries, is the cheap cost of labour power. The cheap wage labour is an

advantage in the case of comparison with the Israeli industries, which employ Israeli workers; but not the case of other local industries which benefit from the same cheap wage labour.

The source of raw materials for soap and ice cream are mixed, while that of plastic and oil is from abroad. In Kokali's survey,

*... the West Bank contributes in 2 of 10 food industries which are covered in his survey, Gaza Strip contributes in 2 of 10, Israel shared in 4 of 10, and it is the only source of 1, Jordan did not share, and other countries are the only source of 2 and shares in 6. (Kaukali, 1987:52)*

In the textiles, tricot, and clothes, Israel is the only source of seven raw materials, and shares in another seven; the West Bank is the only source of one, and shares in three, other countries provide the only source of five, and share in three; and Jordan contributes nothing. Concerning pottery, glass, and porcelain, Israel is the only source of four, and shares in two raw materials; the West Bank is the only source of two, and shares in one; Jordan provides nothing, and the total number is eleven.

In the leather industries, the case is as follows: Shoes--Israel is the only source of one raw materials, and shares in nine; the West Bank is the only source of one, and shares in eight; and Jordan nothing, the total is thirteen. In the bags industry, Israel is the only source of one raw materials, and shares in another; both the West Bank and Jordan nothing, and the total is two. In the tanning, lace, and straw baskets industries, Israel is the only source of one, and shares in another; the West Bank is the only source of two, and shares in none; and Jordan is nothing in both; the total is three.

*From 18 metals industries, Israel is the source of 7; shared in 3; the West Bank is the only source of 5, and Gaza of 1; Jordan shares in 1, and the other countries are the only source of 2, and share in 3. In one chemical*

industry Israel and the West Bank are sharing. (Kaukali, 1987:58)

Of four wood industries, Israel is the only source of one raw material, and shares in another; the West Bank is the only source of one, but shares in another. Of three plastics industries, Israel is the only source of one; and the other countries are the only source of another two. There is one cable and wire factory, of which Israel is the only source; and in two carton factories, Israel is only source of one, and is sharing with other countries, as a source of raw materials of the other factory. From four furniture factories, Israel is the only source of two, and shares in the other two; while the West Bank is sharing in one, and the other countries in the other one. (Kaukali, 1987:58)

In general Kokali's results are as follows:

Table 5.4  
Kaukali's Results of Sources of Raw Materials

	West Bank	Gaza	Israel	Other	Total
Number of					
Factories	27	6	52	16	101
Percent	27	6	52	16	101

Source: Kokali, 1987:59

It is not certain here that the raw materials attributed to the West Bank are really from there, and that the raw materials which are attributed to Israel are really from Israel. This table shows that Israel is the source of more than fifty percent of the West Bank industries' raw materials; and that it, with the other countries, represent about two-thirds. It is worth noting that this percentage does not reflect the real volume of the raw materials and their monetary value, since what we have here are the names and number of the factories and not the amounts, i.e. tons of absorbed raw materials.

The results of my own interviews for 1988 (in the Ramallah and Jerusalem areas) quite similar to Kaukali's. The interviews covered thirty industrial workshops and factories. The share of Israel of the raw materials used comes to seventy percent and the rest, (thirty percent) is imported from abroad.

Table 5.5  
The Source of Raw Materials for Forty-Four of the Largest Establishments

Item	Total Number of Establishments	local	Israel	Abroad	Jordan
Food Industry	9	-	1	8	-
Plastic & Sponge	4	-	1.5	2.5	-
Carpentry	3	-	3	-	-
Footwear	4	-	-	4	-
Textiles & Weaving	3	-	-	3	-
Feedr	1	-	1	-	-
Cement & Marble	6	3	1.5	1.5	-
Medicines, Chemicals	7	0.75	0.5	5.75	-
Paper & Carton	2	-	-	1	1
Metals	5	-	2	2	1
Total	44	3.75	10.5	27.75	2

Source: Field Work Interviews, 1989

To take a specific local example, the case of shell work is benefitting here; the imposed costs on the imported raw material--charging, fees, various taxes and clearing--amount to fifty percent of the raw materials cost itself. The total cost of the raw materials from sales are twenty three percent. (Hazboun, Haifa and Sabri, 1987:8)

Table 5.6  
The Share of Shell Industries' Raw Materials

Source	%
Local	35
Israeli (directly)	24
Foreign (through Israeli agent)	3
Foreign (through Arabic agent)	24

Source: Shihada and Shalabi, 1987:12 These results support the argument that our industry is dependent on the imported raw materials. That is why during the Intifada many of these industries have failed to provide the consumers with the products they are accustomed to purchasing; in addition to the fact that the owners lacked money liquidity and the Israelis insisted on selling for cash. Of fourty four establishments, in (Table 5.5) twenty are obliged to pay the price of raw materials in cash, and seventeen which pay by cheques, while seven did not answer the questions.

### VIII. Productivity

Productivity is conditioned by the general preparatory, technical, and educational levels of the worker. The availability of advance preparations necessarily pre-supposes and leads to spending on the costs of higher education. These are the general components of higher productivity, while the physical activity is the measurement of the difference between the ability of individuals rather than nations.

Income and wages are related to productivity, but from the back door of the economic operation; i.e. lower wages lead to reduced productivity, because this also leads to less consumption and contraction of the domestic market, less savings, less investment, and probably to the escape toward the imitation factor. All these developments prove the fact of disarticulation of the economy's sectors. In general, an industry with a higher organic composition of capital is able to breed higher wages,

higher consumption, expansion of the domestic market, more saving, more investment and more internal articulation of the national economy. Since this kind of industry does not employ many workers, it is the job of the national authority to make a balance between the industrial branches; i.e. the balance between advanced and intermediate technology.

The flourishing and propagandist picture which much of the Israeli literature paints of the West Bank economy (Bregman, 1974., and C.A.J.S.A.R., 1984-85), cannot escape the facts which negate it. The Israeli GNP is twelve times that of the Occupied Territories, despite the fact that the Israeli population is only three times greater than that of the Occupied Territories. The productivity of the West Bank industrial sector is the lowest between among the other sectors; this in addition to the fact that the general productivity in the West Bank economy is too low.

What we have on this level are two aspects of the question of productivity: the technological (organic composition of capital) level, and the level of operating the machines. Since the first level has been discussed above, the following is devoted to the second level.

It is a well known fact that many of the factories in the West Bank are not working to their full capicity; despite the fact that new industries of a developing country should work to their full capacity, especially if they are encouraged by the national authority.

*...ECWA/UNIDO indicates that nearly 68% of firms had a utilisation level of 50% or less, 18% had a utilization level of around 75%, and 14% had a level of 90% or more of capacity. (Bahiri, 1987:22)*

For Abu-Shokor, 86.3% of the industrial establishments in the West Bank are working at nearly 75% of its full capacity. (Abu-Shokor,1987:43) The reasons behind working at less than full capacity in the West Bank are varied, i.e. the lack of large



local markets, the dumping on the market by Israel of cheap and mass products, etc.

Table 5.7  
Distribution of Factories According to the Operations Capacity.

Level of	No of Factories	Percent	age
	Employment		
10-20	7	8	
21-45	35	43	
46-70	29	31	
70-	17	17	
Total:	90	100	

Source: Field Work Interviews, 1988, 1989

The large factories are the group which work to the minimum capacity. The main reason for this is the fact that the Israeli factories are competing with the large West Bank factories; while in the case of the small factories, their produce could be marketed inside the West Bank; or its produce is needed for Israel, which has left the traditional and less technological areas, shoes and textiles, to the West Bank and Gaza Strip. The factories which work to a high capacity in the West Bank are the only factories of their kind, like that of electrical wires, or the factories which produce traditional products which have an established demand with the population, i.e. soap.

In the survey of 246 professional factories, eighty-eight percent are working to fifty percent of their capacity, seventeen percent to fifty one to ninety percent, and three percent to ninety percent or over of their capacity. (Shihada and Shalabi, 1987:5) On this level, the case is different because the competition is concentrated internally, between the various local industries; while the workshops which work to a high capacity are the industries which are more developed. Concerning Israel, these industries do not compete with counterpart Israeli industries

because those industries are concentrated in more developed areas. But they are challenged in the local market by the cheap and developed competitor imports from Taiwan and Hong Kong, which are encouraged by Israel.

*Our products have lost the Pilgrimage market in Mecca since Arab countries do not offer our shell works products protection against those of Taiwan, Hong Kong, Germany, and Italy. (Hazboun, Haifa and Sabri, 1987:3)*

### IX. Industrial Enlargement

One of the complexities of West Bank industry is that it is unable to produce capital goods. This pushes it to import equipment, machinery to build up the infrastructure, as valuable imports. The normal case here is that the local economy must offer these machines the opportunity to operate well.

The more the local economy fails to activate these industries, the more investment is discouraged. Moreover, the failure of the local economy to offer real opportunity for investment is not only due to its internal deformed structure. The local investors are not sure about the occupation's policy towards the produce of this or that factory. In addition, the domestic market is not protected. Despite the investor's risk in importing machines, the Israeli authorities impose obstacles which delay the operation.

Table 5.8 shows the reasons industrialists have given for not enlarging industries:

Table 5.8  
Reasons Obstructing Factories' Enlargement

Item	Obstacle	Percent
1	Market Inability	55
2	Political Uncertainty	45
3	Tax Burden	41
4	Lack of Capital	35
5	Lack of Technical Labour	12
6	Lack of Suitable Raw Materials	4

Source: Field Work Interviews, 1988

The table shows the internal relations between the several reasons which it presents. This relation gives example to the interdependence of the various aspects of the industrial problems in the West Bank. The table shows that items one, two and three are mainly external factors; while four, five and six are mainly internal. By putting them together, we are able to get a complete and clear picture of deformity.

#### X. Machines' Maintenance

Even machines' maintenance is a problem in the West Bank. The scarcity of shops for maintenance and repair, the far distance between these shops and the factories, the high wage for the professionals (mainly foreigners), and the lack of spare parts all contribute to the problem.

Table 5.9  
The Obstacles Confronting Maintenance.

Item	Obstacle	Perceent
1	Lack of Spare Parts	25
2	Lack of Maintenance Professionals	40
3	Lack of Administrative Care of Maintenance	28
4	High Cost of Spare Parts	60

Source: Kokali, 1987:50

The table shows that factors one and four are external factors, while two and three are internal ones. In addition to all these obstacles, the Israeli authorities take from the importer insurance for the imported machine six months in advance. Another factor is the lack of experts and technicians. (Interview, al-Hawarith)

#### XI. Joint Venture

As has been it is mentioned earlier in several places, the West Bank capitalism preferred to integrate a large part of its investments into the Israeli economy. One of the aspects of this integration is the joint venture (which is called in the Occupied Territories the sub-contract). These sub-contract companies started in the early years of the 1967 occupation of the West bank and Gaza Strip. The danger of these kinds of industries is that they are usually started through secret contacts; which suggests that something in such matters contradict the national aims.

The secret joint ventures are the reserve which Israel built in advance in order to go back to the Occupied Territories market through the window if it is thrown out the door. Now, during the Intifada, is the time for the Israeli reserve to start its work.

*There are many joint companies which are not registered or known as joint ventures between Occupied Territories*

*factories and Israeli ones, but those registered number only four companies. (Samara, 1979:106)*

A businessman from Hebron noted:

*In Israel there are more than ten factories producing the same shoes which the Arab factories are producing, and 80% of their work force are Arabs. Approximately three-quarters of the Israeli products are being manufactured in Hebron, and the Israeli factory is only providing the capital, and the the trade mark, while the Arabs are the actual manufacturers. (Interview, n.n)*

Israeli industries typically transfer (sub-contract) to West Bank factories goods that require a labour-intensive final stage of production.

These are the most clear aspects of the articulation of the Palestinians capitalist class' interests with those of the occupation. But they are forms of the common structure between both of them which lay the ground for a form of dependency which might be hard to de-link.

## **XII. The Merchantile 'Trust' Confidence**

The period of confidence varied from one industry to another. In some industries, Israeli competition obliged the producer to be more elastic with the merchant. The merchants emphasise that the industries of plastics, quarrying, and shoes offer them good confidence facilities. It is possible that these facilities are due to the producers' ability and their aim to accelerate marketing.

For the quarrying industry, which employs about twenty-five percent of the industrial workers, the period 'length' of confidence is based on the the level of activity of this sector, the construction sector. This is in fact the case for all sectors, and this is the reason why during a slowdown the offered confidence of any sector is short. The Israeli producers offer longer periods of confidence for the vegetable oil and beverages industries.

These offers were directly oriented to beat the local production on the short term, and to block the investment in the areas of local raw materials, i.e. the agricultural crops.

In the end, the availability of a financial system in the West Bank could push the level of financial relation forward to a higher step. The producer and the merchant, in a financial system, became dependent on two sources of financing: their own sources, and that of the loans; which facilitate the operations of confidence and enlarge its sphere. The Israeli termination of the bank system in the West Bank supports, in the final analysis the Israeli producers and marketers in their competition with Palestinians by offering them financial facilities which are forbidden for their Palestinian counterparts.

## **Chamber of Commerce**

The West Bank and Gaza Strip businessmen applied several times to the Israeli authorities to have a licence for a chamber of commerce, but with no approval.

*...a group of West Bank industrialists applied to the Israeli military governate to start an industrialists' union, but the occupation insisted that every city must have its own and separate union. (Samara, 1975:109)*

Despite the continued demands of the industrialists to gain the right of establishing a West Bank chamber of industry, the occupation has maintained its refusal.

In a last development, the Israeli military authorities agreed to the establishment of a chamber of commerce under one title, Memorandum of Incorporation, European-Palestinian Chamber of Commerce-E.P.C.C. Ltd, on the 9-11-1990. The founding board of directors are from Jerusalem, Ramallah, Hebron and Gaza.

## INTERNAL INDUSTRIAL BARRIERS

The following are some of the main aspects of internal factors which have caused obstacles facing industrial development. In fact, the shortage of native capitalism has never been limited to the following alone. As mentioned in the beginning of this chapter, the West Bank capitalism joins the Israeli occupation and Jordan as being a reason for the aforementioned barriers.

It was noted in several places of this study that the West Bank capitalism has articulated its economic relationship with that of the Israeli capitalist class, and did not invest properly to exploit the locally available raw materials, or to employ as much as possible of the labour power. That is why the following could be counted as structural shortages in the West Bank capitalism.

### IV. The Feasibility Studies

Many factories in the West Bank are established and start working without a feasibility study in advance. Accordingly, many projects compete with each other, or with the Israeli ones in the local market, and the result has been the bankruptcy of many of them. What is astonishing is the fact that the working development associations in the West Bank and Gaza Strip do not condition the loans which they offer with a proper feasibility study.

The feasibility study is an area which does not directly involve the occupation. The shortage here is a mere internal one. The lack of feasibility study, or the lack of a scientific feasibility study, is related to the lack of a business consciousness from the side of the local entrepreneur. Eighty percent of the factories covered in my interviews did not make a feasibility study; and most of them developed from small shops. Only three percent of Kaukali's surveyed factories of the Hebron area (1987) were interested in scientific research.

Businessmen have become more interested in feasibility studies in recent years. But what makes this inclination a less-promising

development, is the fact that many of the good local experts in this field are devoting their time to feasibility studies financed by foreign establishments which are oriented toward starting new externally-oriented projects; an orientation which is deepening the country's peripheralisation.

The lack of reliance on feasibility studies proves that the local businessman is looking for profits, but has failed to understand and analyse the source of these profits. The availability of professional economic research centres for making feasibility studies could be an encouraging factor for the businessman. Another factor in the deformity of business mentality and the carriers of the feasibility studies is that the businessmen prefer cheaper feasibility studies, without being sure of their credibility. What could amend this deformed orientation is the establishment of a national bureau for economic planning and feasibility study.

What is important on this level, is the establishment of a data bank in the West Bank to make many important information for the feasibility studies available. Unfortunately, many establishments in this area are trying to establish separate units for data banks. There is a lot of duplication of work and expenditures. What is important is to unite, or at least to make a joint work, which will be less costly and more efficient. The different aims and policies of the development associations still stand against the achievement of this aim. Some of these associations are working on a charitable basis, some of them aiming to establish a good reputation for their governments among the Palestinians; and some of them are working without any policy or plan.

### V. The Patriarchal Structure

This factor is an internal one as well; it is not due to the occupation. In other words, it is generated from the backwardness of the social structure, which leads to the failure to separate the administrative from the patriarchal factors. It is understandable that in the small scale projects, the owners

themselves could be the managers. However, this factor is not only related to the size of the projects; it is also an indication of the weakness of the job description, and the belief that administration is not an important job which needs a full time employee.

In most of the small factories, employing one to four workers, the owner is the manager. In most of our visits to the factories, we did not find him at the office; rather he was doing another work, such as marketing or production work. Kaukali noted that the factories have not absorbed the local graduates of the administration professions. What Kaukali's survey shows, is that some of the graduates who are working in their families' factories are not working in their professional fields; they are managers because they are graduates, without taking into consideration their field of their study. Some of those managers failed in their studies and became managers in the family's factory. Of 163 factories in Bethlehem, 107 in Beit Jala and 79 in Beit Sahor, there are 148, 100 and 78 with managers from the same family, respectively

In a meeting with A. Shurab, a businessman from Gaza, to persuade him to buy a share in the Nablus carton factory, he said: "I have a box factory in Gaza with my brothers, and I am prefer to establish a carton factory here in Gaza, albeit it will be smaller"

Shareholding is still not preferable idea in the West Bank. One of the reasons is related to the still strong family relationships in the society. This is an indication for less or limited capitalisation of the economic relationship. One of the reasons is the merging of the personal budget and that of the company, a factor which does not fit with a sharing company. A Jerusalem accountant said that many of the Palestinian factory owners are involved in tax problems because they did not separate their personal or family expenditures from that of the factory. That is why any amount of money which is spent from the income (the cash) is considered by the tax office as a

commercial work which must be taxed; while the personal expenditures are tax free, if they are well documented.

### Conclusion

According to the colonial role of the Israeli occupation, it is always expected that the occupation is a tool to apply and guarantee applying the Israeli political and economic policies in the West Bank and Gaza Strip. This might be explained in this chapter while discussing the barriers which have been created by the occupation. This chapter, explained as well how the West Bank capitalist class facilitates the application of the Israeli policies by two means: The first is its articulation of its interests with those of the Israeli counterparts; i.e. the West Bank capitalism put its own interests in front of the national one. The second is the lack of a disciplined way of conducting their businesses, the West Bank capitalists increase the backwardness of the West Bank economy.

Since this discussion is related to the class interests, the establishment of a national authority in the West Bank is not a condition to transcend backwardness. The economic policy and strategy of the national authority is vital here. (This will be discussed in the last chapter.) The following two chapters are related to the present subject; but according to technical matters, they are separated.

## CHAPTER SIX

### INDUSTRIALISATION AND FINANCING SOURCES

This chapter is a continuation of the previous one. It is separated here due to technical reasons.

The availability of financing sources is a vital factor for development in general and industry one in particular. According to the Israeli policy in the occupied West Bank, the local Arab bank system has been cancelled since the beginning of the occupation in 1967. As a result of the absence of a finance system, several questions have to be raised: - What are the other sources which can substitute for it, i.e. private capital?

- Are there real and practical financial institutions in the West Bank, and according to which mechanisms do they operate?;
- Is it possible to call any finance source a source of development?; and, how can its activity be evaluated?

However, this chapter deals also, with the following three main levels of the issue:

- Why and how the Israeli occupation terminated the finance system in the West Bank.
- The finance sources which transferred amounts of money to the West Bank, without adopting a continuous finance policy.
- The finance source which practised a financing role, and to which extent they adopted a developmental policy.

There are many rumours about money transfer to the West Bank and Gaza Strip. That is why it is important to uncover the essence of these remittances, the aims behind them, and the policy of the parties who contribute in these remittances especially in terms of whether they supporting the industrial process or not.

### Merchant and Banking Capital

The discussion of merchant and banking capital is related here because they are mechanisms for financing. Taking into consideration the vital role of banks in the development process, it has become clear how painful the cancellation of banks in the West Bank by the Israeli occupation was and still is. In the absence of banks, even the merchant capital has been affected. In the West Bank, merchant capital has increased the externally oriented trend of the accumulated surplus; since banks abroad are the safest places for merchants to deposit their surplus, and to invest there as well.

Even if the Israeli occupation should decide today to let banks work in the West Bank, it would take them a long period until could they establish a relation of confidence with the customers, due to the long negative experience with the Israeli banks. So in any case, the role of banks and any financing associations, will be significant in the West Bank today and later if there will be a withdrawal of the Israeli occupation.

Through the long period of Israeli occupation the West Bank, the Cairo-Amman bank has been the only Arab bank which allowed to work in the West Bank; and that, only since 1986. But this bank is a merchant one, its developmental loans are for a short period, maximum three years, and in small amounts (Interview, Kanaan)

### Merchant Capital

Many, if not most of the Marxist writers are generally agreed that the epoch of capitalism coincides with the control of capital over the production process (Brenner 1977). Merchant capital is by definition divorced from the sphere of production, and each mode of production is defined by the social relations in which production is organised. Therefore, merchant capital cannot determine the basic nature of society, but rather superimposes itself upon societies whose essential character is determined independently of it. Merchant capitalism is not a definitive

social and economic system, but rather a mechanism of control over the exchange of products for money.

Before the epoch of capitalism, in societies where commerce had developed there existed the form of capital without the essential social relations upon which capitalism is based. Merchant capital was characterised by the circuit M-C-M, in which the production process lies outside of the circuit of merchant capital, and capital is purely in the sphere of circulation, or merchantile.

Marx, argued that the merchant capital not only does not control the production process, "...but tends rather to preserve it as its precondition". (cited in Bottomore, 1983:333) Following this line of argument some writers have argued that the underdevelopment of currently backward countries reflects the debilitating effect of merchant capital on these countries during the period of European colonialism (1500-1850). Specifically, it is argued the merchant capital allied itself with the most reactionary elements of the local pre-capitalist ruling class, magnifying their power and blocking the emergence of capitalist relations of production (Kay 1975; Dore & Weeks 1977). This argument is closely related to the debate over the nature of imperialism, mainly on the issue of its role in the underdevelopment of the Third World.

Kay (1975) was right in attributing much of the reason for underdevelopment to the "local precapitalists ruling class", mainly in the post-independence state. It is also important to uncover the deep articulation of interests between this class and the matured capitalist one in the centre. The uncovering of this articulation clarifies the continued role of the capitalist classes of the centre in keeping its alliance with its ruling classes in the pre-capitalist societies, aiming to maintain the Third World underdevelopment.

As a result of their being forced by economic hardship under occupation to cultivate export crops, the West Bank farmers, mainly in the Jordan Valley, now had less labour time and less land to devote to their own subsistence, and fewer agricultural

products to exchange for the goods they could not produce. The vehicle which forced the farmers to this situation is the merchant capital which in the last four years, more than before articulated its economic exchange with the EEC. (see Chapter Eight).

In its orientation towards export crops, the merchant capital strengthened the pre-capitalist relations of production at the cost of attempts to develop the agricultural sector in a capitalist direction. In the Jordan Valley the producers are the family members, women, and children, in addition to the men who, while leaving part of the work to other members of the family, might do some other wage labour work beside the work in the farm. While dominated by the landowner, indebted to him for years and years, the farmers are not able, to break this domination and integrate themselves to cooperatives.

As for hindering capitalisation of relations of production, the merchantile capital tends to intensify the pre-existing unity between direct producers and their means of production. Whether the peasant works for the land-owner as a sharecropper, or whether he cultivates his own subsistence plot in addition to labouring in Israel, or whether the production on his own land is regulated by the landowner as it is in the Jordan Valley; no matter what system of land tenure prevails, the peasant remains in possession of his means of production, tied to the soil. What distinguishes penetration under merchant capital from other forms, therefore, is that whereas the latter assist and then create the basis for capitalist development in non-capitalist modes of production, the former produces the dominance of relations of production that will later act as a barrier to capitalist development. On this level, it is clear that the articulation of the local merchant capital with both the Israeli and foreign markets became barriers to capitalist development in the West Bank.

In many countries, the landowning classes use their political power to restrict penetration by indigenous capitalist groups and foreign capital in the agrarian sector. But in the West Bank, the occupation's authority plays that role by the closure of banks; and the local merchants through their articulation with

Israeli policy, mainly on the level of exchange with Israeli and EC markets, restricting capitalist penetration. (On the role of Palestinian merchant capital, see later in this chapter.)

### Finance and Industrial Capital

Finance capital is the only form of capital that was not theorised by Marx, but has become established as a valid category for twentieth century Marxist theory. It is a form quite distinct from others such as financial interest bearing, or money capital. In the concept first promulgated by Hilferding (cited in Lenin, 1975) it has central characteristics: First, it is formed by the close integration of financial capital in the hands of banks, with industrial capital; and second, it arises only at a definite stage of capitalism.

Throughout capitalism, the existence of specialised financial capitalists holding, exchanging, borrowing, and lending money is possible only because of their articulation with the productive sectors; it is only by lending money to industrial capitalists that they can appropriate surplus value through interest, and only by operating the payments and foreign exchange systems for the transactions of the whole economy that they can appropriate surplus value through profit. However, it is the specific manner in which the two types of capital are integrated that distinguishes finance capital, and the essence of it is that the relationship ceases to be at arm's length as Hilferding wrote,

*"finance capital arose from the forces that 'bring back the industrial capital into an ever more intimate relationships. Moreover, it is an intimacy in which the banks are the dominant partners, controlling industry and forcing change upon it. (cited in Lenin:1975:18)*

Whilst for Hilferding, finance capital meant amalgamation-domination of banking capital after industrial capital, for Lenin, claiming to take his inspiration for Hilferding, the term acquired a broader meaning in 1916:

*The concentration of production; the monopoly arising therefrom; the merging or coalescence of banking with industry- this is the history of the rise of finance capital and what gives the term 'finance capital' its content. (Lenin, cited in Grow:1985:14)*

Lenin's concept of banks coalescing with industries differs from Hilferding's because there is no bank domination over industry in it.

Alongside these basic functions, with the development of capitalist production, the need for increased accumulation constantly requires a large banking capital which can supply industrial capital with the credits needed for payment and production. This creates the basis for a concentration of banking capital, alongside the concentration of industrial capital. These two structurally interrelated processes of concentration establish the basis for the 'merging' that Lenin discusses in imperialism.

According to his impression on the role of banks in Germany in the beginning of this century, Hilferding failed to grasp the merge of industrial and banking capitals. For Hilferding:

*Bank capital, that is capital in the form of money, which in this way is in fact transformed into industrial capital, finance capital. A steadily increasing proportion of capital in industry ceases to belong to the industrialists who employ it. They obtain the use of it only through the medium of the banks which, in relation to them, represent the owners of the capital. On the other hand, the bank is forced to sink an increasing share of its funds in industry. Thus, to an ever greater degree the banker is being transformed into an industrial capitalist. This bank capital, i.e., capital in money form, which is thus actually transformed into industrial capital, I call (finance capital). Finance capital is capital controlled by banks and employed by industrialists. (Hilferding, cited in Lenin: 1975:44)*



It is clear that his position is that the banking capital is independent or dominant

The idea of an articulation between banks and industrial firms with the former dominating is, as such, static; but the essence of the idea of finance capital is that it is typical of a stage in the history of capitalism, and therefore both the product of historical forces and the generator of forces which would themselves transform the world. As mentioned above, for Lenin (1975), finance capital was not itself a stage of capitalism but was, instead, an intrinsically prominent feature of the stage called monopoly capitalism or imperialism.

In Lenin's definition, underlying the joint interests of powerful industrialists and rich financiers, he stated that there was, therefore, no conquest of industry by financial groups or vice versa, but a merger of the former with the latter to form a new, all-powerful, financial oligarchy. (Lenin, 1934:65)

Lenin's emphasis on the merger of financiers and industrialists refers to an important issue which is the class one. Both of them as financial oligarchy are the top group of the capitalist class in the centre.

*In the nineteenth century, first in Great Britain and then in France, a distinction came to be drawn between merchant banks and deposit banks-investment banks and commercial banks. The same thing happened in the United States. (Grou, 1985:15)*

The importance of the division between Lenin and Bukharin on the one hand and Hilferding on the other lies in the political implications and conceptualisation of the role of finance capital. Or in other words, in the class struggle on the national and international scales.

Under the domination of the capitalist mode of production, production becomes social, but appropriation remains private. The social means of production remain the private property of a few. The general framework of formally recognised free competition remains, and the yoke of a few monopolists on the rest of the population becomes a hundred times heavier, more

burdensome and intolerable. (Lenin 1975)

But this normal development has not been applicable in the West Bank during and because of the Israeli occupation policy. The Israeli decision to close the West Bank banks, and the privileges which were offered to merchant capital, have pushed the West Bank back to non-capitalist mechanisms of economic work, and persisted the non-capitalist relations of production. The Israeli occupation decision of closing banks in the West Bank, is pushing this area back to a non-capitalist era. This in addition to the economic deformation which resulted according to the articulation of the West Bank industrial companies with Israel in sub-contract ones, or in the establishment and extension of other companies in Jordan, or through depositing their surplus in Jordanian banks.

*The more developed economic system is, the more it resorts to risky enterprises, or enterprises in other countries, to those which need a great deal of time to develop, or finally, to those which are only of local importance. (Liefman, in Lenin, 1975:28)*

This happened in the normal situation of capitalist development, but in the West Bank, this is not possible, because adventure should not be thrust on the shoulders of individuals. It becomes possible if it is shared by banks individuals, companies and national authority more than anybody else. (see below)

## ISRAELI CONTROL OF THE BANK SYSTEM

The following is an explanation of the role of the Israeli occupation as the determinant factor on the banking question. This policy which affects the bulk of the economic processes in the West Bank.

### Closing Banks in the West Bank

After June 1967, the Israeli occupation authorities issued a series of military orders which halted all activities of the local and English banks in the West Bank, and transferred the responsibility for the finance and bank system to the military

governor. In the second year of the occupation, the Israeli authorities opened branches of the Israeli banks in the areas. The following will explain how this decision took place, and on what basis the Israeli banks are working in the West Bank. At the beginning of its occupation, Israel decided to impose the Israeli currency as the formal currency in the Occupied Territories. However, in addition to this currency, the Israeli authorities also allowed Jordanian currency to circulate in the West Bank. There are, therefore, two 'legal' tenders in the West Bank, the Israeli and the Jordanian; though in practise the Jordanian Dinar has had superior status arising in part from its relative stability, because of continued aid from the Gulf oil countries which sustained from 1967 to 1982, as opposed to the continued devaluations of the Israeli Shekel. Bank of Israel regulations prevented Israeli banks operating within the West Bank from paying interest on Jordanian Dinar deposits.

The following are the steps taken by the Israelis to dominate the bank system in the Occupied Territories:

Military Order No. 7, of 5-8-1967, states that:

*...all banks and borrowing establishments in the West Bank area should be closed until I have issued another order on this issue.... Banks and borrowing establishments are forbidden from making any kind of bargaining or contact with all banks outside the area... Any person who breaks this order will be punished either by 15 years imprisonment or a fine of 10,000 JD or by both. (M.O.S. no 7, 1967:27)*

Military Order No. 7 for 1967 further stated that:

*...it is forbidden for any person from the Occupied Territories to make any exchange of foreign currency, gold, JD and bills by himself. It is forbidden for any person to take out or to bring into the area by himself any amount of foreign currency, gold, JD or any currency. (M.O.S. No.7, 1967:27)*

These military orders were followed by military Order No. 45 for 1967, which cancelled every appointment or authority which was effected under Jordanian bank law pre-June 1967. (M.O.S. No. 45, 1967:93)

Based on the aforementioned military orders, the Israeli authorities closed all banks in the West Bank, both their board offices and their branches, froze their accounts and transferred their documents and their non-fixed money to the Israeli central bank's accounts. The occupation appointed comptrollers who were authorised to issue banks licenses, determine the minimum limit of the money liquidity, and allow the Israeli banks to open branches in the Occupied Territories.

### **Restricting Money Inflow**

The Israeli occupation policy was not limited into closing banks in the West Bank, and imposing its currency. This policy covered the inflow of money liquidity from abroad, mainly from the Palestinians who are working in Jordan and the Arab Gulf countries. This control, from the Israeli viewpoint, was to guarantee that the amounts of this money did not exceed the limit of consumption needs of the Palestinians in the West Bank. They believe that extra money will be converted to investment, and in the final end, this means more Palestinians will become independent, thus strengthening to the infrastructure, a state which totally contradictory to the Israeli policy. In addition to what has been mentioned above, since its beginning, the occupation fixed the amount of money which every person could bring through the bridges at 1,000 JD; and later the amount was raised to 2,000 JD, i.e. \$5,000. But during the Intifada, this amount went down to 400 and later to 200 JD; i.e. if one wants to bring money in person, one must travel to Amman, a trip which costs 100 JD, or twenty five to fifty percent of the amount allowed in. Moreover, the Israeli authorities in the West Bank and Gaza have put obstacles which delay exporters from bringing into these areas payments received for their export. In doing so, Israel aims to limit the amount of money in the area as a policy to quell the Intifada, since it

would the stifle the Intifada financially and, especially since April, 1988, to oblige the exporters to pay taxes.

As a result of the long strike of the shops in the Occupied Territories, especially when Israeli troops prevented the shops from opening freely, many money-changers have been doing their jobs from cars; and many youngsters are exchanging money on the sidewalks as they did in the first few months of the Israeli occupation, 1967. This confirms that the political factor is determinant.

By limiting monetary remittances from abroad, the occupation is in fact encouraging money transfer abroad. But it is important to note here that the occupation knows very well that the population will never transfer abroad the money necessary for their cost of living. In following this strategy, the occupation is guaranteeing its share of local spending and consumption, blocking local savings, and keeping capital formation at the lowest level.

#### How the Israeli Banks Work in the West Bank

Opening an account in the Israeli banks takes a long time. Even the language which is used in their operations (Hebrew) causes many problems for Arab customers. Further, for loans, the military governor's approval is necessary. These obstacles, in addition to the power of the military governor to cancel and block any account, are harming the people dealing with these banks. The aim of this policy is to keep economic activity in its slowest level.

So are other regulations. The commission on surety reached 2.5 percent, which is very high.

By 1984, there were thirty six branches of the Israeli banks in the Occupied Territories, including East Jerusalem. Despite the fact that West Bank Palestinians were allowed to open accounts in Israeli and foreign currencies, their deposits were very low in relation to the GNP and the gross possible private income.

*The major components of means of payment in the areas, probably over 90%, is currency in circulation. Very little use is made of the banking system. Deposits in banks total only about 4% of product as against 29% before 1966, whilst the figure for Israel is 48% and that for all developing Arab countries, 10%. A similar picture emerges with respect to credit extended through the banking system: it amounts to about 2% of the administered territories' total product as against 13% in 1966. (Bregman, 1974:95)*

Those deposits are used for trade with the Israelis and between the West Bank population, which means that those belong to the merchants whose interests are articulated with the Israeli economy. Most of the establishments covered by my interviews in 1988 and 1989 confirmed this point. The rapid inflation of the Israeli currency pushed the population to deposit foreign currency, including the Jordanian Dinar, rather than Shekels. That is why the deposits in foreign currency jumped from twelve percent in 1977 to eighty percent by 1984. However, the gross deposits deteriorated to 7.5 percent of the GNP, as compared to twenty nine percent in 1966. (Mansour A, 1988:105) This was in addition to the negative effects of money transfer abroad, which in a normal situation should be deposited and/or invested locally.

But the current Intifada in the Occupied Territories has shaken the fragile Israeli banking system there. People did not open large credits in the Israeli banks because they are merchant ones, there is no confidence in Israeli currency, most of the confidence was in the JD and US dollar, they feel safer to deposit abroad because of the shaky political situation, and finally they prefer to hide their economic activity far from the Israeli authority who are taxing everything while did not offering any substantial services.

The branch of the Israel Discount Bank in Gaza is on the edge of closing. Bank Hapoalim has moved its branch from Gaza to Eretz, on the border, while Leumi bank in Gaza is directing its

operations from Ashkelon in the south of Israel. (Youdiout, 1-2-1988:7)

The administrations of Bank Leumi in Ramallah and Qalqelia decided to close those branches, and the Beit Jala branch has been closed for three weeks. Amir Cheshin, Jerusalem Mayor Teddy Kollek's adviser for Arab Affairs, noted: "Many cheques--totalling a significant amount of money--have bounced." (Jerusalem Post, 5-2-1988:6) "The amount of Arab merchants' cheques without cover which were not cashed in the recent weeks totalled about 50 million Shekels." (Haaretz, 11-2-1988:7)

Following these developments, the Bank of Israel is considering introduction of emergency measures to prevent the current general strike in Jerusalem and the Occupied Territories from causing a breakdown in the commercial life in those areas. There are no figures on the number of Arab businesses whose accounts have been restricted in the last six weeks by Israeli authorities as a punishment because their cheques to Israeli exporters were uncovered. But the Bank of Israel says, that ...from the end of November to mid-January, the number of restricted firms rose by over ten percent, from some 1,250 to 1,400. (Samara, 1988a:35)

Twenty out of forty four establishments covered by my 1989 interviews noted that they have to pay the Israelis cash for raw materials, while seventeen were still able to pay by cheque, but at shorter notice than in the pre-Intifada period. Seven did not answer the question. It should be noted here that this was the treatment applied to the larger establishments. It is harsher for the small businesses.

As a result of these developments, consumption in the West Bank declined drastically. It is a result of less employment, less income, and less money liquidity. If we put in mind that most of the investment in the West Bank is a private one, several West Bank factories failed to satisfy the needs of the market after the first year of Intifada. The problem started as follows: these

factories delivered commodities to the merchants, they sold them to the consumers, but gradually the number of customers who did not pay the price of the commodities increased, and finally the returned money to the factories decreased. The result of that was a decline of money liquidity to buy raw materials. The Israelis refused to accept cheques from the Palestinians. That is why some of these factory owners either slowed down their operations or borrowed from Israeli banks with a high surety, and high interest rates, i.e. (Interview, n.n). Taking these developments into consideration, it is understandable why the banking system is important.

#### Limited Rebuilding of Banks in the West Bank

The Israeli occupation closed all banks in the Occupied Territories according to Military Order No. 7, dated 8-7-1967 (M.O.S.) No real developments took place since that time, until the last few years, when indirect contacts between Israel and Jordan took place with the intention of reopening the closed banks. The International Monetary Fund (IMF) was the mediator. (Financial Times, 18-11-1989:10)

The main obstacle was the Israeli insistence that banks in the West Bank be put under the supervision of the Israeli central bank, a precondition which was rejected by Jordan. As a result of these mutual incompatibilities from the two parties, no developments took place on the inter-governmental level, until a group of local businessmen from the West Bank applied to the Israeli authorities asking for the building of a new bank, with capital amounting to \$10 million. The Israeli authorities ignored the request, and the initiators abandoned their project.

During his visit to the United States in 1984, then Israeli Prime Minister Shimon Peres mentioned that there was a possibility for establishing an Arab bank in the Occupied Territories. Mr. Peres' declaration was indirectly motivated by US Secretary of State George Schultz's well known call for "...the improving of the quality of life in the Occupied Territories" (Samara, 1988b:35).

The reopening of the Cairo-Amman bank in Nablus, as a merchant one, on the third of November, 1986 came as a result of contacts between Jordan and Israel. Grindlays, the British clearing bank, recently held discussions with Jordanian authorities on behalf of its subsidiary the Old Ottoman bank. And the Egyptian government-owned Arab Aqari Bank, which specialises in land and property financing, is known to have approached Israel on the same subject.

The breakthrough which paved the way for the Cairo-Amman Bank to reopen in fact resulted from a secret agreement, signed in London, between Jordanian and Israeli central banks, providing for dual supervision of the Palestinian bank's activities in the West Bank. (Financial Times. 18-11-1986:10)

This is evidence that the approval of starting a bank is part of a functional division policy between Israel and Jordan, and it is not a route to develop the West Bank.

The Israeli military authorities have authorised the Jordan based Cairo-Amman Bank to open branches in the West Bank towns of Ramallah, Jenin, and Hebron. The two main Israeli military orders which dealt with this matter are No.s 1180 and 586. As Benvenisti noted:

*Order 1180 grants the Israeli comptroller of banks (of the bank of Israel) the right to issue the directives concerning membership of the bank's executive body, (not to exceed 15), and the agenda considered by it. The Israeli comptroller is empowered to halt, in case of emergency, the operations of the bank for specific periods. The most important fact here, is the Israeli decision to limit the role of this bank in a commercial level, and not developmental one. The implementation of Military Order No. 586, Benvenisti noted, means that a local bank, ... must keep its liquid assets in the Bank of Israel. Deposits in Jordanian dinars must not exceed a ceiling determined by the comptroller, and if it does, the*

*bank must keep against dinar deposits dinar banknotes to the full amount of the deposits. (Benvenisti, 1987:33)*

In an interview (1990) with M.Kanaan, the current manager of this bank, he said that the maximum of deposits which this bank is allowed to accept is 85 JD. million. When deposits exceed this limit, the bank administration must find a way to push it down to the determined limit. It is prohibited for this bank to keep a deposit for more than twelve months, to open a fixed account, and the maximum time for its loans is three years.

According to all these restrictions, this bank no more than a large money changer, whose main role is to bring in and transfer out Jordanian Dinars. The Cairo-Amman bank is not entitled to accept or deal with any foreign currency, except the J.D.

On the other hand, Mr. Shaashaa, the former Manager of the Cairo-Amman Bank in Nablus has noted that :

*The only supervision on accounts will be that of the Bank of Israel. The tax department and the civil administration have no right to look over the accounts.... As for the bank of Israel, they told us it will be for security reasons only; that is, to prevent the entrance of money from political sources. The Central Bank of Jordan will periodically supervise our accounts through the dispatching of employees for this purpose.... Of course, it will be the right of the depositor in Ramallah to ask the bank to deposit his money in a branch in Zarqa, Irbid or Amman. (Interview, Shaashaa)*

It is clear here that Mr. Shaashaa is trying to minimize the role of the Israeli authorities in this issue. In fact, his argument is based on the theoretical separation between the so called "Civil Administration" in the West Bank and the Bank of Israel, or between the central colonial government of Israel and its colonial extension in the Occupied Territories; an inapplicable separation. Besides, the hard fact is that during the Intifada it has become clear that the final decision is in the hands of that

same Civil Administration. All the Palestinians who have accounts in the Cairo-Amman Bank are forbidden to withdraw any amount of their money without permission from the military governor and the Civil Administration. As Shaashaa noted, the depositor from the West Bank is allowed to transfer money from Ramallah to Amman, or vice versa. However, during the Intifada that depositor is now obliged to inform the military governor of the amount of money he is going to transfer, and the bank must provide to the military governor lists of names of all people who bring money from Amman to Ramallah--despite the fact that it is their own money (i.e. it is not grant or aid money). (Interview, n.n)

In addition to the abovementioned obstacles, The Cairo-Amman Bank administration has imposed a condition that a creditor must put on mortgage a property or properties to the value of the credit or exceeding it. This in addition to providing a guarantee from a big merchant. If the creditor fails to pay the credit, the bank is entitled to sell the property and regain its money. M. Kanaan, the manager of Cairo-Amman bank said, in an interview that the bank delivers loans to those who are rich enough to repay the loan. He added that even the rich ones did not re-pay during Intifada.

The bank charges nine percent in addition to its two percent commission. But although the ceiling of the bank loans is twenty thousand JD, most of the paid loans are three to seven thousand JD.

What is important here is that the opening of this bank did not play a substantial credit or investment role. Its main role is to facilitate money inflow and outflow to and from the West Bank.

## FINANCING RESOURCES

Due to the scarcity of local financial resources, the West Bank has increasingly become dependent on remittances.

But the difference between remittances and the financing system is large. The banking system emerges as a stage in capitalist development, its role is to finance investment in productive sectors in the first place while remittances have never been the same.

The remittances which have been transferred to the West Bank since 1967 were neither oriented to development nor do they have a developmental aims. Most if not all of these remittances were ruled by political aims of the political parties who controlled them.

The dependence of the West Bank on external financial resources can be seen in the rapid increase of the percentage share of remittances in the GNP. It jumped from less than three percent in 1968 to twenty five percent by 1978, and thirty three percent by 1983 (there was a slight decrease to thirty percent in 1984). (see Table 6.1)

The West Bank productive sectors always lack the ability to reproduce the needs of the society. The large deficit of balance of trade always is a clear evidence (see Chapter Eight). That is why, remittances are devoted to offsetting this deficit. In fact, this is the goal of these remittances. This in addition to the fact that the size of remittances is not large enough to exceed the deficit, and the channels of these remittances have nothing to do with development. (see below)

Table 6.1

Share of Remittances to the Occupied Territories in Both GDP and GNP,  
1978-1984 (in Millions of Israeli Shekels, with its current value)

Year	Item			
	GDP	GNP	R. to GDP%	R. to GNP %
1968	-	-	-	less than 3
1978	1,353	1,669	33	25
1980	5,489	7,409	35	26
1981	11,195	15,913	43	30
1983	62,621	93,469	49	33

source: UNCTAD/ESCW, 1987:121-122

But it is important to stress that 1968 should not be taken as a base year because of its unusual nature, the high share of remittances in both GDP and GNP, and the large difference between its share in 1968 and 1978 should be noted. It is a clear indication of the Occupied Territories' dependence on foreign sources (despite the fact that many of those sources are Palestinian). Illustrative of the critical situation, is the Israeli decision to put economic pressure on the Palestinians during the Intifada; a decision which limited money inflow (see taxes section in the next chapter). The result of this policy has been very painful, especially for those families who depend heavily on remittances.

If we consider the large amount of West Bank money transferred abroad (as mentioned above), and the migration of the young labour force to Israel or abroad; we could say that most of the remittances which the West Bank depends on are a part of its own wealth. The transfer of remittances is a West Bank struggle to regain (partly) what it lost through migration. What is not regained is the surplus value West Bank migrant workers produce for other economies, which is in fact high. Remittances here include all forms of money transferred from abroad, i.e. net factor payments and net current transfers from abroad.

The following are the sources of remittances to the West Bank.

### Palestinian Remittances

The Palestinian remittances are the main source of remittances in the Occupied Territories. They could be classified as follows:

- A. Remittances from Palestinian workers in Israel.
- B. Remittances from Palestinian workers in the Arab oil countries.
- C. Remittances from Palestinian emigrants abroad, e.g. in the Americas.
- D. PLO remittances.
- E. Remittances from Palestinian visitors through the bridges and airport.

The income of production factors, interests, profits, rents, and share revenues which are produced from the investments and credits abroad of Palestinians living in the West Bank are not counted here, for two reasons:

1. There is no way to accurately estimate these incomes.
2. Most of these revenues accumulate abroad.

The part of production factors abroad which is transferred to the West Bank might be included in the prepared estimations by the sources of financial information on the West Bank, but there is no confirmation of this. These remittances are based on family relations, and are aimed to satisfy consumption needs, mainly in a luxurious way. Since they are oriented towards luxury consumption, they do not benefit the domestic market because they are devoted to imported goods. The only locals benefitted from this form of consumption are the Palestinians who marketing Israeli and foreign commodities. The contradiction here is that those remittances are cementing the articulation of the interests of several local social groups with others abroad.

With respect to the share of those West Bank workers who are working in Israel, in 1987, "...their daily contribution amounted

to US \$1,731,255." (Samara, 1988a:54) "The West Bank GDP for 1985 was 3,949 million Israeli Shekels." (Benvenisti, 1987:6) It is worth mentioning that most Palestinian remittances are not investment oriented. Instead, they are made to meet consumption needs. If a worker starts any investment project it is usually under his direct control, i.e outside the West Bank, in the place of his residency.

When Palestinians abroad transfer money to their families in excess of their families' living needs, they are usually motivated by the desire to build luxury villas. There are thousands of villas in the West Bank which cost in average \$50-90,000. However, although the construction sector has absorbed most of the money invested in the West Bank, it has failed to solve the housing crisis (see Chapter Three on labour). Most of these villas remain empty and untenanted; because the owner might come to stay in the country for only a few months every few years, or because their rent is too high. (Interview, n.n.) It is rare to find buildings with flats built for tenancy.

The E/ECWA estimation of the number of permanent migrants for the Occupied Territories is 152,000 persons. It estimates that fifty percent of this number maintain relations with their families in the Occupied Territories, and send remittances. (E/ECWA/UNIDO, 1985:12)

However, it is hard to estimate the amount of remittances, since money is transferred by several means, many of them invisible. Most of those in North and South America transfer money by cheques which are not registered (Interview, Shihab)

#### **Direct Jordanian Remittances**

Most of the formal Jordanian remittances to the West Bank are in the form of salaries to some 6,000 pre-1967 Jordanian employees. This is in addition to the pensions of some 3,200 retirees. Jordanian remittances to the West Bank amount to seven million JD every year, while government-backed bank loans amount to nearly 320,000 JD every year. In addition,

there are about 50,000 JD in yearly remittances from the Social Affairs department in Jordan to charitable societies in the West Bank.

At their best, these remittances are no more than part of a commitment from the Jordanian government to its ex-employees. In fact, it is also a political step to keep a political loyalty to the Jordanian regime in its competition with the P.L.O. on the question of who represents the Palestinians.

Following the Israeli invasion to Lebanon, and the eviction of the P.L.O. from Beirut, several parties became involved in shaping a solution to the Palestinian question without the P.L.O. The first, as mentioned earlier in this chapter, was the declaration of G. Schultz, the former US Secretary of State, which called for improving quality of life in the occupied territories".

Schultz' idea, followed by a turning point in Jordan's financial relationship with the Occupied Territories, came in 1985 when the Jordanian authorities decided to implement a five-year development plan. The five-year development plan allocated 461.5 million JD for economic and social development in the West Bank and Gaza Strip, for the years 1986-1990, and this amount was to be distributed as follows:



Table 6.2  
The Budget of Jordan's Five-Year Development Plan

Sector	Amount (mil. JD)	% of Total Amount
Agriculture	61.7	13.4
Industry	22.5	4.9
Housing	190.0	41.2
Construction	64.0	13.9
Education	78.7	17.0
Health	34.4	7.5
Social Development	10.2	2.1
Total:	461.5	

Source: Al-Fajr-E, 8-8-1986:8

Without discussing the Jordanian rhetoric in announcing this plan, or the political ambition behind Jordan's decision to include Gaza in the plan (Jordan had never claimed any "responsibility" for Gaza before), it is worth noting the real similarity between this plan and that of the Jordanian-Palestinian Joint Committee (see below). In the Joint Committee budget, industry's share was 6.2 percent, and in the Five-Year Plan, it is less than five percent. The share of agriculture in the Jordanian-Palestinian Joint Committee was 7.8 percent. In this plan it is 13.4 percent. But this rate is deceptive. Of the 61.7 million JD allocated for agriculture, there is a sum of 21.8 million JD allocated for establishing various bureaus and institutions (for agricultural consultation, loans, marketing and research, as well as cooperatives). The amount which was allocated for agricultural production is only 28.1 million JD, i.e 7.8 percent of the total development budget. It is clear here that the share for production in the two budgets is low (see Tables 7.3 and 7.4).

On the practical level, Jordan has started some activities in the context of its five-year plan, albeit humble ones.

*The five-year development plan has allocated US \$3 million for regional and development plans, and an additional US \$10 million for master-planning and detailed planning of towns and villages. Local planning offices have already received large sums from Jordan which are matched by Civilian Administration contributions. All planning must be approved by both governments. (Benvenisti, 1987:36)*

In fact, although this amount could be considered large in comparison with the marginal expenditures of what is called the Israeli civil administration, it is nothing in comparison to the huge amounts called for in the plan itself, or even to the EEC and US contributions to the Jordanian five-year plan (see below).

During the first three months of the Intifada, Jordan desperately fought to profit from the situation, and transferred more money as a part of its five-year plan(1). At the time, Jordan was under the impression that the Intifada was only due to a deteriorating economic situation, but it seems that since April, 1988 Jordan has correctly understood the political-national mechanisms of the Intifada. However, Jordan's own economic crisis contributed to Jordan's failure to transfer money to the Occupied Territories to support its position there. In addition, the new developments which took place in the Occupied Territories during the Intifada obliged Jordan to re-evaluate its relationship with these territories.

On the fourth of August, 1988, the Jordan authorities declared the severance of administrative and legal links with the West Bank. (Al-Quds: 5-8-1988:1) In line with this decision, Jordan halted all its activities in the West Bank. Time is necessary to clarify the significance of this step.

Jordan's cancellation of the Five Year Plan, is a clear proof that Jordan's aim has nothing to do with development, as mentioned above.

## Arab Remittances

In addition to the remittances to the Occupied Territories through Jordan and the Joint Committee, there are assistances to the Occupied Territories from Arab governments. What should be noted here, is the fact that all these Arab remittances are a form of invisible form, and thus never based on a systematic way, or established on a developmental policy. Even those who work as channels to deliver those amounts of money are out of any control, a fact which facilitates corruption

The Jerusalem Fund transferred \$34.7 million from 1978-1985. The Arab Gulf Programme for United Nations Development Organisations (Agfund), established in 1981, paid \$ 2.3 million through UNRWA. Saudi Arabia announced that it was willing to pay \$3.4 million for a sewage system in Gaza. (al-Fajr-E, 25-12-1986:3)

Arab aid through the UN agencies is channelled and oriented according to the UN strategy in the area. Moreover, the application of this strategy is conditioned by the approval of the Israeli occupation authorities.

The following are estimations of the formal and special Arab and Islamic remittances to the occupied Palestinian territories in the period 1978-1984 (in millions of Jordanian Dinars):

1. The Jordanian Government: 49.5. The source (see below) does not state whether the aforementioned direct Jordanian remittances are included in this amount or not.
2. Non-governmental and religious organisations: 6.0
3. Arab and Islamic states (including the Jerusalem Fund): 10.0
4. The Joint Jordanian-Palestinian Committee: 122.8 (by other estimations, i.e. the Jordanian Professional Bureau, the amount is as high as 137 m. JD).
5. The total is: 187.3. (UNCTAD/ESCWA, 1987:133)

A good example of the fragility of Arab remittances is the decision of the Gulf Cooperation Council to stop aid to the Palestinians because they supported Iraq in the Gulf war.

Since these remittances are irregular, draft economic plans for the West Bank cannot be based upon them. It would in any case be more beneficial for West Bank Palestinians if Arab countries agreed to import some of their products.

## International Remittances

The international remittances can be divided as follows:

- 1- International agencies, like UNRWA, and UNDP.

For the period 1978-1984, UNRWA's remittances were eighty percent of the international remittances to the Occupied Territories (see Table 6.3). Since our discussion here is concerned with development, it should be noted that there is generally no direct connection between UNRWA and development. It is a UN agency which deals with health, relief, human, and charitable matters. However, a new development took place during the first few months of the Intifada. UNRWA started to make loans for small scale development projects: shops, small livestock farms, etc. The largest amount per loan was \$10,000, and such loans were limited to refugees.

Table 6.3  
 Estimations of International Organisations' Remittances to the Occupied Territories, 1978-1984 (in Millions of US \$).

Year	UNRWA	UNDP	EEC	US PVOs	Europe PVOs	Total
1978	37.4	-	-	7.0	3.0	46.4
1979	39.0	1.0	-	7.0	3.0	49.0
1980	51.9	1.0	-	7.0	3.0	63.9
1981	59.9	1.0	1.0	7.0	3.5	73.0
1982	61.9	1.0	1.0	7.0	3.5	74.4
1983	60.5	1.0	1.0	7.0	4.0	73.5
1984	65.1	1.0	1.0	7.0	4.0	78.1
Total	375.7	6.0	4.0	49.0	24.0	
Grand Total:						458.3

Source: UNCTAD/ESCWA, 1987:137

The breakdown of the total of the international aid for the seven mentioned years shows that the average annual amount of this aid was \$ 65.4 million. As noted above, UNRWA's share was more than eighty percent, and its contribution was not a developmental one. As a result, international remittances play only a humble role in the development of the Occupied Territories, because of its limited policy, not because of its limited amounts.

In 1980-86 the UN programme for development (UNDP) increased its activities in the Occupied Territories for basic structures, developmental projects, and community care. This programme started twenty three projects, and devoted \$9.5 million.

*During the five year period, 1987-1991 UNDP made available \$12 million for development activities in the Occupied Palestinian Territories and a similar amount had been recommended for the period 1992-1996". (Interview, Nevrodis)*

This in addition to the activities of other UN agencies in the Occupied Territories. As has already been mentioned, these activities are subject to Israeli approval.

### Foreign Governmental Assistance

The Western countries provide the main, if not the sole, foreign governmental assistance to the West Bank. This aid started in recent years, mainly after 1982, i.e. after the eviction of the PLO from Beirut. The channelling of most of this aid is through Jordan's five-year plan. This supports the idea that the aid these countries contribute is politically oriented for the sake of Jordan.

During the last twelve years, the United States has spent approximately sixty million JD in the West Bank and Gaza Strip. It was the US Secretary of State George Shultz who initiated this aid programme under the slogan, "improving the quality of life" in the Occupied Territories. When Jordan announced its five-year plan, the United States announced its acceptance of the plan and supported it. The same position has been taken by several members of the EEC. The British government was the first EEC country to support the Jordanian politicised five-year development plan, and the second foreign country to pledge aid. The British Embassy in Amman said that Britain would put \$3.6 million into West Bank projects up to 1990. (The Guardian, 19-12-1986)

*The Tory Minister for Overseas Development, Christopher Patten, announced that the Thatcher government is providing 15 million sterling to the Jordanian government as part of its plan to try to drive the PLO out of the Occupied Territories. (Newslite, 18-12-1986:7)*

*The Tory Minister for Overseas Development, Christopher Patten, announced that the Thatcher government is providing 15 million sterling to the Jordanian government as part of its plan to try to drive the PLO out of the Occupied Territories. (Newsline, 18-12-1986:7)*

Following this, a Bonn document pledged an increase of West German financial assistance to the West Bankers from 7.5 million DM in 1986 to twelve million in 1987. Most of the aid was again channelled through the Jordanian government. France also undertook to provide the Jordanian plan with ten million French francs a year. (Mideast Mirror, 19-3-1987:8)

One month before the Intifada, the United States decided to grant Jordan

*...\$23 million as a finance to its Five-Year Development. This amount is in addition to another \$12 million as direct aid to the Occupied Territories, there are another \$7 million which the US administration aims to transfer to the Occupied Territories this year. (Mideast Mirror, 14-4-1987:7)*

It is important to note here, that those amounts of money might not be transferred to the West Bank because many political developments have taken place, i.e. the Intifada which put an end, at least for the time being, to the Jordanian role in the Occupied Territories.

Recently the EEC changed its position toward the Occupied Territories. It decided to import the produce of the Occupied Territories directly without Israeli or Jordanian mediation (see Chapter Eight) This step shows a change in the EEC political position on the Palestinian question. More time is necessary to make a final evaluation of this step. However, what is most important here, is the fact that these associations lacked for any developmental policy.

## FINANCING ACTIVITIES

Financial activities might be divided into two categories: the internal, which is individualistic and aimed at generating profit, and the external, which is public and politically oriented.

### The Private Sector

The Israeli cancellation of the West Bank banking system deprived the area of its most important source of development. The financing situation returned to become dependent on the private sector. But the private sector in the West Bank was and still is not mature enough to carry alone a development mission. (Many of the aspects of that were discussed in the previous chapters.) It is the aim of the Israeli occupation to stop any Palestinian creation of an independent infrastructure, and this is what really happened. The West Bank private sector concentrated its investments in the building sector, on the one hand, and in industries which fit into the Israeli economic policy for the West Bank, i.e. the sub-contract industries, in industries which did not deal with local raw materials, or transfer the rest of the surplus abroad.

It should be noted that private savings, in the absence of a financial system to channel household savings into investment, is more or less a form of hoarding than a saving for the sake or aim of productive investment. It is a situation of individual and isolated activity, not a part of social one. While, the production in this situation is social one, more people participate in the production process, despite the fact that in many working places, the working relations are not fully capitalised. But the investment process is still a mere adventure for an individual to decide to invest here or there from his own budget, without having a loan to encourage him. But in fact he is under the threat of the changeable situation.

In addition, the West Bank has lacked a supporting system which could enhance the distribution of local produce. During twenty years without a national authority, has been impossible

for the West Bank to develop its own economic structure which could meet part of its economic needs.

The offices and companies which handled financial tasks are not well developed or professional, and lacking far behind the level of satisfying the local needs. The main source of savings is still the private sector. Due to the scarcity of local financial resources, the West Bank has increasingly become dependent on remittances. On the other hand, many of the West Bank residents have deposited their money in Jordanian banks. Palestinians with private capital are shifting it out to Jordan, building houses in Amman, transferring out whole enterprises.

Despite the fact that private savings were the main source for investment, investments have lagged behind savings since the seventies. In addition to that, eighty percent of the private sector savings for investment have been invested in buildings(2). While the building sector is an indication of the distorted orientation of private savings, it is at the same time an indication of the dwelling crisis, since there are three persons per room in the Occupied Territories. (see Chapter Three) The large role of the household in building is an indication of an investment in the non-productive sector; a sector which reflects the traditional trend precapitalist trend, which considers the ownership of a private home as a social prestige. The domination of this trend might be partly due to the absence of banks. The availability of banks might absorb part of household savings, to circulate them. It is clear here that the household sector did not articulate with the capitalist sector. The capitalist relations of production here failed to dominate the non-capitalist ones, and the mentality of small and independent producers in agriculture and industry succeeded to dominate the investment of the household sector. While banks are the most able party to encourage part of the household sector to save in them, the Israeli closure of banks in the West Bank has strengthened the non-capitalist modes of production in this area.

It is too difficult to expect a mature and sufficient investment from the private sector in a country which is under settler

colonial occupation, which represents a capitalist state dominated by a capitalist mode of production, following a policy which insists on terminating any emergence of a Palestinian infrastructure. In other words, the Israeli policy which blocked the development of the West Bank economy is not expected to leave room for independent Palestinian development. At the same time, the private investors did adapt themselves according to the gaps and opportunities which are offered by the occupation.

Part of these private savings are remitted to Jordan, and invested there as well. These savings and investments have benefitted Jordan at the cost of development inside the West Bank, since they are part of the wealth which was generated by the productive sectors in this area. It is an example of the failure to control the accumulation process in the West Bank.

#### **West Bank Merchant Capital**

Merchant capital was one of the main resources for West Bank farmers prior to 1967. This has continued to be the case during the occupation. But because of the deteriorated position of the Israeli currency, the merchants have shortened the period of their loans to the minimum, and insist on cash payment. This has increased the indebtedness of the farmers, and strengthened their dependence on the merchant capital which has already absorbed most of their profits. Even the loans which they received from foreign associations have been subjected to the merchant capitalist interests.

The merchant capitalist is the source for their fertilizers, seeds, and boxes for marketing or exporting. He is even the party who could, as privileged by the Israeli occupation, import the new technology which who are committed to buying according to the contract with the source of loans. (Interview, Pollock). The results were a continuity of family labour in the farm and non-capitalist relations of production, land stayed in the hands of the farmer with a large amount of debt (7,000 JD per farmers according to (Interview, Pollock), and the male became mostly a wage earner in other places, i.e. Israel, while females and children became the main if not the sole labour power. In such a situation, women became household workers, mothers, workers

in the field, and even marketers. In addition to all these passive aspects, the merchant accumulated more and transferred the surplus abroad in an articulation to other dominant modes of production there.

When it comes to the question of industrial investment, merchant capital, even if it would like to, cannot offer sufficient amounts, since most of its profits are transferred abroad. In addition, the merchants prefer projects which could return their investment in a short period. In this they are controlled by the mercantile mentality. For these reasons, the merchants' contribution to the industrial sector is limited. This mentality facilitates their articulation to the Israeli economy.

The following table shows the preferred investment areas of twenty five companies of insurance, landlords, big merchants and money changers.

Table 6.4  
Areas of Investment for Twenty-Five Companies of Insurance,  
Landlords, Big Merchants, and Money Changers

	Landlords	Insurance & Money Changers	Merchant & Estate
Agriculture	-	1	-
Services	4	-	-
Trade	5	2	3
Estates	1	3	2
Industry	-	-	2
Currency	-	1	-
Shares	-	1	-
Total	10	8	7

Source: Interviews, of 1989

This table shows that twenty out of twenty five preferred investment in services, trade, and estates; while only one preferred to invest in agriculture and two in industry.

During the Intifada, some of the merchants have found themselves in a critical situation. The agents of the Israeli companies became a target for the national movement in its desire to limit the consumption of Israeli products. This was supposed to lead to a new orientation towards local investment in locally consumed products, but the agents have not taken the risk of reorienting to industrial investment. But another part of them, the land owners who themselves are merchants, benefitted by the chance of exporting to the EC.

### Money Changers

There are nearly four hundreds licenced money changers in the West Bank. In the Gaza Strip they are not licensed because the central bank declares the currency prices on a daily basis. Money changers do many jobs in the West Bank. They transfer money to students abroad, accept deposits from individuals and companies, deposit some of their clients' money abroad, accept cheques for exchange from people who come from abroad, exchange the hard currencies, buy and sell Jordanian company shares for their clients, and buy and sell gold. However, their investment in local companies is very limited, and when they wish to invest they prefer to do so in Jordan. The reason for this is that they are looking for safety as individuals, in addition to their relationship with Jordan, and because most of their savings are accumulated there. These money changers are in fact a form of money traders not bankers, and that is why they cannot fill the gap which was left behind by the closing of the banks to offer loans or invest in industry. In doing so, money changers apply the Israeli occupation's policy, which is the blocking of development in the West Bank. On the material interest level, they are of the social group which has articulated itself with the occupation's policy.

What is important to mention here is that the money changers in the West Bank do not themselves contribute to the economic investment. In my interviews with them, they offered several reasons for that, such as: investment needs larger capital amounts than they are able to offer, or the political situation is

not promising. Some of them said that they dislike to work on a "usury" basis, because they believe that interest is a form of usury which is prohibited by Islam. The most important point to comment on here is the fact that the money changer who refuses to work on a usury basis lacks the capitalist or entrepreneurial mentality, i.e. he might not become an entrepreneur. What is concluded here is the fact that the large difference between usury and banking capital is ignored.

It is worth mentioning that while some of the money changers accept deposits from the population, and give them receipts, they do not pay the same rate of interest; as banks do not guarantee these deposits, and in some cases pretend that they have not received the money.

As traders who are dealing with services, the job of money changers is limited in the tertiary. That is why they are not investors in the local industrial companies. Moreover, the money changers play a negative role in the local economy, since they invest in Jordanian companies or deposit in Jordanian banks. In other words, they are transferring the local capital abroad and undermining the local accumulation. By doing so, these money merchants, traders are articulating their own interests, not only with the Israeli economy, but with the Jordanians' as well. Doing so, they have become part of the Palestinian bourgeoisie who maintain a political loyalty to the Jordanian monarch according to their material interests.

In many cases the money changers make black market bargains in the West Bank. Many mayors deposit the money of the municipalities with the money changers and divide the interest accruing between them. One of these cases is the municipality of Beitunia, in the Ramallah area, which led to the arrest of Beitunia's Mayor, accused of corruption.

During the Intifada, and because of the continued strike, several money changers have alleged to their lenders that they cannot bring money from abroad, so as to escape from repaying their clients' money. Money changers play a dangerous role by

exploiting the financial crisis of the Jordanian Dinar (as the main currency in the West Bank) by pressing down its price which has resulted in the bankruptcy of thousands of families.

### **The Jordanian-Palestinian Joint Committee**

The decision to establish this committee was taken in November, 1978 by the Ninth Arab Summit Meeting in Baghdad. The Arab countries were committed to transfer an amount of \$150 million annually to the Occupied Territories, for the next ten years, as a contribution aiming to strengthen its steadfastness. What should be mentioned here is the fact that this committee represented two politically disputed parties, (at least at that time). Both the P.L.O. and Jordan were claiming to represent the Palestinian people. That is why the aims of this committee were politically oriented, and failed to achieve real development goals.

As it happened, the Arab oil countries, which were expected to be the main contributors to this committee, failed to meet their commitments. What was transferred to the Occupied Territories was \$400 million for the period 1979-1985, while the real amount should have been \$1,000 million. What should be noted here is the fact that, despite the failure of the oil countries to meet their commitment, those countries should not be blamed for the non-developmental policy of the Joint Committee. It was never a precondition of the oil countries to avoid developmental investment of these remittances.

In fact, the Jordanian and Palestinian representatives in the Joint Committee are the ones responsible for its failure to meet developmental needs. The anti-developmental policy of Jordan toward the West Bank is beyond question; but unfortunately, the Palestinian representative also failed to insist on the development of the Occupied Territories. It might be the poor economic understanding of P.L.O. that led to its failure to elaborate a mature economic policy for the Occupied Territories. That is why the distribution of the committee's budget was not oriented towards development (see the Conclusion). The share

of industry in the J.P.J.C. budget was 4.5 percent, compared to the municipalities' share of thirteen percent (see Table 6.5).

The difference between the industry and municipality budgets can be explained by two main reasons: first, the non-developmental mentality which controlled the committee; and second, the strong Jordanian control of the committee to recruit a political loyalty to the Jordanian monarch. What should be noted here is the fact that the villages were almost neglected, a factor which facilitated the Israeli policy of creating groups of collaborators called the "Village League", which failed to continue despite Israeli support.

On this level, Israel tried to play social and even geographic cards, city and village, rich and poor. It is the same policy which tried by the British Mandate in Palestine early in the 1930s

The following table shows the expenditures of the Joint Committee in the period 1979-1985, distributed according to the benefitted sectors.

Table 6.5  
The Joint Committee Expenditures in the Period 1979-1985

Sector	Amount JD	%
Education	34,576,055	25
Dwellings	21,972,596	16
Municipalities Community	17,626,675	13
Development	12,698,230	9
Agriculture	10,743,961	7.8
Electricity	9,049,970	6.6
Social Care Fund	8,346,497	6
Industry	6,048,000	4.5
Transportation	4,324,200	3.5
Health	2,591,150	2
Demolished Houses	2,548,216	2
Water	1,912,800	1.4
Land Purchase	1,453,531	1
Emergency Fund	1,344,113	1
Administration	1,239,900	1
Endowments	834,500	.6
Studies	182,62	.1
<b>Total</b>	<b>137,537,990</b>	<b>100.0</b>

Source: Al-Maktab Al-Fanni (The Professional Bureau, the Jordanian/Palestinian Joint Committee, 1986, Amman, Jordan. Quoted in ASIR, 1986:10

But unfortunately, this committee has failed to achieve any real development. In fact its lack of development philosophy, and its limited political aim, i.e. political loyalty for this leadership or that, encouraged corruption and bribes. However, most of the Joint Committee loans were concentrated in the dwelling sector. All of these dwellings were built around cities. The loan of the committee is for the home, not for land. This means that who were wants a loan must provide a certificate showing that he owns the plot of land, which is nearly one dunam. But, since land around cities is very expensive, not less than \$12,000 for



one dunam, those who have become entitled to gain loans are from the middle and higher classes, as they the only people who are able to pay this high price of land.

### Industry and the Negative Role of the Financial Resources

As was mentioned earlier, the Israeli banks in the Occupied Territories are merchant banks on the one hand, and benefit from and are committed to Israeli colonial policy which inhibits the Occupied Territories development on the other. There are no branches of the Israeli industrial banks in these territories. Those banks offer short term loans, i.e. for one year, for merchant purposes and partially as current capital for agriculture and industry. Moreover, the loans which were available to the Palestinians in the seventies were no longer available after that period. What could be concluded from that, is that this was capital channelled to investment in Israel. This is the other aspect of financial peripheralisation; the first being the transfer of money to Jordanian or other banks abroad. As a result, there is no chance for internal West Bank accumulation.

The Israeli banks in the Occupied Territories are working on a monopolistic basis. There is usually only one Israeli bank in a given area, i.e. a large city and its peripheral villages. This monopolistic basis has enabled the Israeli banks to impose high rates of interest. The interests on loans reached 220 percent, while the deposit interests did not exceed forty percent. According to Kaukali, the interest on the industrial loan is seventeen percent and it is for a period of one to one-and-a-half years only. However, Israeli banks have offered relatively lower rates of interest to successful businessmen in the Occupied Territories, eleven to twelve percent, while for the Israelis it is less than eight percent. (Interview, 'Issa) But those businessmen refused these loans because these lower rates of interest were conditional on the factories themselves being mortgaged to the banks until the loans were paid. This is similar to the conditions set by the Cairo-Amman Bank.

The conditions of the Jordanian industrial bank are not much different from the Israeli one. The Jordanian bank conditions

require that the borrower must find an accepted surety from the East Bank. (i.e. in Jordan) (Interview, n.n.) This condition makes it difficult for any person to acquire this kind of loan. For achieving this goal, he needs rich relatives or special relations with some official in the regime; a policy which in the final analysis hinders the industrial development of the West Bank.

The following table shows the sources of bank loans for forty four establishments in the West Bank:

Table 6.6  
Sources of Loans for Forty Four Establishments in the West Bank

Number of Establishments Interviewed: 44

Received Loans	Did not	No Answer
17	26	1

Sources of Loans:	Number
Israeli Banks	5
Cairo-Amman Bank	5
Jordanian Banks	3
Several Sources	1 (Cooperative Association)
Others	2
The Joint Committee	1
<b>Total:</b>	<b>17</b>

Source: Interviews, 1989

If the responses given in this survey are correct, it reflects the extent of the crisis of the credit system in the West Bank. It should be mentioned that most of the people who were interviewed noted that the Israeli banks prefer to give loans for large businesses. Another note is that the survey was taken

during the Intifada, i.e. it might be that some people preferred not to mention the use of Israeli loans.

Finally, it should be noted that the industrial sector is the most dependent on the financing system. The capital invested in industry is higher than in other sectors and use of technology itself is more developed in industry than in other sectors. In other words, the technical composition of capital in industry is higher than in other sectors. Thus, the necessary capital should be higher.

## CONCLUSION

What could be concluded from this chapter are the following: Throughout the period of occupation, the West Bank has lacked a capital market and credit system. This period has been characterised by the absence of an apparatus that can channel household savings into investment. In addition, the West Bank has lacked a supporting system which could enhance the distribution of local produce. During twenty years without a national authority, the West Bank has failed to develop its own economic structure which could meet part of the economic needs of the area.

On the contrary, many of the West Bank residents deposited their money in Jordanian banks. Palestinians with private capital are shifting it out to Jordan, building houses in Amman, transferring out whole enterprises. The availability of financing is a pre-condition for achieving an industrial goal. But the total collapse of institutional sources of credit has blocked the possibility of Palestinian businessmen buying new equipment, or even modernising their existing machinery.

While it is possible in certain cases to compensate for the lack of manpower by introducing advanced technology, it is difficult to find alternative financiers when local investors are driven away because of the uncertainty of the future. In other words, it is difficult to persuade foreign investors (even Arab and

Palestinian ones) to invest in an occupied economy, at the least because of the uncertainty factor.

Over the twenty years of occupation, the Israeli governmental sector in the West Bank has never been a source of financing; despite the heavy and varied taxes which it has extracted from the people there. In addition, local companies have not met the goal of providing a source of financing either. Only one out of eight insurance and money changing companies give loans, and that rarely. (Interviews)

The main source of savings in the West Bank during the Occupation has been the household sector. This system of saving has not been and cannot be a sufficient lever for investment. The principle form of household savings has usually not been saving for investment; and when it has been, the investment took place abroad, in Jordan or elsewhere. (Interviews)

The West Bank financing sources are unstable; remittances from workers in Israel are hardly enough for self sufficiency, and the country has no surplus for saving and investment (the number of those workers decreased during the Intifada). The Intifada shows that there is a real possibility that Israel is willing to replace as many as possible of those workers. (Samara, 1989b)

Some of those sources are conditioned with the Jordanian/Palestinian relations. The result of the deteriorated political relations between the two parties could be a total termination of the remittances, i.e. the Joint Committee (which makes up two thirds of Arab sources), the Jordanian five-year plan, and the Jordanian remittances .

The inflow of Arab remittances is to a certain extent conditioned by Jordanian approval. International remittances in general prefer to come through Amman. Such a step is politically oriented to support Jordan's influence in the West Bank.

Some sources, i.e. UNRWA (which provides eighty percent of the international remittances), are charitable, as opposed to developmental ones; and most of the transferred remittances are not developmentally oriented as well.

All these sources are conditioned by Israeli approval; the fact which has enabled Israel to control its inflow.

It is easier for Israel to control and blockade a West Bank investment which is dependent on remittances; this task would be more difficult if the investment depended on local sources and on a local financing system.

## CHAPTER SEVEN

### INVESTMENT AND INVESTMENT PARTIES

Investment is a necessary part of the economic activity circle in every economic system, whatever the applied economic policy. In the case of the West Bank, investment is more important than in other independent countries, because this area needs to re-structure its economy, mainly industry, since the industrial development is hindered by the Israeli occupation in general, and because some native classes articulate their interests with the Israeli economy. This in addition to the fact that the extracted taxes from the West Bank economy are transferred to the Israeli economic sectors, despite the fact that they must be spent in the same place from which these taxes are extracted. The Israeli acquisition of this part of the West Bank surplus plays an active role in harming investment there, because taxes are cutted from the local accumulation.

This chapter is directly related to the previous one. It discusses the level, orientation, and components of investment; as well as the reasons for its failure; reasons which are rooted in the sources of investment. Taxes are discussed here in order to explain that the occupation's tax system deals with the West Bank as a colony; which is why its mechanisms of plundering and milking contradict the normal aim of taxation. Individual or governmental investment in general is oriented toward production, and governmentally imposed taxes are supposed to be spent (relatively) on services for the public; while the occupation has seen no investment and is imposing heavy taxes for purposes of plunder.

The parties who are doing developmental activities in the West Bank and Gaza Strip are varied. The following chapter deals

with some of these activities, while most of these parties do not produce concrete data on their activities and budgets.

Since the occupation has the upper hand, the role of the local and foreign investors is conditional upon the occupation's approval. This necessitates a discussion of the relation between the local investors and the occupation. More precisely, it calls for a discussion of the relationship between the occupation and the local bourgeoisie; the class which one would suppose would breed the local investors.

On this level, it is worth restating what has been discussed in the previous chapter (on financing), that the occupation has not offered real financial facilities in the occupied West Bank, because the occupation is, in the final analysis, an enemy to the majority of the Palestinian social classes. However, the main topics discussed in this chapter are the Israeli occupation's hindering of investment in the West Bank, the role of high and plundered taxes, and the local and internal obstacles in the investment process.

### **The Occupation and Industrial Investment**

This section discusses the Israeli occupation anti-investment policy, the non-developmental role of the Israeli banks in the West Bank, and the heavy tax burdens which the Israeli occupation impose on the West Bank.

As has been mentioned in several places, the Israeli authorities, while occupying the West Bank, were and still are active in blocking the economic, and particularly the industrial development of the area. Regarding their own policies, the Israeli occupation authorities have devoted a marginal share of their budget to industry in the West Bank.

*For example, government investment accounts for over 50 percent of gross capital formation (investment) in Israeli industry, but an insignificant (in recent years--near zero) proportion of industry in the Occupied Territories. Up*

*to 1975 some loans were given, largely benefitting the larger enterprises. (Bahiri, 1987:42)*

Despite the fact that this aid never exceeded \$1 million in any budget year, "...it was nevertheless effective. It was reduced, in the late seventies, and terminated altogether in 1980-1981". (Bahiri, 1987:42)

As is clear, Bahiri failed to show on which level the "insignificant" industry budget was effective. Was it effective when compared to the weak industrial base in the West Bank, or was it effective because the occupation's role was to terminate (not to contribute even marginally) that economic base? What should be noted here is that the military governments' tiny expenditure on investment in the West Bank was concentrated in services and not industrial facilities, and these were services to facilitate the occupation's needs (see below). Palestinian and Israeli sources are in agreement concerning the insignificance of the military governorate's industrial budget.

*The share of industrialization--the agricultural industries and the agricultural and industrial development--in the Israeli occupation's budget in the Occupied Territories for 1986-1987 was 0.4% from a total budget amounting to \$35.2 million. (Qasim, 1986:62)*

For Bregman;

*The scope of loans for industrial and agricultural development from the military government was less than 10 percent of total investment in all economic branches. (Bregman, 1974:26)*

Table 7.1  
Civil Administration Capital Investment, 1983-1987 Fiscal Years  
(by Millions US\$)

Year	West Bank	Gaza	Total Annual Increase %
1983	24.0	11.0	35.0 -
1984	21.0	7.0	28.0 (-)20.0
1985	38.0	11.0	49.0 (+)75.0
1986	56.0	26.0	82.0 (+)87.8
1987(budgeted)	31.7	13.7	44.9 -
Total	170.2	68.7	238.9

Source: Benvenisti, 1987:28)

The total development budgets (1984-1987) in the West Bank were distributed as follows: Twenty-one percent for local authorities; Twenty-one percent for health; 12.7 percent for road construction; 12.2 percent for telephone grids; 10.7 percent for water works; Seven percent for school construction; and 6.2 percent for electricity. (Benvenisti, 1987:29) It is clear here that the share for industry is negligible.

Despite the Israeli assertion that the amounts levied from the Occupied Territories (i.e. the several forms of tax) did not match Israeli spending there, the most recent estimates showed that the taxation on the Occupied Territories was expected to meet the Israeli expenditures.

*The overall level of the Civilian Government annual spending in the Occupied Territories remained constant since 1984, around US\$ 250-280 million. The share of local revenues rose from 58% in 1983 to 82% in 1987 (as estimated in the budget books). In mid-May 1987, Israeli officials stated that in the fiscal year 1987-88 local revenues will cover the entire outlay and there will be no further need to cover deficits of the closed budgetary system of the Occupied Territories by*

*transferring Israeli budgetary allocation. (Benvenisti, 1987:30)*

It is an Israeli exaggeration that the occupation's spending in the Occupied Territories is equal to the local revenues. No one knows for certain the exact amount of money which the Israeli authorities extract from the West Bank and Gaza Strip. But, if the Israeli contention here is right, Israel is still highly benefitted from the surplus value which it extracts from the 110,000 Palestinian workers who are exploited in Israel, and from wage differences between the Palestinian and the Israeli workers in the same jobs—a difference which runs between thirty to forty percent in favour of the Israeli worker. This in addition to the Israeli benefits from un-equal exchange with the Occupied Territories, especially since those areas' markets are monopolised to the Israeli commodities. Last but not least, Israel also benefited from the surplus value which is extracted from the Palestinian workers in the sub-contract companies, since the ownership of these companies is a joint one.

The following shows that even the limited Military Governorate budget is mainly spent in areas which benefit, in the first place, Israeli interests:

*The increase in the public sector share of GCF in the territories can be attributed mainly to extensive road and electricity infrastructure works undertaken in recent years... Moreover instead of directly enlarging the productive base in the territories, the small sums involved in general reflect infrastructure outlays related to Israeli settlements in the territories. (U.N.C.T.A.D.:TD/1102, 1986:7)*

All the abovementioned facts suggest that Israel is gearing up steadily to apply its main policy in the West Bank: the blocking of industrial development.

In relation to foreign investment in the West Bank, there is no possibility of attracting foreign capital to the area. Capital

always seeks a safe and profitable area of investment, and at least the first condition is not available in the West Bank. Safe and guaranteed investment is an agreement between two or more independent states, since each partner-state is committed and able to protect the interests of the others. These conditions are not available in the West Bank as an occupied area.

The opposite is the case for Israel, which continuously recruits foreign investment to both Israel and the Israeli settlements in the West Bank, providing them with many facilities and guarantees at the expense of the West Bank Palestinians.

Lately, in 1990, there have been many rumours that Israel is going to facilitate the investment of foreign capital in the Occupied Territories, the most expected activity of this foreign capital being the opening of an industrial bank.

#### The Military Governorate Remittances

It should be noted here that the military governorate remittances to the West Bank are expenditures, and it have no relationship with development. It should also be noted that the contribution of the Israeli military authorities in general to the financing of the West Bank is marginal. For example, military authorities contribute only eight percent of the West Bank municipalities' financing. (UNCTAD/ESCWA, 1987:5) In fact, the gains of these authorities already highly exceed their expenditures in the West Bank.

*In 1984, the territories transferred to Israeli authorities a sum of \$185 million, equivalent to more than twice the amount transferred from abroad, eleven times the transfers to the territories from Israeli government and Palestinian local authorities, 40% of the wage bill from employment in Israel and abroad, and 17% the GNP. (UNCTAD/ESCWA, 1987:5)*

Despite the aforementioned large difference between what Israel gained from and spent on the Occupied Territories, it is not clear if these transfers from the territories to Israel, are the real

amount since "...the amount of the extracted surplus value from one source, the Occupied Territories workers in Israel, is about US\$ 843 million dollars annually." (Samara, 1988a:44)

This is in fact the reason why the Israeli authorities are using every available means to oblige the Occupied Territories to continue paying taxes during the Intifada; even though, as is known, most of the tax employees from the Occupied Territories have resigned following the orders of the National United Command and the general strike. (The Jerusalem Post,7-3-1988:1)

#### Credit Facilities

As was mentioned earlier, the Israeli banks in the Occupied Territories are commercial ones, and there are no local banks since their closure in 1967. The role of the Cairo-Amman bank, which opened in 1986, is limited into the level of offering some facilities of money transfer from and to Jordan.

*The Israeli authorities raised the credit amount to the Occupied Territories from 10 million Israeli Lira in 1970 to 65 million Israeli Lira in 1975...and the Knesset Financing Committee raised the credit amount guaranteed by the government from 10-50 million Israeli Lira. (Simon, 1988:6)*

The reason for this increase, despite the marginality of the total amount, was the Israeli decision to terminate the Jordanian law on credit. This decision was made to do away with the interest rate ceiling, which was nine percent. This enabled the Israeli banks to impose Israeli credit conditions in the West Bank.

It is worth mentioning that the value of fifty million Israeli Lira was equal to twelve million dollars (according the exchange rate for 1973). By 1980, it became equal to only one million dollars (according the exchange rate for 1980), and to less than half a million dollars according the exchange rate for 1981. This drastic

decrease resulted from the deterioration of the position of the Israeli Lira.

## TAXES

The Israeli occupation of the West Bank extracts taxes from a people who are not citizens of Israel. This taxation is therefore illegitimate. Further, taxes are collected without a scientific estimation or a clear legal basis. In fact, the tax department imposes an amount of money to be paid by the owner of a shop without knowing his real income; the shopkeeper then goes to the tax office and makes a declaration to reduce the amount. That is why the amount of tax on a tax demand could decrease to ten percent of its original estimation. An accountant noted that "...poor bookkeeping practices... are often used as an excuse by customs personnel to impose excessively high tax levels" (Interview, Abu-Taieh)

As is the case with all aspects of life in the Occupied Territories, the tax area has been covered by Israeli military orders. Military Order No. 2, item 2, of 5-8-1967 stated that,

*The laws which were operating in the area pre-1967 should continue to be in effect as long as they do not contradict this order or any other order issued by the Israeli military governor of the West Bank. (M.O.S. No. 2, 5-8-1967)*

By 15-9-1967 the Israeli military governorate issued Military Order No. 28, which assured the effects of No: 2, but added the following in its item 3: "Any appointment or authorisation that took place without this order should be cancelled, unless I decide something different." (M.O.S. No. 28, 22-6-1967)

The essence of this addition is to authorise the military governor to appoint new cadres for all Military Rule Departments, including that of taxation: people who are serving the occupation's interests rather than those of the population. Through this special treatment and privileges, some social groups

became native tools and means for applying the occupation's destructive policy in the West Bank.

Another development was the issuing of Military Order No. 406 of 1-3-1971 which stated that; "All the authorities of the special court of tax recommence must be transferred to the objection committees as mentioned in Military Order No. 172 of the year 1967." (M.O.S. No. 406; 1-3-1971) Since the objection committee is a military one, it means that the military orders became the final and determining legal source. By doing so, the occupation put the tax system totally in its own hands.

## Kinds of Taxes

The Palestinians in the Occupied Territories are required to pay the same taxes which are collected from Israeli citizens. But although the Palestinians are tax payers, they do not benefit from the spending of these taxes. They pay both direct and indirect taxes, which could be summarised as follows: (1) production tax; (2) customs; (3) levies on purchasing tax on raw materials; (4) defence tax; (5) taxes on properties and education; (6) taxes on the wages of industrial workers (deducted at source) which are estimated to be from ten to fifty percent; (7) taxes imposed on net profits, which amount to between thirty five to fifty percent; (8) the Value Added Tax (VAT) which is imposed on all sales and amounts to eighteen percent of the total price of selling; and (9) The Tama:

"The Tama is a levy Israeli customs authorities add to the price of imported goods for calculation of purchase tax... a levy tax which adds to the price of imports" (The Jerusalem Post, 3-5-1988:8)

Further drastic and painful measures have been taken during the Intifada: The extraction of taxes by force, arrest, the confiscation of cars, TVs, and cash money from homes, the exaggeration of the amounts of taxes and the imposing of new new taxes, i.e. a car tax which starts from \$500 for the smaller cars.

## II. Tax Effects

The West Bank under Israeli occupation is, in some aspects, in a typical traditional colonial situation. On this level Bagchi noted:

*The colonies were saddled with the cost of conquering themselves ...this may be called the payment of self-reasoning; a term used in a related context by Pearse (1975). The colonies were also charged with the cost of defence against revolt or invasion by other powers.... The colonies also had to pay for the administrators imposed on them by the rulers. (Bagchi, 1985:32)*

In the case of the West Bank and Gaza Strip, in 1982 the occupation extracted from their population a tax which supported the Israeli invasion and killing of other Palestinians in Lebanon: the tax of "Safe Galilee." (Interview, n.n.)

Taxes under occupation became a factor leading to de-investment in the West Bank. Income and profit taxes are the main reason for the bankruptcy and closing down of the establishments of the shell industry. (Hazbun, Haifa and Sabri, 1987:4) Since the highest and final authority on the tax question is the Israeli military committee, the inhabitants found no chance to escape paying heavy taxes; which in fact constitute a continuous milking of their economy.

There are several estimations on the amount of taxes collected in the Occupied Territories. If we bear in mind the fact that the occupation's budget for these territories is marginal at best, we conclude that most of the taxes were transferred to the Israeli public expenditure.

*In the period 1978-1984, the transferred amount of taxes from the Occupied Territories to the local and Israeli authorities has been doubled from 6 to 12% of these territories' GNP. The amount of tax which was transferred to the Israeli authorities in the year 1984 alone was \$170 million which equals 46% of the gross*

*remittances transferred as wages of the Occupied Territories' workers in Israel, 16% of the GDP, 11% of the GNP, i.e. double the gross remittances from abroad and \$ 7 million more than the total listed remittances for the Occupied Territories which amounted to \$ 165 million. (UNCTAD/ESCWA, 1987:129)*

This means that the Israeli authorities could meet all the occupation costs from the collected taxes alone, while the benefits Israel reaps from the Occupied Territories are not only in taxes.

The Israeli authorities' insistence on collecting taxes from the population of the Occupied Territories during the Intifada could tell us much. The Israeli army police, customs, and secret police have made tens of raids on Palestinian shops, homes, factories, and farms confiscating documents, taking the available cash, cars, and TVs with the aim of forcing people to pay taxes. Some people were also arrested and sentenced.

The Palestinian population has reacted by continuing their refusal to pay taxes. Some of them joined in a mass protest and returned their identity cards to the Israeli authorities through the municipalities; and in the city of al-Bireh, the tax payers attacked tax collectors, and burnt their car. All the population of Beit Sahour town (15,000) refused to pay taxes, despite the harsh Israeli repression against them. The town was put under curfew for two months, forty merchants and factory owners were arrested, and hundreds of homes furniture have been confiscated. One of the good reasons which supported the struggle of this town, is the fact that a large part of its population are independent producers who working in or own small craft workshops. The same is the case of Beit Liqiah (10,000), a village to the west of Ramallah city. The people there burnt the tax orders, and fought the Israeli troops which tried to enter the village several times. Thirty youngsters were wounded in clashes.



To conclude, since the Israeli occupation has increased tax collection, using brutal force and making the military governorate budget close to nothing, this means that the occupation is milking the Occupied Territories as a colonies which transfer the drained wealth from the colony to the "white settler settlement", a policy which creates several barriers blocking the colony's development.

In fact, the Israeli taxation of West Bank industries is made with the intention of liquidating its infant industry.

Taxes increased on the industries in the Occupied Territories. For example, the tax increased on soap and glass products from 7.5 percent to eighteen percent. The VAT, which was not applied from the beginning of occupation till the mid-seventies; became twelve percent in the beginning of the 80s, increased to fifteen percent by 1985, and eighteen percent by 1990. (Interviews)

#### **A Local Conceptual Defects of Investment.**

In addition to the aforementioned barriers, this study deals with internal problems affecting local investors. Following are the main categories of defects in the investment process in the West Bank.

##### **I. Establishment Defects**

The absence of a credit system is one of the main problems on the investment level. It is because of the absence of this system that entrepreneurs have not taken the risk of enlarging their projects (see below). This is in addition to the fact that they did not put all their capital into the projects.

Probably, as a result of the absence of a credit system in the West Bank, some Palestinians deposit their savings in Jordanian banks. It is astonishing to note that several social groups of the West Bank deposit in Jordan. In my interviews, farmers, old men and women, merchants, clerks, money changers and for

sure businessmen depositing in Jordan. This is a good economic benefit to the Jordanian economy on the one hand, and might facilitate a political role for Jordan in any coming settlement. Those depositors might be neutral in any political conflict between Jordan and the P.L.O leadership. The availability of a credit system could encourage the hesitant people to invest, since they could invest some of their capital and lend the rest. (Interview, Al-Ariyan) The investor might prefer in this case to accept a high interest rate loan rather than to put all his capital to one project.

A large percent of businessmen in the West Bank acknowledged that the lack of liquidity is their main problem. (Shihada & Shalabi, 1987:12) Micro-entrepreneurs are forced to rely on personal and family savings, supplier credit and/or informal sector moneylenders for capital development needs. This micro-entrepreneur is always controlled by his individual decision, individual interest, and that is why at many times he prefers to invest abroad.

##### **II. Internal Conceptual Defects**

There are at least two defects of this type. The first is the absence of a national financial and investment policy, i.e. the absence of a national authority; and second is the lack of a national investment concept, such as a concept of boycotting Israeli and foreign commodities, which has only been raised too late, during the Intifada. The literature on development in the West Bank could explain the shaky concept of investment in the area. Most of those writings preach for modernisation, rather than development, (Abed,1990, Dakak,1990) on the one hand, and concentrate only on blaming the occupation. The local institutions in the West Bank, the Joint Committee and the P.L.O. itself did not adopt the concept of boycotting prior to the Intifada. It should be noted here that boycotting of the Israeli commodities started as an initiative of the masses, and the political organisations grasped the slogan and adopted it.

This explains the shortage of understanding for the real and deep necessity of a national economy. It is proof of the lack of an economic policy. It was the Intifada that pushed the national movement towards this aim.

The following example represents the failure to adopt a boycotting policy in the West Bank before the Intifada: Dakak, of the Arab Thought Forum noted

*Is it possible to succeed in boycotting the Israeli market, to close the open borders and to achieve self-reliance without discussing the obstacles which we will face, and without defining the meaning of self-reliance and our ability to offer the conditions of its success. (Dakak, I. In Qasim, 1986:12)*

Dakak's questions lead to another: Why, during twenty years of occupation, have the Palestinian establishments and political leadership failed to raise the boycotting slogan, and why did they not develop their own concepts on this issue? (see the conclusions).

Although Palestinians blame foreign financiers for the low level of investment in the West Bank, all the foreign financing sources presuppose the failure of the Palestinian people to build itself. (Qasim, 1986:19) But the Palestinians' own contradiction is that the majority of them talk about building their own economy without shaping a practical development strategy. They have failed to boycott Israeli products. Moreover, while they must control the foreign modernisation organisation which works in the West Bank, the Palestinians themselves have become oriented to these organisations, which failed to adopt a developmental policy in the Occupied Territories.

#### **Private Investment**

The investment process in the West Bank is conditioned by and depends upon the financial situation, i.e. the financial system and the availability of money liquidity. The lack of investment

incentives stems to a large extent from the absence of a financial system in the area.

The West Bank depends to a large extent on remittances to enable the society to reproduce itself. But, it is not a condition that these remittances are a means of investment. In fact most of remittances are neither devoted nor enough to satisfy developmental strategy. The case of the West Bank is one of insufficient investments leading to lower production and a simultaneous contraction of the home market. However, there is also an increase in consumption which is mainly fed by remittances. This increasing demand, in the absence of an increase in local production, can only be met with imported (usually Israeli) goods. The increased consumption of imported goods contributes to the contraction of the home market and, finally, to a decline in capital formation. The heavy burden of taxes also contributes to the problem by draining money liquidity, which results in low levels of saving and investment.

Since 1978, private consumption has exceeded GDP, with margins varying from a low of three percent in 1980, a year marked by strong economic performance in the territories, to a high of eighteen percent in 1979 and fourteen percent in 1984. The adverse effect of this trend upon domestic investment and the balance of payments cannot be underestimated. (U.N.C.T.A.D.- TD/1102, 1986:6)

It is worth noting here that the increase in private consumption took place at the same time as the increase of remittances. This was the period when the Jordanian-Palestinian Joint Committee was still committed to transfer assistance to the West Bank and Gaza Strip. But since 1984, Jordan had terminated the activities of the Joint Jordan-Palestinian Committee. This development increased the burden on private capital to fill the gap, but it failed. (See below).

The 1980s saw many sad developments in the economic situation of the West Bank, a direct result of which will probably be an overall decline in investment. In 1983-84, there was a clear

decline in agricultural production due to a bad season for olives and a drop in remittances. In addition, the occupation decided to impose higher taxes. As a result, there was a decline in both investment and capital formation.

*The level of Gross Capital Formation (GCF) remained relatively low, with its share in the total use of resources declining from 16% in 1978 to 14% in 1984. Most recently, the average annual growth rate of GCF has been negative, standing at a disinvestment rate of -6% in 1983 and 1984. (U.N.C.T.A.D.- TD/1102, 30-6-1986:6,7)*

This sharp decline was due to the bad agricultural season, taking into consideration that agriculture is the main sector in the West Bank economy.

Nor are these trends offset by any sign that investment, however limited, has been in the productive sector. Private sector investment has since 1978 constituted almost ninety percent of overall GCF, but its real value fell by six percent from 1978 to 1984. (U.N.C.T.A.D.- TD/1102, 30-6-1986:6,7) This reflects a decline of investment in capital goods, while a steady level of investment was maintained in building and construction works; "...that is why a Ramallah ready-made cement factory was working to full capacity before the Intifada, and another factory started during the Intifada although it was planned before it." (Interview, n.n.) The continued operation of the ready-made cement factories is due to the population's decision to build homes or extend their already existing homes without taking licenses from the Israeli authorities.

*Since 1978, more than 80% of private sector investment has been in residential construction. This is intended to meet the growing need for housing, hedge against inflation, which reached over 400% in 1984, and establish a physical presence on land, despite high taxes (17% property taxes plus 15% value added tax), thus reducing the chances of expropriation of land. (U.N.C.T.A.D.- TD/1102, 30-6-1986:6,7)*

What is mentioned above shows that investment in the Occupied Territories, albeit tiny, is concentrated in construction work. This is in fact a reasonable result of individual saving. Building private homes is a reflection of the need for dwellings in a society which lacks companies investing in houses for tenancy.

This lack itself is a sign of the deformed structure of the local economy. Also to be noted is the fact that in the case of the Occupied Territories, the investor works as an individual, following his own personal interest; and is busy protecting his personal interest to avoid the dangers which threaten the native economy. In such a case, i.e. on the level of taking the decision of investment, the individual becomes an independent or isolated economic unit, despite the fact that production is socialised. It is a form of social inconsistency. This makes the articulation process shaky, and scattered according to the interests of social groups or even individuals.

The limited size of saving in a poor area like the West Bank requires two main elements to encourage the establishment of investment companies. The first, either investment facilities or a financing system (or both), and the second is a business mentality in the individual investor himself. This to a certain extent explains why the percentage of productive investment is limited:

*Productive investment in the territories (machinery, transport and other equipment) was only 14% of total investment as compared to 58% in Israel. Clearly there was little productive investment (including transport equipment) in the West Bank-Gaza Strip. (Benvenisti, 1987:12)*

This is significant in itself without mentioning the large differences between the sizes of the two investments. It explains the weakness of the industrial structure in the West Bank. Further evidence on that is the decision of the West Bank businessmen to not enlarge their factories during the Intifada,

even when the extension was surely profitable due to the popular boycotting Israeli products. (see Conclusion)

### The Role of the Entrepreneurs

It is not the aim here to discuss in detail the role of the entrepreneur in the West Bank, as this role is presented in the chapter on industrial barriers (see Chapter Five). What concerns us here is the fact that the preaching for and adoption of the entrepreneurial approach is one of the defects in the developmental process in the West Bank.

The modernisation approach to development in the West Bank stresses the task of entrepreneurship. The following is an example of a modernisation approach which took the individual's role as the point of departure:

*Risk-taking entrepreneurship, expressed collectively or individually, is an essential ingredient if Palestinians are to develop an economic base which will allow them to stand fast under occupation.... Industrial revitalisation must begin with the development of a mind-set that will stimulate entrepreneurial will, and produce products that do not feed an existing glut, but create new opportunities for import substitution and even export development. (Dick, 1986:4)*

The entrepreneur which Dick is talking about here is an adventurous type, taking into consideration the obstacles to development in the West Bank. However, this rhetoric will not attract people to invest--especially people who well know their own interests.

According to its modernisation approach, the charitable society OXFAM noted:

*Attempts are being made by the Mennonites and by METTIN in Ramallah to illustrate the absolute value of a genuine entrepreneurial operation that aims to shake*

*loose from outside support, but the going in both cases is very rough. (OXFAM, 1985:6)*

In fact this attempt by METTIN is contradictory to the developmental approach. METTIN, based in Ramallah, is no more than a small textile workshop established for the production of externally oriented exports. It is a striking example of the profit motivated entrepreneurial mentality. It might gain a high profit by exporting, but it will lead to a deep dependency of the local products on the foreign markets on the one hand; and will contribute to the contraction of the local market. Bahiri, of the Israeli WBDP exaggerated METTIN's role while noting: "The METTIN group favours a cooperative approach to development and provides technical and marketing skills and consultancy to local industry." (Bahiri, 1987:28). According to my own and direct knowledge of the METTIN factory, I found this a rather strange statement from an economist like Bahiri, who is living in the area, to praise METTIN by this way. I think it is likely that Bahiri, never saw the place, and he might have been satisfied by an interview with the owner. On the exaggeration of this workshop, see (Chapter Three).

### I. Occupation and the Local Bourgeoisie

As was mentioned earlier in this chapter, the two main parties of investment in the West Bank are the Israeli occupation and the local bourgeoisie. Despite the many contradictions between these two parties, their interests are articulated at the cost of the majority of the West Bank masses.

To discuss the relation between the occupation and the local classes, it is useful to cite the following quotation which highlights the complexity of the relation between Israeli colonialism and the Palestinian bourgeoisie:

*The metropolitan bourgeoisie might sometimes foster a subaltern native bourgeoisie in its interest when it is struggling against pre-capitalist formations in the*

*colonies. But it will try to suppress the collaborators if thereby it can increase its total surplus or stave off a threat to its dominance. Racial discrimination, which serves at one end to keep the non-white labour force in subjection, also serves at the other end to exclude native capitalists from the most profitable avenues of investment. (Bagchi, 1985:28)*

This quotation explains the 'normal' relation between metropolitan and colonised societies. The case at hand is different in many aspects, but similar in others, (see below). First of all, the Palestinian society in the West Bank transcended the pre-capitalist stage before 1967, the starting date of the Israeli occupation. (Samara, 1988b:21) Second, Israeli colonialism has a settler-colonial basis which aims to terminate the infrastructure and productive base of the Palestinian economy, or even uproot the social structure of the whole Palestinian society (a fact which makes it highly difficult for both Palestinian and Israeli bourgeoisies to cooperate on the economic development of the colony). The Israeli version of colonialism presupposes the transformation of the colonised bourgeoisie into mere collaborators, i.e., the Israeli occupation authorities give those people some economic privileges, and start asking them to make some political activities against the P.L.O. Some of these people decide to attack the P.L.O. but they often end up being assassinated like Jenho, the former Ramallah Municipality council member, and Zafer al-Masri, Nablus former Municipality council member.

The occupation's policy of subjugation enables us to differentiate between the strata of the local bourgeoisie; not only on the class level, but also on the political level. That is, the term 'national' can be used for the bourgeoisie whose interests contradict those of the occupation, while 'not national' can be used for those whose interests are in harmony with, or are facilitated or created by the occupation, i.e. the comprador class, the Simsars, and the contractors. The aggressive policies of the occupation have pushed the local bourgeoisie to act in self-defence; either by becoming compradors, or by investing in areas which are

profitable to the individual entrepreneur on the one hand, and not in competition with the occupation's strong bourgeoisie on the other. This soft self-defence policy assures that the local industrial investor, in the best case, is maneuvering inside the range which the occupation has drawn for him; that is to say, he is not ready to confront the occupation either as a capitalist or as an individual.

The local bourgeoisies' soft route discouraged new investors from being interested in other sectors, i.e. the sectors to which the compradors were accustomed to supply Israeli produce. As a result, their soft route contributed to the creation of new obstacles to economic development. It should be noted that despite the 'encouraging circumstances for investment during the Intifada, local investment did not increase. (Samara, 1989b:67) Despite the fact that the Palestinian masses decided to consume the local production, and in fact the local production was consumed on a large scale, the local bourgeoisie in the West Bank decided to did not expand its industrial investment, did not start a new lines for production, and not to employ new workers, during the Intifada. The massive orientation of consumption to the local industrial production, the workers' boycotting of working in Israel, and the poor rural masses' decision to invest in home production, all might be considered as a popular contribution in the country's orientation towards as much as possible of self-sufficiency and de-linking from the Israeli economy. The workers were ready to accept lower wages, and the masses were ready to consume the local produce, although its quality was not good enough. But the bourgeoisie of the West Bank failed to make a positive response to the people's good initiative, and did not invest in new industries. They were afraid and not sure that the Intifada is would to continue.

Native investors have always been under the impression that their products are less attractive than those of their foreign competitors. In fact, there are many defects in the local produce, i.e. the finishing, and the quality. They have also been afraid that the foreign competitors might, at any time,

reduce their prices to regain their dominance on the market. This is in addition to the fact that the natives realised that they are facing stiff competition because of their competitors' financial strength, because their product is better, and because of their easy access to raw materials, as well as the support they receive from the authorities. Further, the occupation imposes a discriminatory division of labour, which has forced the local investors to the periphery of the productive sector; i.e. they congregate in the quarry, paving, and construction industries. It should be mentioned here, that these industries satisfy Israeli needs for construction, and good roads for transportation. Although the food industries are profitable, very few people have invested in this branch.

The increase in the number of semi-manufactured products in the West Bank has been related to two main phenomena: First, the transfer of the manufacture of preparatory goods from the centre to the periphery on the world scale. The peripheral countries' exports of these products to the centre increased from 1.29 percent to 11.64 percent, of its exports to the centre from 1966 to 1978. (Jenkins, 1984:42) Second, the increase in production of preparatory goods in the West Bank took place during the period of Israel's attempts to reshape its economy to be an exporter of sophisticated, developed products, e.g. electronic goods. That is why the first half of the 1970s showed a large transfer of textile scrap machines from Israel to the Occupied Territories.

This trend fits with the dominant bourgeoisie economic theory, which assumes that the world scale division of labour will subsume the peripheral countries as containing industries with a relatively low organic composition of capital (low capital intensity). This is highly relevant to the West Bank as an area dependent on remittances (see Chapter Six on financing). What should be noted here is the fact that, although this development agreed with the world division of labour, it was the only choice which was ever available to the West Bank

However, the lack of proper investment is one of the main industrial barriers in the West Bank. This barrier is highly related with the absence of financial system and establishments. The form of investment which took place in the West Bank reflects the external articulation of the local bourgeoisie's interests with those of its counterparts in Israel and abroad, through its role as an importer and marketer of Israeli produce, and investment and saving abroad.

However, a productive investment in a country like the West Bank, needs a developmental policy which starts with communal projects. (see the last chapter).

### Conclusion

This chapter is a direct continuation of the last two chapters, Five and Six, on the industrial barriers. It became clear from this chapter that the link between investment and industry in the West Bank is very weak in general, and the link between the industrial investment and the local raw materials is very weak in particular.

The policy of the Israeli occupation is designed to terminate any economic development in the West Bank, the local capitalists articulate their economic activity with that of the occupation, and the foreign sources of financing in the West Bank are motivated by their own concepts of development (the modernisation approach), and not by the needs of the population. Further, most of them are politically oriented rather than developmentally oriented.

## CHAPTER EIGHT

### TRADE AND MARKETING

As the West Bank has never constituted an independent country, it inevitably has unequal exchange relations in its foreign trade. Despite the fact that the unequal development is the fundamental cause of this unequal exchange, the Israeli occupation is the factor which has increased this inequality, reshaping it according to Israeli economic interests.

A main characteristic of this reshaping is that most of the West Bank foreign trade is with Israel (mainly in terms of imports to the West Bank), a policy which has transformed the West Bank into an open market -but only for Israeli goods. This is thus a case of a dependent country which has been denied the right to 'choose' its peripheralisation in its own way. For this reason, a concentration on the occupation's role in the West Bank is necessary; and is not simply a politicisation of the research. This chapter deals with the West Bank's foreign trade relations and the marketing of imports and local produce in the domestic markets.

### THE WEST BANK ECONOMY AND FOREIGN TRADE

A main characteristic of the West Bank economy is its high dependence on external financial resources. It is an economy which consumes more goods and services than it produces. The gap between consumption and production has increased during the occupation era. This increase has resulted in the deterioration of the productive structure of the area, the decrease in the number of manufacturing establishments, the decrease of cultivated land as a result of migration and emigration, land expropriation, the emigration of labour (including its migration

to Israel), the importation of raw materials, and the failure to manufacture agricultural surpluses.

For an independent country to remedy the deficit of its balance of trade, it must increase its production and jobs and orient the surplus for a controlled export. But in the case of the West Bank, this is impossible without the occupation's approval (which is conditioned to Israeli interests).

West Bank foreign trade can be categorised under three headings: I. Trade with Israel; II. Trade with Jordan; and III. Trade with Other Countries.

#### I. Trade With Israel

Israel is the major trading partner of the West Bank. This relationship has been dictated by the Israeli military rule of the West Bank since 1967 through a series of more than 2,000 military orders, fifty percent of which deal with the economy. Military Order No. 47 states: "It is prohibited to take out of or bring into the area any agricultural produce without the permission of the authorities in charge." (M.O.S. No.47, 26-9-1967) Due to this order, the Israeli military governor controls all West Bank agricultural exports and imports, whether to or from Israel or any other state. Depending on this order, Israel prohibits West Bank agricultural products from being marketed in Israel or any other place.

Military Order No. 8 restricts buying and selling

*It is prohibited for any person from outside the local population of the West Bank areas, defined as of 7 June 1967, to buy or sell any item without permission from me, or from a person whom I appoint. (M.O.S., no. 8: 5-8-1967)*

As a result of the power structure of the West Bank, Israel has also gained free-of-competition markets for its own products,

whose quality is inferior to that of the foreign products (e.g. European products).

According to a West Bank businessman:

*Israeli companies compete with us in our markets, to get rid of their surplus produce which is originally planned to be exported to Europe. Marketing these foodstuffs in Israel is not legal, given that their validity has expired. Thus they sell in our markets for at least a 30 percent price-reduction. The Arab merchant is, therefore, encouraged to receive the goods on the one hand, and the Israeli companies will receive compensation for the expected loss on the other. (Interview, n.n.)*

But we cannot generalise this for every produce. The prices of some local products are competitive to their Israeli counterparts if the manufactured use local raw materials in addition to employing local labour power of lower wages.

The case of West Bank exports to Israel is the opposite: They are subjected to several conditions aimed at keeping them to the minimum:

*A factory which started in 1978 has, over the last three months, faced complications resulting from the obstruction of the issuance of an import license to procure raw materials from abroad. Another difficulty is that we used to write the specifications (on the parcels) in Hebrew and English in the same sizes, as is required by the standing regulations. Now, they want the Hebrew writing to be of a bigger size, so that the Israeli consumer can recognize it as an Arab product. (Interview, n.n.)*

Another interpretation is that:

*The basic reason behind the stand against Arab commodities lies in that the production in the West Bank*

*is less costly than in Israel, and as such, it is claimed that our prices are more competitive. Actually the difference in price is due to the nature of the productivity itself. (Interview, Malhis)*

Israeli trade gains from the West Bank (see below) are not limited to the goods exported, since Israeli capitalists are exploiting tens of thousands of West Bank workers in their own establishments and receive a share of the extracted surplus in the sub-contract works inside the West Bank itself.

As a result of blocking the West Bank's right to direct trade, the Israelis are benefitting from re-exporting its products; bringing the Israelis an additional profit. A good example is the embroidery production, which employs thousands of women in their homes. In this situation, women's domestic work has increased and become harder. Women have become a wage earners inside the home. In fact these are not the only works done by women. Many of them are working in Israel as servants, and in crop collection. In several rural areas, women plant crops and even marketing the production in cities. The main conclusion here is the fact that women work and exploitation in the West Bank is one of the most reactionary forms of exploitation. Female employment persist in the non-capitalist relations of production more than in the areas of male employment. Embroidery at home is too far from any trade union activity, and women's wages goes directly to the father or husband, and none of the wage work at home, household work, or agricultural and marketing work leads to an improvement of the women's position in the family.



Table 8.1  
West Bank Trade with Israel for  
Selected Years (in Millions of \$US)

Year	Balance	Exports	Imports
1969	-39.0	12.3	51.3
1970	-38.4	16.3	54.7
1971	-39.6	20.9	60.5
1972	-55.6	25.6	81.2
1973	-76.7	41.6	118.3
1974	-109.2	62.8	172.0
1975	-134.1	69.9	204.0
1976	-145.0	77.1	222.1
1977	-166.0	73.6	239.6
1978	-139.2	77.9	217.1
1979	-208.6	89.0	297.6
1980	-239.6	111.3	350.5
1981	-252.2	129.6	381.8
1983	-272.9	134.0	406.9
1984	-263.2	99.9	363.1
1985	-243.4	96.1	339.5
1986	-280.8	156.0	436.6

Source: S.A.I., 1986. Judea, Samaria and Gaza Area Statistics, March 1987. (Quoted in Benvenisti, 1987:15)

Table 8.1 shows that the West Bank has a large and continuing trade deficit; that is, the value of imports is an average four times that of exports, despite the fact that exports increased thirteen times compared with the nine-fold increase of imports. "In the beginning of the 1970s, forty percent of the West Bank exports were to Israel and most of the remaining sixty went to Jordan. In the 1980s, the opposite was the case." (Benvenisti, 1987:15)

During the period 1979-1983, there was a substantial increase in both imports and exports. The reason for imports increasing might be due to the large remittances from the

Jordanian/Palestinian Joint Committee, which started in 1978. In other words, these remittances encouraged consumption in the West Bank, which is clear from the increase of imports. The increase of West Bank exports to Israel might be due to the investment of some of the Joint Committee's remittances in agricultural crops, which are highly demanded by the Israeli markets. Since a large amount of the Joint Committee's remittances were gathered in the hands of landowners and merchant capitalists (due on both parts to the Joint Committee's attempts to guarantee their loyalty) those people increased their agricultural crops (for instance, vegetables), which are mainly exported to Israeli markets.

It should be mentioned that trade based on smuggling is not included in these statistics. Smuggling takes place from both directions between the two economies, but the Israeli share is probably larger because they do not expect to face a harsh punishment if captured, as their Palestinian counterparts do.

Following is the breakdown of trade with Israel in a chosen year.

Table 8.2  
West Bank Trade with Israel for the Year 1985 (in Millions of \$US)

I. Imports, Grand Total	497.8
From Israel, Total	436.8
Agricultural	69.7
Industrial	367.1
II. Exports, Grand Total	239.3
To Israel, Total	156.0
Agricultural	16.7
Industrial	139.3

Source: Judea, Samaria and Gaza Area Statistics, March 1987. (Quoted in Benvenisti, 1987:13)

About seventy percent of the West Bank's imports come from Israel, and sixty five percent of its exports go there. However, West Bank agricultural imports from Israel are four times more than its agricultural exports there, despite the fact that the largest sector of the West Bank economy is agriculture.

West Bank industrial exports to Israel amount to nearly one third of Israel's industrial exports to the West Bank, taking into consideration that a large part of the West Bank industrial exports to Israel come from sub-contracting industries; i.e. they are not true West Bank products. What really shows the weakness of the West Bank industry is the fact that the industrial imports are more than five times the agricultural imports.

The following table presents the percentages of the West Bank's share of Israel's total exports.

Table 8.3

The Percentage of the West Bank's Share of Israel's Total Exports

Year	%
1968	7.8
1971	10.1
1972	14.8
1974	16.7
1975	14.6
1978	9.5
1980	9.7

Source: Deduced From the C.B.S.S.A.I, 1981:204-205.

This percentage nearly continued at nearly the same level until the beginning of the Intifada in 1987, when Palestinians decided to boycott the Israeli commodities. It became a general phenomenon to see youngsters pile Israeli commodities in Ramallah streets and burnt them.

## II. Trade With Jordan

Most of the West Bank's exports (excluding those to Israel) are to and/or through Jordan, as a result of the Israeli policy to cut all West Bank trade relations except those with Jordan. The Israeli permission of West Bank trade relations with Jordan was not necessarily because it was annexed by Jordan for nineteen years or because most of the East Bank population is Palestinian. It could also be for political reasons, in that Jordan is a country which has always kept a moderate stand towards Israel.

Jordan then, is a channel for the distribution of West Bank exports to the Arab world. West Bank exports to Jordan are mainly agricultural or a production of the agri-industries. "Pickled olives, olive oil and oil-based soap exported to Jordan and the Arab world account for nearly 90 percent of all industrial sales." (Awartani, 1979:29)

Table 8.4

West Bank Trade with Jordan for Several Years (in Millions of \$US)

Year	Balance	Exports	Imports
1969	11.3	18.4	7.1
1970	10.2	13.8	3.6
1971	15.0	18.8	3.8
1973	11.6	15.8	3.9
1974	21.4	26.2	4.8
1975	29.7	34.7	5.0
1979	52.9	57.9	5.0
1980	70.5	76.0	5.5
1982	81.6	90.5	8.9
1984	75.3	83.5	8.3
1986	70.9	81.8	10.9

Source: S.A.I., 1986. Judea, Samaria and Gaza Area Statistics, 1987. (Quoted in Benvenisti, 1987:15)

Table 8.4 shows that exports to Jordan were approximately three times larger than imports at the beginning of the period,

but rose to eight times larger by the end. Exports doubled four times while imports increased by less than fifty percent.

The rapid increase of exports to Jordan is to a large extent due to the fact that most of West Bank exports to Jordan are agricultural ones. Any increase of West Bank agricultural production should result in an increase of its exports to Jordan, since Jordan is committed to importing fifty percent of the West Bank vegetables (Interview, al-Hawarith).

The West Bank dependency on exports through Jordan (about fifty percent of its exports are to Israel) has enabled Jordan to put political pressure on the West Bank, i.e. by asking those who benefitted from exports to prove their political loyalty to the Jordanian monarch at the expense of P.L.O. (Interview, Abu-Ayoub)

Table 8.5:

West Bank Goods Trade with Jordan for a Selected Year, (1986)  
(in Millions of \$US)

Total I	mports	10.9
Agricul	tural	0.2
Industr	ial	10.7
Total E	xports	81.8
Agricul	tural	58.0
Industr	ial	23.8

Source: Judea, Samaria and Gaza Area Statistics, March, 1987  
(Quoted in Benvenisti, 1987:13)

It should be mentioned that most of the West Bank industrial imports from and exports to Jordan are conditioned and limited by the importation of raw materials from or through Jordan. West Bank agricultural imports from Jordan are nearly zero, though its agricultural exports to Jordan are large. These circumstances provide Jordan with the leverage to ask Palestinians for political loyalty.

Table 8.6  
Exports from the Occupied Territories to Jordan (by Average  
from 1981-85)  
(in Millions of \$US)

Type of Commodity	US\$	% of Total
All Agricultural Goods	63,227	64.2
Olive oil	26,950	27.4
Citrus	17,850	18.1
Others	18,427	18.7
All Industrial goods	35,173	35.8
Samneh(ghee)	17,671	18.0
Soap	3,42	3.6
Stone and Marble	10,629	10.8
Others	3,331	3.4

Sources: C.B.S.S.A.I. 1985, Judea, Samaria and Gaza Area Statistics, 1985, vol. 2:6-13. (Quoted in Awartani, 1988:147)

It is clear that agricultural exports are nearly double the size of the industrial one, and olive oil comprises twenty five percent of the total exports. The sharp increase of agricultural exports in some years might be due to the good olive oil season, which typically occurs once every two years.

The Samneh (ghee) share is fifty percent of industrial exports to Jordan. But it is worth noting that the Jordanian government owns more than forty percent of its shares. The rest are owned by the merchant and traditional families of Nablus: al-Masri and Tuqan. These families are part of the Palestinian families who support the Jordanian monarch and got privileges from the regime as a reward. (see Chapter two).

Table 8.7  
The Main Industrial Exports from the West Bank  
as a Percentage of the Total Value of Industrial Exports

Product	Year	
	1979	1980
Food Industries	68.2	57.6
Construction Materials	14.8	9.4
Soap	12.3	8.6
Plastic Materials	1.4	0.6
Other Industrial Products	3.3	3.8

Source: Mansour, 1988, 150

Tables 8.6 and 8.7 show that about sixty percent of the West Bank industrial exports to Jordan are products of the agri-industries, while the rest are mineral and quarrying products. This illustrates the structure of the West Bank industries. (see Chapter Four)

#### A. Jordan's Obstacles to West Bank Exports

In addition to the obstacles which are imposed by the Israeli occupation, Jordan has its own conditions and obstacles which affect Palestinian exporters, as can be seen in the following:

*For any West Bank factory established after 1967 to export to Jordan, it should satisfy the following: 1. Its machines must be imported through the Jordanian port Al-Akaba and transferred to the West Bank through the bridges. 2. The raw materials used must be imported from or through Jordan. 3. It must acquire a license from the Jordanian Ministry of Industry. (Kaukali, 1987:42)*

These conditions allow for the fact that Jordan is prohibiting any export of industrial products whose machines and raw materials

have not been imported through its port. Even for those industries which meet these conditions, Jordan accepts only fifty percent of their products, while Israel insists that one hundred percent of the products must be exported.

*As to the Jordanian instructions, any factory wanting to market its products in Jordan must be formally registered at Jordan's Ministry of Industry, all partners, workers and capital must be Arabic....The factory should have a license for importing and pay 4% fees, open a credit account at the Jordanian port of Al-Aqaba as soon as the goods have reached there. Every cargo should have a special permit with the approval of the Ministries of Industry and Occupied Areas Affairs. In the case of finished products, another license for re-entering them to Jordan is necessary; the period of this licence is one month, but could be renewable for another month....Importing through Jordan costs 14% more than importing through Ashdod port. (Interview, n.n)*

Given the fact that the importer pays four percent of the goods' value as customs for Jordan and the same for Israel, the produce's ability for competition is decreased. But since many merchants receive compensation from the Joint Committee or the P.L.O, it is the consumer who pays these costs.

*The West Bank carrier can only stay in Jordan for 24 hours. Arrangements thus have to be made to insure that the goods arrive before the carrier. But this means that there are additional costs for storage, insurance, and guards. Some materials might be corrupted. If the carrier reaches Jordan before the goods, he must go back to the West Bank and then return on a specified date.*

Looking for alternatives, some West Bank manufacturers have applied for export licenses to Egypt, but the Israeli authorities have refused these efforts. (Interview, n.n.) Other export obstacles harm West Bank exports as well: For example,

Jordanian protectionism. Because of the fact that some West Bank establishments lack the ability to export to Jordan, Jordanian merchants sometimes do not pay what is due to the West Bank exporters. In addition, the inspection procedures on the bridges are too long for some perishable goods, like ice cream.

It should be noted here that trade obstacles between the West Bank and Jordan are not limited to the Jordanian and Israeli parties. There are several obstacles imposed by Arab countries which import some of the West Bank produce.

### B. Export to Arab Countries

Experience in exporting to Arab countries has proved that they are not committed to absorbing the Occupied Territories' produce, even if there is a demand in their home markets. This has made the continuation of West Bank exports to these countries unlikely. (Samara, 1975:74)

*For four years Syria did not import any Occupied Territories' produce. Its condition to continue is that these Territories must import Syrian produce.... Iraq also stopped importing from the Occupied Territories. Both countries are importing equivalent products from Turkey and Greece.... Saudi Arabia imports from Spain the same products that are exported from the Occupied Territories. (Samara, 1989a:118)*

But this does not mean that there was no trade between the West Bank and the Arab countries e.g. (Mashreq- the eastern part of Arab countries). The Iraqi-Kuwaiti Gulf crisis affected the West Bank and Gaza Strip exports. Their losses reached about \$80 million for six months. However, what even the last results might be, the priority of West Bank economic exchange should be with the closest Arab countries, e.g. Jordan.

### III. Trade with Other Countries

Up to 1986, as a result of the Israeli policies to cut Palestinian foreign trade relations, the West Bank's trade with the EEC was very low. But it is also true to say that internal factors kept this level low. (e.g. Most of the West Bank production and exports are agricultural. The importation of such produce is not too necessary for the EEC as an economic block, which is relatively self-sufficient in Mediterranean agricultural products, particularly after granting Spain and Portugal full EEC membership.) Regarding industrial products, the West Bank produces relatively little worth exporting to the EEC except some handcraft products. Ten percent of the West Bank handcraft products are marketed in Europe and 0.5 percent of the textile and tricot. (Kaukali, 1987:89) But even exporting these products is difficult given the fact that Taiwan able to mass-produce these goods at lower prices.

Table 8.8  
West Bank Trade with Other Countries for Selected Year (in Million of \$US).

Year	Balance	Exports Imports	
1969	-5.1	0.4	5.5
1971	-11.0	0.5	11.5
1974	-14.6	0.7	15.3
1976	-18.5	3.5	22.0
1979	-44.4	1.1	45.5
1982	-42.2	1.0	43.2
1985	-37.3	1.0	38.3
1986	-48.6	1.5	50.1

Source: C.B.S.S.A.I. 1986; Judea, Samaria and Gaza Area Statistics, March, 1987. (Quoted in Benvenisti, 1987:15)

After seventeen years, West Bank exports to the EEC and other foreign countries increased from \$0.4 million to \$1.5 million; a very marginal amount, equal to about two percent of the West

Bank exports to Jordan. West Bank imports from other countries doubled ten times during the same period and became more than thirty times the amount of exports.

Table 8.9

West Bank Goods Trade with Other Countries (in Millions of \$US)

I. Imports Total	50.1
Agricultural	7.1
Industrial	43.0
II. Exports Total	1.5
Agricultural	-
Industrial	1.5

Source: Judea, Samaria and Gaza Area Statistics, March, 1987. (Quoted in Benvenisti, 1987:13)

The large amount of industrial imports is due to the retarded industrial structure of the West Bank. The following table shows the value of West Bank exports and imports with other countries, for the most part, in Europe. (This data excludes West Bank trade with Jordan and Israel.)

Table 8.10

West Bank Trade With Other Countries, For 1981, 1982 and 1983 (in Millions of \$US)

	1981		1982		1983	
	Imports	Exports	Imp	Exp	Imp	Exp
Agricultural products	4.65	6.42	10.1	4.8	10.8	5.7
Industrial products	60.1	1.28	56.2	0.8	47.4	1.0

Source: C.B.S.S.A.I., 1984:751

The picture is shaky here. The agricultural imports exceed the agricultural exports, taking into consideration that agriculture is the largest sector in the West Bank. In spite of the decrease of industrial imports, the industrial exports have not increased, but

even decreased. These development are related and affected by exchange with Israel.

### New Developments in the EEC Position

The 1986 change in the EEC's position toward Palestinian trade was related to the political developments in the region such as the Palestinian struggle for self-determination, the Arab world's position in world politics (which is influenced by the Arab world's position in world trade, i.e oil prices and the power of OPEC), the EEC's relations with Israel, and the world imperialist centre's interests in the Middle East. Many of these factors contradict each other, but these contradictions enable us to understand the EEC decision for providing the Occupied Territories' exports with some access to its twelve markets.

The new EEC policy was related with United States Secretary of State George Shultz' call for the "...improvement of the quality of life of the Palestinians in the Occupied Territories." Many parties welcomed the call; and a group of Israeli, Palestinian, and Jordanian businessmen met in Washington to discuss common economic projects in the Occupied Territories. The West Bank 'representatives' are Ghabi Baramki, of Beir Zeit University; and Ibrahim Abdul-Hadi, a merchant from Nablus, and the father-in-law of King Hussein of Jordan. (Samara, 1989a:36) At the same time, US and West European voluntary organisations concentrated their activities in the area after the Schultz call, and the EEC countries started to contribute to small projects there with the aim of "improving of the quality of life." What should be noted here is the fact that the EEC is more acceptable to the Palestinians than the United States; but in the final analysis, the policy of both parties are two sides of one coin.

The period between 1982 and 1987 was a unique one; during which the PLO was 'formally' evicted from Beirut, Jordan made further secret contacts with Israel aiming for a settlement, cut its ties with the PLO, and announced a special Jordanian Development Plan for the Occupied Territories--the first

Jordanian plan which also formally covered the Gaza Strip. In an attempt to support the Jordanian plan, "...most of the the EEC countries decided to channel their limited aid to the Occupied Territories (\$3 million for 1987) through Jordan. (Samara, 1989a:37) (1)

The European Community's foreign ministers' meeting in Luxemburg on 27 October 1986 decided to grant special aid to the Occupied Territories and to open European markets to Palestinian products. EEC ministers approved forty to eighty percent tariff reductions on Palestinian agricultural products, while Palestinian industrial goods will be admitted tax free. Total European support during the past five years amounted to nine million European Currency Units (ECUs), mostly for charitable and educational programmes. (Samara, 1989a:38)

In the Occupied Territories, the merchants, large land owners and bourgeois politicians enthusiastically welcomed the the EEC decision. Others gave a cautious welcome. But no one made a real study of what was involved.

To avoid Israeli practical obstacles, the EEC considered building a port in Gaza to enable the Palestinian population to export to the EEC markets. The Israeli side gave a tactical response:

*Foreign Minister Shimon Peres, Prime Minister Yitzhak Shamir, and EEC Commissioner Claude Cheysson last month reached an agreement in principle on the problem of agricultural exports from the territories, an agreement involving the relabelling of the products and the manner of their export and distribution via AGREXCO. (Samara, 1989a:39)*

What hindered direct Israeli rejection of the declaration was their fear that some members of the EEC might veto or refuse to sign the supplementary protocol which would regulate Israeli-Western European trade in the wake of Spain and Portugal's entry into the EEC. This agreement, which Israel desperately needed, gives Israel greater access to the European market for its own agricultural products, as well as providing additional tariff cuts.

Israel's trade with Europe is large and sensitive:

*Last year, Israel imported \$5 billion worth of goods from the EEC and exported \$2.2 billion to Europe. As much as 87 per cent of the country's trade deficit lies with the Community. In 1992, the 12 member-nation community is scheduled to become a free-trade zone with the abolition of all internal tariffs and customs duties between the countries. Moreover, this open market will apply to Israeli exports to the EEC, while community members will also have free access to Israel. (The Jerusalem Post, 18-12-1987)*

Britain was the EEC country which applied the veto to a new agreement between Israel and the European Community. (The Jerusalem Post, 20-11-1987) The Israeli side argued that the EEC declaration was a political step towards an improvement of the Community's political credibility in the Middle East. But:

*Sources close to Claude Cheysson, the European commissioner in charge of this issue, vigorously deny this interperation. The only thing the EC wanted to do was correct an anomaly and give more coherency to its Mediterranean policy, they say. (The Jerusalem Post, 21-12-1987)*

However, there is no real contradiction between the two interpretations. What is important on the part of the Palestinians is the fact that the political implications of the EEC declaration are related to their interests in the Mediterranean as a region with a vast amount of trade with the EEC. This fact contradicts the Israeli pretense that the EEC political stand is for the benefit of the Palestinians. The share of the Occupied Territories in this policy did not transcend the "improving of the quality of life" i.e. charity for the short run and economic peripheralisation for the long run.

*In the February, 1987 Brussels declaration on the Middle East, for instance, the 12 member states asked Israel to*

*improve the living conditions of the population in the West Bank and Gaza. (Samara, 1989a:41)*

In the context of Israel's overall policy in the Occupied Territories, it has become understandable why Israel fought and is still fighting the new EEC ties with these territories even in its charitable forms. Israel has been milking the Occupied Territories' economy since 1967, and its final aim is the eviction of Palestinians from these areas. That is why Israel considers the improvement of quality of life in these areas a radical and 'dangerous step'.

*The Ramallah stamp was replaced with an Israeli customs stamp and the West Bank label replaced with one marked Israel ...an experimental shipment of four crates of oranges from Gaza, ordered by EEC Commissioner Claude Cheysson as a means of checking that the Israelis were cooperating in the agreement, was still stalled in Israeli customs four weeks after it was due to have been delivered. (Samara, 1988a:41)*

Under the agreement signed in December, 1987 between Israel and the EEC, agricultural produce exported from the territories "...must bear a label stating the city or town of origin and not simply "produce of Israel" as in the past." (Interview, n.n. of the French Consul in Jerusalem) It became inevitable for the EEC to respond and defend the credibility of its policy in the region. The EEC therefore decided to block three vital accords with Israel.

Each accord required an absolute majority to pass, and none achieved it. The first protocol, which would have adapted Israel's trade relations with the EEC to the entry of Spain and Portugal into the trade bloc, received 265 votes in favour, 112 against and sixteen abstentions. The second, which would have given preferential access to the EEC for certain Israeli products, had a vote of 207 against, 149 in favour and twenty abstentions. The last protocol, entitling Israel to a \$75 million loan from the

European Investment Bank, had 205 in favour, 143 against and 22 abstentions. (The Jerusalem Post, 10-3-1988)

Far from the political aim of the EEC, the exchange with the West Bank is mainly agricultural. The main beneficiaries of this relation are the merchant capitalists and landowners. Even the profits which accumulated through this exchange might stay in the Western banks. Some of the products of the small producer find a chance for export. But the Palestinian merchant buys it directly for himself. By doing so, the small producer did not gain profits from exports. The relations of production in the farms continued on the family level, and many of the farmers became ready to produce what the EEC market wants. They stop produce their basic needs. The route of export to the EEC diminished the West Bank's dependency on the Israeli market, but tied it to that of the EEC.

As it is mentioned above, EC has its own political tactics and goals in its relation to the Palestinians.

*The EC merchant attache's visited us in Gaza five times since the beginning of the Iraqi/Kuwaiti crisis. Their main argument was to persuade us, as businessmen, merchants and exporters in the Gaza Strip, to take a stand against Iraq, a stand against that of the P.L.O. If we do so, they promise export facilities and economic aid as a reward." (Interview, n.n.)*

## INTERNAL MARKETING PROBLEMS

The reason for discussing this topic is to show how the occupation is harming the internal trade of the West Bank. In other words, the contraction of the domestic market in this case is not merely a result of feeble economic infrastructure, an external sectorial economic orientation, or a result of mass migration of the inhabitants.

The Israeli interventions (which have already been mentioned in the previous chapters) clarify the obstacles facing the West Bank internal trade.



In 1967, the Israeli authorities annexed Jerusalem, which was the centre of the West Bank, and limited its relations with the rest of the area. During the first years of the occupation, Israel created several obstacles to harm and slow investment in the West Bank infrastructure, with the aim of blocking economic (especially industrial centre) development in the area, and to decrease as much as possible the creation of work places. The Israeli aim was to articulate the West Bank social classes, working class, geographic areas and economic establishments to their counterparts inside Israel.

The result of this policy made the West Bank an area divided into several peripheries, without its own economic centre. This is clear from the fact that there is no industrial concentration in the West Bank, and the trade of every West Bank city with Israel is higher than its trade with another West Bank city.

As a continuation of its policy, the Israeli authorities imposed a sort of siege on the West Bank population areas, harming the area's internal trade. For example, from 5:00 am to 5:00 pm it was prohibited for any one to enter or leave the Jericho area, and any product to be carried from Ramallah to Hebron needed special permission.

There are no reliable estimates of West Bank production, either because the producers are trying to escape the Israeli taxes or because there really is no information on these amounts. As a result it is difficult to know the share that local production has of the total consumption in the West Bank.

However, the inflow of Israeli products into the West Bank markets is a sufficient indication of the failure of its establishments to satisfy local demand. Moreover, as we have seen, the local establishments depend highly on imported raw materials, while a lot of local raw materials are not being used in manufacture.

Finally, it is worth mentioning that not all products produced locally could be counted as local production, taking into consideration the fact that sub-contract companies often only do

part of the work of production. This being the case, when the local industries are marketing seventy percent of their produce in the West Bank, this does not mean that this seventy percent are pure local production.

### I. Marketing Percentage

Seventy percent of the industrial products of the Hebron area are marketed locally, twenty percent in Israel, eight percent in Jordan and two percent in other countries.

Table 8.11  
The Marketing of West Bank Industries for Countries (%)

	West Bank	Gaza	Israel	Jordan	Others
Foodstuffs	67.5	4.0	20	2.5	-
Glass, Pottery	49.0	0.9	27	13.0	10
Textile Trico, & Clothes	56.0	12.0	25.5	1.5	5.0
Metal Products	65.0	8.5	20.5	5.5	-
Cut Stone	36.0	9.2	54.0	-	-
Leather	60.0	18.0	22.0	-	-
Bags	85.0	15.0	-	-	-
Wood Products	75.0	-	-	25	-
Cables & Wires	90.0	10.0	-	-	-
Furniture	85.0	1.0	13.5	-	-

Source: Kaukali, 1986:82-89

The main external market for the West Bank products is the Israeli one. The Israeli share is more than that of Gaza Strip, Jordan and others. Fifty four percent of the cut stone is exported to Israel, and thirteen percent of the furniture production is exported to Israel as well, while it is about twenty five percent for other industries. This is an evidence of the West Bank's dependency on the Israeli economy.

A survey of 89 handcraft industries producers shows that:

- Forty six percent market hundred percent of their product internally;
- Seventy percent market seventy-five to ninety of their products internally;
- Fifteen percent market fifty to seventy-four of their products internally; and
- Twenty one percent market one to forty-nine percent of their products internally.

(Shihada & Shalabi, 1987:10)

Table 8.12  
The Marketing of West Bank Industries for Countries (5)  
The Results of the Author's Interviews of 1989

	West Bank	Israel	Jordan	Others
Foods and Beverages	89	5.5	5.5	-
Plastics	82	18	-	-
Carpentry & Home Articles	83	17	-	-
Footwear	75	25	-	-
Textiles	100	-	-	-
Feed	100	-	-	-
Marble & Ready Made Cement	66 (*)	-	-	-
Medicine & Chemicals	100	-	-	-
Paper & Cartons	75 25	-	-	-
Metal	40 (**)	-	-	-

\*) 33 percent to Israel and Arab countries.

\*\*) 60 percent for several countries.

There are no exports from the West Bank to Gaza Strip in this table, because during the years 1988 and 1989 the Intifada was very strong, and as a result of that, the Israeli authorities cut all links between the West Bank and Gaza Strip. (See Table 7.12, which covers the year 1986, being pre- Intifada.)

## II. Marketing Obstacles

What follows is an examination of the obstacles which confront the marketing of West Bank produce in its own markets.

### A. Competition

For most of the local industries, competition comes from both local and Israeli companies. In some areas there are many factories producing the same commodities and competing for a limited domestic market. At the same time, the Israeli companies are competing for the same market with more massive and cheaper production.

It would be difficult to diminish or stop the Israeli competition without a national protection for the local industry; something which has crystallised since (1988) by the calls for a boycott of Israeli produce.

Some local products sold well before the Intifada, but each for its own reasons. Local medicine factories were profitable because their products were less expensive than the Israeli ones, and this was related to the low standard of living in the West Bank. Building stones have a ready market because there is no competitive Israeli produce, and Samneh because it is of relatively better quality than the Israeli produce and cheaper than the imported counterparts from other countries. Of the forty four establishments covered in my interviews, the local industries are the source of competition for eighteen, the Israeli for another eighteen, the Jordanians for one, other countries for one, and for three establishments no answer was given.

### B. Lack of Marketing Facilities

Despite the fact that the final decision is that of the consumer, much of the marketing process is controlled by the merchant and distributor. The easy contact between the West Bank and Israel makes it more convenient for the merchant to import and

distribute Israeli goods than those of the West Bank, especially in the border villages.

There are sections of the West Bank population which prefer Israeli and other imported goods, merely because they are of foreign origin; and this is true of daily consumption as well. However, because a majority of the people prefer local products which have a good reputation--like tissue paper and Samneh the merchants are obliged to market these goods despite the fact that the profit per unit is less than what is offered by the Israeli companies. The consumption of other local products is high because the profit percentage for the merchant is equal to that offered by Israeli companies (i.e. cables, electric materials, and cigarettes). The invested capital for these industries is relatively high, and the wages are low. Companies with a high invested capital have the ability to offer a longer credit period to the merchants (e.g. the cigarettes, soap, plastic and wood industries). The fact that these are well-known companies and that some of the raw materials are local make them more competitive.

Some local industries (cables, medicines, and ice cream) market a high percentage of their products in the domestic market only because there are stiff Israeli protection measures for comparable Israeli products in Israel. Because of these harsh measures, the Israeli merchants prefer Israeli goods. In some cases however, local products are smuggled to Israel. Local businessmen state that the Israeli agents often refuse even to try to market the West Bank goods. This might be because of the Israeli measures or for political reasons.

In an occupied country, especially one engaged in a national liberation struggle, consumption of the enemy's products is surely affected by the political factor. Consumption cannot be limited at the level of the free choice of the consumer as it is in the normal cases. The political factor jumped to the forefront during the Intifada. But not all social classes behaved the same. While the social majority boycotted as much as possible of the Israeli produce, the merchant class continued importing and marketing it until they were obliged to stop by the youngsters,

and the bourgeois class continued its consumption of the Israeli and other foreign products by travelling a long distance to buy from inside the Israeli markets.

The spontaneous and voluntary boycotting of the Israeli produce cannot be a guarantee for continuity. This needs at least another two steps: first, the establishing of local marketing networks to distribute the native produce, and the second, investment in new areas which produce as much as possible of local needs.

### C. Source of Goods

For the Israeli consumer, there is a high awareness about the source of the goods. The interviews with native businessmen who apply to the B.D.C for loans to add new lines to their factories, show that the West Bank consumer is also interested in the source of goods, and prefers them to be of local origin. But in reality, he did not insist on buying the local goods until the Intifada took place, and the consumption behaviour became politicised. In many cases, the ordinary citizen does not care to articulate his behavior to his beliefs. It might be possible to bridge the gap between the consumer's behavior and beliefs (during the absence of a national authority) by strengthening the political and ideological factor as is happening during the Intifada. This new phenomenon in the West Bank is, to a certain extent, a counterpart to the Zionist ideological teaching for the Jew to boycott Arab produce. (Bober, 1972:12)

Inflation always affects consumption ability, especially because it is a continuing phenomenon in the Israeli economy. It jumped from thirty-six percent in the period between 1973-1978 to 121 percent during the period of 1979-1983, and to 374 percent by 1984. (Sussman, 1986) This is in addition to the fact that Israel's authorities regularly devalue its currency aiming at increasing its exports and decreasing the local consumption. The same policy is also applied to the West Bank population, who are subjected to the Israeli occupation but lack for the same

facilities enjoyed by the Israeli citizen. The result for the West Bank is a decrease of consumption by the lower-income classes.

During the Intifada, and because of the boycotting policy, consumption of local produce increased. The local capitalists are the main and direct beneficiaries of it. But at the same time, boycotting is a step towards national victory over the Israeli occupation as an occupation which has deliberately tried to hinder the establishment of infrastructure in the West Bank. It is clear here that the capitalist class is the most or even sole one to reap the benefits of the national struggle.

In its war against Palestinians, Israel has used the economic weapon, it has lessened the amount of currency (Israeli Shekel) in the West Bank and facilitated the inflow of the deteriorated Jordanian Dinar. Bearing in mind the fact that most of the population's savings are in JD's, the result of this action was a high depreciation of the people's savings and incomes, which finally resulted in a general decrease in consumption. The less the consumption of the local produce, the less the ability of the companies to improve their production and the less their ability to satisfy the demands of the higher social strata for a higher quality of goods; a reason which justifies their orientation to consume imported products.

Most of the surveyed manufacturers said that demand increased for their produce; but they emphasised that enlargement of the factories will not take place, justifying this in that the increased demand has been met by operating the machines to their higher or full capacity. However, it is hard to judge if this is in fact the case or if they prefer to increase their sub-contract ventures with Israeli companies. Local manufacturers hesitate to invest more during the Intifada because of their reservation that the Intifada might not continue.

The experience of the Intifada has proven that the best and most practical mechanism for activating consumption of the local produce is through the boycotting and de-linking of the Israeli economy. This is the popular protection of the local economy as

an alternative the absence of protection measures applied by the national authority. (see Chapter Nine, Conclusions)

### Conclusion

Industrial production of the West Bank is rarely oriented to the domestic market, and rarely depends on local raw materials. The result of that is a weak internal marketing.

The West Bank's foreign trade is conditioned by the politics of the political parties who dominate it. The main and determinant one of these parties is the Israeli occupation. The channels which have been opened by the foreign trade parties affect or even decide in the final analysis the form of investment in the West Bank. The local capitalists prefer to invest in the areas which gain facilities from the foreign parties who control its trade. In other words, the West Bank investment and trade are conditioned by external factors. The marketing facilities from Israel to any produce attracted West Bank capitalists to invest in it. The same is the case of facilities from Jordan.

This external control is never without passive results. It is oriented towards an increase of the unequal exchange relationship. The unequal relationship existed in all West Bank trade with Israel, Jordan and the EEC. The main effects of this unequal relationship are external articulation of the West Bank economic sectors, the persistence of non-capitalist relationships in agriculture, and a continuity of dependency.

While the West Bank suffer from dependence on the Israeli market, the new facilities from the EC is a knife with two edges. It contains some facilities to export part the West Bank produce, but this new relation contains a re-peripheralisation of the West Bank into the imperialist centre.

All these arguments uncover the importance of starting a conscious exchange with the capitalist centre. In the current situation, it would be much better if activity could be shifted to produce more for the basic needs of the population as a practical alternative to the produce for foreign markets.

## CHAPTER NINE

### CONCLUSIONS

The uncertainty of the political future of the West Bank, which is inextricably linked to the resolution of the Palestinian struggle for self-determination, is a central factor in any discussion of strategies for development in general and industrialisation in particular. At the present time, and especially since the start of the Intifada, continued Israeli colonial control over the West Bank and the Gaza Strip has been challenged. As yet, however, the future success of this challenge is not clear; and if it should succeed, it is not clear as to whether some form of self-rule or sovereign independence will emerge as the alternative to Israeli occupation. Of course, depending on the nature and direction of the political resolution of the current conflict, accordingly, there are several distinct possibilities and patterns of development that may emerge.

In the case where the West Bank and Gaza Strip achieve sovereign independence, for example, it is quite likely that a class-based struggle over the pattern of development will develop within the new state. Essentially, such a struggle will be between those classes and interests which will advocate greater integration into the world capitalist economy, and those who will attempt both to reduce dependence and prevent further integration into the world capitalist market. On the other hand, if Israeli colonial control remains unchallenged, then most Palestinians will focus their struggle against the occupation: which has dramatically undermined the possibility of any development of the economic infrastructure of the West Bank and the Gaza Strip by appropriating all the potentially productive surplus, and even most natural resources such as land and water. Even in this situation, the national factor still has

the upper hand over that of class. Such a struggle will also have to deal with the absence of any coherent and radical economic policy at the leadership level of the PLO.

It is within such a framework of future political uncertainty that this study has attempted to highlight the various obstacles that will confront any pattern of industrial development in the West Bank. Furthermore, this study has been concerned with the presentation of a possible development strategy for industrialisation, (in addition to a limited discussion on other sectors) which, it is hoped, is appropriate for a region currently in a state of transition. The possibility of development under continued Israeli occupation is a further issue which needs to be discussed.

In such a discussion, the very nature and conceptualisation of 'development' needs to be fully considered. For example, will development under such circumstances imply a comprehensive and holistic strategy, or will it focus on 'development as a resistance strategy?'. The latter will operate at a grassroots level and will aim at stemming emigration by generating the means to encourage Palestinians to remain on the land or in the cities, mobilise them to resist the destruction of their economic infrastructure and the confiscation of their economic resources; while at the same time, attempting to meet the basic needs of the masses. Furthermore, such a development strategy will attempt to transform the prevailing consumerist patterns and also to confront the preponderant intellectual dependence on Western bourgeois culture (see below). What should also be noted is that such a strategy for development, whether under continued occupation or in the event of sovereign independence, will be formulated according to issues which have emerged throughout the present study.

#### I. Development Under Occupation

There are lengthy debates concerning this issue between Palestinian and Arab economists and politicians. A close examination of these debates suggests that Palestinians living in

the West Bank are generally more inclined to argue for development under occupation than are their colleagues living abroad. This may be partially due to the fact that Palestinian and Arab intellectuals living abroad are conditioned by the theoretical approach which premises all forms of development upon the existence of sovereign independence and socio-political stability. Thus, these intellectuals argue for the adoption of ready-made models or strategies of development, derived from the experience of sovereign states; and presume that the application of such economic models in the West Bank will enable people to determine their own future and structure their own development. Needless to add at this point, many Third World states which have already achieved sovereign independence have applied such ready-made economic models and strategies; but have failed to achieve any form of development. Sudan is one such example which illustrates quite starkly the inadequacy of applying ready-made models and strategies.

It is for this reason that the strategy for development under occupation being presented in this study challenges the liberal and conventional assumptions of the ready-made economic models, and instead argues for a strategy which is in harmony with grassroots development and which focuses on the mobilisation of human beings and the satisfaction of their basic needs. Thus, this study argues for a development strategy which is action-oriented, rather than a reliance on conventional conceptual structures. In other words, it is a strategy which needs to be generated, as opposed to the simple application of ready-made models for economic development.

Mansour's argument with regard to steadfastness (Sumud, in Arabic) rather than development is not much of a contribution to the current situation, and neither does it "...save land by investing in it... [nor does it] stop emigration." (Mansour, 1984:181) The use by Mansour of vague and general statements such as "invest in land" or "stop emigration" does not in any way imply a real commitment to development. For investment in land to become a realistic policy, for example, there is a need for

an articulate plan of funding peasants. As to emigration, there is a need for the creation of jobs for the entire population rather than merely distributing some funds to the educated elite among the unemployed, such as the university graduates.

In some respects, Mansour's generalisations constitute a justification for the failure of the Joint Committee and the PLO to develop an articulate economic and developmental policy with regard to the Occupied Territories. Instead, the steadfastness policy has become a mechanism by which large amounts of funds have been transferred from abroad to certain individuals, on the assumption that they will then be distributed in 'an egalitarian' manner to the population at large. An examination of this process, however, reveals that these funds have been used primarily as a means of improving the socio-economic and political status of these personalities. (Qasim, 1986) Many of them have used these funds in order to start newspapers or magazines, establish media offices etc, and only in a few cases, have they also compensated the owners of houses which have been demolished by the Israeli army. In no case, however, have these funds been used to assist peasants in the cultivation of their land; thus relatively preventing expropriation by the military authorities.

In many respects, Mansour's steadfastness is another version of the much-discussed policy of "improving the quality of life" in the Occupied Territories that had been advocated by the former US Secretary of State George Schultz in the mid-1980s. In fact, Mansour is quite content with the policy of US aid to the Palestinians, since he notes that:

*US private organisations which work in the occupied lands contribute to the support of the Palestinian population. The activities of these organisations have gained the satisfaction and encouragement of the Palestinians, who consider it a way to confront Israeli policy. (Mansour, 1984:197)*

In fact, there is evidence to suggest that these organisations have invested only insignificant funds in the Occupied Territories. (Shadid, 1985) Moreover, the bulk of the Palestinian population has little or no knowledge of the activities in which these organisations are engaged, and in many instances they do not even know about their existence. This is primarily due to the fact that these organisations have created very few jobs in the rural areas, where the majority of the population lives. Instead they have concentrated their activities in the Jerusalem area, and direct their funding primarily toward cultural and educational activities such as providing scholarships for study in the US. It is for this reason that it is the Westernised elite of the Palestinian population who support such organisations, as they are the primary beneficiaries.

In the context of the discussion of Jordanian economic relations with the West Bank, Mansour (1984) has failed to present a critical evaluation of the latter's role in the peripheralisation of the former. Furthermore, Mansour's conclusion notes that,

*...it is impossible to achieve any economic development under occupation. But if it means that it is impossible to achieve any economic work under occupation, and things must be delayed until the withdrawal of occupation, the position in this case has some gaps. (Mansour, 1984:180)*

This is another example of a general and ambiguous statement. Economic life continues under any circumstances, and the main issue is whether it is necessary to conduct the struggle simultaneously at economic and political levels.

The answer to this question is provided by the Intifada, which has proved the feasibility of development conducted and protected by the masses in the context of occupation. (Samara, 1988a) Palestinians have successfully boycotted Israeli products in favour of locally produced items and developed home-based micro-enterprises, despite harsh Israeli economic reprisals. It is correct that this will benefit the capitalists either alone or in

addition to some benefit to other classes, but because of the dangerous Israeli policy, other classes prefer to concentrate against the Israeli occupation.

Even this position is not an absolute one. The year 1990 saw a new developments on the activities of the working class. Several strikes took place during that year, demanding better wages. Despite the fact that this step has come too late, it is still relatively good if it is compared to the policy of the P.L.O. and its secret organisations inside the West Bank. The P.L.O., in dealing with the Intifada, has concentrated on the political gains, i.e. the achievement of an independent state. The exaggeration of this slogan has overshadowed and blocked the development of any social transformation, i.e. women's equality and freedom, better wages for workers, extension of employment, or the use of the neglected land in cooperatives by unemployed youngsters who are unemployed and looking for jobs.

However, the new position of the workers, to demand better wages, and the trade union's demand for more employment could be translated as a protest calling for better distribution of the surplus on the national scale. The workers and other poor masses are deeply convinced that their boycotting of the Israeli commodities has increased the surplus in the hands of the Palestinian capitalists. The workers' decision to boycott work in Israel and to work inside the West Bank at lower wages whose caused a lot of loses to the Israeli economy, and at the same time, the whole masses' decision as consumers to boycott Israeli commodities and to consume instead the local produce, has protected the local economy on the levels of labour power and consumption power. These tactics contributed to what the author calls the "popular protection of the economy." (Samara, 1988a:28). Knows to the local population as "Insihab ila-al-Dakhe" (Inward withdrawal). N. 1  
J. 2

On the other hand, if Mansour's conceptualisation of development necessitates the establishment of heavy industry, then his argument regarding the impossibility of development under occupation is correct. This, however, is not the



development that is needed in the West Bank at the present time, or at this stage of its development.

However, Mansour is only one of many Palestinian writers who argue for the sake of economic modernisation and growth for the possible Palestinian state in the West Bank and Gaza Strip. The main ideas of those writers are: the establishment of a new Singapore or Taiwan in the West Bank and Gaza; the exploitation of the cheap, skilled and educated labor in the West Bank and Gaza, the creation of joint ventures with Japanese multinational corporations, and economic cooperation with Israel.

In addition to all these points, it is worth noting that most of the Palestinian economic writers and P.L.O. politicians are exaggerating the importance of an independent state. Surely, it is the right of the Palestinian people to decide its own direction (self-determination). But the exaggeration by the capitalist writers, and left and right intellectuals and politicians, emphasises implicitly that their main aim is to have an area (or Protectorate) ruled by the Palestinian capitalist class in which the multinational corporations may be invited to work freely. This future ruling capitalist class will prepare and guarantee a comfortable political and social situation for these corporations, and acquire tiny shares in these corporations, in addition to some commission from them.

That is why these capitalists, and writers like Abed (1990), deal marginally with the matter of economic cooperation or economic unity with neighbouring Arab countries, despite the fact that they are the potential parties to a regional program of self-reliance. Most of these writers try to attribute to the West Bank and Gaza Strip a wealth which is not a real one.

Following is a brief survey of some of these writers ideas. Abed (1990), refuted some arguments which hold that the Palestinian state would not be economically viable and, "...such a state, subject to enormous internal and external pressures, could become a source of instability in the region." (1990:4)

Singapore

In his argument, Abed returned to political, national and human rights rhetoric, aiming to diminish the importance of economic facts. He wrote:

*Since World War II, over 100 countries have gained independence, and however one judges the eventual consequences of this development, the right to sovereignty was hardly ever justified on the grounds of economic viability nor denied on account of its absence. (1990:4)*

The justification which Abed depends on is really fragile. His ideas are in harmony with the bitter fact of today's world order: That the more un-viable economic states there are in the world, the more the hegemony of the US imperialism all over the world, since most if not all these tiny and poor states are dependent on the United States, in one way or another.

If we put into consideration the US hegemony in the Middle East in particular, we could conclude that Abed is not worried about the effects of this hegemony on the Palestinian state, a fact which tells us that Abed's Palestinian state is going to be a dependent one even before its birthday.

In fact, it is not only Abed who argues for this form of dependency. In their conference in Tunisia, seventy Palestinian businessmen and tens of P.L.O. leaders, including Yaser Arafat, declared that "the participants were determined to make the future Palestine the Singapore of the Middle East". (Mideast Mirror, Tuesday 17 April, 1990:13)

Ahmad Kraï' (Abu Ala'), who lead the P.L.O Economic Department, "...would tour Asian countries including Japan, Vietnam and Thailand to discuss joint economic projects and the possibility of assisting economic institutions in the Occupied Territories." (Mideast Mirror, Tuesday, 17 April, 1990:13-14)

An economic system of a Palestinian state a la Singapore would be an absolutely open one to the world market. It would be in the hands of multinational corporations to exploit the cheap labour power there; until these corporations find more profitable

places, and consequently leaving their workers in the Palestinian state unemployed. It would be full of export-oriented industries, which would exploit the local labour power and export the gained surplus value abroad. Moreover, the agricultural sector in this new open economy, would continue in the current trend in the West Bank and Gaza Strip economy, which is the abandonment of land, the production of export-oriented crops, and the neglect of the production of basic needs. This would lead the country to a higher dependence on imported food. And when the multinational corporations find better and more profitable places, the "new Singapore" would find itself unable even to finance the reclamation of the uncultivable land to produce part of the basic needs.

Moreover, if the Palestinians are gaining today some money from the UNDP, EEC or US governments, or the so-called nongovernmental organisations because of the current political situation, this is a temporary condition. All these charities will stop later after the settlement of the Arab-Israeli conflict.

A period of multinational corporations will surely lead to making the most of the poor peasants as free wage labourers, the fact which will make the country more attractive to these corporations. The household producers will either be incorporated into the export-oriented agricultural policy or lose their land. There will be no chance for cooperatives for those people since the probable coming ruling class (the P.L.O. and the Palestinian capitalism), and its leftist allies (most of the Palestinian left), argue for the Hong Kong model.

There is no doubt that part of the capital of the multinational corporations who might be invited to exploit the West Bank, belongs to Palestinian millionaires who are living in the diaspora. In this case, those Palestinians will gain a tiny part of the profit according to their share of capital. But the main decision concerning the continuity of the work of the corporations will be in the hands of their administrations, which certainly are in the world capitalist centre. (Grou, 1985)  
Unfortunately, it is this form of harsh and swift exploitation by

the export-led industries which is awaiting the Palestinian masses after tens of years of suffering under Israeli settler occupation.

Palestinian leftists like Ibrahim Dakak of the Arab Thought Forum (1989), Adil Zaghera of the University of Beir Zeit (1990) adopt the same idea of a Palestinian state on the model of Hong Kong, but with the maintenance of the current economic relations with Israel, i.e. the employment of Palestinian workers in Israel. These people are still unable to understand the fact that Israeli policy makers never neglect the Zionist slogan of the priority of Hebrew Labour, and today Israel is faced with unemployed Hebrew workers, from the new Soviet Union immigrants.

However, both Palestinian right-wing economists like Abed, and those of the left like Dakak, are unified on the point of having a Palestinian capitalist state. The working class, and the poor classes in general, who are still fighting for liberation, and who are carrying the Intifada, will continue to be, according to the right and left writers, only producers of profit and surplus value.

This brings to mind the question of which economic model might maintain better life for these masses. The first and most important question should not be the possibility of a tiny state to survive economically or not. The important question is: What is the best development strategy which can create better life for the majority of the people, not the tycoon minority, on whose interests Abed has built his model. In building his model, Abed stated that:

*... the new Palestinian state would have to invest enormously in training and retaining of manpower, in basic and applied research, in adopting and developing new technologies, and in introducing and operating the most efficient producing techniques. This would require that special attention be given to the development of highly skilled professional and scientific manpower, as well as open and extensive interaction with the most*

*advanced industrial countries through education, research, joint venture, the purchase and adaptation of technology, and so on... the Palestinian economy would have to lift itself from the state of subsistence and underdevelopment, that has been imposed upon it to a state of dynamic growth based on high-level manpower, technology, and entrepreneurial and managerial talent. (1990:15)*

*...an economic system that affords the private sector wide latitude requires an appropriate set of economic policies... an economic system that allows a dominant role for the private sector, where the price mechanism is the primary instrument for the allocation of resources... and where the exchange and trade system is virtually free of controls... would have to rely heavily on market forces and minimise state intervention in the management of the economy. (1990:20-21)*

This is the essence of the economic system of the new Palestinian state according to Abed: The state of free enterprise, externally-oriented productive units, deep exploitation of labour power. The question here is, what is the alternative? (see below).

As the establishment of a Palestinian state is still debatable, any development strategy must start from the current situation, a question which the Palestinian capitalist class, especially abroad, has never dealt with. At this point it is necessary to introduce some of the arguments which have constituted one of the primary concerns of this study, and which relate directly to the above discussion. Specifically, the argument which suggests that although development under occupation is not possible, development targeted for achieving as much as possible of self-sufficiency of basic needs, initiated and protected by the masses as mentioned above, is both possible and desirable.

As it has been argued throughout this study that the relationship between the world economic centre (the USA) and Israel is of a

ol P 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

strategic nature. In other words, the disengagement of this relationship is not on the agenda, at least in the near future, and for as long as the centre of the world economic order is still strong enough to sustain its 'vital' interests in the Arab homeland. Furthermore, it has also been argued that Israel refuses any solution based on a binational state in Palestine and continues to advocate the Orthodox Zionist position which insists on maintaining a pure Jewish state in all of Palestine, and has thus refused to consider withdrawal from the Occupied Territories.

It is only in the context of a clear appreciation of such an ideology that it is possible to realise the implicit and explicit danger of the Israeli policies in the West Bank. These policies can be summarised as follows: At a minimum level, their intention is to appropriate surplus and undermine the productive infrastructure of the West Bank economy; and, at a maximum level, they are attempting to transfer the whole Palestinian population out of the West Bank to replace them with the new Jewish immigrants who came and are still coming from the Soviet Union and elsewhere. Such Israeli policies manifest themselves in the control of all aspects of daily life in the West Bank, the deformation of the economic structure, the absorption of the Palestinian working class into Israel's economy-up to and even after 1986, the creation of circumstances which encourage emigration, etc. Generally speaking, these policies have crystallised in the continued pauperisation of the West Bank masses throughout the Israeli occupation from 1967 to the present, resulting finally in the Palestinian Intifada.

Today, there are a limited hints from Israel that the Israeli government is going to introduce a new economic policy for the West Bank and Gaza Strip

*The Civil Administration approved recently tens of licenses for new factories in the West Bank and Gaza Strip. This policy is the opposite of the Israeli policy in these areas since 1967 (Immanuel, 1991:8)*

Another Israeli comment on this policy as follows:

"Last week's declaration by Defense Minister Moshe Arens to "help" Palestinians find new markets in the Arab World and improve their access to credit to make life easier for Palestinian businessmen... The most pragmatic Palestinians are businessmen, the Israeli customer has much to gain by having access to certain consumer products produced in the territories by paying lower prices than having them imported from abroad, because they are labour-intensive, can be produced at a profit by Palestinian factories but not by Israeli ones-including low-tec plastic, certain electronic components, and many agricultural products. Also more industrial activity and exports from the territories would mean more sales of industrial equipment and raw materials for Israeli firms, as well as stimulation of the Israeli economy. It should work towards turning a portion of the control over economic development to an independent organisation made up of Palestinians, Israelis and Private Voluntary Organisations (PVOs)" (Bainerman, 1990:8)

If this policy is going to be adopted, it is not a u-turn of the traditional Israeli policy towards the West Bank and Gaza Strip economies. According to our understanding of the Likud policy, which contends that the West Bank and Gaza Strip are parts of Israel, this policy is going to increase the already existing common material interests between the Palestinian and Israeli capitalist classes. It is an extension of the sub-contract companies in these areas to become joint ventures in a large economic strategy, the export-led industry. Doing so, the Likud party is opening the doors for the Israeli capital to own part of the infrastructure of the West Bank and Gaza Strip industries. What supports this point is the condition which was imposed by the Israeli Military Governorate in Ramallah, who told the Palestinian businessmen,

...that any Palestinian factory which might produce an alternative or the same products which are produced in Israel and marketed in the West Bank and Gaza Strip, will not be approved by the Military Governor until the

*owner of this factory has met and accepted the conditions of the owners of the counterpart Israeli factory (Interview, n.n)*

The conditions of the Israeli party will be in the range of sub-contract and joint venture. In a meeting with a businessman from Ramallah, he mentioned that an Israeli businessman offered him to open within a joint venture to establish an oxygen factory. When he refused, the Israeli businessman told him that "it is impossible for a Palestinian to have this form of license alone" (Interview, n.n.)

Thus, if Israel is going to carry on this policy, it is not a change of its traditional policy, but a new step in the same direction. If this policy is going to take place, there are two important related points:

First : is the fact that Israel has realised (after 24 years of deliberate policy) that it is impossible to transfer the Palestinians out of their home land and,

Second: Israel still resists the idea of a Palestinian state, and is still trying to absorb as much as it can of the Palestinians into its economic structure. Doing so, Israel is trying to block the possibility of Palestinian self-determination, and even to create a class in the Palestinian society which is articulated with the Israeli economy, and because of that, this class might resist the idea of a Palestinian state. Moreover, if this policy will succeed, Israel will apply its policy of transfer of the Palestinian people whenever the chance becomes available.

The point here is that Israel never ignores what its politicians call the "demographic time bomb". In the attempt to achieve an indirect eviction of the Palestinians from their homes, Israel has made their life unbearable over the last twenty-four years.

This view was clearly argued in Chapter Three of this study; which demonstrated that during the twenty-four years of Israeli occupation, there occurred a stagnation of Palestinian population growth as a result of mass emigration by persons seeking a better life. Furthermore, the study indicated that forty percent of all

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West Bank Palestinians who are employed in fact work within the Israeli economy. Thus these workers, and those who work abroad, have contributed to the creation of a situation where the West Bank has lost most of its young and professional workers who are central to grassroots development. Further, as this study is primarily concerned with the industrial sector, it can also be noted that the absence of this social group from the labour force is quite detrimental to any form of development since industry in particular needs young, qualified, and skilled workers.

This study also demonstrated that the increase in employment under Israeli occupation does not reflect real economic prosperity, since most of it resulted either from employment inside the Israeli economy or from sub-contracting companies inside the West Bank. Yet, despite the increase in the number of persons employed, unemployment is conservatively estimated to be around fourteen percent. The failure of the West Bank economy to absorb the surplus labour force will, of course, constitute a crucial problem in the future, and especially in the case of the establishment of a sovereign Palestinian state.

Another dimension of this issue relates to the manner in which the Israeli occupation has deliberately suppressed Palestinian trade unions in the West Bank. In the case of sovereign independence, this will enhance the power of capital over labour and thus result in a working class which is too weak to defend even its trade union rights. Such a situation, of course, will encourage even further the export-oriented trends within Palestinian capitalism. This can be grasped from the fact that even during the Intifada, sub-contracting industries have expanded and capitalist profits have increased, but wages have in fact depreciated.

The weak position of Palestinian trade unions can also be explained by reference to the nature of the industrial sector. Generally speaking, the West Bank is characterised by light industries which generate low added value and rely extensively on imported raw materials; while the prosperous branch of this

sector of the economy is that of sub-contracting. In fact, the sub-contracting industries such as textiles, clothing, leather products, and wood and furniture represent forty-five to fifty percent of all industrial enterprises in the West Bank, and absorb between thirty-three and forty percent of all employed workers.

Even the geographical distribution of West Bank industry is uneven. There is no local industrial core for the West Bank. All industrial zones and areas are peripheral to the Israeli economic centres. The same applies to industrial concentration. The only industrial concentration in the West Bank is located in the Tulkarem area; but it is a concentration of sub-contracting industries which were established according to Israeli needs and in order to satisfy the demand for cheap labour in the metropolitan Tel Aviv area.

As indicated above, most Palestinian industries rely heavily on the importation of their needed raw materials. On the other hand, there are practically no industries which can use the available raw materials, such as agricultural products. In other words, there is no articulation between the available raw materials and the type of industrial structure that has been established.

This is clearly demonstrated when we examine the historical development of local industry. More than half of the West Bank industries were established in the post-1967 period, and one third of those were in fact started during the period 1967 to 1974; which was also the period during which Israel was locating sub-contracting industries in the West Bank and the Gaza Strip. Chapter Four of this study demonstrated that during this process of industrial development, food industries, which produce basic needs, in fact declined. The result, of course, is that an endemic crisis of surplus agricultural production has developed. (Samara, 1989a) Furthermore, the attempt to resolve this endemic crisis by exporting agricultural produce to the European Community has also been shown to be a failure, at least during the first two years of the Intifada, 1988 and 1989.

This in addition to the fact that the main goal of export is to gain more profits. It is not built up on a policy which exports the surplus and takes into consideration the necessity of satisfying the masses' basic needs.

Given such a situation, it is not surprising that industrialists are reluctant to invest in diversified industrial projects--even when they have the legal permits to do so. Instead, they concentrate in the sub-contracting branch of this sector of the economy, which has continued to develop and prosper. This branch, however, which constitutes a major part of the sector and employs more than one third of the industrial labour force, relies extensively on imported raw materials and its production is export-oriented.

This study has also shown that there are additional obstacles to the development of a coherent industrial policy. They can be listed as follows:

- a. Israeli policy is primarily aimed at obstructing any industrial development, and is instead concerned to permit only a peripheral and dependent development in this sector of the economy;
- b. The Palestinian bourgeoisie has adopted a strategy in which they prefer not to take the chance of confronting the Israeli occupation or to compete with Israeli industry; and
- c. There has been an absence of any coherent P.L.O. economic development policy during the prolonged period of occupation, and the recent development in the P.L.O.'s policy is to adopt the Singapore model as mentioned earlier; a model of deep integration into the world economic order, i.e. which maintains a continued peripheralisation.

In addition to these major obstacles, there are certain additional factors which have inhibited industrial development. Of these, the most important are: First, the inheritance of an underdeveloped economic structure from the period of Jordanian rule; second, the fact that Palestinian intellectuals have mostly argued for a policy of modernisation rather than development, and even integration into the Israeli and world economic

markets; and third, the reluctance of these same intellectuals to criticise the P.L.O.'s failure to elaborate a concrete economic policy.

It should also be pointed out that despite the current national struggle and the obvious contradictions between Palestinians and Israelis, the above-mentioned obstacles to industrial development have in fact continued to work in a coherent manner. At the moment, at least, there exists a network of class interests which benefits from the existence of occupation, and that is why during the Intifada sub-contracting industries have expanded significantly. Of greater significance, however, is the possibility of joint economic activities between the Palestinians, the Jordanians and the Israelis. In fact, some Palestinian economists from the local universities, such as Beirzeit and Bethlehem, have argued in favour of a continued economic interdependence between the future Palestinian state and Israel. Such arrangements never take into consideration that any relation with the Israeli economy will be one of peripheralisation.

One of the factors which has contributed to this interdependence is due to the destruction of the Palestinian financial structure by the Israeli occupation. This, of course, has generated acute financial shortages and has encouraged the establishment of sub-contracting enterprises. In fact, the Israeli banks which have operated in the West Bank have been primarily commercial establishments whose role was to facilitate the payment of daily requirements, such as taxes, rather than to provide funds to productive investment. Furthermore, the absence of a Palestinian financial structure has allowed all financial profits to be channelled towards three main areas: the Israeli banks, Jordanian and other foreign banks, and home savings, mainly in Jordanian Dinars or US Dollars. Of course, all these areas are in direct contradiction with the necessary conditions for local development, which necessitates national control over local surplus and control over accumulation. This is in addition to the fact that the devaluation of the Jordanian Dinar in 1988 led to a catastrophic situation for the poor and

middle classes, for whom the JD was the primary savings currency.

As to the financial resources from abroad, they generally lack any developmental orientation. This is the case even for the Joint Jordanian-Palestinian Committee. Thus, the absence of a local financial structure and the uncontrolled orientation of savings has led to a situation in which West Bank Palestinians and institutions have developed a high level of dependence on foreign financial resources. This dependence has been exploited to a high degree by the Israelis during the Intifada, who reduced the allowed remittances from abroad to a minimum as a means of forcing the population to surrender.

The above-mentioned problems of the financial and investment sector were discussed at some length in Chapters Six and Seven of this study. These chapters indicated that most investments in the West Bank are of a private nature. The problem with such a situation is that it is not possible to separate the Palestinian and Israeli investments, as most of the latter are in fact registered in the names of Palestinians. Nevertheless, an examination of the pattern of investments shows that most funds are directed towards the building industry; highlighting both the desperate need by Palestinians for adequate housing, and the passive orientation of investors who do not wish to compete with the Israeli economy through productive investment. Of course, in a situation where most investments are of a private nature, the sub-contracting and modernisation approach to development can maintain its dominance. Finally, it should also be pointed out that this situation becomes even gloomier when it is noted that Israel transfers large proportions of the Palestinian savings into the Israeli economy through heavy taxation. This, of course, constitutes another important obstacle to development, as these taxes are never spent for the benefit of those who payed them.

The preceding chapters of this study have shown the manner in which employment, production and finance are forcibly integrated into the Israeli economy. It is not surprising,

therefore, that West Bank trade also follows the same route. Chapter Eight showed the manner in which West Bank exchange with Israel is unequal and based primarily on the Israeli use of force and repression. As a result, from the start of the occupation and throughout its duration, the Israeli technological and financial superiority, and the absence of any determined efforts by the Palestinian bourgeoisie toward sovereign independence, have created a typical situation of dependent centre-periphery relations.

Thus, most West Bank trade is with Israel, and only a small part is with Jordan. The small Jordanian share has also been structured by Israel as a means of ensuring Jordan's participation in the political policy of "functional division" of interests between Israel and Jordan regarding the West Bank, and in order to locate an outlet for certain West Bank agricultural products which compete with Israeli production and might create social strife in the West Bank if they were not marketed. In fact, it could be argued that the "open bridges" policy with Jordan is an Israeli strategy intended to encourage Palestinians to increase their production of export-oriented crops rather than producing basic needs. Those who benefited from the open bridges policy are the landowners, and the merchants who are members of the local rich families who have supported the Jordanian regime since 1948.

Israel's concern to maintain total political hegemony over the Occupied Territories is exemplified in the case of West Bank exports to the European Community. Although the emphasis on such exports also undermines the ability of Palestinians to produce basic needs, Israel has done its utmost to harm this pattern of trade for political reasons. This is due to the fact that such exports provide the Palestinians with some form of autonomous relationship with other sovereign states. Israel, however, wants to ensure that it is the only and dominant power regarding all West Bank external relations; thus it has attempted to destroy this pattern of exports. An additional factor which has contributed to the predominance of exchange relations with Israel is the absence of a substantive productive centre in the

West Bank. Thus, the only alternative to a reduction of dependence in such exchange relations was provided by the Intifada, which showed how mass mobilisation in favour of the economic boycott of Israeli products and the decrease of consumerist tendencies enhanced both the production and consumption of local products.

This study attempted to show the manner in which the Israeli occupation has endeavoured to integrate all economic and social aspects of West Bank society into the Israeli economy. It should be pointed out, however, that this Israeli policy has never aimed at full integration of the Palestinian population as Israeli citizens. The aim of Israeli policy has been to integrate the West Bank and the Gaza Strip as peripheral units while at the same time maintaining the Jewish character of the Israeli state proper. Thus, the Occupied Territories are there only to provide an exploitable economy. Thus, the relationship is not that of interdependence, but instead it is a colonial relationship. What is surprising, however, is that the Israeli political establishment claims to consider such a situation to be a gift to the Palestinians. The result, therefore, of twenty-four years of occupation is that the West Bank has become a fragmented periphery without its own internal economic centre. Furthermore, this situation has led to a weak relationship between the two most important factors in any development process--namely local capital and labour--the main reason being that both Palestinian capital and labour have stronger and closer relations with the Israeli economy than with each other.

## SUGGESTIONS FOR DEVELOPMENT STRATEGY

### Which Development Strategy?

This study is concerned with the formulation of a general framework within which it is possible to develop an indigenous development strategy. Thus, it is possible to exclude, for example, the import-substitution approach to development; not only because it has already been shown to be inadequate in most peripheral societies, but also due to the fact that it does not encourage a withdrawal from the world economic system. Furthermore, the import-substitution strategy tends to favour the middle classes and their particular consumption patterns rather than encourage the development of a national economy. In fact, it is a strategy which attempts to consolidate the status quo by improving the position of a country within the world economic order.

In general, the failure of import-substitution as a development strategy has led the ruling classes in many peripheral societies to adopt a development policy which is geared toward export-oriented industrialisation designed by the multinational and transnational corporations and the centre states as an effective means of replacing import-substitution. It should be noted, however, that despite its failure, the import-substitution strategy was motivated by national aspirations and a desire to gain a degree of economic independence during the decades of the 1950s and 1960s when a number of national liberation movements achieved victories. Export-oriented industrialisation, however, which is essentially a policy of the circulation of production on a global scale, was formulated initially at the centre of the world capitalist order as a means of dealing with a world economic crisis in trade, and to guarantee extended markets for commodities, notwithstanding their point of origin, namely the transnational and multinational corporations or the capitalist states.

It is for the above reasons that this study has argued against the current economic relations between the West Bank and Israel.



Such relations would indeed encourage the continuation of a colonial relationship, which would in fact be a dependent relationship even after political independence. Thus, development under occupation or through the establishment of economic relations with Israel is rejected by the approach adopted in this study. Such a question might be discussed after the possible independence of the West Bank and Gaza Strip on the level of determining which is better for these areas, to increase their exchange and cooperation with Israel, or will the Arab countries.

### What Type of Development Policy?

The strategy of development which is supported and protected by the masses should be geared toward all aspects of life; but given the particular concern of this study, the following suggestions will not be limited to the industrial sector. Thus, the first issue that needs to be raised is not whether industry is needed in the West Bank, but what type of industry is possible and suitable given the prevailing conditions; and then the question of what development policy for all productive sectors must be followed.

There are a number of factors that need to be taken into consideration when attempting to answer such a question. For example, what type of products are required to satisfy domestic needs? This in turn implies the production of both the productive and consumptive means of production, the guarantee that raw materials are available, and thus the need for limited and cautious exchange with the regional markets. Furthermore, and as a means of providing protection for such an industrial sector, it is necessary to ensure the greatest degree of withdrawal from the Israeli and world capitalist system.

The above suggests that to a certain extent a light industrial sector should constitute the primary concern of an appropriate development policy (see below). Such an industrial sector would focus on such areas as food, beverages, tobacco, textiles, clothing, leather footwear, woodwork, carpentry, paper, printing and

publishing. Furthermore, such an industrial sector might rely on intermediate technology which has already been advocated by many economists in the West Bank. In other words, such an industrial sector would be located half-way between the current traditional manufacturing and a fully developed modern industrial structure. Nevertheless, the use of such intermediate technology will also be subject to the aforementioned determinants of mass-based development, including support of locally developed intermediate technology.

### Development Suggestions for a Transitional Period

Given the above, it is now necessary to elaborate on the industrial policy that could be applicable in the transitional period until the political situation is determined. Such a transitional period is expected to be relatively short; for this reason the suggestions revolve around the agri-industries, because they are also quite close to the alternative strategy which could be implemented subsequent to the achievement of sovereign independence. For as it has already been argued above, the industrial policy being suggested in this study is one which should be applicable to both the period of occupation and that of sovereign independence. This is a policy which aims at producing primarily for the local market, has limited and controlled exchange relations with the region, and attempts to achieve a relative withdrawal from the world capitalist order-including the Israeli market.

Such an industrial strategy could work partially under occupation, and to a great extent after sovereign independence is achieved. It is a strategy which is oriented to local demands; and the Palestinian consumers, motivated by a political cause, should be committed to support it. Given that such a strategy relies on local raw materials and labour, its major component in the first instance is that of agri-industry. Such a start should enable the country to achieve an agri-industrial balance between labour and capital. This is due to the fact that the low cost of raw materials and labour will permit the production of low-cost products which are suitable for the local market, and even

competitive with other products in the region during the process of exchange. Furthermore, such a low-cost industry should permit the country to avoid the debt-trap, or at least reduce its magnitude.

In general, it is clear from the above that industries which rely on local raw materials and also upon local technology are the best choice for such a strategy. In some cases, however, such as irrigation, and given the water shortage that derives from the Israeli appropriation of most water resources, it might be necessary to make use of low water-use techniques such as drip feed hydroponics. If some of these techniques are not available locally, then it may be necessary to import them.

During the transitional period of occupation, it is possible to permit West Bankers to continue to work within the Israeli or other economies until jobs are available for them in the local economy. Such a situation, of course, would raise the problem of how to permit Palestinians to go on working in Israel while at the same time trying to reduce any form of exchange with the Israeli economy. Nevertheless, during the transitional period, this may be a necessary step; although it is conceivable that Israel will retaliate by dismissing all these workers, as it is doing at the present time. An additional possible development in the absence of a national state is the establishment of cooperative factories with local Palestinians being both the workers and the owners. Furthermore, such cooperatives should rely on the consumption of locally produced raw materials, and their products should be consumed locally. A good example of such a cooperative producing unit is the livestock-feed factories. In these factories, the owners are the livestock-owners who need the product of the factory in order to feed their animals. Such a cooperative project could be improved further if some local landowners were also members of the cooperative, and thus supply the factory with the necessary agricultural raw materials, while at the same time making use of the animal droppings as fertiliser for their land.

The above suggestions by no means constitute a comprehensive development plan, but simply the outline of an alternative strategy for a transitional period during occupation and immediately following the initiation of sovereign independence.

The following is a suggested model for economic development in the West Bank, and to a certain extent, the Gaza Strip. It should be noted here that the Intifada is taken here as a corner stone, because it has been shown to be a reversal by the Palestinian masses in their economic and political relations with the Israeli occupation. As was mentioned earlier, the Palestinian workers in Israel decided in the first few months of the Intifada to boycott work in Israel. This is the step which the author has called Insihab ila-Aldakhel (inward withdrawal), and the another inward withdrawal by the masses when they boycott the Israeli commodities.

These initiatives taken by the masses obliged the political leadership to follow them and raise the slogan of boycotting Israeli commodities. Based on this popular position, the author call this people's position and step a popular protection of the economy. In addition to that, the poor masses have continued the initiative by a large investment in home production, the cultivation of home gardens, and the creation of small cooperatives -especially women's cooperatives- in villages and neighbourhoods.(1)

But, the essence of these major steps are:

- The boycotting of working in Israel, and the boycotting of its commodities.
- The masses' investment, which is limited due to their financial ability.

Both these steps condition the coming of the third one, which is the large investment by the capitalist class and the P.L.O. leadership as the (quasi-government) which could create public works and a public sector, i.e. to give loans to grassroots

organisations to start a large project of land reclamation and cultivation.

Unfortunately, both the P.L.O. and the capitalist class have failed to carry the peoples' initiative; the reason which has obliged the workers to return to work in Israel under worse conditions-while the boycotting of the Israeli commodities have continued until today on a large scale.

The following model is based mainly on the Intifada and its positive achievements. It is a model which deals with development without linking its implementation to the Israeli withdrawal from the West Bank and Gaza Strip.

The main areas of focus of this model are the following:

- The articulation of the economy sectorially, internally and externally.
- The restructuring of the productive structure.
- The restructuring of consumption behaviour.

Before going into details, some remarks should be mentioned here:

1. Most of the suggestions cover the West Bank and Gaza Strip, because both of them together are the two major parts of the Palestinian economy, to which this model is devoted.
2. Some parts of this model will be impossible to achieve without a national authority, i.e. the relations of this economy with other economies.
3. Since the P.L.O.'s economic policy is less radical than this model, and the same is the position of the capitalist class, the possible social mechanism for this model will be a grassroots organisation, or even a socialist political organisation. But this issue is beyond the scope of this study.

## THE RESTRUCTURING OF THE ECONOMIC STRUCTURE

The establishment of a lively and continuous relationship between the various economic sectors of a country that is the subject of development must be a matter of great concern to any developmental institution, if its aim is to achieve a balanced development horizontally and vertically.

This is bound to make the economy strong enough in its relationship with the neighbouring economies or the international market, i.e. to avoid dependency as much as possible. If these necessities are not satisfied, development can become a mechanism for dependency.

### The Articulation of the Economy Sectorially, Internally and Externally

#### 1. The Internal Relations between the Parts of One Economic Sector

What is meant here is the achievement of the horizontal articulation between the various parts of the single economic sector. It is impossible to achieve balanced and successful development of the national economy if the vegetable production is directed towards exports while there is not enough for consumption and canning; or if the country produces grains and exports them while at the same time, importing livestock feeds; or if the country neglects agricultural land and imports grains.

Thus, it is necessary to exploit each part of the single economic sector to the service and complement of other parts (See Appendix, II, Figure, I)

#### 2. The Internal Relations between the Economic Sectors:

What is meant here is achieving a development that leads to the articulation of the various economic sectors so that agriculture provides the agri-industry with the suitable raw material and

industry provides agriculture with the necessary tools and machinery and the scientific methods for improvement. Trade would provide protection for the agricultural and industrial outputs and would supply the economy with the needed foreign raw materials and the marketing opportunities for the surplus output of the domestic economy.

For examples refrigeration (freezing) will help in achieving some articulation between agriculture and the agri-industry; canning vegetables and fruits achieves articulation between agriculture, the agri-industry and industry, which will produce the needed cans. This articulation can also include trade that will market these outputs.

This horizontal connection, if accomplished will allow for achieving an integrated and balanced development between the various sectors instead of having each sector being articulated by itself with foreign economics.

### **3. The Relations between the West Bank Economy and that of Gaza**

We have preferred to give priority to the previously discussed levels inside the economy. This was so because of the objective obstacles that exist in the way of activating and developing the economy of the Occupied Territories. We are not too sure of being able to overcome all these obstacles, but any development plan must take them into account to hope for any success.

It is quite clear that there are distinctions between one district and another in the West Bank. These differences are either the result of Israeli policies (like the case of Jerusalem and its distinction from the rest of the West Bank) or the result of the uniqueness of the area. ( like the case of Jerico, which does not have more than few factories).

What is meant by the relations between the two economies (West Bank and Gaza) is the achievement of complimentary and articulation between the economy of the West Bank and

that of Gaza on the macro level on the one hand (especially trade), and on the sectorial and sub-sectorial levels on the other.

Thus this third level is so ambitious as to achieve division of labour between the two economies of the West Bank and Gaza. However, this is just in the planning phase, and thus it is very difficult to build on it.

This division, if it takes place, might take the form of concentrating the development of agriculture, agri-industry, construction, and tourism in the West Bank, and concentrating workshops and labor-intensive industries in the Gaza Strip.

Obtaining the right of free exchange between the West Bank and Gaza will make it possible to achieve division of labour between them. This will lead to complementarity and integration between the two economies through having one region producing (some goods) for both; that is, having some degree of specialisation depending on comparative advantage. Additionally, this will create opportunities for labor and capital movement.

### **4. The Relations of the Occupied Territories' Economy with the Surrounding Ones:**

This covers the relation between the Occupied Territories' economy and the regional economies and with the world economy. These relations have been subordinated to the terms of the Israeli occupation authorities since 1967. All economic ties of the Occupied Territories with the outside world were cut and economic exchange has been restricted to be with the Israeli economy and/or through it. Two military orders (No.s 47 and 49) restricted imports and exports of the territories to be from and/or through Israel.

It is not difficult to realise the importance of free choice in international trade, especially the choice of potential markets for domestic products and the choice of sources of raw materials. However, the core of the issue does not lie in the right of free

trade. What is important for the West Bank is to keep the process of its production according to the local needs, and to establish a self-control authority over its exports. This means a self-control over its foreign trade, as an alternative to the current situation in which the West Bank foreign trade is decided by external rather than internal factors. This form of trade relations cannot be achieved if the foreign trade is controlled by capitalist individuals.

If foreign trade is decided by external factors, the investment process inside the country itself will continue working according to the external needs as well. According to a de-link development strategy, exchange must be with the region, rather the world market. Commodities imported from Egypt might cost less than those imported from a developed country, as wages in Egypt are lower, and transportation costs less. However, an integration with the region is imperative for a tiny and poor Palestinian state, if its regime should adopt a de-link strategy.

### **The Restructuring of the Productive Structure**

This includes the basic determinants of development suggestions which are internally oriented. The following determinants might differentiate this model from those of other Palestinians, mainly the ideas of the P.L.O., George Abed and others.

The aim here is to establish a mechanism which is able to achieve a balanced development based on serving the interests of the largest possible number of people of the Occupied Territories. This mechanism has three components that have to be taken as a whole set, since they are themselves internally connected. They are:

#### **1. Giving Priority to Industries Using Locally Produced Raw Materials**

The production process, agricultural or industrial, must rely on local raw materials whenever they are available. Preferential

treatment must be given to local raw materials over foreign ones.

For example, the problem facing the economy of the Occupied Territories is not the existence of seasonal surpluses of local agricultural outputs, but in fact it is that these surpluses are not subjected to another production processes to manufacture new products which are at present imported in large quantities.

Thus the difficult equation in the economy of the Occupied Territories is the availability of local raw materials and the availability of local capital that is invested in areas which do not use these raw materials. Additionally, there is the availability of the necessary labor force, most of which is being employed outside the economy.

Putting the problem in this way reveals how easy it is to solve the equation if we have an institution that deals with the national economy from the point of view of national feasibility and not just the project's economic feasibility.

For example, olives form a major produce in the West Bank but their products are not subjected to the suitable differentiation process. The major product of olives is the traditional olive oil, whereas there are many dimensions of canning the oil and transforming the by-products (*jift*) to become an effective material for home heating and in animal feeds.

If olive remnants were manufactured as a heating material, it would open up a new market for the metal heater stoves produced in Hebron whose price does not exceed fifteen percent of that of the Italian or South Korean heaters. This in turn would reduce the expenditures on imports. Introducing *jift* in animal feeds would also reduce the expenditures on raw materials used in their manufacture. Olive oil can be used in the development of the local soap industry, which has been suffering from the competition of imported soaps.

In addition to this, olive oil can be processed in a way that will make it a better substitute for imported oils. This will save additional funds and reduce dependence on imports.

It should be pointed out here that nationalist awareness among Palestinian consumers developed over the last three years makes it a lot easier to attract consumers to local products ( like oil, soap, heating materials) if these products are of reasonable quality.

## 2. Producing the Basic Needs of People

This subject is related to the nutritional security issue. It is not difficult to understand how nutritional insecurity has become one of the most important reasons behind the subordination of the Third World, in addition to widespread malnutrition and starvation in many of its parts. The Occupied Territories are one of the most insecure economies in terms of nutrition.

Some attempts have been made to overcome nutritional insecurity in the Third World, including adopting the 'Green Revolution' strategy. However, emphasising a singular dimension of development has led to the failure of these experiments.

Thus, it is highly important to emphasise dealing with all aspects of development as a whole set that is inseparable. The term "basic needs" is a wider concept than only the necessary food stuffs. Basic needs also cover health needs, clothing, habitable and affordable shelters employment.

It is evident that one must decide what the set of basic needs is, if he/she is designing a development plan to produce them. Thus, the basic needs must be identified over a certain future period of time ( the next five years for example) so that the plan is not interrupted after a year or two. This will also help in the planning of imports over that period.

## 3. Employing the Largest Number of People

The issue of employment might be the most difficult obstacle facing the economy of the Occupied Territories. Let us consider the following points for explanation:

1a. There are about 110 thousand Palestinians working in Israel. This is in principle a loss of this many to the economy of the Occupied Territories, whose output in a normal situation would be part of the domestic economy.

1b. The Israelis started the process of firing these workers by replacing them with Soviet immigrants and by using capital-intensive technologies in production.

2a. Another production loss is caused by the migration of surplus labor abroad, especially to the oil countries.

2b. The possible expulsion of these workers from the oil countries is due to the Gulf Crisis.

3a. The presently, (1991) unemployed amount to approximately 30 percent of the working population.

This complicated picture means that any developmental institution in the Occupied Territories must take major and exceptional actions to be able to meet the a typical requirements of this economy. So if introducing high technology to the Israeli economy is a natural matter, its introduction to the Occupied Territories will escalate the unemployment problem, which will deepen the crisis faced by this economy

It should be noted that there are any ways to employ large numbers of people. Land reclamation and other land-related projects and possible projects that can be set to complement these ones offer the most obvious, and attainable, solutions

We should point out that these three basic determinants are not absolute, one can invent many more possibilities related to these three; like giving second degree priority to projects which import

only part of their raw materials, or needed projects even if they import all of their raw materials. Accordingly, this strategy should be constituted of the following components:

- Industries of Priority One, which are:

1. All raw materials are available locally;
2. Offers broad employment; and
3. Meets domestic needs.

- Industries of Priority Two, which are:

1. Raw materials are partially available locally;
2. Offers broad employment; and
3. Meets domestic needs.

- Industries of Priority Three, which are:

1. Raw materials are totally imported;
2. Offers broad employment; and
3. Meets domestic needs.

- There are also other secondary priorities such as:

1. Industries which do not exist in Israel;
2. Industries with no possible competition, such as tourism; and
3. Industries which produce goods such as olive oil and the soap extracted from it which have been traditionally consumed by Palestinians.

**Explanatory Examples: The Chain Projects (see Appendix II, Figures I, II & III)**

The establishment of the "Chain Projects" could explain the idea: What is meant by this is to point out the exceptional importance of establishing a group of projects that are connected with each other instead of operating independently.

-If we took the establishment of a large grain-mill in the West Bank as an example, we would find that there is an opportunity to establish the following chain of projects.

-The mill (See Appendix II, Figure, II) will plant a wide area of land owned by its shareholders and through contracting farmers to supply the mill with certain quantities of grains, while the

mill gives obligations to buy this grain at suitable prices. Thus we have added to the employment in the mill, the employment of people in farming grains, and in its transportations, etc.

-The mill will provide the local market with its needs of flour, thus allowing for more employment in the marketing of the output. The mill will also produce bran (a by-product) which can be used in feed manufacturing, thus providing live stock farmers with locally produced and relatively cheaper raw materials.

Thus, another project is born in the chain, namely a live-stock project which will produce the necessary fertilizers for the cultivation of grains.

- A factory that extracts starch from wheat peel can also be a part of this chain.

- We have not yet mentioned the possibility of establishing other projects connected to the mill, like a large outfit to clean and classify grains, and siloes for grain storage for a few months. A macaroni factory is another possibility.

- It is possible to establish a feed factory (see Appendix, II, Figure, III) in the same way, either in connection with the mill-chain or as a separate chain as follows:

- The feed project will be the center of the chain.

- It is connected (from below) with a group of grain farmers to produce the needed grains for the feed factory.

- It is connected (from above) with a group of livestock farmers who also might be the same grain farmers.

- It is possible to use the fertilizers produced by these farms in fertilizing the lands planted with grains.

Thus, farmers benefit by having a market for their grains (at reasonable prices); they can have feeds at suitable prices, and they benefit from the fertilizer and also from being shareholders in the feed factory itself.

- A factory that extracts cow feed from chicken manure can also be part of the chain.

It is possible for the farmer, in the above mentioned projects, to be land owner, cattle owner and have a share in the mill. This form of the farmer's role could be achieved through a

cooperative owned and operated by the independent and direct producers.

The establishment of agricultural and agri-industrial cooperatives in the rural areas might keep the rural population in their villages. The result of that is more economic and demographic balances between city and town, and a developing of a cooperative or 'embryonic' socialist mode of production on the remnants of the household form.

### Restructuring of the Consumption Pattern

Consumerism was not an absolutely new phenomenon to the West Bank during the Israeli occupation. The same trend was seen during the Jordanian rule of 1948-1967. What has intensified this trend is the new changes in the West Bank society under occupation, i.e. the consumption pattern in the Israeli society, who imitates the Western bourgeois style, the dumping on the markets of the varied forms of products, and the absence of any education of boycotting the imported products an education which linked consumerism with dependency and the continuity of occupation.

The domination of consumerism led to more destruction of the local producing projects since no consumption took place there, and contraction of the local markets. This went in parallel with increased demand for the imported items. One of the factors which increased this trend is the continuity of the traditional belief that the more consumption of imported goods, the higher the social position of the consumer. The imitation factor is another factor which has encouraged consumerism, especially when education against consumerism is absent.

During the occupation period there have been local social classes whose interests depend on consumerism. The comprador and merchant class is one of the main mechanisms of consumerism. This class started a link with the Israeli military governors in the early years of the occupation. That is why they took several advantages due to their role. They became the agents of the Israeli companies, they took commercial loans, and licenses to

import from abroad. These activities led to a strong competition with the local products, but the merchants gained a lot of profits. Those profits were either sent abroad, or in the best cases invested in the sub-contract industries, which in turn strengthened the dependence of the West Bank economy with that of Israel.

According to the developments of the Intifada, a new mode has emerged, which is the social decision of boycotting the Israeli commodities, and to a certain extent all imported goods. A radical development model should grasp this new social timber and develop it to become a social position and goal.

In fact, this social timber is still a political and national one. This might be enough in the current circumstances, but it will not be sufficient if the state of independence is attained. At that time, the Israeli commodities might disappear suddenly and easily, but the products of the imperialist centre will continue. In this situation, what is necessary is a radical education which can strengthen the mass consciousness of the poor masses to the fact that consumerism will keep them in a deteriorated situation not less than it was under the Israeli occupation.

An education on healthy consumption is vital here, i.e. to encourage people to consume local products which are natural and healthy ones, in addition to the aim of supporting the local production.

A cooperative movement is important here if it can establish productive cooperatives which produce the basic needs of the masses at a good prices. On this level, cooperatives could strengthen themselves if they succeed in persuading women to become active components of them.

The large number of women in the West Bank and Gaza Strip form a reserve of labour power. One of two options will attract this power. The first is the modernisation project which have been prepared by the Palestinian capitalist class to exploit them in the assembly industries branch of the export-led industries. The future of Palestinian women in this project could be similar to the current slavery of women in Hong Kong and Singapore,



where they are exploited harshly in industry for about fifteen years before become scrap and are dumped into the sex market (Sivannadan, 1989). The other choice to Palestinian women is to take a leading role in productive cooperatives, in agriculture, industry, and other sectors.

If both the working females and males in the West Bank succeed in creating successfully productive cooperatives, and utilizing their human power, this will strengthen their role in the political instance. Otherwise, they will be marginalised in the social and democratic life.

Finally, people will not boycott imported goods if they are not internally and deeply persuaded that they must boycott them.

The main losers of the restructuring of consumption patterns will be the local merchant and comprador classes as dependents on marketing imported goods. They might resist this development model in several forms.

#### A Social Redivision of Surplus

As has mentioned in several places of this study, wages in the West Bank and Gaza Strip are lower than those of the Israelis inside Israel, and even wages of Palestinians who are working in Israel as well.

The Israeli occupation authorities have imposed more than two thousand military orders in the Occupied Territories, half of them related to economic issues. But none of them are related to wages. The reason of that might be one or both of the following:

- either because the Israeli occupation wants more internal problems between Palestinians, which would lead to a weakened Palestinian common struggle against its occupation;
- or because the Israeli occupation authorities prefer to support the Palestinian capitalist class at the expense of working class.

However, the weakness of the trade union movement is rooted in its nationalist rather than class position. Working class interests are always subjected to national ones. According to

that, the trade unions were in a lower position in any negotiations with factories owners, a fact which kept wages down. Even during the Intifada, wages continued to be low, despite the fact that the purchase value of the J D deteriorated. The working class believes that the capitalist one cheated it. The workers and poor masses' boycotting of the Israeli produce enabled the capitalists to make high profits. The response of capitalism should be positive, i.e. to increase investment, employment and wages. But the capitalist behaviour was the opposite, no investment took place, the accumulated profits were transferred abroad.

As a reaction to that, many strikes took place during the Intifada, asking for better wages. Many factories closed their doors, i.e. METTIN in Ramallah. This was a dramatic development from the workers. The first to be shocked by it were the trade unions and the P.L.O. those who were working for merely political demands and aims, who want the Intifada to continue as a political protest.

This development is an example of social transformation. It is a working class demand to have a larger share in the surplus. This is one of several issues which is hidden and suppressed by the national slogans. One of these issues is women's rights. Despite the fact that women contribute in the Intifada like men, no changes have taken place in their social status. Their status has even deteriorated, i.e. they are obliged in the Gaza Strip and parts of the West Bank to take on the traditional covered forms of dress.

However, any development model must try to develop this new trend in the working class movement to emphasise a better share for it in the social surplus. One of the means to acquire a better share for the working class is to start productive cooperatives for themselves. The parties who could support or initiate these cooperatives are the grass roots organisations or the political organisations.

Suggestions on this level are various. What the author is intending to explain here is that there must be another or new model for development. The final development of this model is beyond individual effort.

## CHAPTER NOTES

### Notes of Chapter One

1. It should be noted here that Bill Warren belonged to another Marxist School, which believes in the possibility of capitalist development in the periphery through imperialism.

### Notes of Chapter Two:

1. The Jordanian rule of the West Bank was a continual period of political repression. In addition to the daily harassment of the people in general and the militants in particular, large waves of arrests of the national movement took place in the years, 1954, 1957, 1958, 1961, 1963, and 1965

2. The general secretary of the Communist Party was Dr. Youcab Ziadin, from a small family. The general secretary of the Ba'th party, Abdullah al-Rimawi, was a lawyer from Beit Rima village near Ramallah, and the general secretary of al-Qawmioun al-Arab (The Arab National Movement) was Dr. George Habash from a small Christian family in Lod, in central Palestine.

3. The Ottoman land legislations, which were imposed to guarantee taxes for the central authority in Istanbul, started with the Tanzimat in 1837 and were well established by the Land Codes of 1858-1867.

4. In an interview with Faisal Hindi, the secretary of the Tulkarem trade union, he said that 47.2% of those employed in Israel from the Tulkarem area are villagers, 29.0% from the refugee camps, and 23.8% from the cities.

### Notes of Chapter Three

1. More than two hundred thousand Palestinians left the West Bank because of the 1967 war. Tens of thousands of Palestinian families, trying to return to their homes, have applied for family reunification. But the Israeli occupation authorities consider the approval of such applications as an exception and a charitable issue.

2. Bahrain is a good example here: The Bahranis are 68.0% of the total population of the Bahrains' Emirate, and only 41.5% of the employment populaion. ( The Bahrani Bureau of Statistics Population Census, 1971. ( Bahrain, June 1972; and Bahrain, Directorate of Statistics; Bahrain Census of Population and Housing 1981).

3. From Beitunia town, the Ramallah area there are two thousand persons who have been working in North and South America for many years, before even since the onset of the Israeli occupation in 1967. When they visit the West Bank, the Israeli military authorities treat them as foreigners, and give them three-month visas.

### Notes of Chapter Five

1. The role of the Palestinians, who are already immigrants in the Americas in the investment process in the West Bank is limited as well. Those rich people prefer to invest in luxury villas.

2. The most modernised machines in the West Bank are those used in the stone cutting and marble industries. All of them are export oriented.

3. The increase of Palestinian boycotting of Israeli goods, including milk products, pushed the Israeli milk producers to ask their government to stop exporting cows to the Occupied Territories.

4. It should be noted that many Israeli sources asserted that the enlarged electricity grid in the West Bank was due to the occupation. (See on this level the Civil Administration of Judea and Samaria Annual Report of 1984-85, which noted "...that 86% of all West Bank houses use electricity: of these, two thirds have electricity all day "(p. 16). But all interviews with villagers asserted that the source of money for these vital projects was the Jordanian-Palestinian Joint Committee.

### Notes of Chapter Six

1. In an interview with (n.n.), who was a high ranking Jordanian employee in the West Bank, I was told: "The Jordanian authorities asked us to satisfy the public by any cost and means.

2. Derived from the Israeli Central Bureau of Statistics for Judea and Samaria, vol. XV, No .1, pp. 10 and 77; and No. 2, pp. 166 and 173.

### Notes of Chapter Eight

1. It should be noted here that this amount differs from the amount for the same category which mentioned in Chapter Five.

### Notes of The Chapter Nine

1. In the first year of the Intifada, the author and a group of socialist people started a voluntary course for a cooperative school in Ramallah in the West Bank. The duration of the course was four months, making one day a week, from eight in the morning until two thirty in the afternoon.

The subjects were in two main parts: The first was theoretical, dealing with the theories on cooperatives and socialist mode of production, and the second on the cooperatives' experience in the West Bank and Gaza Strip. The participants were Forty people, males and females. The main problem which prevented the repetition of the course was the opposition which was imposed from the upper ranks of the grass root organisations

who, realised that the new and young cadres, especially the girls, are going to realise that their upper ranks are not the socialists. The upper cadres realised that the natural result of this trend if continued would be their overthrowing.

## APPENDIX I

### THE LIMITED CREDIBILITY OF THE AVAILABLE STATISTICS ON THE WEST BANK

#### A. The Israeli Statistics

The following are several negative points on the Israeli statistics which provide estimations of the Occupied Territories:

1. The Israeli statistics are based on 1967 as a typical year, despite the fact that this was the first year of the Israeli occupation of the West Bank and Gaza Strip. Due to the implementation of the occupation, immediately following the earlier war, 1967 was certainly not a typical year in the West Bank. All economic sectors were unstable; many factories closed down or their owners transferred their residency and liquid capital to Amman; many peasants left to Jordan; and many shops, restaurants, and hotels were closed down. Several hundreds of thousands of the Palestinian people left to refugee camps, to Jordan and other countries.
2. The Israeli statistics are self-contradictory; i.e. concerning the number of industrial establishments in both the West Bank

and Gaza Strip, the data of the Statistical Abstract of Israel is differs from that of the Israeli military governorate. This is in addition to the differences between the Israeli formal and informal statistics or estimations.

3. The Israeli statistics and studies ignore the value added by the economic sectors in the West Bank and Gaza, a reason which has obstructed the possibility of measuring the importance of these branches on the amounts level.

4. The Statistical Abstract of Israel, and even the West Bank Data Project, did not include olive oil pressing and stone quarries in the industrial sector; with the result that those branches were left out of both industrial and agricultural sectors.

#### B. The Local Statistics

No local establishments have made any comprehensive or large scale surveys for the West Bank and Gaza Strip since the beginning of the occupation.

In fact, most of the local surveys depend on those of Israel, either directly or by deduction; a reason which justifies the researcher's direct dealing with the Israeli data.

Some of the local researchers have based their work on Jordanian statistics and industrial estimations. Since independent statistics for the West Bank during the Jordanian era were not available, these statistics and estimations are not credible.

As for the exchange between the West Bank and Israel, there are Israeli checkpoints on the main roads which connect the two areas; and the exchange with Jordan is done by check points on the bridges over the Jordan river. While it is possible to control exchange with Jordan, it is difficult to control it totally between the West Bank and Israel, since there are several side roads for smugglers. This in addition to the fact that the checkpoints are not manned most of the night hours, on Saturday's and holidays.

## APPENDIX II

### Examples of Chain Projects.

Following are three examples of the suggested projects which, if applied, could establish a chain which would be internally related through the connection between parts of one economic productive sector and/or between more than one sector.

#### Figure I:

Example of articulation between parts of one economic sector on the one hand and its articulation with other sectors.

#### Figure II:

Example of articulation between agriculture and agri-industry

#### Figure III:

Another example of articulation between parts of one economic sector.

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Abu-Sinana Truck Driver, Hebron  
Abu-Taieh, W Accountant, Jerusalem  
'Ayish, Y Worker, Tira Village, Ramallah  
al-'Alami, M Company Manager, Jerusalem  
al-'Alul, Khalil U N Employee for Development Works  
al-'Ariyan, Izz Businessman, Ramallah  
al-Hawarith, Daud Secretary of Cooperative, Ramallah  
al-Junaidi, A Businessman, Hebron  
al-Sulh, Riyad Factory Manager, Ramallah  
Auhansian, T Paper Factory Owner, Ramallah  
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Diyab, F Factory Manager, Ramallah  
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Hashim, Bakr Worker, Bethlehem  
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Mamduh, Jarar Farmer, Jordan Valley  
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Nevrodis, N UNDP Director  
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Shalabi, F Researcher, Birzeit University, Ramallah  
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