

1- Introduction

The freedom of choice and trade relations for the West Bank and Gaza Strip economy have changed, due to the accumulating effect of a number of policies and measures, during the years of the Israeli military occupation (since 1967). Before the Israeli occupation, the economy of the West Bank and Gaza Strip had enjoyed old-centuries international links, and important feature in itself. The West Bank had a full access to neighboring Arab countries' markets and used to supply these markets with some basic goods given their stable demand for them. Gaza Strip exports had also gained a foothold in some European markets and East European markets in particular. However, because of the Israeli occupation, the Palestinian people have been gradually deprived of an opportunity to take/play their role in setting and implementing policies and measures aimed at reinforcing their trade. As a result of that, a foreign trade became tied to Israeli economic interests. The Palestinian economy functioned under very severe occupation conditions. In the merchandize trade balance, the Palestinian economy has suffered from a chronic trade deficit. Nearly every year, since 1971, the value of imports has risen many times as opposed to value of exports. The value of Palestinian imports rose from \$125.84 million in 1971 to \$2,375.1 million in 1998. In 1971, exports represented 53.4% of value of imports while in 1998, the exports didn't exceed 16.6% of the value of imports.

Further, the Palestinian exports market position has deteriorated under the occupation. The choices available for the West Bank and the Gaza Strip have become so limited. Since 1967, the market quota change, between Israel and Jordan, and the rest of the world, has rendered an excessive concentration of exports with one partner, almost restricted to

Israel. Of their total exports in 1998, the Palestinians exported 96.62% of their products to Israel.

Study objectives

In the first part, the study aimed at analyzing the current trade relation between Palestine and Israel and the Arab countries and the rest of the world for the three decades of occupation (1967-1993). The study also sought to record the changes that have taken place in these relations, during the interim period between 1994-1998, whether in Palestinian foreign trade performance or in the economic and trade policies and practices.

To this end, the researchers have used foreign trade analysis indicators and measurements. Of these are the following:

- Index of openness
- Trade balance and merchandize trade balance
- Trade exchange and trade partners
- Structure of exports in terms of commodity concentration and geographical distribution.
- Structure of imports in terms of goods and geographical distribution.

In the second part, the study aimed at measuring the effect of economic measures and sanctions, which Israel has imposed in the wake of Al-Aqsa Intifada on Sept. 28, 2000, on the Palestinian foreign trade. To this end, a questionnaire was designed, and a sample survey was conducted and it included all industrial exporting companies and other firms, which had exporting potentials. The survey also covered agricultural companies as well as companies involved in the field of

importation, in addition to trade agencies and cargo and customs clearance companies. The sample of the survey included 177 enterprises distributed among all governorates of Palestine. Of these, 94 were industrial exporting companies, 51 were engaged in importing activities. Of the latter, 34 had trade agencies; there were also 28 companies involved in agricultural produce and five operating in customs clearance. For statistical processing of results, the researchers used three statistical programs: Excel, SPSS, and Access-Data Base. The results were mainly about the drop in the volume of imports and exports, the increase in production cost, time of products arrival / delivery to markets inputs to the factories and the rise of transportation and freight costs.

2- Executive summary

Israel, since 1968, through its constant and programmed policies, has worked to tie the Palestinian economy with its own economy. Reshaping Palestinian economy for the dependence of that economy on its own. On one hand, Israel made the Palestinian market a consumer of its products and services, and on the other hand, it encouraged Palestinian work force to enter the Israeli labor market, thus funding the Palestinian merchandize imports from the Palestinian labor exports to Israel.

Even after the peace process and the signing of Paris Economic Protocol, Israel has not relinquished its own policies. As a result, dependence of the Palestinian economy on Israeli economy has deepened in all aspects and fields. During all these decades of Israel's occupation, its policies have had long lasting and deep effects on the Palestinian production and consumption patterns. Exports, from the West Bank and Gaza Strip, have been characterized by concentration on a limited number of products as well as subcontracting in their production and exportation. All this has led to the adoption of export policies that never suited Palestinian development needs. In contrast, great diversity, variety and growth have characterized the Israeli exports to Palestinian market. The Israeli policies have created a chronic trade deficit and have also led to the deterioration of the Palestinian exporting market position as a result of Israel's monopoly of trade relations. It became the key partner, if not the only one. Furthermore, the volume of Palestinian work force, from the West Bank and Gaza Strip, working inside 1948 Palestine rose from 0% in 1967 to 22,600 in 1970, and from 119,000, prior to the Dec. 1987 intifada, to 145,886 prior to the outbreak of Al-Aqsa Intifada in Sept. 2000.

The increasing dependence of the Palestinian economy on the Israeli economy has become an effective pressure instrument in the hands of the Israeli occupation authorities. These authorities resort frequently to the imposition of security measures, coupled with concurrent economic sanctions which amount to closure, economic blockade and siege aimed at strangling Palestinian ambitions and aspirations to free themselves from the occupation. Although these measures have taken different forms, they have had one goal. During the first intifada (1987-1993) and the events of the Tunnel (dug under Al-Aqsa Mosque) and during the present intifada, which broke out on Sept. 28, 2000, Israel has resorted to the imposition of such sanctions on Palestinian areas.

This study discusses the effects of these policies and sanctions on the Palestinian economy with special emphasis on Palestine's foreign trade. In the analysis of these effects, it was found the Israeli sanctions had deep and comprehensive effects on all aspects of economic life in the Palestinian areas.

Employment

Due to Israeli measures, more than 145,000 Palestinian workers have lost their jobs inside the Green Line. The number of those working in the Palestinian private sector has dropped by 23% or 103,818 workers. The rate of unemployment increased from 10% in the third quarter of the year 2000 to 43.9%.

Utilized Production Capacity

After closure of Palestinian areas, average of working hours has dropped from 9.6 per day to 6.09. In addition, average of utilized capacity, in both productive and services sectors, decreased; from 75.9% to 33.6% in the

industrial sector, and there was a decrease from 89.07% to 45.5% in the agriculture sector. Further, occupancy rates in hotels have gone down from 53.5% to 2.25%. Truck traffic mobility also dropped about 84.9%. Bank deposits plummeted by 34.6%. However, with draws rose up to 27% while percentage of bounced checks increased by 53%. Volume of loaning dropped by 47.2%.

Sales

Volume of industrial sector sales also plummeted by 47% in comparison with the situation before the closure. The volume of sales in the agricultural sector also dropped by 21.4%.

Pertaining to foreign trade, the subject of this study, the effects of the Israeli economic sanctions are crystal clear as follows:

Imports

- The volume of imports dropped by 56.1% while imports of investment equipment and machinery recorded the highest drop rate (83.7%). This was followed by durable goods, such as cars, which plummeted by 79%. Household and electrical items and appliances went down by 63.3%. Volume of imports from Arab countries set the highest drop rate (62.2%). Volume of imports from Israel dropped also by 44.5%.
- During the closure, cost of importing a unit increased by 25.6% while cost of transportation rose by 37.2%. The average delivery time (arrival) of imported goods from Arab countries to Palestinian areas increased by 34%. From the rest of the world, delivery time of

imported goods increased by 36.3%. The time required for arrival of imported goods and products to the local market increased by 46.1%.

The major reasons for the drop in volume of imports are attributed to Israel practices, confiscation of goods, control of border crossings with Jordan and Egypt, rise of freight costs, non-trade and administrative barriers, severe restrictions imposed on flow of goods and movement of individuals, and weakness of purchasing power.

Exports

Compared with the volume of exports, before Israeli closures, the Palestinian volume of exports dropped by 50.3%. The exports directed to Israel recorded a drop by 51.9% while exports to Arab countries experienced a 27.01% drop.

The Israeli measures have also led to a rise in production costs. The average cost of production per unit, during the closure period, increased by 23.78%. The time required for the provision of imported raw materials and other inputs to the border crossings increased by 45% compared with the situations before the closure. The border crossings were subjected to frequent closures ranging between three days to three weeks. Concerning the marketing of Palestinian products in the local markets, it was found that the average delivery time needed for these products increased by 47.36% compared with the situation before the closure. Also, the time needed for product delivery to foreign market increased by 57.27%. The major reasons for the drop in export flow are attributed to the Israeli control of border crossings, rise of freight costs and weakness of infrastructure.

Agricultural exports

The volume of Palestinian agricultural exports plummeted by 52.6%. Agricultural exports, destined for Israel, dropped from 78.4% to 29.7% while agricultural exports to Arab countries went down from 18.17% to 5.1%. Moreover, the Israeli measures have also led to the rise in the cost of production, in the agricultural sector, by 22%. The average delivery time of imported agricultural produce increased by 40%. For the arrival/delivery of agricultural produce to local and foreign markets average time increased by 49.8% and 49.4% respectively.

Industrial exports

Like agricultural exports, industrial exports dropped sharply by 49.6%. The costs of production in the industrial sector rose by 24%. The time needed for arrival of raw materials from their sources to the factory increased by 40.6%. In addition, the time required for delivery of industrial products to local market increased by 46.7% as opposed to 59.4% increase for the delivery of products to foreign markets.

Part One

Chapter One

3- **Foreign trade:** reasons, significance, theories, and trade policies

For all countries of the world, foreign trade is considered one of the basic pillars in the national economy. This applies both to developed and developing countries. This is commonly called foreign trade. However, the foreign trade process is different, in many of its aspects and fields, from internal trade. Of the outstanding areas of difference, between foreign and internal trade, we may cite the following:

- A. Internal trade takes place among individuals and economic units within the borders of one political entity. Therefore, these individuals and economic units are subject to same laws, customs, traditions and trade systems. Foreign trades, in contrast, is held among individuals and economic units belonging to different countries which have different laws, customs, traditions and trade systems.
- B. In the case of internal trade, individuals belong to similar political units while in the case of foreign trade, individuals are subject to different rules of countries which have different economic policies. Each country's economic policies aim at achieving some of its national goals in the form of providing economic welfare for its citizens. Therefore, governments usually take into consideration non-discriminatory policies among its own citizens holding same nationality and enjoying full-citizenship. However, each government treats foreigners in a different way.

- C. The difference in the nature of markets is considered one of the important factors clearly influencing the nature of trade relations. Differences of countries' markets can be noticed in their different tastes, desires, natures, thus causing a variation in their preferences of goods and services, let alone the variation in physical/national, administrative and political barriers. For example, the geographical distance results in the rise of transportation costs and the lengthy administrative procedures to which flow of goods across political borders is subjected. These procedures might include health certificates proving contamination and disease free goods. Economic barriers namely trade restrictions and import permits, are also factors that separate markets from each other.
- D. Differences in currency units, and banking systems among countries.
- E. Differences in ability of production factors (labor, capital and natural resources) to move. Within the same country, no differences in price of goods are expected to be emerged, which cannot be justified by consumer's needs or the ability of the production factors. However, differences in price of different goods or even one commodity appear because of limited mobility of production factor from one country to another. This is largely attributed to the restricted mobility of production factors (inputs) to move easily from one country to another. This by itself creates a tangible difference in the cost of services and commodity production and consequently a difference in their prices.

3-1- Reasons for foreign trade

The establishment of foreign trade relations among countries is attributed to two major reasons:

First: Country's inability to achieve self-sufficiency. That is, countries find it very difficult to meet their needs depending on their own local resources given the many needs of man, and the variation in countries' potentials available to meet those needs as well as the individuals' different desires and tastes.

Second: The gains, benefits and advantages resulting from the international trade. The country exports goods, which enjoy competitiveness in international markets and imports relatively scarce goods, thus allowing the country to achieve two advantages at the same time. First, it sells surplus products, and second it obtains goods by importing them from foreign markets at relatively lower cost than locally produced.

3-2- Significance of foreign trade

The foreign trade sector is generally considered part and parcel of the national economy structure for it represents one of the production process stages. The importance of international trade can be summarized as follows:

1. Foreign trade gives the opportunity for every country to get some of the products and services it doesn't have, given its own circumstances and natural resources, which don't allow their

production. This is also on the assumption that the possibility of producing the said products will be more costly than importing them.

2. International or foreign trade provides the country with an opportunity to obtain advanced technology, exchange know-how and technical expertise.
3. Division of labor. That is, each country becomes specialized in the production of some products and leaves for other countries the production of the remaining products although it can produce some or all of these products if it wants to. This is usually due to the unjust distribution of economic resources in the different parts of the world.
4. Foreign trade creates an opportunity for an increase in competition between local/national companies and their foreign counterparts exporting to local markets. In so doing, it prevents monopolies, thus benefiting the local consumer who will get the highest quality possible of products at the lowest possible prices.
5. Efficient utilization of economies of scale
This is correlated with several factors. One of these factors is the increase in volume of production due to the increase of market volume. This largely contributes to the drop of production fixed cost, which leads, in its turn, to the lowering of production costs. This also leads to specialization and efficient utilization of resources. In this way, local companies become more capable of competing in international markets.

6. Foreign trade helps in raising the standard of economic welfare for any country involved in trade relations.

3-3- Foreign trade theories

1. Theory of Absolute Costs

Adam Smith, father of this theory, believes that foreign trade enables each country to become specialized in production of certain goods the circumstances of which make it possible for the country to produce goods and trade them for other products it needs. He also maintains that division of international labor forces the country to become specialized in production of goods. The natural potentials/circumstances enables the country to have absolute advantage of production and then trade the surplus of the products for other surplus products from other countries, which enjoy, in their production, same absolute advantages. This theory assumes that the basic condition for the establishment of trade between two countries is the presence of an absolute advantage for the products the country is exporting.

2. Theory of Comparative Advantage

This theory emphasizes the fact that the relationship between two different countries is not aimed at the level of absolute real cost in every product separately. The aim is in the comparative advantage or comparative costs. According to Ricardo, this theory is based on the logic that free trade is the best policy. This theory concludes that every country tends to specialize in the production of this or that type of products whose production costs drop to the lowest possible degree, for competency and human ability must be put to increase productivity.

3. Modern Theory

Generally speaking, this modern theory depends, in the interpretation of specialization phenomenon and the establishment of foreign trade, on two basic factors: abundance and scarcity of production factors within each country, decline of economies of scale and increase of returns-to-scale in case of production of spending and expansion.

First: Abundance and ability of production factors.

The amount available in each of production factors, labor, capital, land and organization differ due to different countries. Returns on each production factor are determined in accordance with supply and demand circumstances. The abundance of the factor leads to an increase for its supply as opposed to its demand, thus lowering its return. The scarcity or short supply of a factor leads to its lower supply compared to higher demand for it, thus increasing return on it.

Second Size of production

Expansion in production generally leads to the drop of production costs of goods, thus lowering their prices and consequently leading to an increase in demand for them by another country and naturally a rise of their exports. Production expansion is actually considered the second foundation of the trade relations' process according to Ohlin's theory. Therefore, huge production leads to same advantages of comparative abundance of production factors in different countries. Expansion in production leads to specialization and international trade relations among countries even when there are no big differences among countries in terms of abundance or scarcity of production.

3-4- Trade Policies

There are here two major policies: free trade policy and protective policy of national production.¹ Although the possibility of determining trade policies of any country, to be free or protective, is difficult, we hardly find a country that doesn't use one type of restriction or protection or another that doesn't allow some elements of free trade.

A. Free trade

Supporters of this policy maintain that freedom of trade leads to:

1. Efficient production and expansion of international trade volume. That is, production becomes efficient, and international trade volume becomes bigger. The world income also rises for there is a close relationship between trade and production.
2. An increase in the real income of trading countries. Free trade goods and services contribute to increase the real income of trading countries. The price flexibility automatically guarantees the specialization of each country in the production of goods and services it can produce at lower cost; it also imports other goods and services at lower prices in comparison with high cost of their production if it had wanted to produce them.
3. Lowering prices of imported goods and services. Free trade leads to drop the prices of imported goods.

¹Isma'el M. Hashem (1982). Al-Iktisad at-Tahlili (Analytical Economics) Cairo: Dar al-Jami'at al-Misriyah

4. Preventing monopolies and decreasing their prevalence. Trade of goods and services opens the room for trading countries to contribute to the provision of international goods and services, thus preventing or checking on the spread of international monopolies.
5. Increasing productive efficiency and improving quality of products. The restriction on trade relations and competition leads to the lowering of product quality. Free trade is an educational factor, for the local producer is afraid of foreign competition. To survive in the market, he has to improve constantly his products, and diversify them to provide or create an opportunity for comparison of costs, kinds and use of production methods and developed techniques.
6. Economies of scale. International trade tends to benefit from the economies of scale by dividing work internationally and creating proper specialization in production as a result of exchange of expertise and development of skills.

B. Protection

This policy means protection of interests of producers of local products and services to enable them to compete with similar products and services imported from abroad. This is in addition to public interests. Failure to allow freedom of trade means no access to foreign products and services, creation of barriers and obstacles in front of them.

Means of trade protection

In spite of large benefit coming from free trade; such as better utilization of world economic resources, maximum level of achievement of world production, all countries of the world have not adopted the

principle of free trade in their economic relations save special cases of common markets and customs unions among blocks of several countries. Their failure to adopt the principle of free trade is attributed to the following reasons:²

1. There are lobbying groups of politicians and economists who stand against trade openness fearing that such openness would prevent monopolies and threaten their interests.
2. There are unfavorable results accompanying trade openness particularly in the early stages. These include rise of unemployment rates, closure of some factories, and inflation.
3. Some government see foreign trade as reducing their control which in turn would result in the reinforcing of the private sector's role which in many situations is at the expense of public holding companies.
4. Many countries, particularly in the Third World, depend largely, in their budgets, on resources emanating from customs and duties, and import taxes.
5. Free trade needs stable political, social and economic atmosphere as well as a good infrastructure (roads, ports, airports, etc.). These are important because they help promotion of local investment, attraction of foreign investment. This good environment lowers production costs, still lacking in most Third World countries.
6. There are technical and bureaucratic problems that stand against free trade.

²A. Abu Baker (2001) Trade Integrations and Economic Growth: Theory and Policy Options with Particular References to Selected Arab Countries. M.A. Thesis, Potsdam University, Potsdam, Germany.

Owing to the aforementioned reasons, many countries have chosen varying degrees of protection to restrict trade, use of numerous means to protect their national products and industries. The following are the most outstanding forms of protection:

1. Customs tariff

This is a schedule of duties imposed by a government on imported and exported goods. The tariff might be in the form of:

A. A specific tax per unit of product or

B. An ad valorem tax imposed on goods at a percent of their value. There are several reasons that make the government resort to the imposition of customs duties in order to protect their national industries from foreign competition or to supply the government with financial resources.

2. Quota system

This system allows a legal control of the units which may be imported during a specific period of time. This method might also put a maximum limit on hard currency, in addition to some other measures and restrictions on imports, including restrictions pertinent to health aspects, freight, insurance, specifications and standards. All these are more effective, as protection means, than customs tariff.

Important theories justifying protection

1. **Infant industry theory**

This theory is based on the fact that infant industries are under-developed, and therefore, they cannot face foreign competition. Countries, therefore, resort to protect their own infant industries through imposition of high import duties or introduction of quota method or a

system, which controls or reduces imports of similar foreign products. This policy is supposed to be temporary. Once the industries in question become developed, in terms of technological efficiency, and can stand on their “feet”, in terms of competing with foreign industries in local market, the government must change its policy.

This theory, however, has received a lot of criticism. First, customs tariff and other protection means soon become acquired interests for some groups of political influence in the private sector and this becomes larger especially in the public sector industries. Then, it becomes so difficult to remove or suspend these measures in the future even after the need for them ends. Second, some industries, which enjoy protection advantages, remain in infancy for a long period of time. In other words, these industries become dependent on protection to guarantee their survival instead of developing quickly and competing with foreign industries. Third, customs duties or the quota system lead to a rise in prices for consumers.

In this regard, some economists believe that if there is a need for protection of infant industries against the competition of foreign companies, it is preferable to provide these industries with financial subsidies, which enable them to continue their production in the first stage. However, once these industries become mature and can benefit from the economies of scale to compete in the international market, these subsidies should be removed.

Economic Diversified Theory

This theory is considered one of the outstanding justifications for protection of the industry. According to this theory, the country is able to

establish several industries, which lead to an increase in stability. The fluctuations in world demand for exports or the rise in prices of raw materials, used in production of imported goods, might inflict heavy damages on export and cause risks, and this consequently affects national interests. Therefore, there is a great necessity to diversify the economy and expanding the number of products for exports.

Wage protection

Some countries, particularly industrial countries, work to protect levels of wages against competition of foreign products characterized by low wages. This policy is in countries where wages are high, and they cannot compete with products of another country in terms of wages because, in the latter, wages are lower.

Like the previous theory, this theory received some criticism. This theory assumes that work is the sole source of production factors. As a matter of fact, there are other important production factors such as capital and organization. Second, low-wage level countries can assume a competitive position, in comparison with advanced countries only in industries, which rely largely on labor intensive industry. That is, in industries in which wages take the largest percentage of costs. It might be in the interest of advanced countries, which have high-wage level, not to compete with countries characterized by low-wage rates in such industries.

Theory of employment protection

This theory is based on the effect of protection in reducing imports and increasing exporting industries which, in their turn, lead to high employment and income levels.

Like the two previous theories, this theory also received some criticism. One criticism is that any benefits achieved, in the form of income increase and employment rise, cannot continue for a long time. Historical experiences have proved that means of protection, which might be taken by some countries, lead in the long term to reactions from other countries, thus inflicting heavy damages or losses for all countries. Another criticism is that customs and duties and quota method or system lead to the creation of local monopolies and the support of incompetent producers. Consequently, these causes an increase in production costs as well as a rise in prices at the expense of consumers. A third criticism is that the logic of free trade is based on one important fact. That is, each exporting country must also import from other countries. In other words, international trade is not a one-way direction. Therefore, protection leads to the impeding of trade. Consequently, this limits/checks on the increase in real income and employment.

3-5- Measurements (indicators) of foreign trade analysis

Foreign trade is considered a mirror, which reflects the nature of the production structure of the national economy. In this way, foreign trade analysis is considered an analysis of the national economy in terms of level of its development and degree of its engagement with world economy. Furthermore, several problems in the different economic sectors are reflected in and find their interpretation in the foreign trade sector. The other face of trade is its ability to effectively contribute to development. Therefore, this double importance has become, in its turn, an indicator and a dimension of foreign trade. However, these economic indicators, which are used to analyze the present state of the nature of production structure and the ability of the local economy to provide

products for exports, do not necessarily explain many of political attitudes and decisions. Moreover, it shed light on directions on how to confront the mission of restructuring the production structures and reduce their dependence in the framework of economic policies of which the trade policy is part and parcel of them. The most important measurements used in foreign trade analysis are the following:³

1. Economic openness index and degree of economic vulnerability on the world

The importance of the economic openness lies in the fact that it explains/shows importance/significance of trade in national economy. Through this index, it is possible to measure the extent of the national economy's sensitivity to external influences. It is calculated according to the following equation:

$$\text{Economic openness index} = \frac{\text{Value of total foreign trade}}{\text{Gross Domestic Product}} \times 100\%*$$

Although the rise of percentage was not enough to get the dependent indicator to outside, pertaining to developed countries, that means necessarily vulnerability of the country's economy to external

³Harbi M. Ereikat (1997). Mabadi' al-Iktisad al-Juzi' and al-Iktisad al-Kulli: AT-Tijara Al-Kharijiyyah Amman, Jordan.: n.p.(267-290).

influences. On the other hand, this is true specifically about developing countries, which depend on exportation of a few products. The importance of this indication springs from its significance on the speed of the country's economies' influence by external upheavals which targeted markets are exposed to in case of their rise.

2. Trade balance and merchandize trade balance

The importance of this measurement, which represents the outcome or result of difference between total exports and total imports, springs from its reflection on the savings and ability of positive growth when the difference is positive and negative when the difference is negative. In addition, this represents the most important item of the balance of payments.

Although the countries trade balance is of utmost importance in showing the outcome of trade relations at the national level. The calculation of this account for industrial and agricultural sectors, as well as other mining and query industries, occupies the same importance for its ability to highlight the level of economic structure development.

3. Trade exchange

The measurement of terms of trade deals with the relative relationship between the country's imports and exports. The most common term of trade, in this regard, is the value of the monetary percentage of imports to exports. When this percentage exceeds 100%, this is considered an indicator of an improvement in trade relations and vice versa in case of a drop.

It is worth noting that the application of these criteria on developing countries' trade, particularly those largely dependent on export of raw material, include potential added value that industrial countries utilize when producing and exporting them in form of final products without revealing their effect.

4. Structure of exports

The structure of exports has two sides. The first is the product structure and the second is the geographical distribution of exports. The product structure of exports expresses the nature of hierarchical structure of national economy. The more diverse its product components are and the more relative importance its distribution is, among a large number of exported goods, the more developed the product structure is and the less risks the country's exports will face in obtaining financial returns. At the same time, the drop in the product components for exports and the rise in degree of concentration show how much product hierarchy is underdeveloped

Degree of commodity

concentration for exports = $\frac{\text{Most important exported goods}}{\text{Total exports}} 100\%$

Total exports

The geographical distribution of exports refers to the direction of export to foreign markets. The more the exports are concentrated on specific markets and tied with the rising degree of product concentration, the more the national economy is dependent and underdeveloped.

5. Structure of imports

Imports are one of the important instruments for development because they are the means of the national economy to obtain unavailable producing machines, equipment and half-manufactured production inputs or raw materials. The task of changing their components or diversifying their markets is less difficult in comparison with the task needed in the case of exports. It is possible to analyze components of import on the basis of dependence of imported goods on production sectors: agricultural, manufacturing industry and mining. The importance of this method lies in the ability to determine/identify the relationship between these sectoral product components and exports to calculate commodity trade accounts for these sectors.

In this context, it may be possible to classify imported goods into basic and luxury, and consumption and investment. In addition, putting imports for service of development doesn't mean emphasizing only the importation of most advanced equipment and high-tech. Rather; there is a necessity to list them among exist development priorities on the basis of the requirements of the underdeveloped sectors. Moreover, it should cope with the framework of building a local technological base capable of making inter development with the remaining sectors and for the interest of the majority.

Chapter Two

Palestine's Foreign Trade

4.1 Israeli economic policies and Palestine's foreign trade

Since its occupation of the West Bank and Gaza Strip in 1967, Israel has sought to exploit all Palestinian economic resources and subjugate them to the interest of its economy. At the same time, it has attempted to analyze life in the occupied Palestinian Territories. This economic policy was the brainchild of the then Israeli "Defense" Minister Moshe Dayan. He had wanted, through this policy, to impose the acceptance of integrating Israel economically in the Arab Middle East, on one hand, and to tie the West Bank and the Gaza Strip with the Israeli economy by making it totally dependent on it. In the implementation of this occupation policy, three basic methods have been used.⁴

1. Opening the West Bank and Gaza Strip markets widely in front of the Israeli products to the extent that they have become third largest markets for Israeli products after the USA and the European Union. Further, Israel has opened border crossings with Jordan but it was a one-way policy. This has enabled the Israeli authorities to control the movement of people and the flow of some Palestinian products through the bridges. The Israeli market provided Palestinian products with an access only when there was a shortage in that market. The Israeli authorities were selective in this regard in order to protect the Israeli products against any competition.

⁴Al-Haq (1988), Punishing a Nation: Human Rights Violations during the Palestinian Uprising Dec. 1987- Dec. 1988. Ramallah, West Bank.

2. Encouraging Palestinian work force to work inside the 1948 Palestine. The number of Palestinian laborers, from the West Bank and Gaza Strip, working in the Israeli economics, rose from zero in 1967 to 22,600 in 1970. This number continued to rise steadily until it topped 119,000 workers prior to the outbreak of the first intifada in 1987.⁵ Before the outbreak of Al-Aqsa Intifada in Sept. 2000, the number was 145,886. As such, the exportation of work force has become “labor service” and the main constituent of service exports.⁶

Israeli treats the Palestinian as part of its local labor market when it comes to the Israel needs. In contrast, Israel considers these territories as a source of foreign labor force and doesn't hold any responsibility when it comes to the Palestinian needs. Moreover, the Palestinian work force in Israel is a process that begins inside Israel proper and is organized by it and it dictates its own conditions on it; it selectively imports this labor force without any regard for the effect of that on Palestinian economy.

Save the immediate income resulting from workers' wages, the Palestinian economy has gained nothing from exporting of workers to Israel particularly when it comes to transfer of technology or the acquisition of new skills if any. Further, Israel gets back its payments to Palestinian workers double and quickly from the income of the production factors in the form of consumer products exported to the Palestinian market. Israel also was able to shape and/or restrict Palestinian productive sectors (agriculture and industry) in a way that

⁵Palestinian Central Bureau of Statistics (2000). Survey of Work Force: Basic Results July- Sept. 2000. Ramallah, Palestine.

⁶ United Nations (1989). Foreign Trade Under the Israeli Occupation: Study Presented to UN Program for Trade and Development, New York.

lowered their ability to generate opportunities for the absorption of labor force and increased the Palestinian economy's dependence on external factors.⁷

3. Israel deliberately and systematically neglected and destroyed the infrastructure in the Palestinian Territories and linked these territories with its own infrastructure network of roads, electricity, water, communication and health services. All that was funded from the taxes it used to collect from the Palestinian population without having direct or indirect influence in the Israeli economic policies.

Unfortunately, this programmed policy has succeeded, to a large extent, in achieving its goals. For example, it has rendered drastic changes in the Palestinian production pattern and restructured it to adapt to such a defacto. The Palestinian production sectors have concentrated on certain types of products, which meet the needs of the Israeli market. The structure of Palestinian exported goods has been characterized by its limitation and concentration on a limited number of products produced according to subcontracting arrangements most of the time. This has led to curtailment of opportunities and options available to adopt exporting policies that would suit Palestinian development needs. In contrast, growth and large variety have characterized the structure of Palestinian imported goods. Consequently, this has led to burgeoning and chronic increase in Palestinian trade balance deficit with Israel. This deficit has deepened due to the ability to finance imports from labor returns from Israeli and Arab labor markets and financial support after 1993. Besides, the course of Palestinian foreign trade has been changed. Israel became

⁷ United Nations (1989). Foreign Trade under the Israeli Occupation: Study presented to UN Program for Trade and Development, New York.

the major trade partner with Palestine if not the only one. Economic indicators showed that 96.62% of Palestinian exports had gone to Israel as opposed to 2.31% to Jordan, 0.38% to the United Arab Emirates, and 0.02% to Yemen. Close to 80% of Palestinian imports were from Israel. The Palestinian imported goods from Israel, in 1998, amounted to \$1,878 million. This was in addition to 145,000 Palestinian workers who had jobs inside the Green Line prior to the outbreak of Al-Aqsa Intifada.⁸

4.2 Interim period and structural imbalances in Palestine's foreign trade

The transitional period or the so-called “peace process” and the subsequent agreements signed with Israel, including the Paris Economic Protocol, have failed to render real and substantial changes in the reality of economic and trade ties with Israel and the outside world which could be based on more balanced foundations. Besides, these agreements have not checked on Israel's exploitation of these trade and economic ties as a pressure tool on the Palestinian side. On the contrary, the agreement has increased and deepened Palestinian economy's dependence on Israel. This agreement has become a reference for any future agreement with any other country particularly Arab and Muslim countries. In addition, this agreement has been built on an inverted base. The rule has become a ban on imports from Arab and Muslim countries and the permissible is the exception. The agreement specified a list of goods that may be imported or exported. It also restricted the quantities of goods, which might be imported or exported. The modification or change of quantities was conditioned on the agreement of the two parties. Therefore, the result of the agreement has been against the wishes of the Palestinian side. Instead of helping the correction of imbalances in the structure of foreign

⁸UNESCO (2000). Report on the Palestinian Economy: Palestinian Foreign Trade, Gaza Palestine.

trade, as it had been hoped, and increase of volume of trade relations between Palestine and the neighboring Arab countries, and restore the traditional markets of the Palestine economy, the agreement has led to the deepening of these imbalances and the dependence of this economy on its Israeli counterpart. The following indicators are cases in point.

- Palestinian exports to Arab countries have dropped in comparison with the previous periods. Between 1970-1987, Israel took 61% and 73% of West Bank and Gaza Strip total exports while Jordan absorbed 36% and 17% of the exports of the two areas. In 1982, the value of Palestinian exports topped \$125 million. Between 1988-1994, the West Bank total exports to Israel amounted to 73% as opposed to 23% to Jordan. Pertaining to Gaza, Israel took 75% of its exports while Jordan took 17% for the same period. Between 1995-1998, the West Bank exports to Israel totaled 95% and the Palestinian exports to Jordan and other neighboring countries was less than 4%.⁹
- Palestinian economy remains dependent on labor returns to finance imports. By the end of 1998, labor wages of Palestinians working in Israel topped \$1,000 million covering more than 40% of cost imported goods in 1998.
- Taxes, customs and duty on imported goods and services, from and through Israel, including those exported to it, have represented the most important sources financing the Palestinian National Authority's treasury. Customs clearance revenues imposed on imported goods amounted to 83% of Palestinian overall revenues for 1998.

⁹ Al-Ja'fari (2000). Palestinian-Israeli Foreign Trade: Reality and Future Prospects Study presented to Mass, Ramallah

- Palestinian Territories still continue to import strategic goods (e.g. petroleum derivatives, cement, electricity current, etc) from Israel at an average of \$560 million annually although Israel does not possess any comparative advantage in these goods. That is, Israel doesn't basically produce them. These include all fuel products. Israel also lacks any competitive advantage in these products, for it doesn't export them except to these territories¹⁰.

4.3 Role of foreign trade in Palestine's economy

The Palestinian foreign trade sector is suffering from deep structural distortions resulting from long decades of occupations. The important imbalances can be seen in the weakness and narrow base of exports and their limited diversity in comparison with imports. This is in addition to the concentration of trade ties with one major partner-Israel.

The Palestinian economy has operated under a set of extra-ordinary circumstances and obstacles. This has led to a difficult economic performance and an incoherent development. The long years of the occupation of the West Bank have directed the Palestinian economy towards dependence on the stronger and more sophisticated Israeli economy. This dependency has deepened the separation of the West Bank economy from the Gaza Strip economy. The frequent closures of the two areas have left negative effects on their economies and created a stronger link with the Israeli economy at the expense of the relationship between them. The Palestinian production and foreign trade have become more in line with the attitudes of production, exports, and consumption in Israel,

¹⁰ Union of Palestinian Chambers of Commerce (2000) *Al-Rasid al-Iktisadi Li-Ada al-Kita' al-Khas: Taba'iyat al-Iktisad al-Filistinee w-Siyasat al-Uqoobat al-Iktisadiyat al-Isra'eliyyah*, Ramallah, Palestine.

which does not reflect the needs of the Palestinian economy in the long run.

All this has led to slow growth and a very limited structural change in local production over a number of years. Besides, labor revenues, from work in Israel and remittances of work force abroad, have failed to contribute appropriately to the development of the local economy. It also failed to create economic growth accompanied with structural development in the productive sectors which would render more development that helps creation of wealth through diversification of local production and expansion of export base particularly if exportation through subcontracting arrangement and labor services is considered export. In lieu of that, labor returns from work in Israel and remittances of workforce abroad have been used for the financing of imports. Therefore, the Palestinian concentrated on trade. Such trade that can't be guaranteed because flow of goods and movements of individuals take place outside the Palestinian- controlled areas. For this reason, Israel has become the key trade partner and main market for Palestinian exports.

To analyze the performance and direction of Palestinian trade, the aforementioned criteria will be applied on the part pertinent to the Palestinian foreign trade. Data have been classified into the three decades 1970s, 1980s and 1990s for purpose of comparison and monitoring of changes, that have taken place during the transitional period, and in comparison with the situation prior to the peace process with special emphasis on the period that followed the process.

4.4 Palestinian foreign trade and Gross Domestic Product

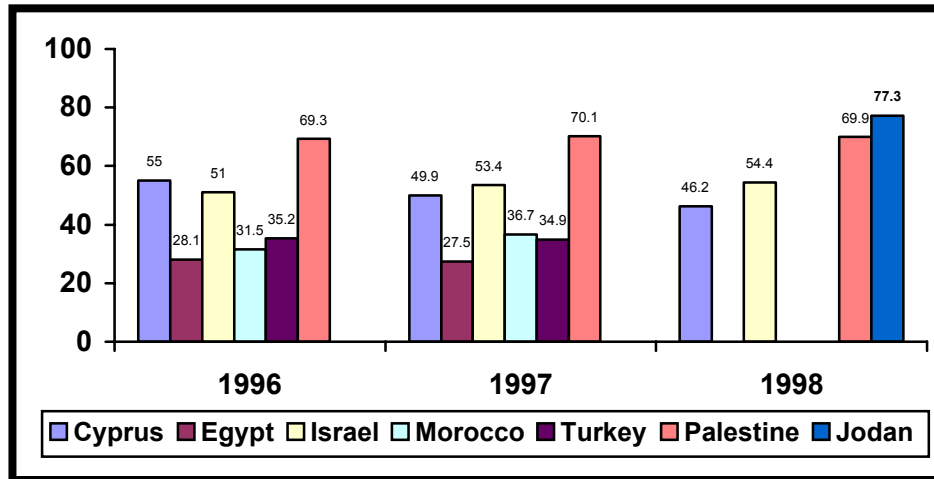
The relative importance of foreign trade in the national economy will be shown through the openness index, usually calculated according to the following equation. This will allow the identification of degree of economic openness to the outside world and the dependency indicator.

$$\text{Economic openness index} = \frac{\text{Total exports} + \text{total imports}}{\text{Gross Domestic Product}} 100\%$$

Upon applying this equation on Palestinian foreign trade, we find that the degree of percentage was high to a large extent. It was between 107%-149% for selected years in the second half of the decades; 1970s, 1980s and 1990s (see Statistical Appendix, Table I, page 63). Although the high percentage is not sufficient to obtain dependence indicator to the outside world, particularly in this case of industrial developed countries, this necessarily means vulnerability of the country's economy to external influences. In contrast, the rise in this percentage is sufficient to obtain indicator of dependence in developing countries especially if they are suffering from a narrow economic base. Besides, the rise of this percentage is an evidence of how fast the developing countries' economies are influenced or affected by upheavals or fluctuations to which their export markets are subjected. Pertaining to the Palestinian economy, the rise in the percentage is not only an indicator of its dependence on world economy but on Israeli economy in particular given the volume of trade relations between Palestine and Israel. The rise of this percentage is attributed to rise in the value of imports at rates of burgeoning growth, which exceed largely the growth rates of exports. It is also attributed to the drop in the percentage of value of exports, from 80% in the 1970s to 79.6% in 1980s and to 48.7% in the second half of the 1990s. On the other hand, the relative importance of Palestinian

merchandise exports dropped from 49%-37.4% and to 28.7% of the total value of exports. Additionally, the labor services occupy the lion's share in the total exports of services (see Statistical Appendix, Table 2, page 63).

**Percentage of Trade of Goods to Gross Domestic Product for
a Number of Selected Countries in Comparison with
Palestinian Territories for the years; 1996, 1997, 1998**



Exports of goods versus Gross Domestic Product

The percentage of Palestinian exported goods to the GDP, between 1971-1979, was 31%. However, this percentage dropped to 27.3% between 1980-1989. Between 1990-1998, the percentage went down to 11.59%. After analysis of Palestinian exported goods to GDP, between 1971-1993 (before signing of the agreement), it was found that the percentage was 25.9% and the highest percentage was in 1980 (41%). However, the average percentage of Palestinian exported goods to the GDP, between 1994-1998, was 10.3% and it plummeted to its lowest percentage in 1998 (8.46%).

Imported goods to GDP

In contrast, the percentage of Palestinian imported goods to GDP remained approximately stable over the last three decades. For example, between 1971-1980, the percentage of imported goods amounted to 61.76% as opposed to 60.3% between 1980-1989 and 57.32% between 1990-1998. By analyzing the Palestinian imported goods to the GDP, between 1971-1993 (before the signing of the agreement), we find that the percentage of Palestinian imported goods to GDP was 58.8%. In 1998, imported goods to GDP represented 57.48% (See Statistical Appendix, Table 2, page 64).

4.5 Trade balance

The volume of deficit in the trade balance represents the sum borrowed to finance imports. The big deficit in trade balance forms a heavy burden on a small economy such as that of Palestine. Statistical data available show that there had been a burgeoning increase in the Palestinian trade balance deficit. The deficit jumped from \$32.29 million in 1968 to \$1,787.6 million in 1998. The deficit average for selected years, in the second half of the three decades; 1970s, 1980s, and 1990s, rose from \$113.75 million in the 1970s to \$226.13 million in the 1980s and to \$1,280.4 million in the 1990s. The surplus in the services trade account increased from \$2 million in 1968 to \$192.7 million in 1998. The surplus average for selected years, in the second half of the 1970s, 1980s and 1990s, rose from \$111.4 million in the 1970s to \$306.9 million in the 1980s and to \$352 million in the 1990s.

The value deficit in the merchandize trade balance increased from \$34.29 million in 1968 to \$1,980.3 million in 1998, or an increase of \$1,964.3 million. The average of deficit in the merchandize trade account,

for selected years, of the second half of 1970s, 1980s and 1990s rose. from \$216.71 million in the 1970s to \$547.56 million in the 1980s and to \$1,813.56 million in the 1990s, a growth rate of 231% (See Statistical Appendix, Table 3, page 65).

4.6 Growth of imported goods versus exported goods and trade relations

The value of Palestinian imported goods amounted to \$125.84 million in 1971 as opposed to \$576.5 million in 1979. In contrast, the value of exported goods amounted to \$67.24 million in 1971 as opposed to \$270.13 million in 1979. The value of exported goods, out of the imported products, for same period, was 44.82%. In the 1980s the value of Palestinian imported goods totaled \$678 million in 1980 as opposed to \$667.2 million in 1989. The value of exported products out of the imported products, between 1980-1989, represented 39.35%. That is to say, there was a 5.47% drop in comparison with the 1970s.

Palestinian export and import statistics of goods show that there was a decline in the growth of these imports and exports between 1980-1989. This decline can be attributed to two basic reasons. First, in the mid 1980s, the Israeli economy suffered from a trade recession which, in its turn, negatively affected Palestinian economy as it's considered a dependent economy largely dependent on its Israeli counterpart. Second, the first intifada of 1987 resulted in the boycott of Israeli goods, and administrative and legal disintegration between Jordan and the West Bank.

In the 1990s, the Palestinian imported products amounted to \$2,375.1 million in 1998 as opposed to \$394.8 million of exports. The

statistics also show that the value of Palestinian imports in 1990 amounted to \$787 million as opposed to \$2,375.1 million in 1998.

In contrast, the value of Palestinian exported goods topped \$214.20 million in 1990 as opposed to \$394.8 million in 1998, a \$180.6 million increase. This shows that the value of Palestinian imported products had increased rapidly and surpassed the increase in exported products. The value of exported products to value of imported products, for the same period, was 20.4%. That is to say, there was a 18.95% drop from the 1980s and a 24.02% from 1970s.

In comparison with the period before the interim stage, between 1971-1993 (before the signing of the Agreement), the value of Palestinian imported goods increased from \$125.84 million in 1971 to \$1,173 million in 1993, a \$1,047.16 million increase. This represented a 832% growth. In contrast, the value of exported products rose from \$67.24 million in 1971 to \$ 234 million in 1993, a \$166.76 million increase. This represented a 248% growth (See Statistical Appendix, Table 4, page 66).

The statistical data of 1995-1998 (after the signing of the Agreement) show that the imported products had increased from \$1,658 million in 1995 to \$2,375.1 million in 1998, a \$717 million increase or 43.2% growth. In contrast, the value of exported products for 1995 stood at \$394.17 million as opposed to \$394.8 million for 1998, a \$0.683 million increase.

4.7 Structure of Palestinian imported and exported goods

4.7.1 Exports: geographic and product distribution

4.7.1.1 Agricultural exports

The quota of agricultural exports dropped steadily. The share of agricultural produce in the total exports has been marginal. There is not much evidence of the possibility of any improvement in the near future.

In spite of the absolute increase in the value rate of agricultural exports for different decades, there has been a decline in its relative importance of the overall total exported goods. The rate of agricultural exports, in the 1970s, (1971-1979) reached \$66.01 million (37.5% of total exported products). Between 1986-1989, the average value of agricultural exports amounted to \$84.88 million or 26.8% of total exports (See Statistical Appendix, Table 5, page : 67). This descending direction in the 1990s, in comparison with selected years of the second half of the 1970s 1980s and 1990s, continued. There was a decline not only in the percentage of agricultural exports, out of total exported products, but also in their value. That is, the value of agricultural exports dropped from \$81.64 million in 1975, 1976, 1977 (1970s) to \$75.8 million for same years of the 1980s and to \$65.08 million in the 1990s.

The average percentage of agricultural exports, out of the total exported products for selected years, dropped from 36 % in the 1970s (1975, 1976, 1977) further to 23.33% in the 1980s (1985, 1986, 1988) and to 17.49% in the 1990s (See Statistical Appendix, Table 6, page 68).

Geographical distribution of agricultural exports

The available statistics show that most of Palestinian agricultural exports were directed to Jordan and Israel. In the 1970s (1971-1979) average value of agricultural exports to Jordan amounted to \$32 million (44% of total agricultural exports). Israel took 30.71% of these exports (\$21.20 million). Other countries imported 12.81%. In the 1980s (1980-1989) the average value of agricultural exports to Jordan rose to \$45.60 million (54.07%) as opposed to \$33.77 million to Israel (39.57%). Agricultural exports to other countries amounted to \$5.43 million (6.32%) (See Statistical Appendix, Table 7, page 69). In the second half of the 1990s, the value of agricultural exports directed to Arab countries totaled \$6.7 million (10.6% of total agricultural exports) as opposed to \$53.6 million to Israel (84.7%).

4.7.1.2 Industrial exports

The value of Palestinian industrial exports increased from \$39.03 million in 1971 to \$173.51 million in 1979. Between 1971-1979, the average value of industrial exports amounted to \$112.7 million (62.5% of total exports). In the 1980s (1980-1989) exports topped \$249.4 million (73.2% of total exports) (See Statistical Appendix, Table 8, page: 70). When comparing industrial exports in the 1970s and 1980s, it is found there was an increase in the value of industrial exports (\$136.7 million).

By analyzing the industrial exports in the first years of the second half of the 1970s, 1980s, and 1990s, it is also found there had been an increase in the value of these exports. There was also an increase in the percentage of industrial exports to overall total of exported products from \$142.63 million (64% of total exported products in the 1970s) to \$260.43 million (76.67% of total exports in the 1980s) and to \$306.28 million

(82.5 % of total exported products in the 1990s). (See Statistical Appendix, Table 6, page: 68).

Geographical distribution of Palestinian industrial exports

The industrial exports witnessed significant growth and the trend of this increase was towards the Israeli market. The value of industrial exports to Israel, in the 1970s, amounted to \$88.63 million (77.38% of total industrial exports) as opposed to \$37.54 million to Jordan and other Arab countries (22.33%). In the 1980s, value of these exports to Israel totaled \$202.42 million (81%) whereas the value of exports to Jordan and the Arab countries amounted to \$46.20 million (18.9%). This trend continued to accelerate in the 1990s. (See Statistical Appendix, Table 8, page : 70).

By analyzing the industrial exports for the first three years of the second half of the decades 1970s, 1980s and 1990s, it is noticed that there is an increase in the value of industrial exports and in the percentage of these exports to total exports. In the 1970s, the average value of industrial exports to Israel was \$152.7 million (61.8% of total industrial exports). Of these, the worth of \$121.4 million was exported to Israel (79.5% of total industrial exports) as opposed to \$30.1 million to Jordan (19.7%). These exports, in the 1980s, rose to \$268.6 million (79% of total exported products). Of these, \$244.3 million worth of products was exported to Israel (83.5%) as opposed to \$43.86 million to Jordan (17.9%). Industrial exports, in the 1990, amounted to \$308.3 million (83% of total exported goods). Of these, \$298 million worth of goods was sold to Israel (96.7%) as opposed to \$9.79 million to Jordan and Arab countries (3.17%). (See Statistical Appendix, Table 8, page 70).

Available statistics showed that the average of Palestinian exports, between 1971-1979, had amounted to \$178.74 million. The average of Palestinian exported products to Israel, for the same period, was \$109.8 million (59.78% of overall Palestinian exports). Between 1980-1989, the Palestinian exports rose to \$334 million. Of total exports, the average of Palestinian exported products to Israel amounted to \$236.2 million (70.7%). In contrast, statistics showed that the average of Palestinian exported products, from 1990-1998, was \$297.1 million (96.12% of total exports).

It should be noted here that a significant chunk of Palestinian exported products to Israel was in the form of manufactured products in a subcontract fashion with Israeli companies which, in their turn, sell them in Israeli market or re-export them. According to Palestinian Central Bureau of Statistics, 69% and 71% of exports in 1996 and 1997 respectively could be classified as national products while the remaining products were re-exportation.

Palestinian exports to Jordan

In the second half of the 1990s, exports from Palestine to Jordan plummeted. The value of exports from the West Bank and the Gaza Strip amounted to \$9.12 million, in 1998, as opposed to \$53.19 million in 1990 and \$125 million in 1982. Until the early 1980s, more than 30% of Palestinian exports had gone to the Arab countries.

Statistical data available showed that the percentage of Palestinian exported products to Jordan, out of the total exports, in the 1970s (1971-1979) was 29.8% or \$53.26 million. In 1971, the Palestinian exports to Jordan increased from \$21.6 million to \$88.6 million in 1979. In the 1980s (1980-1989) the average of Palestinian exports amounted to \$92.3 million (27.64%). The average value of exports to Jordan in the second half of the 1990s dropped to \$16.45 million (4.3%) and in 1998, these exports dropped further to lowest level: \$9.120 million (2.3%). At the Egyptian level there had been no kind of exports before, and the interim period did not witness any appreciable change (See Statistical Appendix, Table 9, page 71, 72).

4.7.2 Imports: Geographical and product distribution

4.7.2.1 Agricultural imports

At the time when the trend of Palestinian agricultural exports began to drop, a different change occurred concerning agricultural imports. Between 1971-1979, the average of agricultural imports amounted to \$58.89 million (16.22% of total Palestinian imported products). The average value of agricultural imports increased, in the 1980s, to \$107.66 million but their percentage in the total imported products dropped to 14.3% (See Statistical Appendix, Table 10, page 72).

Geographical distribution of agricultural imports

After analysis of agricultural imports in the first three years of the second half of the decades 1970s, 1980s, and 1990s, it is found that there was a rise in the value of agricultural imports as well as a fluctuation in the percentage of agricultural imports to the total imports. In the 1970s, agricultural imports topped \$77 million (16.7% of the total imported products). Of these, \$65.27 million were paid for agricultural produce imported from Israel (85%). During the same decade, the West Bank and Gaza Strip did not import from Jordan. In the 1980s, the value of agricultural imports amounted to \$130 million (14.6% of the total imports). Of these, \$115.67 million were paid to Israel for agricultural produce (88.9%), \$9.7 million to Jordan (7.4%). The value of imports, in the 1990s, amounted to \$398.2 million (20% of total imports). Of these, \$364 million were for agricultural produce imported from Israel (77%) as opposed to only \$36.7 million for produce imported from Jordan and the Arab world (2.6%) (See Statistical Appendix, Table 13).

4.7.2.2

Industrial imports

The value of Palestinian industrial imports increased from \$104.56 million, in 1971, to \$496.52 million in 1979. During the 1970s, the average of industrial imports was about \$300 million (83.78% of total

imports). These imports rose again in the 1980s to \$656.21 million (85.9% of the total imports. (See Statistical Appendix, Table 14).

After analysis of industrial imports for the first three years of the second half of the decades 1970s, 1980s and 1990s, it is found that there was an increase in the value of industrial imports, in comparison with the overall volume of imports. In the 1970s, the average of industrial imports amounted to \$387.01 million (81.5% of the total imported products). Of these, 352.45 went to Israel (91.07%) as opposed to only \$4.22 million to Jordan (1%). The average of industrial imports, in the 1980s, was \$759.4 million (88.6% of total imports). Again Israel took the lion's share: \$690.5 million (91%), while Jordan took only \$9.7 million (1.3%). In the 1990s the average value of industrial imports topped \$1,713 million (78.33% of total imports). Of these, \$1,388 million worth of industrial goods went to Israel (81%) as opposed to \$40.3 million to Arab countries (3.17%%) (See Statistical Appendix; Tables 11, 12, 14).

Geographical distribution of industrial imports

Palestinian imports from Israel

Since 1990, Palestinian foreign trade has concentrated on one market and one major trade partner. Although this trend is in harmony with long-term change, in the structure of the Palestinian foreign trade, with the customs union agreement with Israel, statistics, pertaining to Palestinian imported goods, showed that, between 1971-1979, the average of imported goods amounted to \$356.83 million. The Palestinian imported \$318.7 million worth of goods from Israel (88.82% of total Palestinian imports). The value of imports from Israel rose from \$105.87 million in 1971 to \$502.4 million in 1979. In the same period, these

imports from Israel increased by \$369.53 million, an increase of 374%. In the 1980s, between 1980-1989, the average of Palestinian imports increased to \$762.41 million. Of these, \$676.77 million were concluded with Israel (89%). The value of imports from Israel increased from \$584.43 million, in 1980 to \$615 million in 1989. That is, imports from Israel for this period increased by \$30.57 million, a 52% increase (See Statistical Appendix, Table 13). In the 1990s, (1990-1998) the average of Palestinian imports amounted to \$1,753.5 million. Of these, \$1,460 million worth of imports was concluded with Israel (87.15%). The value of imports from Israel increased in the 1990s to \$1,151.37 million as opposed to \$727.5 million in 1990 and \$1,878.87 million in 1998.

Palestinian imports from Jordan and Egypt

It is worth mentioning that since 1967, the beginning of the Israeli military occupation of the West Bank and Gaza Strip, Jordan has been the only Arab country which has maintained direct trade ties with both areas. However, after the signing of Paris Economic Protocol, the PNA was allowed to establish direct trade relations with the Arab countries which have established diplomatic relations with Israel. However, the PNA's imposition of customs and duties on most imported products from Jordan and Egypt or Via Israel has led to a rise in price of these products in comparison with similar products produced in Israel. This has reduced the positive effect of the Paris Protocol and the demand for imports from the Arab countries (See Statistical Appendix, Table 13).

Jordan

Statistics available on Palestinian imports showed that the average value of Palestinian imported products from Jordan in the 1970s (1971-1979) was \$3.9 million (1.2% of total Palestinian imports).

In the 1980s, between 1980-1989, the value of imports coming from Jordan rose in absolute figures but not in their relative importance. The average value of imported goods from Jordan was \$8.28 million (1.08% of total imports). In the analysis of Palestinian imports from Jordan, in the first three years of the second half of the 1970s, 1980s and 1990s, it was found that there had been a slight increase in the value and relative importance of these imports to total imports. In the 1970s, the average of imports from Jordan amounted to \$4.22 million, representing 0.91% of total imports. However, the average of imports in the 1980s rose to \$9.7 million (1.1% of total imports). In the 1990s, there was an increase in the average of these imports to \$29.677 million (1.36% of total imports). In contrast, there was a drop in the volume of Palestinian exports to Jordan and other Arab countries, representing many many times as much as this increase (See Statistical Appendix, Table 13, page 75).

Egypt

In spite of the increase achieved in the value of imported goods, in absolute figures from Arab countries, from an average of \$6.96 million between 1971-1993 to \$56.012 million between 1996-1998, its percentage, out of total Palestinian imports, is still very small. From Arab countries, namely Egypt and Jordan, exports to Palestine increased from 1.05% to 2.53% in spite of Arab boycott of Israel, lack of a peace treaty between Jordan and Israel, and in spite of the signing of a trade cooperation agreement with both Jordan and Egypt. Further, in spite of the peace treaty between Israel and Jordan, these figures don't reflect prospects and potentials of trade ties between Palestine and the Arab countries. The small volume of current trade relations is not the result of

the market mechanism but due to the Israeli arbitrary policy controlling all foreign trade in Palestine. A case in point is the importation of strategic products such as fuels, cement and metals. Israel possesses neither comparative nor relative advantage in these products. Statistics, in this regard, showed that the average value of imports, namely fuels and other related materials, in the first three years of the second half of the 1990s had amounted to \$598.16 million (27.4% of total Palestinian imports). Israel's share amounted to \$559.3 million (93.5% of total Palestinian imports from Israel) (See Statistical Appendix, Table 17, p. 79).¹¹

From the rest of the world

Between 1971-1993, imports from Israel amounted to 88.2% of total Palestinian imports. Imports reached their peak in 1990 (92.4%). However, these imports dropped slightly in 1994 to 85.5%. Two years after the conclusion of Paris Economic Protocol, these imports witnessed remarkable drop in favor of non-Arab countries. This was due to the PNA's ability to set up a new system determining the destination of imported goods through the Israeli ports. These imports were statistically calculated as imports from Israel, and Israeli customs and duties were reduced on some of these goods particularly those coming from SouthEast Asia.

¹¹Federation of Palestinian Chambers of Commerce (2000). Al-Rasid al-Iktisad Li-Ada al-Kita' al-Khass: Taba'iyat al-Iktisad al-Filistinee w-Siyasat al-Uqoobat al-Iktisadiyyah al-Israeliyyah, Ramallah, Palestine.

Part Two

Chapter One

5- Effect of recent Israeli economic sanctions and measures on Palestinian foreign trade

5-1- Introduction

The international deep-rooted links of the Palestinian Territories' economy were one of the most important features until 1967. Historically, the West Bank continued to supply the neighboring Arab markets with some basic products and some other manufactured goods for which demand continued to remain stable. In addition, some of the Gaza Strip exports had also reinforced themselves in a number of Jordanian markets. The options pertaining to trade development also remained flexible as long as it was possible to establish direct links and maintain them in a number of export and import markets.

However, the freedom of choice and trade has changed due to the accumulating effects of a set of measures, during the long years of the occupation. The Palestinian people have been deprived gradually, and in a programmed manner, of the opportunity to play their role in setting policies and measures and applying them in order to reinforce and develop their own trade, even after the signing of Oslo Agreement and the Paris Economic Protocol. It was believed that the peace process and such agreements would lead to the establishment of Israeli-Palestinian trade relations, based on more balances, and the restoration of Palestinian economy's traditional markets, but nothing on the ground has changed owing to the shortcomings of these agreements themselves. This in

addition to the poor implementation of the agreements that emptied such agreements from their substance particularly when it comes to the interest of the Palestinian side.

The Israeli military occupation has inflicted a lot of damage to the Palestinian economy. The occupation mobilized a lot of pressures to impede the development process, which resulted in the systematic damage of the economy's traditional sectors. No real parallel development in the modern sectors was promoted. The most outstanding effects of the occupation were; the encouragement of work force to leave from Palestinian traditional sectors to labor-intensive sectors in the Israeli economy; the negligence of the Palestinian production sector, and the redirection of this sector to serve the Israeli consumer and producer interests and consequently control of all channels of trade in a way that has guaranteed Israeli's control of Palestinian trade.

5-2- Main obstacles facing Palestinian foreign trade (under extraordinary circumstances)

The Palestinian foreign trade has continued to face a wide number of obstacles, thus denying the Palestinian economy of independence and benefit from arrangements and external agreements with Jordan, Egypt, European Union, the USA, Canada, and Nafta states. Some of these obstacles have affected trade with all trade partners and other specific markets. These obstacles can be grouped under three major types: obstacles pertinent to policies, obstacles pertinent to measures and obstacles pertinent to technical issues.¹²

¹²United Nations (1999). Promoting the Palestinian Authority's Cooperation with Egypt and Jordan in Improving Sub-regional Trade Services, Palestine and Geneva.

Policy-related obstacles

1. Israeli customs system, coupled with strict security measures, has prevented any development of Palestinian-Jordanian foreign trade ties.
2. Restricting importation from Arab and Muslim countries in accordance with Paris Economic Protocol particularly with Jordan and Egypt (according to two major lists). These lists are very small and limited in their items in addition to the specification/limitation of lists to quantities.
3. Palestinian National Authority's lack of control of border crossings particularly crossings used for trade relations.
4. Israel does not recognize Palestinian customs clearance agents. Therefore, Palestinians resort to Israeli customs clearance agents. Further, there is no Palestinian customs law to put it into effect. And it's worth noting that the customs and duties which the PNA collects do not exceed more than 3.5% of the PNA's revenues although the Israeli authorities collect more than 48% of overall revenues.
5. Palestinian exporters and importers are not allowed to have access to customs and duty areas. In addition, Palestinian importers and trade agents cannot also get access to information about freight except through Israeli officials.

Institutional and procedural obstacles

- Most of Palestinian imports are purchased or imported indirectly from Israeli merchants for different reasons, at the top of which is the

evasion of Israeli obstacles, thus the leaking of collected revenues from duties.

- The exportation and importation process passes through long and sometimes costly procedures.
- Export and import procedures are ambiguous.

On the Israeli side

1. Israeli inspection procedures are so long, costly and damaging most of the time.
2. Israel imposes impeding measures concerning the dates of crossing the borders without taking into consideration the factor of delay and its consequences.
3. Jordanian products exported to Palestinian Territories must get a permit from Israel and this takes a number of months sometimes.
4. Separation of the West Bank from the Gaza Strip concerning customs and duties.
5. Jordanian merchants pay higher duties than the 17% Value Added Tax.
6. Israeli customs duty officials are security officers.
7. There is no homogeneity in the calculation of customs or a certain equation of these customs.

On the Jordanian side

1. Duty clearance facilities and services are poor. These include inspection facilities and warehouse areas.
2. There are no licensed customs and duty clearance agents at border crossings.
3. Working hours at the Jordanian clearance centers are limited.

On the Egyptian side

- 4- There is a need for the approval of several authorities before the final release of imported or exported goods.
- 5- Product samples are sometimes sent for lab testing outside of the customs and duty area.
- 6- Difficulties, complexities and procedures of payments and disbursement systems.
- 7- Importer's bills don't reflect the real value, and this is considered the rule. Solution of this problem takes 5-15 days.
- 8- Control procedures are unjust and most of committee members belong to customs and duty department.

Roads and ground transportation

Policies

- For transportation of individuals and flow of goods between Palestine and Jordan, ground transportation remained the major means between 1967-1998. However, most the roads are in bad shape and have two lanes and many of these roads pass through residential areas.
- Geographical separation between the West Bank and Gaza Strip and the division of them into Area A, B, & C.

This is in addition to the poor financial resources. All these factors have impeded the PNA's endeavor to create integration between the Palestinian areas and the neighboring countries. The security safe passage, between Gaza Strip and the West Bank is ineffective; the working hours are limited and are under full Israeli control.

- There are no direct roads leading to Rafah crossing, at the Egyptian border and to King Hussein and Damya Bridges, thus hindering Palestinian foreign trade and increasing costs.
- Israel full and tight controls of borders, roads and border crossing centers.

Institutional and procedural obstacles

From the Israeli side

- Careful security inspection of products and vehicles which, result in the damage of imported or exported goods.
- Trucks entering the PNA areas need security permits from the Israeli authorities. Often, truck drivers are denied such permits.
- Security measures are intensive but not unified in their procedures or nature. They are also very difficult to understand and abide by.

From the Palestinian and Arab sides

- There is a lack of cooperation between Palestinian and Jordanian transportation companies as well as supportive trade facilities. For example, there are no warehouses or storage facilities at the border crossings and bridges or even on the way to them.
 1. Supportive services and customs duty clearance agents are lacking.
 2. Service stations for freight and passengers' cars are not available.
- There are also no transit arrangements controlling ground transportation between Jordan and Palestinian Territories.

Procedural

- Border procedures are long, costly, complicated and ambiguous. These cause delays in conclusion of transactions.
- Severe restrictions on movement and flow of individuals and goods from the West Bank and Gaza Strip particularly concerning the exportation from the West Bank via the Gaza Strip. In addition, the exportation from Gaza to Jordan is subject to delay and impediment. Convoys loaded with goods from Gaza are accompanied with Israeli military cars and have a timetable. They are also subjected to security inspection, thus leading to damage of produce and goods.
- Internal transportation and timetables are also subjected to security considerations and sometimes no timetables are given for security reasons.
- Transportation and back to back loading and unloading lead to damage of produce and goods. This is in addition to costs and in some cases denial of freight.

Technical

- There are 163 trucks holding license plates but have no accessories or equipment. They are also old (more than 25 years old).
- Facilities at the Palestinian and Jordanian side are unsuitable and badly need supportive services such as warehouses, storage areas and post offices.
- Numbers of working hours are limited particularly in the summer.

5-3- Economic sanctions and measures under the Palestinian Intifadas

The Israeli occupation authorities, over the last three decades or so, have not only destroyed the Palestinian infrastructures, and tied the Palestinian economy with the Israeli economy for the interest of the latter and the control of its natural resources, but they have also kept the Palestinian foreign trade captive of Israeli economic policies, let alone the vehement amount of impediments set against the Palestinian foreign trade under extraordinary circumstances. The occupation authorities also resorted to economic sanctions, closures, and economic strangulation, which aimed at depriving Palestinians of their aspirations for freedom and end of occupation. Israel practiced such sanctions during first intifada, Tunnel Intifada and is still practicing them in the present Al-Aqsa intifada. The following chart holds a comparison among the different economic and security measures, in terms of forms, harmony in aims, taken by Israel in its confrontation of the Palestinian intifadas.

First Intifada	Al-Aqsa Intifada
<p>1. Placing curfews on town/cities in which protests or forms of resistance take place against occupation authorities.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Siege and closure of all Palestinian cities without any exceptions. Many times, these authorities prevent all access to towns/cities except on foot. <input type="checkbox"/> Imposition of curfews on occupied areas of Hebron and other towns still under Israeli security control. <input type="checkbox"/> Closing of outlets of villages, and cities with concrete blocks and physical barriers. <input type="checkbox"/>
<p>2. Imposition of restrictions on flows of goods and movement of individuals between the West Bank and the Gaza Strip.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Imposition of severe restrictions on flow of goods and movement of individuals between the West Bank and the Gaza Strip, making them almost impossible. <input type="checkbox"/> Closure of the safety passage between Gaza & the West Bank <input type="checkbox"/> Separation of West Bank and Gaza Strip cities from each other and from surrounding villages within each governorate. <input type="checkbox"/> There are now 148 permanent and mobile military roadblocks. Of these, 24 are in the Gaza Strip as opposed to 98 in the West Bank. In addition, there are another 26 roadblocks and

	<p>checkpoints along the Green Line separating 1967 Palestine from Historical Palestine (1947).</p>
<p>3. Imposition of restrictions and other forms of bans on vital exports to Arab and non-Arab markets; restrictions and the ban are on agricultural exports such as fruits, olive oil, and other agricultural products.</p>	<ul style="list-style-type: none"> □ Separating production areas, namely agricultural areas, from their own market. □ Preventing farmers from picking out their own crops. □ Attacks on farmers during olive season. These attacks left many dead and scores injured. □ Frequent closure of Palestinian border crossings for periods ranging from 3-21 days.
<p>4. Burning and destroying buildings and industrial equipment</p>	<ul style="list-style-type: none"> □ Bombing and destroying a number of factories and bulldozing some of them to the ground under different pretexts. □ Bulldozing residential areas nearby the Seam Line particularly in Rafah in the Gaza Strip. □ Bulldozing agricultural lands and greenhouses. □ Uprooting thousands of olive trees and other trees. □ Confiscation of some installations and transforming them into military posts. These included some hotels.

<p>5. Banning the activities of a network of Palestinian institutions and popular committees, which provided local community services including financial and in-kind assistance.</p>	<ul style="list-style-type: none"> □ Closure of economic and political institutions as well as social institutions in Jerusalem at the top of which, are the Orient House and Jerusalem Arab Chamber of Commerce and Industry. □ Bombing the PNA's headquarters and offices and frequent incursions into parts of areas under the Palestinian control and destruction of some targets before withdrawal.
<p>6. Reducing the then Civil Administration expenditures on social and health services and imposing harsher restriction on the transfer of money from abroad.</p>	<ul style="list-style-type: none"> □ Freezing the transfer of due revenues coming from customs duty imposed on Palestinian imports via the 1948 Palestine ports and border crossings. □ Confiscation of some imported or donated machinery or equipment destined for the Palestinian Territories. □ Damaging heavily a number of ambulance vehicles; killing and wounding doctors and first aid medical personnel including drivers. □ Impeding the patients' access to hospitals at military roadblocks, thus causing the death of many of them.
<p>7. Imposition of a selective ban on delivery of oil fuel products to Palestinian</p>	<ul style="list-style-type: none"> □ Imposition of frequent and more comprehensive bans on delivery

Territories.	<p>of fuel products and engine oils particularly to the Gaza Strip cities and for longer periods.</p> <p>□ Imposition of frequent bans on the importation of building materials to West Bank and Gaza Strip cities and for long periods.</p>
8.Cutting off water and electricity supplies to Palestinian towns and villages	<p>□ Cutting off water and electricity supplies to Palestinian main cities under full Palestinian control and then bombing them.</p>

In spite of apparent weakness of the Palestinian economy, as a result of these sanctions, the economic activities have continued, thanks to the Palestinian people's determination, perseverance and ability to adapt to the most severe circumstances owing to accumulated experience they have gained over the years. This has actually given them the ability to survive under different conditions.

- The Palestinian people have accepted drop in their income levels, and standards of living. They have also developed a negative attitude towards consumption of Israeli products.
- Voluntary assistance has been directed towards deprived population and areas hardly hit by Israeli violence.
- There has been an increase in the feelings of hostility, impediment of all forms of bilateral economic activities and resistance of all forms of normalization with Israel.

5-4- Effect of Israeli recent economic sanctions on Palestinian foreign trade

Israel resorts often to the imposition of security and economic measures in order to reduce level of what it calls “violence” in weeks. However, these measures aim at paralyzing economic and social life as well as to break the will of the intifada. In spite of the comprehensive and deep effects of these measures on the Palestinian economy-- as it is captive of the occupation controlling its outlets for exports and imports, especially the border crossings, and closure policies-- it has once and again proved that it’s capable of adaptation, survival and self-preservation in the darkest and harshest circumstances.

5-4-1- Imported goods and Israeli sanctions

1st. Import volume and distribution

In comparison with the situation before the intifada, the volume of import declined by 56.1%. The import of investment machinery and equipment recorded the highest decrease rate (83.7%). The import of cars also dropped by 79% while household and electrical appliances dropped by 63.3%, building materials by 52.7%, consumer and foodstuff products by 48%. The volume of imports from the Arab countries also recorded the highest drop (62.2%), while volume of imports from Israel decreased by 44.5%. From Europe, imports dropped by 41.5%.

Furthermore, number of employees in import companies and trade agencies went down by 22.4% in comparison with the pre closure period. The number of work-hours also dropped by 32.4% (from 10.30 to 7.15 hours per day).

2nd. Costs and time delivery

The cost of import per unit, during the closure, increased by 25.6% as opposed to pre-closure period. In the data analysis, it was found that 25 companies, out of 41, which completed the questionnaire, said that the cost of imports increased from 1-25% while thirteen companies said that the cost increased from 26-50%. Only one company said that the increase was between 51-75%. Two more companies considered the increase of being higher than 75%. The average cost of transportation increased by 37.2% as opposed to the situation before the closure. Of 46 companies, 20 companies stated that transportation cost, during the closure, increased between 1% - 25%. Fourteen companies said that the increase in average cost of transportation was between 26-50%. Five companies believed the increase ranged from 51%-75% while seven companies said the cost of transportation was more than 75%.

The time needed for the delivery of imported goods also increased by some 34% in comparison with the situation before the intifada on the assumption the border crossings had been open. In the case of border crossing closure, no importation takes place. In the survey, nine companies, out of 20, stated that the time needed for the arrival of imported goods at border crossings and ports increased from 1-25%; six companies said the increase ranged from 26-50%, four companies said that the increase ranged from 51-75%. Only one company said that the increase was more than 75%. In contrast, time needed for arrival of imported goods, from the rest of the world, increased by 36.3% in comparison with the situation before the closure. Out of 35 companies, 14 said the time increased from 1-25% while another 14 said the increase ranged between 26-50%. Two companies said the increase was between 51-75%. Five companies believed the increase was more than 75%.

Pertaining to the time needed for arrival/ delivery of imported goods to local market, it was found it increased by 46.1%. Out of 45 companies, 11 said that the time needed for imported goods and product delivery increased between 1-25% in comparison with the situation before the intifada; 18 companies said the increase was between 26-50%. Six companies said the time needed increased between 51-75%. Ten companies believed the increase exceeded 75%.

C. Obstacles

External factors

In the analysis of the reasons behind the drop in volume of imports, the researchers arranged them according to their importance as follows:

1. Israeli practices and control of border crossings occupied the first place for the drop of import volume. Thirty companies, out of 50, responding to a question, said that Israeli practices were the first reason for the drop. Ten companies believed that they occupied second place. Seven companies said they occupied third place as opposed to three companies, which said that the Israeli practices occupied the fourth place.
2. Weakness of consumer's purchasing power and investment opportunities. Eleven companies considered this as the first hindrance as opposed to ten companies, which classified them as second place. Fifteen companies gave them third place while eleven companies gave them fourth place. Three companies believed that there was no reason for the drop of volume of imports.

3. Restrictions imposed on flow of goods and movement of individuals. In a response to a question about restrictions, nine companies considered them as the first reason, 22 companies placed them second place, eleven companies gave them third place while eight companies considered them as fourth reason.

4. Increasing availability of similar and alternative Palestinian goods

In their responses to the question about this, 30 companies saw this as no obstacle for drop of import volume as opposed to 20 companies which considered this as the least important. This is attributed to the limited ability of the Palestinian economy to respond to deep/dramatic changes in a short. The weakness of infrastructure and high cost of freight occupied the first place, followed by administrative measures and non-trade barriers and then trade barriers, which occupied third place.

Internal factors

Pertaining to internal factors impeding imports, risk occupied the first place while financial obstacles occupied the second place; lack of information occupied third place. Other companies cited other reasons, such as administrative complications, from Israeli side, particularly concerning issuance of import licenses, security inspection, health inspection, delay of goods at port without any reason.

Import obstacles from Arab countries

Pertaining to imports from the Arab countries, the Israeli control of the border crossings occupied the first place while the Paris Economic Protocol, signed between Palestine Liberation Organization and the

occupation authorities, occupied second place. The administrative and non-trade barriers occupied third place while the trade barriers occupied last place.

5-4-2- Exports and Israeli sanctions

1st. Export of services

The exportation of Palestinian work force was one of the most outstanding components of services business. In the wake of Al-Aqsa Intifada, some 145,000 workers have lost their jobs inside the Green Line. The effects of the Israeli sanctions on this services sector have been studied and well documented in the Economic Monitor reports.¹³

2nd. Exported goods

Volume and distribution of exports

The volume of Palestinian exported products dropped by 50.3% in comparison with the situation before the closure. Exports destined for Israel registered a significant drop (51.9%) as opposed to the pre-closure time. The volume of exports to the Arab countries also dropped by 27.01%.

Rise of costs and delivery of time

The average cost of export per unit increased during closure times by 23.78% in contrast to the situation before closures. Data analysis showed that 82 companies believed that cost of production per unit, during closure, increased from 1-25%, 18 companies said the increase in costs

¹³ 1. Federation of Palestinian Chambers of Commerce (2001). Al-Rasid al-Iktisadi Li-Ada al-Kita' al-Khass: Al-Kita' al-Khass al-Filistinee Bayna Sindyan at-Taba'iyati w mitraqat al Uqobat al-Iktisadiyyah al-Israeliyah, Ramallah, Palestine.

2. --- (2000). Al-Rasid al-Iktisadi li-Ada Al-Kita' al-Khass: Taba'iyati al-IktisadLa Filistinee w Siyasat al Uqobat al-Iktisadiyyah al-Israeliyyah, Ramallah, Palestine.

was between 26-50%. Five companies responded that the increase ranged from 51-75%. Seven companies, however, said that the cost increase was more than 75%. The average cost of transportation rose by 35.84%. After data analysis, it was found that 47 companies cited the cost of transportation as increasing between 1-25%; 38 companies said the cost increase in transportation was between 26-50%. While nine companies said that the increase in transportation costs ranged from 51-75%, 14 companies believed the increase in transportation costs was more than 75%.

The time needed for arrival and delivery of raw materials and other inputs increased by some 45% in comparison with the situation before the intifada if we assumed the bridges and border crossings had been open. When border crossings are closed, no importation takes place. Upon analysis of the data, it was found the time needed for arrival/delivery of raw material from the market to factory increased by 31.5%. From Israel, raw materials delivery time increased by 49.8%, from Arab countries, 55.13%, from the rest of the world, 56.3%.

Pertaining to marketing or delivery of products, it was found that the time needed for their delivery to the local market had increased by 47.36% in comparison with the situation before the closure. For product delivery/arrival to markets abroad, the time increased by 57.27%.

Obstacles

Upon analysis of the reasons, which have led to the plummet of Palestinian export volume, the Israeli practices and control of border crossings occupied the first place, followed by weakness of Palestinian infrastructure and rise of transportation costs. Bureaucratic measures and

non-trade barriers occupied the third place while trade barriers came last in the order.

Concerning exports to Arab countries, the Israeli authorities' control of border crossings came first place among reasons, which have led to the drop in volume of exports, followed by weakness of infrastructure and rise in production costs which in turn affect negatively the ability of the Palestinian producer to compete. Added to this is the weakness of purchasing power in the Arab markets. The percentage of Israeli inputs, in the final industrial products, occupied third place. The inability to compete, in terms of product quality, occupied the last place (the least important).

Regarding internal obstacles, companies considered price increase as first obstacle, followed by lack of sufficient information about foreign markets. The inability to enter the markets came last in terms of being an obstacle.

5-4-2-1- Agricultural exports and their distribution

Volume of agricultural exports

Of the total agricultural production, agricultural exports have dropped significantly from 45.4% to 21.5% during closure times. The agricultural exports to Israel dropped from 35% to 13.5% and to Arab countries from 8.5% to 2.3% (of total agricultural produce). That is to say, Palestinian agricultural exports to Israel plummeted from 78.4% to 29.7%, and to the Arab countries from 18.17% to 5.1%.

Increase of costs and delivery time for agricultural produce

Generally speaking, the average cost of production per unit, during the closure, increased by 22% in comparison with the situation before the closure. Data analysis showed that 20 companies said that cost of production per unit increased, during closure, between 1-25%. Only one company said the increase was between 26-50%. Only one company also cited the increase was between 51-75%, while two companies thought the increase was more than 75%. During closures, cost of transportation increased by 35.6% in comparison with the situation before the closures. Out of 24 companies, 11 companies said that the cost of transportation, during the closures, increased from 1-25%, eight companies, 26-50%, and only one company, 51-75% and four companies, more than 75%.

The time required for arrival of agricultural inputs imported by the factory increased by 66.3% in comparison with the pre-closure period. Time increased by 60.4% from Israel, 77.6% from the Arab countries, and from the rest of the world, 87.5%. Time needed for delivery of agricultural produce to local market increased by an average of 49.8% while time needed for their delivery to foreign markets increased by an average of 49.4%.

Obstacles

External factors impeding agricultural exports

Foreign/external factors impeding exports, and agricultural exports in particular can be summarized in the Israeli control of border crossings, weakness of infrastructure, high cost of freight, bureaucratic procedures, non-trade barriers, trade barriers, lack of warehouses, and appropriate fridges for storage of produce and their maintenance. These factors differ

in their importance from one company to another, as they are reasons that impede exports. In data analysis, there was a consensus among those surveyed that the Israeli control of border crossings occupied first place in terms of obstacles. This control was the main factor in impeding exports and sometimes in cancellation of transactions. Infrastructure, services available and rise of freight costs came as second important obstacle, followed by bureaucratic procedures, and non-trade barriers, and trade barriers, storage, and cooling which occupied last place.

Factors impeding agricultural exports to Arab countries

Pertaining to export impeding factors to the Arab countries, Israeli control of border crossings occupied first place, followed by the weak purchasing power of Arab markets. Rise of costs occupied third place while inability to compete, in terms of price and quality, occupied last place.

Internal factors impeding agricultural exports

Internal factors impeding exports can be summarized and ranked according to their importance: lack of information about foreign markets, inability to enter markets, rise of prices, damage of produce, suitability of produce, in terms of quality and competition, in foreign markets. In the data analysis, 13 companies, out of 22, said that lack of sufficient information about foreign markets occupied first place among internal factors impeding exports. Ability to enter foreign markets, four companies only said that it was the first obstacle while six companies believed this obstacle occupied second place. Six companies considered this obstacle as the least important. In contrast, seven companies did not consider it an obstacle impeding exports. High price, three companies did not consider it a barrier impeding exports. Three companies considered

price increase one of the factors impeding competition and consequently influencing negatively exports. Another three companies considered it a second place obstacle while nine companies considered it the least important factor. Six companies did not think that it was an obstacle. Other obstacles impeding process of export, such as suitability of produce for export, damage of produce, and quality, companies did not consider these reasons as major obstacles although they did have an influence on volume of produce and utilized capacity.

Israeli closure and the impediment of exports have led to the increase of supply in the local market and this consequently led to a drop of prices and decrease of produce. The difficulty of marketing agricultural produce occupied first place among obstacles and reasons that led to the drop in production capacity in the agricultural sector and consequently the decrease of export volume.

Out of 28 companies, responding to a question about this, 20 said that the difficulty of marketing the produce occupied the first place while four companies said it occupied second place. Another four companies placed it in the third and fourth places. The difficulty in getting agricultural inputs came in the second place; three companies considered this obstacle as number one while ten other companies considered it number two, and 11 companies considered it as occupying third place. Pertaining to other obstacles, such as high cost of agricultural inputs, accompanied by low exports, which in turn lead to drop of price of produce, transportation difficulty, access to production areas, shortage of water, poor capital, they all occupied third place. However, five companies considered these obstacles as occupying first place, while

eleven gave them second place. Seven companies considered these obstacles as occupying third and fourth places.

Assuming that there would be a Palestinian control of border crossings and a removal of all barriers, the study found that the volume of agricultural exports would amount to 55% of total agricultural produce. Israel would not take more than 20% of overall agricultural produce. The volume of exports to Arab countries and the European Union would rise to 40% and 40% respectively.

Agricultural inputs

Palestinian agricultural inputs include seeds, nurseries, fertilizers, chemical treatment and pesticides. The study found that Israel was the first source supplying them to the Palestinian market followed by the European Union & local market. The Arab countries occupied last place in terms of exporting agricultural inputs to the Palestinian market.

After data analysis, it was found that the 55% of seeds and nurseries provided by local market while Israel's share amounted to 27.75%. The European Union took 8.75% of the market as opposed to 8.5% for the rest of the world. It is worth noting that the Arab countries' quota in the Palestinian market equaled zero. Pertaining to Palestinian agricultural inputs from fertilizers, it was found that Israel occupied first place. Its share amounted to 33.3% followed by the local market, which took 25.24%. The Arab countries and the European Union took 20% and 18% respectively.

The European Union exported 42.5% of the Palestinian market needs of chemical treatment and pesticides, thus occupying the first place,

while Israel covered 29%. The Arab countries occupied third place (19%) whereas the local market covered 9.8% of these inputs.

5-4-2-2- Industrial exports and utilized capacity

1st. Volume of exports

The private sector exports plummeted by 49.6%. Besides, the volume of industrial exports to Israel dropped by 52.7%. To Arab countries, Palestinian industrial exports went down by 30% as opposed to 62.1% to the rest of the world.

The industrial sector sales generally decreased by 25.8%. However, the local market share from production increased from 64% before the closure to 69% after the closure. In addition, the number of exporting companies dropped by 38.4%. The number of exporting companies to Israel also went down by 35.7% while those exporting to the Arab countries dropped by 36.2%. The number of companies exporting to foreign countries also dropped by 53.3%.

The utilized production capacity in the Palestinian industrial sector decreased by 55.7% in comparison with the situation before the intifada. The utilized capacity went down from 75.9% to 33.6% after the closure. Furthermore, the number of employees in industrial exporting companies dropped by 38.9%. The average work hours dropped also by 41.5% from 10.16, before the closure, to 5.9 after the closure.

In the analysis of data, it was found that the difficulty in the marketing of the products was the most important reason for the drop in the utilized production capacity in the industrial sector. Sixty companies considered this as occupying first place, 15 companies placed it in the second place, 13 companies considered it as the third reason in terms of importance. In contrast, five companies didn't consider marketing difficulty an obstacle. Import of raw materials was ranked the second reason for drop in utilized capacity. Twenty-nine companies believed it occupied first place while 40 other companies considered it occupying second place and twelve others as occupying third and fourth places. However, twelve companies did not consider it as an obstacle. In addition, companies reported other obstacles, which led to the drop in utilized capacity. Of these, they cited rise of production costs, shortage of cash, bounced checks, weakness of purchasing power, and irregular and disruption of imports. Difficulty of workers' coming to work places ranked the third, eleven companies considered this as occupying first place, another eleven companies considered it as occupying second place. For 25 companies difficulty of employees' showing up for work occupied third place. However, 34 companies did not consider this as an obstacle at all. This could be attributed to the workers' adaptation with the new situation particularly concerning living in the place of work area.

2nd. Increase of costs and time required for industrial products

Generally, the average cost of production per unit (industrial products) increased, during the closure, by 24% in comparison with the situation before the closure. Results of data analysis showed that out of 88 companies, 62 companies surveyed said that the cost of per unit production increased from 1-25%; 17 companies said the average

increase was between 26-50% as opposed to four companies, which believed that the increase was between 51-75%. Only five companies believed the percentage of increase exceeded 75%. The cost of transportation, during the closure, increased by 35.9%. Out of 87 companies, 36 companies said the cost increased between 1-25% while 30 companies said the increase was between 26-50%. Another 11 companies said the increase was between 51-75%, and 10 companies pointed out that the increase was more than 75%.

Furthermore, the time needed for arrival/delivery of raw materials to factory from their sources increased by 40.6% in comparison with the pre-closure time. Results of data analysis showed that the time increase, from the local market, was 29.2%, from Israel, 46.9%, from the Arab countries, 49%, from the rest of the world, 47.8%. The time required for delivery of equipment to factory, from its sources, increased by 52.33%. From the local market, the increase was 47.5%, from Israel, 53.37%, from the Arab countries, 65.1% and from the rest of the world, 57.8%. Pertaining to time needed for delivery of products to local market, the time increased by 46.7% while from the foreign markets, product delivery time increased by 59.42% in comparison with the pre-closure period.

3rd. Obstacles

External factors impeding exports

The main external factors impeding exports are based on data analysis. These factors can be seen in the Israeli control of border crossings, poor infrastructure, high cost of production, trade and non-trade barriers and bureaucratic procedures. The Israeli control of the border crossings occupied first place. Fifty-one companies, out of 82, considered this obstacle as the first one impeding export, while 18

companies considered it as the second obstacle. Nine companies put it in the third place and only one company put in the fourth place. In contrast, three companies did not consider it an obstacle. The poor or weak infrastructure and high cost of freight came in the second place as an obstacle impeding exports. Fifteen companies said they occupied first place, while 19 companies said they occupied second place. On the other hand, 16 companies said they occupied third place as opposed to 22 companies, which said that they occupied fourth place. In contrast, ten companies believed that is not an obstacle. The trade-barriers occupied the third place. Twelve companies put them in the first place while seventeen put them in the second place. Another seventeen said they occupied third place as opposed to 19, which said that they occupied fourth place. However, seventeen companies believed they were not an obstacle. Came last in the order were the non-trade and bureaucratic barriers. Six companies placed them in the first place, 16 companies, in the second place, 23 companies, in the third place, and 20 companies, in the fourth place. In contrast, 17 companies did not consider them as obstacles.

Factors impeding export to Arab countries

Factors impeding exports to Arab countries can be seen in the Israeli control of the border crossing and in high costs of production, therefore the inability to compete in terms of price and product quality. This in addition to the weak purchasing power of the Arab markets. The Israeli control of the crossings occupied the first place. Whereas twenty - three companies put the Israel control of crossings in first place, seven companies put it in the second place. Another eight put it in the third place while five put it in the fourth place. While three companies put it in

the fifth place, another three did not consider it an obstacle. The inability to compete, in terms of price, came as the second main obstacle. In this respect, eleven companies placed this obstacle in the first place while 20 companies placed it in the second place. Nine companies placed it in the third place whereas ten companies placed it in the fourth place. However, another nine companies placed it in the fourth and fifth places. In contrast 20 companies did not consider it an obstacle. The weak purchasing power of the Arab markets occupied the third place. For four companies this obstacle occupied first place; for another nine companies, this obstacle occupied second place. Fourteen companies placed this obstacle in the third place as opposed to 16 companies, which placed it in the fourth place. Another twelve companies placed it in the fifth place. Still five companies placed it in the sixth place. However, 19 companies did not consider it an obstacle. The high percentage of Israeli inputs in the final product occupied the fourth place. For three companies this obstacle occupied first place, for eight companies, it occupied second place and for another six, it occupied third place. For 33 companies, this obstacle occupied last place. And 29 companies said that it was not an obstacle. The inability to compete, in terms of quality, came last as an obstacle. Only two companies placed it in the first place against 39 companies which considered this obstacle the least important. However, 38 companies did not consider it as an obstacle.

Other internal factors impeding exports

Internal factors impeding exports of Palestinian products can be summed in increase of price, lack of sufficient information about foreign markets, inability to enter markets, suitability of product for export, company strategy and quality. Price occupied the first place among

internal reasons impeding exports. Out of 77 companies surveyed, 24 companies considered it the first obstacle as opposed to eight companies, which considered it as a second obstacle. Another ten companies believed that it was the third obstacle while another seven believed it was the fourth obstacle. Still two companies put it as the fifth obstacle. In contrast, 25 companies didn't consider it an obstacle. The lack of sufficient information about foreign markets occupied the second place among the internal factors standing against exports. Twenty-two companies put it in the first place while 15 companies put it in the second place. Another nine companies put it in the third place as opposed to four companies, which put in the fourth place. One company put it in the fifth place and another put it in the sixth place. However, 25 companies did not consider it an obstacle. Pertaining to the suitability of the product for export, it occupied the third place. Seven companies put it in the first place while three put it in the second place. Another two put it in the third place while another five put it in the fourth place. There were also twelve companies, which put it in the fifth place as opposed to nine companies which put it in the sixth place. In contrast, 39 companies did not consider it an obstacle. The quality and company strategy occupied the fourth and fifth places respectively. Some companies cited other obstacles impeding exports such as capital, insurance, trade agreements signed with other countries, namely the Paris Economic Protocol signed with Israel. They also mentioned subcontracting with other companies, and Israeli control of all export operations for the interest of Israeli companies.

Production inputs

This problem is one of the biggest problems facing Palestinian industrial companies. These companies are forced to buy raw materials or half-manufactured products at prices that exceed 30% of those prevalent

in international market. Sometimes these inputs don't match required specifications.

Therefore, several attempts have been made to collect data about foreign markets and suppliers of raw materials abroad. Providing information about markets and suppliers is the key element in the problem. To guarantee competitive prices and high quality products, there is a need for establishment of trade ties between buyers and sellers. However, results of these efforts, in this regard, have been marginal. Many of company owners have realized that they have to use high quality production inputs.

6- Main Conclusions

1. The Palestinian exports marketing position, under the Israeli occupation, has deteriorated and options available for the West Bank and Gaza Strip have become very limited. The change of markets quotas, since 1970, between Israel and Jordan and the rest of the world has rendered an excessive concentration of exports with only one partner, thus the growth has been almost restricted to it. In 1967, trade with Israel was zero. However, in 1970, Palestinian exports to the Israeli market rose to 43%. Since then, Israel's share in the Palestinian export market kept fluctuating and ascending. In the 1970s, Israel took 60% of Palestinian exports. In the 1980, it took 70%. And in 1998, the West Bank and Gaza Strip exported 96.62% of its products and goods to Israel.
2. In the light of Palestinian Territories' openness, a number of important and comprehensive influences have come into being. One of the outstanding influences has been the effect on the GDP and the exporting capacity as a result of opening the market for foreign imports under the absence of national trade systems and presence of non-Palestinian systems, particularly the Israeli systems. Furthermore, Palestinian Territories are making business in an environment and under certain conditions different from those enjoyed by its trade

partners. The political, geographical and economic circumstances have not left any other option, let alone the work in the framework of non-Palestinian trade systems. As a result, the ability of the Palestinian economy to negotiate over policies of mutual benefit and implementation of such policies are almost does not exist.

Besides, the rise in volume of imports since 1967 has contributed to burgeoning relative importance of trade for the local economy. However, this growing openness has been done without the existence of policies and the taking of appropriate measures to protect the Palestinian interests, thus weakening the Palestinian export production capacity and threatening its safety. However, the Palestinian export capacity was relatively high. In the 1970s, the rate of Palestinian exports amounted to 31% of the GDP. However, in the 1980s and 1990s, the average of exports dropped to 27.3% and 11.59% respectively.

3. The high degree of openness of the Palestinian economy coupled with a weakness of the GDP growth, in general as well as the weakness of export capacity, show that the benefits resulting from the effect of indirect growth, which foreign trade may generate, are wasted because of the price paid due to the weakness of local production capacity and rise of import capacity unaccompanied by additional investment in productive base.

Besides, the other important benefits of trade, such as transfer of growth effects to the neighboring economies, have not arrived to the Palestinian Territories except in a weak and dim fashion. This weakness in the Palestinian exports can be explained not only through the weakness of incentives, but also through a series of obstacles that

have limited the transfer of gains, achieved from trade, to all sectors. At the top of these obstacles are the weakness in financial intermediary activity, high level of consumption, investment frustration in productive sectors. Also the high degree of concentration of goods and services worked towards transforming parts of the external sector into pockets not integrated into the Palestinian economy instead of working toward trade agents or certain markets. In general, these pockets cannot be considered viable for survival except under current distortions of the Palestinian foreign trade.

4. The link between the labor flow from the Palestinian land to Israel, and the flow of Israel exports to the Palestinian land was the greatest benefit to Israel. The labor services from Palestine bridged important gaps in the Israeli economy. The low cost Israel paid in return for services was restored fully and quickly when Israel obtained the income of production factors in the form of payment for Israeli consumer goods. Further, concentration on exporting labor services to Israel, under present circumstances, has left a few incentives, if any, for foreign and local productive investment.

This has led to the emergence of a vicious cycle. There was a big deficit in trade of goods with and through Israel accompanied with a burgeoning dependence on Israel pertaining to export of labor services and rise in consumption versus decrease in productive investment. All this has led to the weakness of production of goods, export capacity, and consequently reinforcing deficit and basic problems in the foreign trade sector (import, export and service trade) in a linked manner that makes all of them worse.

5. The effect of Israeli economic sanctions on the Palestinian economy has been so deep and comprehensive, in all aspects of economic life, due to the following reasons:

- The semi-comprehensive dependence on the Israeli economy, stressed in the introduction of this study, in terms of ; Israeli control of Palestinian foreign trade through its control of the border crossings; the programmed destruction of Palestinian infrastructure network, and, the linking of Palestinian land with the Israeli infrastructure network (roads, electricity, water and communication).
- During the last seven years, little has been done to reduce the dependence and the change from semi-complete dependence on the Israeli economy to interdependence and reintegration of Palestinian economy in its Arab surrounding and restoration of its traditional markets. On the contrary, the signed agreements, during the interim period, have deepened this dependence in addition to the opening of different forms and channels of normalization. This shows that no efforts have been made to prepare, in advance, for the facing of these circumstances.
- There is also the national economy's weak ability and failure to respond to deep sudden changes at the same time and in a short period of time.

Statistical Annex

Table (1)

Export and Import to GDP for selected years in 1970s , 1980s and 1990s

Year	<u>GDP</u>	<u>Expo</u> <u>rt</u>	<u>Impo</u> <u>rt</u>	<u>% Foreign</u> <u>Trade to</u> <u>GDP</u>	Total Export to Total Import	<u>%</u> <u>Merchan</u> <u>dized</u> <u>export to</u> <u>total</u> <u>export</u>	<u>%</u> <u>Merchandi</u> <u>zed import</u> <u>to total</u> <u>import</u>	<u>% Labor</u> <u>service</u> <u>export to</u> <u>service</u> <u>export</u>
1975	686.92	401.77	505.16	1.32	79.5	48	80.5	88.3
1976	678.30	465.16	561.66	1.51	82.8	49	77.5	91.6
1977	694.90	501.03	642.39	1.64	78	50	78.7	90.8
1985	1008.8 9	673	890.4	1.55	75.6	40.4	74.9	91.8
1986	1643.9 1	945.4	1162.9	1.28	81.2	40	76.5	92.7
1987	1705.7 1	1125.9	1369.4	1.46	82	31.8	76.7	93.1
1995	3134.6 1	1143	2217	1.07	51.5	28.5	76.2	57
1996	3400	1156	2509	1.08	46	29	80.3	49.5
1997	3628.5 7	1337.4	2751.6	1.13	48.6	28.6	81.3	52.8

Sources

The data after 1994 are derived from Palestinian Central Bureau of Statistics: Foreign Trade Statistics “ Series” : 1999, 1998, 1997, 1996 , the data concerning GDP are derived from the Palestinian Monetary Authority and UNCTAD

Table (2)

Palestinian Merchandize Export and Import to the GDP for the Period 1971- 1998

Year	GDP	Merchand ize export	Merchand ize import	Merchand ized export to GDP %	Merchand ized import to GDP %
1971	232.66	67.24	125.84	28.9	54.1
1972	274.96	83.59	162.81	30.4	59.2
1973	364.29	100.91	212.7	27.7	58.3
1974	598.51	153.22	335.00	25.6	56.0
1975	686.92	192.34	407.1	28.0	59.3
1976	678.30	227.91	435.5	33.6	64.3
1977	694.90	252.25	505.4	36.3	72.6
1978	725.70	261.25	450.64	36.0	62.6
1979	831.17	270.13	576.5	32.5	69.4
1980	1092.60	344.17	678.0	31.5	62.0
1981	972.48	398.72	748.6	41.0	77.0
1982	1042.93	391.10	729.0	37.5	70.0
1983	1120.58	381.00	784.8	34.0	71.0
1984	1064.28	298.60	686.2	28.0	65.0
1985	1008.89	272.40	667.5	27.0	66.0
1986	1643.91	378.10	889.5	23.0	55.0
1987	1705.71	358.20	1050.9	21.0	61.0
1988	1669.41	283.80	722.4	17.0	44.0
1989	1815.38	236.00	667.2	13.0	37.0
1990	1785	214.20	787.00	12.0	45.0
1991	2166.67	247.00	1139.0	11.4	52.7
1992	2728.97	292.00	1260.0	10.7	46.1
1993	2600	234.00	1173.0	9.0	45.2
1994	2641.30	243.0	1075.0	9.2	41.0
1995	3134.61	394.0	1658.0	12.57	52.9
1996	3400	339.5	2016.3	10.0	59.3
1997	3628.57	382.0	2239.0	10.5	61.7
1998	4663.86	394.8	2375.1	8.4	50.9

Sources

- ◆ The data are derived from UNICTAD for the period 1971 – 1994
- ◆ The data are derived from the Palestinian Central Bureau of Statistics: Foreign Trade Statistics (series): 1999, 1998, 1997, 1996

Table (3)

The Palestinian Merchandize Trade Balance for the period 1971-1998

Year	<u>Export</u>	<u>Import</u>	Trade Balance
1971	67.24	125.84	-58.6
1972	83.59	162.81	-79.22
1973	100.91	212.7	-111.79
1974	153.22	335.00	-181.78
1975	192.34	407.1	-214.76
1976	227.91	435.5	-207.59
1977	252.25	505.4	-253.15
1978	261.25	450.64	-189.39
1979	270.13	576.5	-306.37
1980	344.17	678.0	-333.83
1981	398.72	748.6	-349.88
1982	391.10	729.0	-337.9
1983	381.00	784.8	-403.8
1984	298.60	686.2	-387.6
1985	272.40	667.5	-395.1
1986	378.10	889.5	-511.4
1987	358.20	1050.9	-692.7
1988	283.80	722.4	-438.6
1989	236.00	667.2	-431.2
1990	214.20	787.00	-572.8
1991	247.00	1139.0	-892.0
1992	292.00	1260.0	-968.0
1993	234.00	1173.0	-939.0
1994	243.0	1075.0	-832.0
1995	394.0	1658.0	-12640
1996	339.5	2016.3	-1676.8
1997	382.0	2239.0	-1857
1998	394.8	2375.1	-1980.3

Sources

- ◆ The data are derived from UNICTAD for the period 1971 – 1994
- ◆ The data are derived from the Palestinian Central Bureau of Statistics: Foreign Trade Statistics (series): 1999, 1998, 1997, 1996

Table (4)

The Palestinian Merchandize Export to import ratio for the years 1971- 1998

Year	<u>Export</u>	<u>Import</u>	Export / Import %
1971	67.24	125.84	53.4
1972	83.59	162.81	51.3
1973	100.91	212.7	47
1974	153.22	335.00	45.7
1975	192.34	407.1	47
1976	227.91	435.5	52
1977	252.25	505.4	50
1978	261.25	450.64	58
1979	270.13	576.5	47
1980	344.17	678.0	51
1981	398.72	748.6	53
1982	391.10	729.0	54
1983	381.00	784.8	48
1984	298.60	686.2	43.5
1985	272.40	667.5	41
1986	378.10	889.5	42.5
1987	358.20	1050.9	34
1988	283.80	722.4	39
1989	236.00	667.2	35.5
1990	214.20	787.00	27
1991	247.00	1139.0	22
1992	292.00	1260.0	23
1993	234.00	1173.0	20
1994	243.0	1075.0	22
1995	394.0	1658.0	23.8
1996	339.5	2016.3	16.8
1997	382.0	2239.0	17
1998	394.8	2375.1	16.6

Sources

- ◆ The data are derived from UNICTAD for the period 1971-1994
- ◆ The data are derived from the Palestinian Central Bureau of Statistics: Foreign Trade Statistics (series): 1999, 1998, 1997, 1996

Table (5)

The Palestinian merchandize export for the period 1971-1990 (value in million \$)

Year	Export	Agricultural export	% of agricultural export to total merchandized export	Industrial export	% of industrial export to merchandized export
1971	67.24	28.21	% 42	39.03	% 58
1972	83.59	34.07	% 41	49.52	% 59
1973	100.91	39.62	% 39	61.29	% 61

1974	153.22	50.13	% 33	103.09	% 67
1975	192.34	62.11	% 32	130.23	% 68
1976	227.91	75.04	% 33	152.87	% 67
1977	252.25	107.46	% 43	144.79	% 57
1978	261.25	100.85	% 39	160.4	% 61
1979	270.13	96.62	% 36	173.51	% 64
1980	344.17	107.95	% 31	236.22	% 69
1981	398.72	102.28	% 26	296.44	% 74
1982	391.1	105	% 27	286.1	% 73
1983	381.1	93.5	% 25	287.6	% 75
1984	299.4	76.5	% 26	222.9	% 74
1985	272.4	78.3	% 29	194.1	% 71
1986	378.1	75.2	% 20	302.9	% 80
1987	358.2	73.9	% 21	284.3	% 79
1988	283.8	65.3	% 23	218.5	% 77
1989	236	70.9	% 30	165.1	% 70
1990	214.2	72.9	% 34	141.3	% 66

Source

The data are derived from UNICTAD

Table (6)

The Palestinian merchandized export structure for selected years in 1990s (value in 1000 \$)

	1995		1996		1997		1998	
		%		%		%		%
Agricultural export	72534	18.40	57556	16.95	65147	17.12	67136	17
Food and live animals	67341	17.08	48836	14.39	57240	15.05	61793	15.6
Vegetables fats and oils	5193	1.32	8720	2.56	7907	2.7	5343	1.4
Industrial export	321643	81.60	281911	83.05	315276	82.88	327710	83
beverages and tobacco	7594	1.93	15400	4.54	19639	5.17	25432	6.4
Crude materials Inedible except fuels	23474	5.96	23316	6.87	17237	4.53	17566	4.4

Mineral fuels, lubricants and related materials	5744	1.46	8276	2.44	6175	1.62	7006	1.8
Chemicals and related products n.e.s.	17235	4.37	23692	6.98	22701	5.97	24631	6.2
Manufactured goods classified chiefly by material	105118	26.66	138041	40.66	165578	43.52	165862	42
Machinery and transport equipment	12366	3.32	20314	5.98	21715	5.71	21736	5.5
Miscellaneous manufactured articles	50102	12.61	51997	15.32	56878	14.95	64397	16.3
Commodities and transactions not classified elsewhere in the SITC	100010	25.37	875	0.26	5354	1.41	1080	0.27
Total export	394177		339467		380423		394846	
% agricultural export to total merchandized export		%18.4		% 16.95		% 17.12		% 17
% industrial export to merchandized export		%81.6		% 83.05		% 82.88		% 83

Source

The data are derived from the Palestinian Central Bureau of Statistics: Foreign Trade Statistics (series): 1999, 1998, 1997, 1996

Table (7)

The Palestinian agricultural export “ geographical distribution” for the period 1971-1990

Year	Agricultural export	Israel	% of agricultural export to Israel	Jordan	% of agricultural export to Jordan	Others	% of agricultural export to the others
1971	28.21	5.66	% 20.06	7.93	% 28	14.61	% 51.7
1972	34.07	6.11	% 17.9	14.17	% 41.60	13.62	% 40
1973	39.62	15.55	% 39.2	10.6	% 26.7	13.48	% 34
1974	50.13	18.36	% 36.6	19.02	% 37.94	12.67	% 25.3
1975	62.11	18	% 29	27.77	% 44.71	16.34	% 26.30
1976	75.04	23.24	% 31	36.66	% 48.85	15.14	% 20.17

1977	107.46	33.24	% 31	61.71	% 57.42	12.45	% 11.60
1978	100.85	33.97	%33.70	58.25	% 57.76	8.60	% 8.56
1979	96.62	36.68	% 37.96	51.06	% 52.84	8.88	% 9.19
1980	107.95	50.56	% 46.84	48.01	% 44.7	9.43	% 8.7
1981	102.28	45.22	% 44.2	50.09	% 49	6.96	% 6.8
1982	105	33.6	% 32	64.8	% 62	6.1	%6
1983	93.5	40.2	% 43	46.3	% 49.5	7	% 7.5
1984	76.5	23.9	% 31.2	48.4	% 63.3	4.2	% 5.5
1985	78.3	25	% 32	48.6	% 62	4.7	% 6
1986	75.2	30.4	% 40.4	42.6	% 56.6	2.2	% 3
1987	73.9	38	% 51.4	33.8	% 45.7	2.1	2.85
1988	65.3	25.5	% 39	33.5	% 51.3	6.3	% 9.6
1989	70.9	25.3	% 35.7	39.8	% 56.6	5.3	% 7.3
1990	72.9	34.3	% 47	30.5	% 42	8.1	% 11

Source

The data are derived from the UNICTAD for the period 1971-1990

Table (8)

The Palestinian industrial export “ geographical distribution” for the period 1971-1990

Year	Industrial export	Israel	% Industrial export to Israel	Jordan	Industrial % export to Jordan	Others	% Industrial export to others
1971	39.03	24.82	% 64	13.67	% 36	0	% 0
1972	49.52	34.43	% 70	14.67	% 30	0	% 0
1973	61.29	51.17	% 84	9.71	% 16	0	% 0
1974	103.09	83.41	% 81	19.06	% 19	0	% 0
1975	130.23	104.71	% 80.4	23.64	% 18	12	% 9.2
1976	152.87	121.05	% 79	30.79	% 20	0	0
1977	144.79	120.88	% 83	22.82	% 17	0	% 0
1978	160.4	122.22	% 77	36.79	% 23	0	% 0
1979	173.51	134.99	% 78	37.54	% 22	0	% 0
1980	236.22	176.44	% 75	58.12	% 25	0	% 0
1981	296.44	242.35	% 82	52.44	% 18	0	% 0

1982	286.1	225	% 77	60.20	% 22	0	% 0
1983	287.6	244.9	% 85	42.1	% 15	0	% 0
1984	222.9	171.8	% 77	50	% 23	0	% 0
1985	194.1	156.3	% 81	36.8	% 19	0	% 0
1986	302.9	244.9	% 81	58	% 19	0	% 0
1987	284.3	238.8	% 84	44.4	% 16	0	% 0
1988	218.5	189.3	% 87	29.2	% 13	0	% 0
1989	165.1	134.4	% 81	30.7	% 19	0	% 0
1990	141.3	117.6	% 83	21.7	% 17	0	% 0

source

The data are derived from the UNICTAD for the period 1971-1990

Table (9)

The Palestinian export “ geographical distribution” for the period 1971-1998

year	Total export	Jordan	Egypt	Israel	%
1971	67.24	21.6	0	30.48	45.3
1972	83.59	28.84	0	40.54	48.5
1973	100.91	20.31	0	66.72	66.1
1974	153.22	38.08	0	101.77	66.4
1975	192.34	51.41	0	122.71	63.8
1976	227.91	67.45	0	144.29	63.3
1977	252.25	84.53	0	154.12	61.1
1978	261.25	95.04	0	156.19	60
1979	270.13	88.60	0	171.67	63.6
1980	344.17	106.13	0	227.00	66
1981	398.72	102.53	0	287.57	72.1
1982	391.10	125.00	0	258.60	66
1983	381.00	88.40	0	285.10	74.8
1984	298.60	98.4	0	195.70	66
1985	272.40	85.4	0	181.30	67
1986	378.10	100.6	0	275.30	73

1987	358.20	78.2	0	276.80	77
1988	283.80	62.7	0	214.80	76
1989	236.00	70.5	0	159.70	67.7
1990	217.85	53.19	0	155.47	71
1991	247.00	38.53	0	189.9	77
1992	292.00	29.20	0	248.8	85
1993	234.00	52.42	0.234	177.84	76
1994	243.00	31.10	0.0	204.85	84
1995	394.0	14.67	0.652	306.11	93.9
1996	339.5	15.303	1.02	318.9	93.7
1997	382.4	17.7	0.0	359.8	94
1998	394.8	9.12	0.0	373.05	96.6

Sources

- ◆ The data are derived from UNICTAD for the period 1971 – 1994
- ◆ The data are derived from the Palestinian Central Bureau of Statistics: Foreign Trade Statistics (series): 1999, 1998, 1997, 1996

Table (10)

The Palestinian export “ geographical distribution “ for the period 1971-1998 (the value in 1000 \$)

year	Total Export	Jordan	Egypt	Export to Arab countries / total export
	67.24	21.6	0	32
1971	83.59	28.84	0	34.5
1972	100.91	20.31	0	20.7
1973	153.22	38.08	0	23
1974	192.34	51.41	0	26.7
1975	227.91	67.45	0	29.5
1976	252.25	84.53	0	33.5
1977	261.25	95.04	0	36.4
1978	270.13	88.60	0	32.7
1979	344.17	106.13	0	30.8
1980	398.72	102.53	0	25.7
1981	391.10	125.00	0	32.0
1982	381.00	88.40	0	23.0
1983	298.60	98.4	0	33.0
1984	272.40	85.4	0	31.3
1985	378.10	100.6	0	26.6
1986	358.20	78.2	0	22.0
1987	283.80	62.7	0	22.0
1988	236.00	70.5	0	30.0
1989	214.20	87.2	0	24.3
1990	247.00	38.53	0	15.6
1991	292.00	29.20	0	10.0
1992	234.00	52.42	0.234	23.5

1993	243.00	31.10	0.0	12.8
1994	394.0	24200	3	4.7
1995	339.5	15303	10	5.5
1996	382.0	17695	15	4.6
1997	394.8	9120	30	5.5

Sources

- ◆ The data are derived from UNICTAD for the period 1971 – 1990
- ◆ The data for the period 1995-1998 are derived from the Palestinian Central Bureau of Statistics: Foreign Trade Statistics (series): 1999, 1998, 1997, 1996

Table (11)

The Palestinian Industrial and Agricultural Import for the period (1971- 1998), the values in Million \$

Year	Total import	Industrial import	% industrial import to total import	Agricultural import	% industrial import to total import
1971	125.84	104.56	% 83	21.31	%17
1972	162.81	136.45	% 84	26.31	%16
1973	212.7	175.4	%82	37.28	%18
1974	335	284.96	%85	50.05	%15
1975	407.1	340.7	%84	66.53	%16
1976	435.5	360.01	%83	75.48	%17
1977	505.4	416.26	%82	89.16	%18
1978	450.64	384.76	%85	65.9	%15
1979	576.5	496.52	%86	80	%14
1980	678	581.5	%86	96.48	%14
1981	748.6	652.2	%87	96.4	%13
1982	729	642.3	%88	86.6	%12
1983	784.8	682.8	%87	102	%13
1984	686.2	577.2	%84	109	%16
1985	667.5	565.8	%85	102.1	%15
1986	889.5	759.3	%85	130.2	%15
1987	1050.9	893.3	%85	157.6	%15
1988	722.4	625.7	%86	102.2	%14
1989	667.2	582	%86	94	%14
1990	787.00	691.9	%86	110.3	%14

Sources

The data are derived from UNICTAD

Table (12)
The Palestinian Merchandized Import for Selected years in 1990s (the value in 1000 \$)

	1995	%	1996	%	1997	%	1998	%
Agriculture Import	245193	%14.7	445733	%22.1	503810	%23.3	466753	19.62
Food and Live animals	224490	13.5	422863	21.00	479930	22.12	447195	18.8
Vegetables fats and oils	20703	1.2	22870	1.1	23880	1.10	19558	0.82
Industrial Import	1412999	85.3	1570528	77.9	1660227	%76.7	1908349	80.38
Beverages and Tobacco	73849	4.45	107576	5.33	70461	3.26	97494	4.1
Crude material Inedible except fuels	37443	2.29	68117	3.37	75667	3.40	67185	2.8
Mineral fuels, Lubricants and related materials	218938	13.20	384609	19.07	329041	15.20	409881	17.25
Chemicals and related products n.e.s	91859	5.54	158038	7.83	169015	7.81	189737	8
Manufactured goods classified chiefly by material	329539	19.88	462829	22.95	577746	26.69	567422	23.9
Machinery and transport equipment	162051	9.77	251261	12.46	274138	12.67	386625	16.2
Miscellaneous manufactured articles	101883	6.17	133085	6.60	150374	6.95	175642	7.4
Commodities and transactions not classified elsewhere in the SITC	397437	23.97	5013	0.29	13785	0.69	14363	0.6
Total import	1658192		2016261		2164037			2,375,102
% agricultural import to total merchandized import		%14.7		%22.1		%23.3		% 19.62
% industrial import to merchandized		%85.2		%77.9		%67.3		% 80.38

import								
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Source

The data for the period 1995-1998 are derived from the Palestinian Central Bureau of Statistics

(series): 1999, 1998, 1997, 1996 Foreign Trade Statistics

Table (13)

The Geographical distribution for the Palestinian Agricultural Imports for the Period 1971-1990

Years	Agricultural Import	Israel	Agricultural imports from Israel	Jordan	Agricultural imports from Jordan	Other countries	Agricultural imports from others
1971	21.31	20.61	%97	0	% 0	0.29	%1.36
1972	26.31	22.1	%84	0	% 0	0.29	% 1.1
1973	37.28	34.98	% 94	0	% 0	0.14	%0.37
1974	50.05	44.9	%90	0	% 0	1.5	% 3
1975	66.53	56	% 84	0	% 0	2.9	% 4.3
1976	75.48	59.6	% 80	0	% 0	6.56	% 8.7
1977	89.16	74	% 83	0	% 0	8.12	% 9.1
1978	65.9	62.2	% 94	0	% 0	2.6	% 4
1979	80	73	% 91	0	% 0	2.83	% 3.5
1980	96.48	90	% 93	0	% 0	2.7	% 2.8
1981	96.4	91.2	%95	0	% 0	2.3	% 2.4
1982	86.6	75.3	% 87	0	% 0	5.5	% 6.3
1983	102	89.6	% 88	0	% 0	7	% 6.9
1984	109	98.2	% 90	0	% 0	6.3	% 5.8
1985	102.1	87.8	% 86	0	% 0	7.5	% 7.3
1986	130.2	114.4	% 88	0	% 0	8.5	% 6.5
1987	157.6	140.6	% 89	0	% 0	7.3	% 4.6
1988	102.2	92	% 90	0	% 0	4.5	% 4.4
1989	94	84.5	% 90	0	% 0	4.02	% 4.3
1990	110.3	99.1	% 90	0	% 0	4.2	% 3.8

Sources

The data are derived from UNICTAD

Table (14)

The Palestinian Industrial Import for 1971–1990 (the value in 1000 \$)

Year	Industrial Import	Israel	Industrial import % from Israel	Jordan	Industrial import % from Jordan	Other countries	Industrial % imports from other countries
1971	104.56	85.26	% 81.5	2.44	% 2.33	16.81	% 16
1972	136.45	116.26	% 85	3.57	% 2.6	16.62	% 12.4
1973	175.4	157	% 89.5	3.00	% 1.7	15.34	% 8.7
1974	284.96	254.71	% 89.3	4.01	% 1.4	26.06	% 9.12
1975	340.7	315.46	%92.6	4.81	% 1.4	20.17	% 5.9
1976	360.01	333.68	% 92.6	3.58	% 0.99	22.68	% 6.3
1977	416.26	387.49	% 93	4.38	% 1	24.46	% 5.87
1978	384.76	336.19	% 87.4	4.70	% 1.2	43.87	% 11.4
1979	496.52	429.4	% 86.5	4.6	% 0.93	62.58	% 12.6
1980	581.5	504.43	% 86.7	4.94	% 0.85	72.23	% 12.4
1981	652.2	579.75	% 88.9	7.27	% 1.25	65.24	% 10
1982	642.3	573.1	% 89	8.50	% 1.3	60.7	% 9.4
1983	682.8	623	% 91.2	6.5	% 0.95	53.2	% 7.8
1984	577.2	521.7	% 90.4	8.1	% 1.40	47.4	% 8.21
1985	565.8	509.7	% 90	8.4	% 1.5	47.2	% 8.3
1986	759.3	683.4	% 90	10.7	% 1.4	65.7	% 8.65
1987	893.3	817.1	% 91.4	9.4	% 1.05	67.6	% 7.56
1988	625.7	571	%91.2	9.0	% 1.4	45.7	% 7.3
1989	582	531	% 91.2	10	% 1.7	41	% 7
1990	691.9	628.4	% 90.8	11	% 1.6	52.5	% 7.6

Sources

The data are derived from UNICTAD

Table (15)

The Geographical Distribution for the Palestinian Imports for the Period (1971-1998)

Year	Total Import	Import from Jordan	Import from Egypt	Import from Israel
1971	125.84	2.44	0	105.87
1972	162.81	3.57	0	138.36
1973	212.7	3.00	0	197.20
1974	335	4.01	0	299.61
1975	407.1	4.81	0	371.46
1976	435.5	3.58	0	393.28
1977	505.4	4.38	0	461.49
1978	450.64	4.70	0	398.39
1979	576.5	4.60	0	502.40
1980	678	4.94	0	584.43
1981	748.6	7.27	0	670.95
1982	729	8.52	0	648.48
1983	784.8	6.50	0	712.60
1984	686.2	8.10	0	619.9
1985	667.5	8.40	0	597.5
1986	889.5	10.70	0	797.8
1987	1050.9	9.40	0	858.10
1988	722.4	9.00	0	663.00
1989	667.2	10.00	0	615.00
1990	787.00	11.00	0.00	727.50
1991	1139.0	9.11	0.00	976.12
1992	1260.0	12.6	1.26	1105.02
1993	1173.0	9.38	1.17	1014.6
1994	1075.0	6.45	1.075	920.20
1995	1658.0	8.7	5.07	1521.0
1996	2016.3	6.99	18.15	1742.69
1997	2238.561	25.04	30.6	1852.3
1998	2,375.1	57.0	27.7	1833.1

Sources

The data are derived from UNICTAD for the period 1971 – 1990
The data for the period 1995-1998 are derived from the Palestinian Central Bureau of Statistics:
(series): 1999, 1998, 1997, 1996 Foreign Trade Statistics

Table (16)

The Geographical Distribution for the Palestinian Imports for the Period (1971-1998)

Year	Total	Import from Israel	%	Import from Jordan	Import from Egypt	Imports from Arab countries / Total Import
1971	125.84	105.87	84.1	2.44	0	1.9
1972	162.81	138.36	85	3.57	0	2.2
1973	212.7	197.20	92.7	3.00	0	1.4
1974	335	299.61	89.4	4.01	0	1.2
1975	407.1	371.46	91.2	4.81	0	1.18
1976	435.5	393.28	90.2	3.58	0	0.8
1977	505.4	461.49	91.3	4.38	0	0.9
1978	450.64	398.39	88.4	4.70	0	1
1979	576.5	502.40	87.1	4.60	0	0.8
1980	678	584.43	86.2	4.94	0	0.71
1981	748.6	670.95	89.6	7.27	0	1
1982	729	648.48	89	8.52	0	1.2
1983	784.8	712.60	90.8	6.50	0	0.8
1984	686.2	619.9	90.3	8.10	0	1.2
1985	667.5	597.5	89.5	8.40	0	1.3
1986	889.5	797.8	89.6	10.70	0	1.2
1987	1050.9	858.10	81.7	9.40	0	0.9
1988	722.4	663.00	91.7	9.00	0	1.2
1989	667.2	615.00	92.2	10.00	0	1.5
1990	787.00	727.50	92.4	11.00	0.00	1.1
1991	1139.0	972.12	85.3	9.11	0.00	0.8
1992	1260.0	1105.02	87.7	12.6	1.26	0.9
1993	1173.0	1014.6	86.5	9.38	1.17	0.9
1994	1075.0	920.20	85.6	6.45	1.075	0.7
1995	1658	1521.0	90	8.7	5.07	0.8
1996	2016.3	1742.64	86.4	6.99	18.15	1.3
1997	2238.6	1802.6	82	25.04	30.6	2.5
1998	2375.1	1878.87	77	57.0	27.7	2.6

Sources

- ◆ The data are derived from UNICTAD for the period 1971 – 1990
- ◆ The data for the period 1995-1998 are derived from the Palestinian Central Bureau of Statistics: Foreign Trade Statistics (series): 1999, 1998, 1997, 1998

Table (17)
Palestinian imports of strategic commodities for the years 96, 97, 98

<u>Year</u>	Description	Total in thousands of \$	Import from Israel	Ratio of import from Israel
	Cement	107761.7	100374.6	93%
1996	Oil products	260335.2	260335.2	100%
	Electric current	112823.3	112823.3	100%

	<i>Iron and steel</i>	91705.154	81745.5	89%
	Total imports of strategic commodities	572625.354	555278.6	97%
	Total Palestinian imports	2016184.9	1673706	83%
	<i>Ratio of Palestinian strategic commodity imports to the total imports</i>	28.40%		
	<i>Ratio of Palestinian strategic commodity imports from Israel to the total imports</i>	33.20%		
1997	Cement	160794.3	150577.1	93%
	<i>Oil products</i>	236704	235316	99%
	<i>Electric current</i>	92214	92214	100%
	<i>Iron and steel</i>	102793	73675	72%
	Total imports of strategic commodities	592505.3	551782.1	93%
	<i>Total Palestinian imports</i>	2164034	1724718	80%
	<i>Ratio of Palestinian strategic commodity imports to the total imports</i>	27.40%		
	<i>Ratio of Palestinian strategic commodity imports from Israel to the total imports</i>	32%		
1998	Cement	112190	89833.094	80%
	<i>Oil products</i>	276139.4	276139.2	99%
	<i>Electric current</i>	133611	133611	100%
	<i>Iron and steel</i>	107402.9	71888.978	67%
	Total imports of strategic commodities	629343.3	571472.272	91%
	Total Palestinian imports	2385562.25	1835785.9	77%
	<i>Ratio of Palestinian strategic commodity imports to the total imports</i>	26.40%		
	<i>Ratio of Palestinian strategic commodity imports from Israel to the total imports</i>	31.10%		

Source
Palestinian Central Bureau of Statistics

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