

PRESS RELEASE

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UNCTAD Report says 2009 represents an all-time low for Palestinian economy and policy environment

Economic cost of the massive Israeli military campaign in Gaza is estimated at US\$4 billion - almost three times of the size of its economy; 34% fall in per capita GDP experienced in the last nine years; trade deficit with Israel exceeded 140% of the US\$1.9 billion in donor support in 2008

Geneva, 8 September 2009 - Coping with tight Israeli closures, restraining occupation policies, an eroded productive base and economic structural deformation, the economy of the occupied Palestinian territory (oPt) faces unprecedented challenges, an UNCTAD report says.

The devastation of Gaza and its economy has plunged 1.5 million Palestinians into unprecedented poverty levels, the [2009 Report on UNCTAD Assistance to the Palestinian People](#) states. The report observes no shift in the Israeli economic policy towards the oPt over last four decades: it calls for a bold shift in the orientation of Palestinian economic development and urges donors to fulfil their commitments to the oPt.

Erosion of the economy's productive and natural resources base

In 2008 the Palestinian economy lost ground for the ninth year in a row, the report says. The 2% economic growth for the year implied a one-third drop in per capita GDP (gross domestic product) between 1999 and 2008, despite extensive reforms implemented by the Palestinian Authority (PA) and substantial donor support of US\$1.9 billion in 2008. The economic decline is rooted in Israel's closure policy, the erosion of the Palestinian productive base, the loss of some of the territory's most fertile land and natural resources to the Israeli "Separation Barrier," and expanding settlement activities, the report contends. Due to the systematic constraints imposed by the occupation policy, unemployment increased by more than 10% between 1999 and 2008 to reach 32%. Poverty continued to widen and deepen, with 57% of oPt households living in poverty in 2007, up from 20% in 1998. The trade deficit as a ratio of GDP reached an unprecedented 79%. The trade deficit with Israel alone was equivalent to more than 140% of total international donor support to the PA in 2008 and accounted for more than 70% of the overall trade deficit, the report says.

Devastation of Gaza - another blow to the war-torn economy

Gaza has been disproportionately affected by the occupation policy due to the tight Israeli blockade since mid 2007 and the Israeli military campaign which was launched on 27 December 2008, the report says. The economic losses caused by the campaign are estimated to be US\$4 billion - almost three times the size of Gaza's economy. Living conditions and access to sources of livelihood in Gaza are currently at their worst since 1967, with poverty affecting 90% of the population.

Following UN Security Council resolution 1860 of 8 January, a fragile ceasefire was established on 18 January 2009. But the tight blockade on Gaza was not lifted. Despite US\$4.5 billion in donor pledges at the Sharm El-Sheikh conference (Egypt, March 2009) to support the Palestinian recovery and reconstruction plan, disbursements have yet to begin, and Gaza's local economy is still under blockade and waiting for reconstruction to commence, the report notes. It calls for an increased allocation of aid to revitalize the eroded productive base. It also says immediate and urgent measures are needed to end the siege of Gaza. These measures, while necessary, remain insufficient for steering Gaza out of its current destitution, the report emphasizes, noting that empowering Palestinian policymakers with a full range of economic policy tools is indispensable for achieving sustainable recovery.

No shift noted in substance of Israeli economic policy towards the oPt over last four decades

While the attention of UNCTAD and the international community is now focused on "creating the conditions conducive to building a sovereign and viable Palestinian State," the conditions for the emergence of such a state have been diminished by the dynamics of the conflict and the effects of the prolonged occupation, the report notes. Successive Israeli governments' strategies towards the Palestinian economy have been the main determinant of Palestinian economic development. The pre-Oslo (1993) Israeli policy featured an integrationist strategy to extract Palestinian labour, land and other resources from the territory. This policy has deprived the Palestinian economy of independent development and has increased its vulnerability to Israeli economic, political and security policies.

The Oslo Accords, far from promoting Palestinian economic and territorial integrity, entrenched an unequal integration of the Palestinian economy with the more advanced Israeli economy, the report contends. Physical separation measures meanwhile gained pace as the Israeli settlement and closure policies expanded. The hoped-for convergence of the two economies remains illusive. Divergence between the two economies was such that Israeli income per capita increased from 7 to 14 times larger than that of the oPt in the past three decades. The net result of four decades of occupation are expanded Israeli settlements and controls, combined with diminishing Palestinian economic policy space, reduced physical territory, and reduced access to natural and economic resources.

A review of 25 years of reporting by UNCTAD on the subject reveals the need for a bold departure from the conventional and dominant approach, which leaves unchallenged the context, constraints, and policies of the occupation, the report says. An alternative approach which recognizes the realities of the Palestinian economy and the evident incompatibility between occupation and development has become imperative.

The report calls for an initiative to devise a Palestinian economic strategy for sovereignty and peace predicated on the need for Palestinian economic and political self-determination, in line with relevant UN resolutions. This requires a shift in the dynamics of Palestinian economic policy from those driven by the demands of occupation to one based on the developmental priorities and aspirations of the Palestinian people. Such a strategic repositioning should aim at restoring territorial integrity, addressing the specific needs of the war-torn economy, and laying the grounds for a future viable state in line with UN resolutions, the report says. One multilateral forum where these goals can be approached is the World Trade Organisation (WTO). A new Palestinian economic strategy should entail, among other things, early consideration of Palestine as a separate customs territory administered by the PA, and hence as an observer at the WTO to re-anchor the economy's nominal autonomy in a cooperative, multilateral framework rather than in the existing dysfunctional bilateral framework.

UNCTAD's response

In response to the deepening humanitarian and economic crisis in Gaza, the UNCTAD Secretariat has designed an emergency response package to support ongoing rehabilitation and reconstruction efforts. The package proposes a programme that synergizes emergency needs and strategic development objectives in the form of a flexible multi-year plan.

Progress is being achieved in the implementation of a project to promote sub-regional growth-oriented economic and trade policies towards achieving Millennium Development Goals (MDGs) 1 and 8 in the oPt and five other Arab countries. MDG 1 is eradicating extreme poverty and hunger; while MDG 8 is developing a global partnership for development.

Despite adverse conditions, implementation of an UNCTAD project to modernize Palestinian customs (ASYCUDA) has seen substantial progress. In preparation for the complete roll-out of the system to all customs offices, the new ASYCUDA World system was configured and launched in June 2009, representing the first e-government application in the oPt.

In October 2008, the Secretariat successfully established the Palestinian Shippers' Council, which aims to facilitate Palestinian trade. The Council is now a vibrant private sector institution with a committed Board of Directors with which the Secretariat continues to cooperate as needed. However, the blockade of Gaza has confined the Council's progress to the West Bank.

Coordination is ongoing with the Ministry of the National Economy to support PA efforts in strategic economic policy-making and in integrating the oPt into the global multilateral trading system. Funding shortfalls continue to affect the "Investment Retention Programme" and the "Support for Small and Medium Enterprise Development programme" (EMPRETEC Palestine).

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