UNITED NATIONS SEMINAR ON ASSISTANCE TO THE PALESTINIAN PEOPLE

The economic cost of continued Israeli occupation of the Palestinian Territory; local, regional and international efforts towards mitigating it

Cairo, 6 and 7 February 2012

CHAIRMAN'S SUMMARY

The two-day Seminar brought together representatives of Governments and international organizations, United Nations organs and agencies, civil society organizations and the media. The Seminar reviewed the impact of Israeli policies and practices on the socio-economic situation in the West Bank and Gaza; looked at the cost of the Israeli occupation incurred by the Palestinians in various sectors of the economy; and examined the ways of sustaining the recent economic achievements following the implementation of the Palestinian State-building programme.

The representative of Egypt, the host country, referring to the historic changes that had taken place in the region, expressed the hope that these developments would eventually be in favor of the Palestinian people, and stressed the need for Israel to adapt to new realities. He pointed to the importance of the civil society and its increasing influence on political decision-making and called on the international community to take a crucial decision to help reach a final settlement of the conflict.

The Secretary-General of the United Nations, in a message delivered on his behalf, referred to the high cost of the occupation for the Palestinian people, calling for it to end, and pointed to the economic dimension of the illegal settlements and their infrastructure, which severely restricted access to land and natural resources by the Palestinian people. He also called for the full lifting of the Gaza blockade to allow for its economic recovery, and stressed that only a political solution would allow sustainable economic growth.

The Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People enumerated various aspects of the impact of the occupation, such as the fact that more than 40 per cent of the West Bank was off-limits to Palestinians, serving the needs of half a million Israeli settlers; the separation wall was poised to swallow up a further 9 per cent of the territory; housing demolitions and evictions had doubled during 2011; and settler crimes and vandalism were up 40 per cent. In addition, Israel was blocking Gaza exports and imports, preventing the rebuilding of its devastated economy, and fragmentation and restrictions plagued the West Bank. The occupation caused vast economic damage, including lost output, the plundering of natural resources and environmental degradation. It deepened the Palestinians' aid dependency and handicapped them in the diplomatic arena, while Israel was reaping its benefits. He stressed that "smarter assistance" which promoted self-reliance, stimulated private investment, and empowered the Palestinians, was needed. Robust engagement on the part of the donor community was key.

Speaking on behalf of the Palestinian Authority, the Minister for Planning and Administrative Development stressed that the cost of the occupation involved humanitarian plight and surpassed economic and all other costs. In his keynote presentation, the Minister said that Israeli measures had cost the Palestinian economy $7 billion in 2010, an amount close to its annual gross domestic product. That was the result of heavy restrictions imposed on Palestinians in accessing their own natural resources, including their water, land, minerals and natural gas reserves. The siege of Gaza represented another major cost, as well as a cruel assault on the civilian population. Other losses stemmed from the inflated costs of water and electrical supplies by Israeli companies. In addition, the Israeli Government was promoting settlement plans in strategic areas, which would prevent the formation of a viable Palestinian State. The Minister regretted that in spite of a broad international recognition of legitimate rights of the Palestinian people and their readiness for self-government, this has not yet translated into statehood. In conclusion, he stressed that the Palestinians will continue focusing their efforts on the recognition of the State of Palestine in 2012, either through the Security Council or other United Nations organs.

During the plenary sessions, representatives of United Nations bodies and entities provided a snapshot of the situation through a “United Nations lens”. The humanitarian impact of the occupation in Gaza and the West Bank was enormous, due to access restrictions in Gaza that impacted life there and rendered 35 per cent of extremely arable land unavailable for cultivation. In Gaza, restrictions at sea had severely eroded the fishing industry and contaminated the main food source for Gazans, making them dependent on food aid. Despite measures to ease the blockade in 2010, the situation remained precarious, as only 40 per cent of imports from 2007 levels were allowed in, and exports were at a minimum. Thus, Gaza could not meet most of its infrastructure and reconstruction development needs. In the West Bank, including East Jerusalem, the settlements, the separation wall which was 700 kilometres long, forcible displacements and demolitions, confiscation of land and obstacles to Palestinian movement impacted heavily on the life of the population. The absence of a safe passage between the West Bank and Gaza Strip for goods, vehicles and persons aggravated the situation. Also, a significant constraint on the development of the Palestinian economy was the growing physical and demographic separation of East Jerusalem from the rest of the Occupied Palestinian Territory.

The participants then focused on quantifying the damage caused to the Palestinians by the occupation in various sectors of economy. The director of the Applied Research Institute – Jerusalem presented the findings of the study published in cooperation with the Palestinian Ministry of National Economy, the first attempt to provide a systematic quantification of such costs, for 2010. According to the study, the cost of the Gaza blockade, calculated at the macrolevel through the comparison of the Gazan economy before the blockade, amounted in 2012 to 1.9 billion US dollars (23.5 per cent of GDP). This loss was brought about by a number of Israeli restrictions, including almost complete closure to international trade, the disruption caused to the electricity production, the limited access to sea resources and the continued shelling of infrastructure.

In the area of water, it was noted that Palestinians only had access to 10 per cent of the annual recharge capacity of the West Bank's water system, while Israel had a complete control of the aquifers in the West Bank. In addition, Israel had been consistently over-extracting the water, causing the depletion of the aquifer's reserves, and was then selling the water back to the Palestinians. Half the Palestinian wells had dried up over the last two decades, and on average, Israelis consumed seven times as much water as Palestinians, while Palestinians paid five times as much for water as the settlers. Israeli settlements meanwhile dumped some 40 million cubic metres of wastewater and solid waste annually on Palestinian land, and 60 million litres of untreated or partially treated sewage reached the land or sea or drinking water sources daily. The restricted access to water resources generated two types of losses for the Palestinian economy: direct loses, namely due to the high costs for the water consumed, amounting to 51.9 million US dollars (0.6 per cent of GDP) and indirect losses comprising foregone agricultural production and health problems due to poor water quality, amounting to 1.9 billion US dollars (23.4 per cent of GDP).

The restrictions on access to natural resources deprived the Palestinians of enormous sources of revenues associated with the extraction of salts and minerals from the Dead Sea, which is off limits to the Palestinians; the mining of much of the gravel and stone available in the West Bank, most of which is exploited by Israel; and the development of the Gaza offshore gas field. These costs amounted to 1.83 billion US dollars (22.6 per cent of GDP). Similarly, the lack of access to the Dead Sea has made the development of a high potential Palestinian tourism industry along its shores impossible, causing a loss of 143.5 million US dollars annually (1.8 per cent of GDP).

Other losses imposed by the occupation included the cost of electricity as the Palestinians were dependent on Israeli supplies due to the restrictions imposed on the electricity generation, amounting to 440.8 million US dollars (5.4 per cent of GDP); the costs incurred due to international trade restrictions amounting to 288 million US dollars (3.5 per cent of GDP); the costs associated with the barriers to the movement of goods and people within the West Bank amounting to 184.5 million US dollars (2.3 per cent of GDP); and the destruction of productive assets, particularly the uprooting of trees (138 million US dollars or 1.7 per cent of GDP). In addition, the direct fiscal costs of the occupation amounted to 406 million per year while the indirect fiscal costs total 1.389 billion per year. In total, the cost of the occupation the study was able to measure amounted to 6.897 billion US dollars in 2010, representing 84.9 per cent of GDP.

It was noted that despite the magnitude of the estimated losses, those were likely to be a severe under-estimation of the real costs imposed by the occupation on the Palestinian economy, as it had not been possible to measure all the different costs, owing to a lack of data. Participants noted that other costs should also be quantified, among them the fines imposed on the Palestinians; compensation for the use of land once it has been restituted; compensation for Palestinian prisoners in Israeli jails; and compensation for demolition of Palestinian property.

The participants agreed on the importance to document the damage done by the occupying Power to the Palestinian people. A suggestion was made that the United Nations should create a working group that would establish the losses to the Palestinian economy under the occupation and seek recommendations from the Security Council or General Assembly on ways to compensate the Palestinian people. In a similar vein, it was suggested that the UN should put in place a mechanism that could make a comprehensive inventory of the damages caused. In this regard, reference was made to the United Nations Register of Damage documenting, since 2007, the damage caused by the construction of the wall in the Occupied Palestinian Territory, which should be, together with other units within and outside the United Nations, part of the proposed coordinating mechanism.

Opinions diverged on the issues of compensation and restitution. While all agreed that both were important, some stressed that restitution was essential as land had to be returned to their owners, and compensation could be dealt with later. Others felt it was important to focus already now on the compensation as a deterrent to further exploitation by the occupying Power.

The Executive Director of the United Nations Compensation Commission shared some lessons learnt from the case of compensation for losses resulting from Iraq's invasion and occupation of Kuwait. While acknowledging the many differences between the two cases, the following lessons might be useful in the context of the Israeli-Palestinian conflict: the need to determine a clear mandate of the body in charge of the compensation; the types of harm or loss suffered to identify claims eligible for compensation; the legal bases; the eligibility to submit a claim and the source of funds for compensation.

The Seminar furthermore discussed the role of the international donor community in mitigating the cost of the occupation. At the outset, the participants noted that while the Oslo process had created significant conditions of change, allowing the Palestinians to improve their infrastructure and creating opportunities, it had also significantly unburdened the occupying authorities, with the bulk of costs being transferred to the donor community. A nexus of dependency emerged, in the form of a tripartite relationship between the Palestinian Authority, the donor community and Israel.

It was noted that changes had to be introduced in donor policies in order for the interventions to have real impact on the ground. In particular, there had not been a concerted effort by the donor community to connect the political and the development sphere. The donors shied away from difficult political issues, focusing their programming on technical issues, while their interventions should rather be intended to assist the Palestinian people in the establishment of their independent State. There was a lack of understanding of the needs and priorities of the Palestinians, and interventions were tailored to accommodate Israeli needs. A proposal was made that the Palestinians should establish a commission that would supervise the management of international aid, define the priorities and annually review whether individual donor agencies were exacerbating or mitigating the internal conflict.

The participants also looked at ways of ensuring socio-economic viability of the future State of Palestine. They stressed the importance of a connection between the West Bank and Gaza and listed the priorities in this regard: removing the barriers to trade and market entry; allowing free access to goods and people; revitalizing the Gaza infrastructure and the private sector; reintegrating the Gaza economy with that of the West Bank; and re-opening the Israeli market for Gaza products. The viability of a future independent Palestine depended also on reintegrating East Jerusalem's economy within the broader national economy through better integration of trade, labour and financial markets. Also, the reintegration of the Palestinian economy into that of the region was crucial. There was a need to reestablish and forge the ties in the development and business areas with the wider Arab region, including with Arab civil society and the private sector, especially in light of the Arab awakening and the renewed role of the civil society across the region. Cooperation with the Arab partners will open up opportunities for coordinated advocacy, regional projects, funding as well as investment opportunities in the Occupied Palestinian Territory, in several sectors, including tourism and agriculture. The United Nations could assist in encouraging partnerships and provide platforms for forging and nurturing them, while providing some seed funding for projects.

In conclusion, Palestine's Permanent Observer to the United Nations pointed out that the 7 billion US dollars cost of the occupation incurred annually by the Palestinians meant that if the occupation ended, that sum would further enable the Palestinians to ensure the sustainable development of the national economy, thereby adding another proof of the Palestinian readiness to have an independent State.

The high turnout at the Seminar was an indication that despite of the many developments in the Arab world and the global economy, the Palestinian question remained high on the agenda of the Governments, intergovernmental organizations, and the people in the region.