

**ANOTHER VIEWPOINT
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**ISRAEL SEALS THE OCCUPIED TERRITORIES
IS THERE A SILVER LINING?**

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Israel has closed the Occupied Territories (OT) indefinitely and will review that decision weekly. Closing the OT means that the Arab residents of the OT will have no access to Israel--Jewish settlers will remain free to come and go. It also means that Arabs who commute to Israel to work will no longer be able to do so. Trade from Israel to the OT probably will continue, while the Israeli administration will remain in charge.

The first reaction an Arab is bound to have is that the closure of the OT is a severe, inhuman, collective punishment of the whole population. It entails hardships of unemployment, a dangerous reduction of the living standards, and an incitement to desperate actions. The closure will also interfere with the already unstable peace process.

Israelis would also suffer because the closure deprives certain sectors, especially construction and agriculture, of relatively cheap submissive labor that has no institutional protection against unfair employment within the Israeli system.

Israelis, however, may see certain benefits in the closure. First and foremost is the expected reduction of violence and risk to life of both Israelis and Palestinians within Israel and in the OT. Less exposure presumably reduces the risk of fatal encounters. Although the Israeli armed forces and the Jewish settlers will still be in contact with the Palestinians, the risk of encounter may be reduced because of the reduced interaction between the two peoples.

The closure may also please Israelis who would like Israel to get out of the OT, both to spare themselves the agony of occupying other people and because they respect the rights of the Palestinians to be free and independent. This attitude may reflect a silver lining: The closure may lead to functional autonomy which may lead to Palestinian independence and peace with Israel.

The Palestinians can hardly welcome the closure openly because it is perceived as a punishment and entails severe economic hardships on them, especially in the short run. This is particularly so if the closure orders are not accompanied by positive measures and institutional adjustments that permit the generation of substitute sources of income for the displaced workers. Nevertheless, careful reflection on the major objectives of the Palestinians facing the Israeli forces in the OT would reveal that the closure may be one of the most positive steps the Israeli government has taken, however inadvertently. For example, closure of the OT forces the Palestinians to face the economic and social challenges of autonomy and independence sooner rather than later. While the costs of closure are formidable, they are not totally uncontrollable. While the institutional framework in which the Palestinians must function is not favorable, it is not immutable. And while positive effects cannot be felt in the short run, it is the long run effects that count in the Palestinians' struggle for independence and peaceful coexistence with their neighbors.

The costs of the closure are primarily the loss of employment inside Israel. Unless Israel exports the jobs to the OT, Arab workers who traveled to Israel may remain unemployed and face severe economic hardships. Such a situation was bound to come one day. It would be illogical for the Palestinians to claim independence and remain dependent on

Israel for the employment of one third of their labor force. Hence it is a challenge for them to seek ways of replacing employment in Israel with domestic employment as soon as they can.

The loss of income because of the closure may be estimated at less than half of a billion dollars a year. Assuming the commuters are 120,000 workers, earning about \$500 a month each when fully employed, the total annual loss will be \$720 m. However, it is rare to have all of them fully employed at any one time in the year. Some travel and do not find a job, or find only a part-time job. Others may work one day and be told to come back days later. Often they go on strike and not show up. And all of them are sometimes kept out by temporary closure of the OT for political and military considerations. The commuters also spend some of their earnings on transportation, in addition to the long hours they spend on the road and waiting to be cleared for crossing the borders. A rough estimate of these adjustments indicates that an average net income of \$300 per month for each of the commuter labor force may be reasonable. That would bring the estimated loss down to \$432 m. for a whole year

For the unemployed and their families in the OT this is a lot of money. But for the independence movement, the PLO, the Arab countries, and for those seeking peace between the Arabs and Israel this amount is relatively small. Furthermore, it does not have to be secured all at once, or in the form of aid or a grant. It can be in the form of loans and investments on acceptable business terms.

The problem, of course, is more complicated than suggested here. Who will take the risk and invest in occupied territories whose fate is in flux? Who will extend loans to populations under occupation who are engaged in a semi-violent struggle for independence? To what extent will the occupying country allow the flow of funds to alleviate the hardships on

people it may be trying to contain and punish? What investment opportunities exist in these territories which have little access to the outside, few resources of their own, and a badly damaged economy?

It is easy to raise objections and concentrate on the obstacles that may stand in the way of coping with the closure and the rehabilitation of the Palestinian economy in the OT. It is more fruitful, however, to look at the possibilities.

First, Israel should have little reason to block the flow of funds to the OT if these funds are to be used for purely economic and social developments. A wealthier and highly economically and socially preoccupied neighbor is far easier to live with than a deprived, dependent, and politically frustrated neighbor. Israel would probably be willing to let trade flow more smoothly between the OT and other countries in the Middle East and Europe, whether through Jordan, Israel, Egypt, or an improved Gaza port.

Second, The PLO is supposed to command large stocks of capital and pledged contributions from other countries. Rechanneling some of the capital to the OT may not be an impossibility. Even more important may be the contribution of Palestinians in the Diaspora in the form of investments and loans. The Palestinians boast of their successes, the wealth they have accumulated, and the number of millionaires in their ranks. It should be within their capabilities to invest--not donate--in the economy of the OT, in spite of occupation, as long as Israel is willing to cooperate and facilitate.

Third, the Arab countries, even those that were angered by certain Palestinian behaviors during the Gulf war, may be persuaded to extend their help in the form of loans and investment, though grants would also be appreciated.

Finally, other donor countries may be counted on for loans, investments, and grants for the OT. Indeed, it is possible that Israel and Israeli business people may want to invest in the OT and there is no reason not to allow such investment if peace can prevail and Palestinian independence can be anticipated.

It may be argued that the Palestinians have few investment opportunities to offer and Israel has little reason to forego the cheap labor they can count on from the OT. A little reflection, however, would suggest that investment opportunities do exist. The infrastructure needs to be rehabilitated. Processing agricultural and food items offers many opportunities. Manufacturing and crafts offer opportunities as well. Israel, on the other hand, can do without Palestinian cheap labor by importing other labor, inducing its own people to work and get off the unemployment lists, or mechanizing. Most of the work in construction and agriculture can be mechanized, which may be cheaper than Palestinian labor if considered in a political economy context.

In conclusion, while closure of the OT may be condemned because of the immediate hardships it entails on the people of the OT, the Palestinians may be able to turn it into an opening of the way toward economic, social, and political autonomy and independence.

AVP is a non-profit, non-partisan monthly forum for constructive ideas, published by Elias H. Tuma. Comments and contributions are welcome. AVP may be reprinted freely, though mention of AVP would be appreciated. Lori Aoun is Co-Editor. All correspondence should be addressed to: AVP, 604 Barbera Place, Davis, CA 95616.