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ANOTHER VIEWPOINT

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THE STRUGGLE FOR ECONOMIC DEVELOPMENT IN PALESTINE

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Economic development has been a struggle in most developing countries and few have succeeded, within their desired time horizon. Lack of resources, backward technology, and difficulty of entering the international market are among the major obstacles. These and other obstacles plague the Palestinian economy, whose problems are aggravated by the special circumstances that surround the new "autonomous" economy. These special circumstances deserve special attention if the Palestinian economy is to make headways in its efforts to develop.

1. Incentives and False Expectations. There is a problem of sustaining incentives among the various actors in the economy, for a variety of reasons, as follows:

a) The Palestinian people seem to have adopted high economic expectations since they began the process of peace with Israel. While these expectations have been difficult to realize, it has been equally difficult to maintain the hopeful attitude which generated those expectations; the failure in this case is both political and economic.

b) Expectations and attitudes toward economic activity have tended to fluctuate according to the mood in the political arena. Setbacks to the peace process have led to pessimism and signs of progress to optimism. Unfortunately, the frequency of pessimism has been high enough to dampen incentives and frustrate economic activity.

c) Expectations have been influenced also by a general conviction that the economy is so rich with human resources that its development should be easy. The failure to advance the economy, therefore, has tended to dampen incentives further.

d) Finally, expectations have been exaggerated in part because the Palestinian people have suffered long periods of deprivation and, therefore, any gleam of hope has tended to reawaken feelings that the good days are not far away.

2. Realities of the Palestinian Economy. Whether high expectations are justified or not has rarely been discussed in public. The reality of the Palestinian economy raises questions regarding those expectations.

a) Contrary to the general belief, there is a poverty of resources, both physical and human. The physical resources are limited because of poor natural endowment, political restrictions on access to the existing resources, and the relatively high population

growth. The human capital is also mistakenly considered abundant. Though formal education has been widespread and college graduates are in surplus supply, there is a shortage of relevant qualifications, technical knowledge, and the spirit of creative enterprise.

b) There is a poverty of institutions. This, of course, is understandable since the Palestinian National Authority has had little time to establish the right institutions. The leadership is short of experience, resources, and qualified technical staff to handle a new developing economy efficiently. The problem may be a matter of time before it is overcome, but in the meantime it is a serious handicap in the way of development.

c) There is a poverty of freedom in decision making by the Palestinian authorities. The leaders are overwhelmed by the extraordinary harmful meddling by outside agencies, which are connected to the donor countries and institutions in one form or another.

3. The Future. Though the road is rough and windy, there are certain steps that can help to pave the road and facilitate development

a) The most obvious step is to try to attract investment capital, both domestic and foreign, especially Palestinian and Israeli capital. Israeli capital may be particularly significant because it may smooth the political atmosphere, create jobs within the Palestinian territory, transfer technology, and promote truly viable interdependence between the Israeli and Palestinian economies.

b) Improvement of the institutional framework is indispensable for streamlining responsibilities among and within ministries. There is a need for division of labor according to logical and technical capabilities. That would reduce confusion as to who is responsible for what, and contain the irrational competition among individuals within and among ministries. There is a great need also for a master plan of economic objectives, activities, and projects so as to create complementarities instead of duplications in the economy.

c) Finally, it is imperative to reduce foreign intervention and let the Palestinian make their own economic decisions, as well as mistakes, especially in setting priorities and implementing projects. Donor countries and agencies may have good intentions, but they do not have to face the various constituencies or deal with day-to-day problems of the economy. The apparent impact of such intervention has been to create dependence rather than independence, and economic and cultural occupation in place of true democracy and freedom. Foreign intervention has also tended to breed competition for favors among individuals, ministries, and institutions, at the expense of public interest.

In spite of these difficulties, better days may still be on the way. Many Palestinian leaders work hard, with full dedication, and a clear vision of the road ahead. Let us hope that these people will prevail

and realize their vision for all to enjoy.

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